



# ***PUBLIC ACCOUNTS COMMITTEE***

## **REVIEW OF THE REPORTS OF THE AUDITOR GENERAL**

**Report No. 15  
in the 38<sup>th</sup> Parliament**

**2011**

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## **REVIEW OF THE REPORTS OF THE AUDITOR GENERAL**

### **Report No. 15**

Presented by:

**Hon J.C. Kobelke, MLA**

Laid on the Table of the Legislative Assembly  
on 1 December 2011



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## COMMITTEE'S FUNCTIONS AND POWERS

The Public Accounts Committee inquires into and reports to the Legislative Assembly on any proposal, matter or thing it considers necessary, connected with the receipt and expenditure of public moneys, including moneys allocated under the annual Appropriation bills and Loan Fund. Standing Order 286 of the Legislative Assembly states that:

The Committee may -

- 1 Examine the financial affairs and accounts of government agencies of the State which includes any statutory board, commission, authority, committee, or trust established or appointed pursuant to any rule, regulation, by-law, order, order in Council, proclamation, ministerial direction or any other like means.
- 2 Inquire into and report to the Assembly on any question which -
  - (a) it deems necessary to investigate;
  - (b) (Deleted V. & P. p. 225, 18 June 2008);
  - (c) is referred to it by a Minister; or
  - (d) is referred to it by the Auditor General.
- 3 Consider any papers on public expenditure presented to the Assembly and such of the expenditure as it sees fit to examine.
- 4 Consider whether the objectives of public expenditure are being achieved, or may be achieved more economically.
- 5 The Committee will investigate any matter which is referred to it by resolution of the Legislative Assembly.



## CHAIRMAN'S FOREWORD

This is the first report tabled by the Public Accounts Committee under its revised process for the follow-up of agency implementation of the Auditor General's recommendations. The revised process allows for a more direct approach when dealing with agencies and has created significant efficiencies in managing the Committee's workload. One other benefit is the ability to make recommendations directly to Ministers to report on specific outcomes achieved by agencies in response to the Auditor General's recommendations.

We are of the view that the revised process, particularly in conjunction with the use of recommendations, will improve the extent of agency compliance.

In general, we were satisfied with the responses provided to us by the agencies; however, two reports deserve specific mention.

The first is the examination of the firearms licensing processes used by Western Australia Police. We had been reviewing this matter when media reporting alerted us to significant problems with the computer systems used in the licensing processes. During a hearing with WA Police it emerged that components of the firearms registry were shut-down due to concerns about the integrity of data held within the database. This resulted in over 10,000 individuals being in possession of unlicensed firearms. WA Police assured us that the problems were being addressed, although much work remains to be done. As a result, we have asked the Minister for Police to provide an update on the number of outstanding unlicensed firearms owners and to provide an update on the stability and accuracy of WA Police's firearms computer systems.

The other report relates to the poor state of information security within the Western Australia public sector. We have been concerned for some time about the consistently critical audit reports published by the Auditor General on information security and have taken particular interest in government-wide policy responses to the problem. We have made specific recommendations to the Premier on this matter, and will be keenly watching developments in the new year.

Finally, I wish to express my thanks to members of the Committee for embracing the revised follow-up process. I also extend a special thanks to the Committee staff, Dr Loraine Abernethie, Mr Mathew Bates and Mr Foreman Foto, each of whom have contributed to the smooth operation of the revised process.

HON J.C. KOBELKE, MLA  
CHAIRMAN



## **ABBREVIATIONS AND ACRONYMS**

Chief Information Officer	CIO
Chief Technology Officer	CTO
Country Local Government Fund	CLGF
Department of Commerce	DoC
Department of Education	DoE
Department of Fisheries	DoF
Department of Regional Development and Lands	DRDL
Department of Transport	DoT
Economic Audit Committee	EAC
Rottnest Island Authority	RIA
Western Australia Police	WAP



## RECOMMENDATIONS

### **Recommendation 1**

That the Minister for Police report as to the:

- number of unlicensed firearms owners currently outstanding; and
- number of unlicensed firearms currently outstanding.

For each of the above, the report should:

- be based on the number of unlicensed firearms and unlicensed firearms owners at 1 January 2012; and
- distinguish between firearms owners and firearms which became unlicensed prior to and post the completion of the firearms stabilisation project in May 2011.

### **Recommendation 2**

That the Minister for Police provide:

- an estimate for the accuracy of the information contained in the Firearms System following the completion of the firearms stabilisation project; and
- information regarding the availability of the Firearms System, including the number of hours during the preceding month in which the system was unavailable.

### **Recommendation 3**

That the Minister for Transport provide detail:

- regarding all fees charged by the Department of Transport which exceed cost recovery by more than 30 per cent; and
- explaining what action is being taken to bring fees closer to their actual cost recovery amounts.

