



PUBLIC ACCOUNTS COMMITTEE

PUBLIC ACCOUNTS COMMITTEE ANNUAL REPORT 2008–2009

Report No. 4

in the 38th Parliament

2009

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Public Accounts Committee

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Report No. 4

Presented by:

John Kobelke, MLA

Laid on the Table of the Legislative Assembly
on 24 September 2009

COMMITTEE MEMBERS

Chairman	John Kobelke, MLA Member for Balcatta
Deputy Chairman	Mr J.M. Francis, MLA Member for Jandakot
Members	Mr A.J. Carpenter, MLA Member for Willagee
	Mr A. Krsticevic, MLA Member for Carine
	Mr C.J. Tallentire, MLA Member for Gosnells

COMMITTEE STAFF

Principal Research Officer	Ms Katherine Galvin, BSW
Research Officer	Mr Mathew Bates, BA (Hons) from 10 February 2009
Research Officer	Ms Dawn Dickinson, BSc (Hons), MURP until 6 February 2009

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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 annual report covers the work undertaken by the Public Accounts Committee (PAC) for the financial year 2008–2009.

The PAC as constituted at the start of this period was dissolved on 7 August 2008 with the calling of the State General Election, which was held on 6 September 2008.

This created an interregnum until the formation by the Legislative Assembly of a new Public Accounts Committee on 13 November 2008, following the reconvening of the Western Australian Parliament after the Election.

The new PAC continued the work already underway from the previous Committee involving the review of government agencies' implementation of the recommendations of the Auditor General's Compliance and Performance examinations.

The Committee has also initiated two inquiries using its own motion powers, with one tabled within the financial year examined in this annual report. The adoption of that report was not supported by all members of the PAC. While this lack of consensus differs from the past practice of unanimous findings, it has not prevented the establishment of a good working relationship between the members of the Committee.

This is perhaps more reflective of the composition of the PAC, which for the first time is composed of a non-government majority. I am indebted to all members for their contribution to the work of the PAC and thankful for their spirit of cooperation.

We have had dedicated Committee staff providing invaluable support to the work of the PAC, and Committee members are most appreciative of the hard work and great attention to detail they provide. Their work has added substantially to the quality of the Committee's reports.

The Principal Research Officer, Ms Katherine Galvin, has provided an experienced hand helping to guide the working of the new Committee and to smooth the transition for new staff members. Research Officer, Ms Dawn Dickinson, was very helpful at the start of the new Committee. Her replacement, Mr Mathew Bates, has been a most reliable and helpful officer giving great attention to all the detail required by the Committee.

JOHN KOBELKE, MLA
CHAIRMAN

CHAPTER 1 COMMITTEE ACTIVITIES

1.1 Introduction

During the course of this reporting period (Table 1.1), the Public Accounts Committee (PAC):

- conducted two inquiries;
- held 17 deliberative meetings;
- has taken evidence from/or was briefed by 15 persons;
- did not undertake investigative travel;
- attended one conference; and
- hosted a Treasury information session on State Budget Estimates for all Members of Parliament on Tuesday 19 May 2009.

Table 1.1

Summary of activities of the Public Accounts Committee, 13 November 2008 – 30 June 2009

Description	Activity
Briefings	3
Deliberative meetings	17
Formal evidence hearings	8
Witnesses appearing	9
Reports tabled	2
Report findings tabled	28
Report recommendations tabled	9

1.2 Public Hearings

Pursuant to Assembly Standing Order 264, the PAC has power to send for persons, papers and records. During the period 13 November 2008 – 30 June 2009, PAC conducted eight public hearings, taking evidence from nine witnesses to assist with its investigations (Table 1.2).