**Recommendation 4**

That the Minister for Lands tables in the Legislative Assembly the plan developed by Landgate to introduce the 'more effective costing system' within the agency.

**Recommendation 5**

That the Minister for Regional Development tables a copy of the auditor's review of the Country Local Government Fund.

**Recommendation 6**

That the Premier report as to whether the Economic Audit Committee's recommendation to establish the positions of Chief Information Officer and Chief Technology Officer will be accepted and implemented, and:

- If so, which of the two offices will be responsible for improving IT security within the public sector?
- If not, which agency will be given responsibility for establishing improved and consistent IT security across the public sector?

**Recommendation 7**

That the Premier tables a copy of the Cyber Security Policy Framework developed by the Public Sector Commissioner.



## **MINISTERIAL RESPONSE**

In accordance with Standing Order 277(1) of the Standing Orders of the Legislative Assembly, the Public Accounts Committee directs that the Minister for Police, the Minister for Transport, the Minister for Lands, and the Minister for Regional Development report to the Assembly as to the action, if any, proposed to be taken by the Government with respect to the recommendations of the Committee.



## CHAPTER 1 INTRODUCTION

This is our first report examining agency implementation of the Auditor General's recommendations made under the revised process for the follow-up of the Auditor General's reports. We provided a detailed explanation of the changed process, and the reasons for the changes, in *Revised Follow-up Process to Auditor General Reports*, our 12<sup>th</sup> report in this Parliament.

The most immediately apparent difference between this and earlier follow-up reports is that this edition is much shorter and reflects our intention to publish reports on a more regular basis. Also different is the nature of our follow-up process. Whereas previously we continued to work with agencies until we were satisfied that recommendations had been fully implemented, the revised process sees us reporting on agency actions much earlier.

This does not mean that the rigorousness of our follow-up process has changed. If we think that agencies need to provide more information once we have reviewed their initial responses, it is open to us to call the agencies in for public hearings, or to make recommendations in our reports calling for the responsible Minister(s) to update the Legislative Assembly on the progress of implementation.

This report examines responses to the recommendations made in four audits conducted by the Auditor General. We have examined responses to three of the audit reports under the revised process described above. The fourth audit report relates to the management by Western Australia Police of firearms registrations. Our follow-up of this matter had been conducted under our former model but has been included in this report given media reporting on the topic earlier in the year.

In general, we have been satisfied with progress demonstrated by the agencies examined. However, we have also made recommendations to several agencies that will require responses in the Legislative Assembly by relevant Ministers.



## CHAPTER 2 THE REPORTS

### 2.1 Regulation of Firearms – Report 11, 2009 (21 October 2009)

#### Summary

In October 2009, the Auditor General reported on the adequacy of Western Australia Police's (WAP's) regulation of firearms. We reported previously on this examination in earlier *Reviews of the Reports of the Auditor General* as we were handling the firearms examination under the existing arrangements described in the Introduction.

In his published report, the Auditor General made recommendations in three areas:

- WAP should improve its quality control over the assessment of applicants against eligibility criteria and over licensing decisions.
- WAP should develop programs for monitoring compliance with legislation that are risk-based and ensure monitoring activities and outcomes meet good practice principles of quality control, accountability, natural justice, management review and process improvement.
- WAP should improve the firearms register and other information systems so that they can be maintained accurately to support firearms licensing, monitoring and enforcement activities and can provide information for planning, management and review.<sup>1</sup>

As per the follow-up procedures in place at the time, we asked WAP to provide us with a response to the recommendations made by the Auditor General. This response, which provided detail as to the actions taken to address 17 individual recommendations, was received in late 2010. After considering the response in consultation with the Auditor General, we formed the view that WAP had demonstrated a positive response to the recommendations, although we also resolved to seek additional information about timelines for the implementation of some of WAP's actions.

Before we had an opportunity to request an update on the status of the implementation timeline, we became aware of media reporting suggesting WAP was unable to track firearms and that the gun licensing system was in 'disarray'. The report, which appeared in the *Sunday Times* in early March 2011, made a number of serious allegations, including that:

- high-powered rifles and pistols were being held by unlicensed owners;
- police did not have an automated database to trace who keeps weapons or to keep track of where the weapons are located;

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<sup>1</sup> Auditor General for Western Australia, *Third Public Sector Performance Report*, Report 11, October 2009, p. 6.

- the firearms infringement registry was de-activated in mid-2008 due to technical issues; and
- WAP had been unable to proactively follow-up on lapsed licenses to recover unlicensed arms or issue fines.<sup>2</sup>

Given the serious nature of the allegations, we gave further consideration to the response provided to us by WAP. In reconsidering the response, we were mindful that the computer systems in question were complex, and that the various systems referred to in the media reporting may not have been the same as those referred to in WAP's response. Nevertheless, upon re-examining WAP's response, we found an acknowledgment of problems with computer systems associated with firearms registration and tracking. Whilst the media report indicated that the problems were extensive and serious, the information provided to us by WAP did not reflect this.

Given the nature of the allegations contained in the media report, we requested that WAP provide further information and that it attend a formal hearing to discuss the problems associated with the firearms computer systems.

### **The problems**

From our discussions with WAP, we were able to ascertain the following:

- The firearms system used by WAP consists of three components:
  - The Firearms Database: holds information on firearms licenses, firearms license holders, their histories and their firearms applications. Information about the location of firearms storage is also contained in the Firearms Database.
  - The Firearms Processing Portal: the location of data on application processing, probity checking and quality assurance.
  - The Firearms Registry: responsible for the management of firearms renewals and infringements notices and also reporting and administration.<sup>3</sup>
- In October 2008, the infringement function of the Firearms Registry component of the firearms system was de-activated.<sup>4</sup>
  - An infringement occurs when a licensee does not renew their firearms license within three months of the expiry of their existing license.<sup>5</sup>

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<sup>2</sup> Nicole Cox, 'Gun licence blunder', *Sunday Times*, 6 March 2011, p. 8.

<sup>3</sup> Dr Karl O'Callaghan, Commissioner, Western Australia Police, Letter, 29 August 2011.

<sup>4</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, *Transcript of Evidence*, 7 September 2011, p. 3.

- The infringement function was de-activated due to conflicts between the address information held by WAP and the information provided by the Department of Transport.<sup>6</sup>
- In November 2009, other problems emerged with the integrity of data held within the firearms database after firearms applications and renewals were centralised and out-sourced to Australia Post.<sup>7</sup>
- Information on firearms license holders was always available to police officers in real-time through the TADIS system, even when the problems with the system were being experienced.<sup>8</sup>

The termination of infringement processing due to uncertainty about the accuracy of address and other identifying information contained in the firearms database was a direct result of the data inaccuracies in the firearms system. The practical outcomes of the data inaccuracies included:

- Infringements being issued to persons where the licence had expired by more than 12 months;
- Infringements being sent to persons who no longer had firearms;
- Infringements being sent to incorrect addresses;
- Duplicate infringements being sent; and
- Infringements being sent to deceased persons.<sup>9</sup>

WAP told us that there are around 80,000 firearms license holders in Western Australia and 360,000 licensed firearms. In April 2011, 10,000 gun owners were unlicensed, either as a result of the various data integrity problems associated with the firearms system, or as a result of their own failures to renew licenses on time.

We asked WAP for detailed information on the status of the 10,000 unlicensed firearms holders.

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<sup>5</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, Briefing Note prepared for the Committee, 16 June 2011.

<sup>6</sup> Mr Tim Downing, Acting Assistant Director, Business Technology, Western Australia Police, *Transcript of Evidence*, 7 September, p. 5.

<sup>7</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, *Transcript of Evidence*, 7 September 2011, pp. 7–8.

<sup>8</sup> Mr Tim Downing, Acting Assistant Director, Business Technology, Western Australia Police, *Transcript of Evidence*, 7 September, p. 3.

<sup>9</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, Briefing Note prepared for the Committee, 16 June 2011.

- 6,500 were described as being ‘expired by more than 12 months’. Expired licences are those which have not been renewed for more than 12 months and as a result are ineligible for renewal or infringement and must be prosecuted. This group received a renewal notice prior to their licence expiring; however, they failed to renew. On 12 April 2011, holders of expired licenses were sent a letter reminding them that they were in possession of unlicensed firearms. They were advised to either dispose of their firearms or apply for a renewal of their license.<sup>10 11</sup>
- Of this 6,500, around half expired prior to September 2008 and were sent an infringement notice as they were more than 3 months—but less than 12 months—late with their renewals. The other half of this group of 6,500 expired after September 2008 and so were not sent infringement notices, as the infringement function of the Firearms Registry had been deactivated. WAP took the view that the receipt of an infringement notice may have prompted this group to renew and/or dispose of their weapons.<sup>12 13</sup>
- We were told by WAP that regulations were changed for all unlicensed gun owners (both expired pre and post 2008). These changes amounted to an amnesty for unlicensed owners and provided for streamlined re-application processes. The purpose of the amnesty was to allow as many unlicensed owners to re-register their weapons as quickly as possible, without the disincentive of fines or other criminal proceedings.<sup>14</sup>
- 4,000 were described as being ‘expired by less than 12 months’. This group were sent a letter by WAP in early April 2011 advising them that if they did not renew before the infringement system was re-activated in May, they would be infringed.<sup>15 16</sup>

We asked WAP about the current status of the Firearms System and its various components.

- Shortly after adopting the out-sourced provision of firearms licenses application processing in November 2009, it became clear to WAP that there were problems with the integrity of the information in the Firearms Database. By this stage, the infringement function had

<sup>10</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, Briefing Note prepared for the Committee, 16 June 2011.

<sup>11</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, *Transcript of Evidence*, 7 September 2011, pp. 12–13.

<sup>12</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, Briefing Note prepared for the Committee, 16 June 2011.

<sup>13</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, *Transcript of Evidence*, 7 September 2011, pp. 12–13.

<sup>14</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, *Transcript of Evidence*, 7 September 2011, p. 13.

<sup>15</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, *Transcript of Evidence*, 7 September 2011, p. 13.

<sup>16</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, Briefing Note prepared for the Committee, 16 June 2011.



been deactivated since October 2008. A ‘stabilisation project’ was commenced in early 2010 and concluded in May 2011 with the re-activation of the infringement function. The project had cost approximately \$720,000. Greg Italiano, WAP’s Executive Director, told us that following the completion of the stabilisation project, the Firearms Systems are ‘stable, satisfactory and functional’.<sup>17</sup>

We also asked WAP what impact the stabilisation of the firearms solution had had on the number of unlicensed firearms holders.

- Of the 6,500 firearms owners expired for more than 12 months, in early September 2011 there were still over 3,800 who had failed to take advantage of the amnesty and regulations changes and reapply for their firearms licenses.<sup>18</sup>
- Of the 4,000 firearms owners expired for less than 12 months, only 650 were sent infringement notices when the infringement function was reactivated, indicating that most owners in this category took advantage of the opportunity to renew their firearms licenses.<sup>19</sup>

In our discussions with WAP, we noted that it was likely that there would still be a significant number of unlicensed firearms owners once the amnesty period had concluded. We were told that these unlicensed owners will be the subject of a concerted and structured effort to seize weapons and press charges as necessary.

### **Concluding remarks**

Given the serious harm that firearms can cause, there is an expectation that their sale, possession, and storage be closely monitored and subject to strict licensing conditions. In his audit of WAP’s regulation of firearms, the Auditor General noted the problems associated with computer systems and made a number of recommendations requiring improvement to the operation of those systems.

In responding to our own follow-up of the Auditor General’s recommendations, WAP acknowledged that there were problems with the computer systems but did not provide detail that enabled independent observers to become aware of the seriousness of the situation. It was only reports in the media that alerted us to the extent of the problems.

These problems should not be downplayed.

For over a year—until May 2011—WAP could not be certain of the integrity of the data it held on firearms owners. This uncertainty led to over 10,000 firearms owners possessing firearms without

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<sup>17</sup> Mr Greg Italiano, Executive Director, Western Australia Police, *Transcript of Evidence*, 7 September 2011, p. 6.

<sup>18</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, *Transcript of Evidence*, 7 September 2011, p. 14.

<sup>19</sup> Ms Trudi Angwin, Assistant Director, Licensing Enforcement Division, Western Australia Police, *Transcript of Evidence*, 7 September 2011, p. 14.

a license. Correcting this is requiring considerable resources, with a large number of gun owners remaining unlicensed. Those of the 10,000 who still remain unlicensed will require intervention from police officers and possible action in the courts.

Following our discussion with WAP, we were assured that actions were being taken to resolve the problems with the Firearms System, including attending to the large number of unlicensed gun owners still outstanding.

### **Recommendation 1**

That the Minister for Police report as to the:

- number of unlicensed firearms owners currently outstanding; and
- number of unlicensed firearms currently outstanding.

For each of the above, the report should:

- be based on the number of unlicensed firearms and unlicensed firearms owners at 1 January 2012; and
- distinguish between firearms owners and firearms which became unlicensed prior to and post the completion of the firearms stabilisation project in May 2011.

### **Recommendation 2**

That the Minister for Police provide:

- an estimate for the accuracy of the information contained in the Firearms System following the completion of the firearms stabilisation project; and
- information regarding the availability of the Firearms System, including the number of hours during the preceding month in which the system was unavailable.

Standing Order 277 (1) requires the Minister for Police to respond to these recommendations within not more than three months, or at the earliest opportunity after that time if the Assembly is adjourned or in recess.

## 2.2 Setting Fees and Charges – Report 12, 2010 (24 November 2010)

### Background

When charging for goods and services, Government's general approach is to set fees that cover the costs associated with the production and/or delivery of the goods and services. The Treasury Department's guidelines on cost recovery note that fees set beyond the level of cost recovery may in practice become a tax and that without appropriate enabling legislation taxing—rather than charging a fee—may be invalid.

It is not always a simple exercise for agencies to accurately cost-recover, and to do so requires agencies to establish the scope of services delivered and to accurately calculate the costs of delivering the services.

The Auditor General examined the following six agencies:

- Department of Commerce
- Department of Education
- Department of Fisheries
- Department of Transport
- Landgate
- Rottnest Island Authority

The Auditor General's examination focused on how six agencies set a sample of 15 fees for 2008–09, 2009–10 and 2010–11. Three key questions were asked:

- Do agencies have appropriate legislative authority for setting fees and charges and have they defined the scope and purpose of the fee?
- Do agencies apply their framework for setting fees and charges to achieve cost recovery?
- Are practices for setting fees and charges transparent and subject to review?<sup>20</sup>

### Auditor General's findings and recommendations

The Auditor General found that all agencies had weaknesses in their approaches to setting fees and charges, including failing to define the scope and purpose of fees, poor documentation of the methodologies and assumptions used in costing models, and lack of detailed costing of services for some fees and charges. The Auditor General noted that all of the agencies conducted annual examinations of their fees, but that the rigour of this review varied.

The Auditor General recommended that agencies should clearly define the scope and purpose of the fees they charge and accurately determine the cost of providing the associated goods and

<sup>20</sup> Auditor General for Western Australia, *Second Public Sector Performance Report*, Report 12, November 2010, p. 12.

services. Agencies were also recommended to document in their internal procedures the legal basis of the fees charged.

Agencies were advised to develop costing systems that provide sufficient detail of the costs of services being provided and that the costing system should be sufficiently robust to provide a reasonable estimate of the level of cost recovery being achieved. Where services are costed as a group, reasonable justification for this approach should be documented.<sup>21</sup>

### **Agency Responses**

We wrote to each of the six agencies examined in the Audit Report and asked what actions were being taken to implement the Auditor General recommendations.

#### *Department of Commerce*

The Department of Commerce (DoC) reported that it has over 300 fees and charges in place across a broad range of functions. There are 20 pieces of legislation that establish the various fees that DoC charges, and the Department retains specialist staff responsible for administering the fees across its business activities. The Department reported that it has a strong understanding of its legislative mandate, although it noted that it would, in accordance with the Auditor General's recommendation, re-assess and refine its understanding of the legislative mandate for the fees it charges and would clearly define the scope and purpose of those fees.

DoC indicated that it would continue to document the legal basis, scope and purpose of the fees it charges in policy documents and that it would review the need for the 'grouping treatment' of some fees. The Department highlighted that in some instances the fees charged are significantly below those required for cost recovery, but noted that this was because in some instances full cost-recovery was undesirable due to the high cost of providing some services.

In terms of its public reporting, DoC noted that it publishes information of its fee-setting practices in its Annual Report and that the publication includes information about the date the fees were included in the Government Gazette.<sup>22</sup>

Having reviewed DoC's response, we were satisfied that the Department was demonstrating sufficient progress with respect to implementing the Auditor General's recommendations and resolved to conclude its formal follow-up of the matter.

#### *Department of Education*

The Department of Education (DoE) indicated that it accepted all of the recommendations contained in the Auditor General's report and that most of the recommendations would be

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<sup>21</sup> Auditor General for Western Australia, *Second Public Sector Performance Report*, Report 12, November 2010, p. 7.

<sup>22</sup> Mr Brian Bradley, Director General, Department of Commerce, Letter, 12 August 2011.

implemented before 30 June 2012. The fees charged by the Department range from voluntary contributions from parents to residential boarding fees at agricultural colleges.

With respect to the recommendation that agencies have a solid understanding of the legal basis for and scope of fees, DoE indicated that it was reviewing policies and updating regulations. The Department also intends to clarify outstanding legal issues relating to fees and charges and is improving aspects of various policies in order to improve clarity and simplicity. DoE undertook, in its response to us, to improve support for schools to further assist them with setting fees for courses and extra-cost options. The Auditor General noted that many schools do not have the resources to monitor expenditure against fees charged.

Finally, the Department noted that it would complete its review of fees and charges before the end of August 2012.<sup>23</sup>

Having reviewed DoE's response, we were satisfied that the Department was demonstrating sufficient progress with respect to implementing the Auditor General's recommendations and resolved to conclude its formal follow-up of the matter.

#### *Department of Fisheries*

The Department of Fisheries (DoF) noted that the key finding made by the Auditor General with respect to its performance was that the scope and purpose of its recreational fishing fees had not been clearly established so it was unclear what services the fees covered. With respect to the recommendation that agencies define the scope and purpose of fees, the Department reported that the *Fisheries Act* provides that a recreational fishing fee may include an amount in connection with any purpose for which monies from the Recreational Fishing Account may be applied. This was said by DoF to include the costs of research and education, compliance activities and defraying the cost of administration and management.

Since the completion of the Auditor General's report, the government reviewed recreational fishing fees and adopted a grouped approach for fees, making an 'explicit policy decision to continue to under-recover the costs of managing recreational fishing in WA'. DoF indicated that it would continue to report on fees and charges to the Minister, although it would provide this report at an aggregate level, reflecting government policy to charges fees for recreational fishing using 'grouped' methodologies.

The Department intends to have completed implementation of the accepted recommendations by June 2012.<sup>24</sup>

Given the undertaking provided by the Department of Fisheries that it was implementing the Auditor General's recommendations, we resolved to conclude our formal follow-up of the matter.

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<sup>23</sup> Ms Sharyn O'Neill, Director General, Department of Education, Letter, 15 August 2011.

<sup>24</sup> Mr Stuart Smith, Chief Executive Officer, Department of Fisheries, Letter, 18 August 2011.

*Department of Transport*

In his audit report, the Auditor General noted that the Department of Transport (DoT) was the only agency examined that was able to accurately cost the services of the fees audited. However, there was a need for DoT to update and implement a revised policy statement due to the de-merger of Transport from the Department of Planning and Infrastructure. The Auditor General also noted that DoT over-recovered costs for two of the five fees audited, namely boat recording fees and the motor vehicle plate remake fee.

The Department accepted all of the Auditor General's recommendations and indicated that most responses to those recommendations would be implemented by the end of October 2011. With respect to the updated policy statement, a draft policy on Fees & Charges has been prepared for review and approval by the Departmental Executive and it is envisaged that the policy will be approved prior to the 2012–13 Annual Review of Fees and Charges.<sup>25</sup>

We noted that the Auditor General reported that DoT had over-recovered two of the fees examined and that this over-recovery was due to inaccurate assumptions underpinning the cost recovery models used. In his report, the Auditor General revealed that the Department had undertaken to review the charges at its next annual review. According to the Minister for Transport, the fees have subsequently been changed to equal cost recovery.<sup>26</sup>

However, during a hearing with the Estimates and Financial Operations Committee of the Legislative Council, it was revealed that several other fees charged by the Department remained above cost recovery, some by as much as 275 per cent.<sup>27</sup>

Although we are satisfied with the response provided by DoT, inasmuch as the response addressed the specific recommendations contained in the audit report, we are concerned about the extent of over-charging by the Department. As a result, we are recommending that the Department provide further information regarding the fees it charges above cost recovery.

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<sup>25</sup> Mr Reece Waldock, Director General, Department of Transport, Letter, 11 August 2011.

<sup>26</sup> Kent Ascott, 'Department charges fees above costs', *The West Australian*, 1 November 2011, p. 18.

<sup>27</sup> Hon Ljiljanna Ravlich MLC, Member, Estimates and Financial operations Committee, *Transcript of Evidence*, 17 October 2011, p. 15.

**Recommendation 3**

That the Minister for Transport provide detail:

- regarding all fees charged by the Department of Transport which exceed cost recovery by more than 30 per cent; and
- explaining what action is being taken to bring fees closer to their actual cost recovery amounts.

Standing Order 277 (1) requires the Minister for Transport to respond to this recommendation within not more than three months, or at the earliest opportunity after that time if the Assembly is adjourned or in recess.

*Rottnest Island Authority*

The Rottnest Island Authority (RIA) indicated that it did not apply an individual fee setting framework to achieve cost recovery. Instead, it uses a grouping methodology in accordance with advice from the State Solicitors Office and s 34 of the *Rottnest Island Act 1987*. As a result, the RIA reported that it had fully implemented—to the extent that it was able—the recommendations relating to the scope and purpose of fees and the costs of providing the associated goods and services.

We asked the Auditor General about RIA's use of grouping methodology and were advised that its use was appropriate in the case of the RIA to pursue cost recovery.

RIA reported that it was undertaking a major review of its Financial Management Manual and that this review would include supporting policies and procedures relating to the legal basis for fees and charges. RIA also indicated that it had a solid understanding of its costs and cost drivers and that its financial systems enabled it to ascertain the extent of cost recovery resulting from its fees and charges.<sup>28</sup>

Having reviewed RIA's response, we were satisfied that the Department was demonstrating sufficient progress with respect to implementing the Auditor General's recommendations and resolved to conclude its formal follow-up of the matter.

*Landgate*

Landgate indicated that the following issues were specifically identified by the Auditor General in his audit report:

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<sup>28</sup> Mr Paolo Amaranti, Chief Executive Officer, Rottnest island Authority, Letter, 4 August 2011.

1. *Document registration and search fees not being individually costed and priced; and*
2. *Some information Landgate uses to determine costs is based on estimates rather than actual costs (this is specific to staff labour costs).*

Landgate reported that it was reviewing its cost requirements and formulating a plan to introduce a more effective costing system as part of a larger capacity review program. This was to be completed by April 2012.<sup>29</sup>

Although its response was quite brief, we accept that Landgate is moving to address the issues identified by the Auditor General; however, the recommendation below will require the Minister to provide additional information on the status of Landgate's response.

#### **Recommendation 4**

That the Minister for Lands tables in the Legislative Assembly the plan developed by Landgate to introduce the 'more effective costing system' within the agency.

Standing Order 277 (1) requires the Minister for Lands to respond to this recommendation within not more than three months, or at the earliest opportunity after that time if the Assembly is adjourned or in recess.

## **2.3 Royalties for Regions – Local Government Spending – Report 12, 2010 (24 November 2010)**

### **Background**

The Auditor General examined the Country Local Government Fund (CLGF) component of the Royalties for Regions program. The CLGF provides money to 110 regional local governments, regional groupings of councils and the Department of Local Government for capacity building within the local government sector. As a component of Royalties for Regions, the CLGF is administered by the Department of Regional Development and Lands (DRDL).

The Auditor General sought to determine whether local governments had spent their 2008–09 CLGF funds in accordance with the funding guidelines and whether appropriate accountability arrangements were in place to monitor funds paid to local governments. Twenty regional local governments were reviewed during the audit. The Auditor General did not assess decisions to fund specific projects or whether funding could have been spent more effectively or efficiently.

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<sup>29</sup> Mr Mike Bradford, Chief Executive, Landgate, Letter, 10 October 2011.



### **Auditor General's findings and recommendations**

The Auditor General found that the 2008–09 CLGF guidelines were deficient in some areas.

- The guidelines did not require local governments to lodge regular financial and progress reports, and lacked clarity to ensure local governments understood how the money could be used.
- Most of the local governments sampled had spent some of their CLGF funds on non-allowable items within approved projects.
- The guidelines also did not require local governments to maintain accounting records that separately identified how CLGF funds were spent.

The Auditor General recommended that DRDL should:

- liaise with the Department of Local Government to ensure local governments have appropriate accounting systems and governance capacity to meet CLGF funding accountability requirements; and
- conduct risk based reviews to ensure local governments are meeting CLGF funding requirements.<sup>30</sup>

### **Agency response**

DRDL indicated to us that both recommendations made by the Auditor General had been fully accepted and that work to implement responses to the recommendations was well underway. The Department reported that it liaised with the Department of Local Government to improve the accounting systems and other governance capacities within country local governments and that \$17.1 million was being made available through to 2015 for capacity building for country local governments. Furthermore, DRDL was also considering the use of an independent review of capacity building programs.

In response to the second recommendation, DRDL reported that it was contracting an independent audit firm to provide an audit of the Country Local Government Fund. This audit is intended to provide independent assurance that country local governments are complying with CLGF funding requirements.

DRDL's audit will select a sample of country local governments that have received funding under CLGF and will review:

- Compliance with the acceptance form or Financial Assistance Agreement and the CLGF Guidelines for each year's funding, including the acknowledgement of funds.

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<sup>30</sup> Auditor General for Western Australia, *Second Public Sector Performance Report*, Report 12, November 2010, pp. 24–25.

- The accountability arrangements in place for, and accuracy of, tracking CLGF funding and expenditure.
- Compliance by country local governments with applicable procurement requirements.

The completion date for the audit is projected to be December 2011.<sup>31</sup>

Having reviewed DRDL's response, we noted that the Department was progressing the implementation of the Auditor General's recommendations and resolved to conclude our formal follow-up of the matter.

### **Recommendation 5**

That the Minister for Regional Development tables a copy of the auditor's review of the Country Local Government Fund.

Standing Order 277 (1) requires the Minister for Regional Development to respond to this recommendation within not more than three months, or at the earliest opportunity after that time if the Assembly is adjourned or in recess.

## **2.4 Information Systems Audit Report – Cyber Security in Government Agencies – Report 4, 2011 (15 June 2011)**

### **Background**

The Auditor General examined 15 agencies in order to ascertain whether they had configured their IT systems (and had supporting policies and procedures in place) to detect, manage and appropriately respond to cyber attacks.

With the assistance of Edith Cowan University, the Auditor General conducted external 'attacks' on the networks of the selected agencies. The attacks were carried out in two stages. First, the websites of the 15 agencies were scanned using publicly available scanning software. These preliminary scans were deliberately hostile in an attempt to prompt agencies to detect the activity. The second stage of the attack was undertaken at three agencies and used information gained from the initial scan to exploit the identified vulnerabilities.

The Auditor General also conducted what can best be described as internal attacks, wherein 25 USB devices were left in the common areas of 15 agencies. This attack was designed to uncover

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<sup>31</sup> Mr Paul Rosair, Director General, Department of Regional Development and Lands, Letter, 26 September 2011.

internal weaknesses; employees should not be able to plug non-agency devices into their computers. In eight agencies, the USB devices were plugged into computers and sent information on agency networks back to the Auditor General.

None of the agencies were found to have adequate systems in place and only one agency detected the Auditor General's external scans/attacks. Internal networks—that is, the networks used by staff to store and retrieve agency data—at three agencies were accessed using vulnerabilities identified in the previously undetected attacks.<sup>32</sup>

### **Auditor General's findings and recommendations**

The Auditor General recommended that agencies should:

- Identify and manage information security risks. Information security risks need to be managed within an overall risk management framework.
- Ensure they have appropriately configured mechanism(s) for detecting cyber threats from the Internet. In particular, agencies should configure their systems to protect themselves against hostile and freely available tools.
- Perform regular information security awareness training for staff, including the risks associated with the Internet and social engineering.
- Ensure they have a good understanding of the services being provided by security consultants, and the extent to which these services provide assurance against identified risks.<sup>33</sup>

### **Agency responses**

We noted that this was not the first report from the Auditor General critical of the level of information security afforded to government IT networks. We also noted that there had been a recommendation in the Economic Audit Committee's final report that both a Chief Technology Officer (CTO) and a Chief Information Officer (CIO) be appointed to head IT policy and coordination for the government.

The Committee wrote to the Premier and expressed the view that the establishment of these positions would provide an opportunity to address concerns about the lack of government-wide information security policy coordination and the poor protection afforded to government networks.

We indicated our view that, as a matter of priority, the Government should implement the recommendation of the Economic Audit Committee (EAC) concerning the creation of a CTO and

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<sup>32</sup> Auditor General for Western Australia, *Information Systems Audit Report*, Report 4, June 2011, p. 5.

<sup>33</sup> Auditor General for Western Australia, *Information Systems Audit Report*, Report 4, June 2011, pp. 6–7.

**OTHER IT SECURITY REPORTS BY THE AUDITOR GENERAL**

In 2007, the Auditor General examined wireless networks in eight agencies and found serious information security weaknesses in seven of those agencies. In particular, none of the agencies were monitoring for unauthorised installation of wireless access points or external interception of the agency's wireless signals.

In 2008, seven agencies were examined to ascertain the adequacy of their policies for the disposal of hard drives. None of the agencies were found to have policies or procedures for the removal of data from computer equipment prior to disposal and the Auditor General found that government guidance on appropriate methods for removing data from computers prior to disposal was limited. The Auditor General purchased 10 ex-government computers at auction and was able to recover sensitive and confidential data from four of these computers.

In 2009, the Auditor General published his first stand-alone information systems report and examined in detail the protection of personal and sensitive information. None of the five agencies examined by the Auditor General were found to have adequate controls in place to protect the information held on networks and in databases. Three of the five agencies lacked IT security policies; none of the agencies were consistently applying administrative controls (policy checks, confidentiality agreements); and network security was found to be poor, which resulted in active network accounts for former employees and generic accounts that allowed access to networks by unidentified individuals. The Auditor General also found fundamental weaknesses in security controls, including the retention of manufacturer default passwords for databases, and some databases with no password access at all.

In 2010, the security afforded to laptop and portable storage devices (PSDs) was examined. It was found that each of the seven agencies examined lacked comprehensive management, technical and physical controls over their laptops and PSDs.

CIO. We also pointed out that there is an urgent need to establish a government-wide information security policy with an agency designated to assist in its implementation.

In response, the Premier indicated that the government was still considering the recommendations made by the EAC, although he noted that properly addressing the issues raised by both the Auditor General and the EAC was a priority of the government. He also reported that he expected decisions about the roles of CTO and CIO would be made soon.

The Premier also informed us that the following actions had been taken in direct response to the most recent Auditor General report:

- Directors General and Chief Executive Officers had been reminded of their responsibilities for ensuring their agencies implement appropriate IT and internet security, and advised

them of the cyber security directives and resources available to help them meet their obligations.

- The Public Sector Commissioner continues to provide limited cyber security advice to agencies and continues engagement with agencies through the Inter Agency Information Security Management Group.
- The Public Sector Commissioner is also planning for the development of a Cyber Security Policy Framework.<sup>34</sup>

We are of the view that the seriousness of the problems associated with IT security within government agencies requires an urgent response.

### **Recommendation 6**

That the Premier report as to whether the Economic Audit Committee's recommendation to establish the positions of Chief Information Officer and Chief Technology Officer will be accepted and implemented, and:

- If so, which of the two offices will be responsible for improving IT security within the public sector?
- If not, which agency will be given responsibility for establishing improved and consistent IT security across the public sector?

### **Recommendation 7**

That the Premier tables a copy of the Cyber Security Policy Framework developed by the Public Sector Commissioner.

Standing Order 277 (1) requires the Premier to respond to these recommendations within not more than three months, or at the earliest opportunity after that time if the Assembly is adjourned or in recess.

<sup>34</sup> Hon. Colin Barnett MLA, Premier, Letter, 19 September 2011.



**APPENDIX ONE*****HEARINGS***

<b>Date</b>	<b>Name</b>	<b>Position</b>	<b>Organisation</b>
7 September 2011	Mr Stephen Brown	Acting Deputy Commissioner	Western Australia Police
	Mr Greg Italiano	Executive Director	Western Australia Police
	Mrs Michelle Fyfe	Acting Assistant Commissioner	Western Australia Police
	Mr Craig Ward	Assistant Commissioner	Western Australia Police
	Ms Trudi Angwin	Assistant Director	Western Australia Police
	Mr Tim Downing	Acting Assistant Director	Western Australia Police