Table 1.2**Public Hearings of the Public Accounts Committee, 13 November 2008 – 30 June 2009**

Date	Name	Position	Organisation
11 March 2009	Dr Ruth Shean	Commissioner for Public Sector Standards	Office of the Commissioner for Public Sector Standards
	Mr Malcolm Wauchope	Public Sector Commissioner	Public Sector Commission
18 March 2009	Mr Christopher Williams	President	Institute of Public Administration Australia (WA Division)
	Dr Garrick Stanley	Councillor	Institute of Public Administration Australia (WA Division)
	Ms Toni Walkington	General Secretary	Community and Public Sector Union Civil Service Association of WA
23 March 2009	Ms Jan Saggars	Director	Nexus Strategic Solutions
	Mr Peter Conran	Director General	Department of the Premier and Cabinet
	Professor Michael Wood	Former Public Service Commissioner	
	Hon. Gavin Fielding	Retired Industrial Relations Commissioner	

1.3 Briefings

In addition to gathering evidence during the formal hearings, the PAC received a number of informal briefings. The briefings were used to gain information in relation to the Committee's inquiries as well as other matters (Table 1.3)

Table 1.3**Briefings provided to the Public Accounts Committee, 13 November 2008 – 30 June 2009**

Date	Name	Position	Organisation
10 December 2008	Mr Colin Murphy	Auditor General	Office of the Auditor General (WA)
	Ms Michelle Bunn	Manager, Planning and Coordination	Office of the Auditor General (WA)
8 April 2009	Mr Colin Murphy	Auditor General	Office of the Auditor General (WA)
	Ms Sadie Godfrey	Assistant Auditor General	Office of the Auditor General (WA)
24 June 2009	Mr Steve Parry	Deputy Director General	Department of Housing
	Ms Melissa Watts	Acting Project Manager, Office of the Director General	Department of Housing

On 10 December 2008 the Auditor General briefed the PAC on the role of the Office of the Auditor General; the ongoing working relationship between the Committee and that Office; and pertinent issues surrounding the Committee's review of government agencies' responses to recommendations arising from Performance and Compliance Examinations conducted by the Auditor General. Notably, the Auditor General tendered support for draft guidelines prepared by the Committee to assist government agencies in streamlining their responses to the Committee.

On 8 April 2009, the PAC was again briefed by the Auditor General, this time in relation to the proposed budget of the Office of the Auditor General. The Committee's review arose from consideration of section 44 of the *Auditor General Act 2006* which entrusts a Joint Standing Committee on Audit with responsibility for reviewing the Auditor General's budget and making associated recommendations to the Treasurer. The Act stipulates that the Joint Standing Committee on Audit be comprised of the Estimates and Financial Operations Committee of the Legislative Council and the Public Accounts Committee of the Legislative Assembly. In the absence of the establishment of the Joint Committee, the Public Accounts Committee determined that it was incumbent upon it to undertake that particular function.

On 24 June 2009, the PAC was briefed by the Department of Housing, in the context of a significant and increasing public housing waitlist. The Committee examined the Department's strategic approach to management of the public housing shortage and indirectly, that of the Social Housing Taskforce established by the responsible Minister to redefine the State's approach to social housing. The Department's building program and the management of client anti-social behaviour were also explored.

The Committee views briefings as critical to maximising the effectiveness of its working relationship with the Auditor General and to determining the direction of its inquiries. The

Committee appreciates the openness of the agencies that appeared before it and their preparedness to disclose relevant information.

1.4 Conferences

The PAC attended the 10th Biennial Conference of the Australasian Council of Public Accounts Committees (ACPAC) in Wellington, New Zealand, from 15 – 18 April 2009.

Membership of the ACPAC includes Australian and New Zealand Parliaments, Papua New Guinea and the Solomon Islands, and attendance is encouraged from Parliamentary delegations with less well developed Public Accounts Committees. The principal purpose of the ACPAC is information exchange in relation to ideas and opinions on the functioning of Public Accounts Committees and for the improvement of public and Parliamentary accountability. The forum also enables PACs to remain abreast of relevant issues facing committees and in turn, public sectors.

The focus of the 2009 Biennial Conference was ‘Seeking Improved Accountability: New Challenges Facing Public Accounts Committees’. This was viewed as an appropriate theme in the context of the current economic environment where flexibility is required to meet contingencies and discharge accountability functions.

The following key matters were discussed at the Conference:

- aspects of accountability and their meaning and application to Parliamentary processes;
- maintaining and strengthening the relationships of Public Accounts Committees with Auditors-General and Audit Offices;
- the need for Public Accounts Committees to be responsive to changing times, including sustainability issues;
- the importance of relevant, reliable and verifiable performance indicators and reporting standards for both financial and non-financial information;
- the need to improve public awareness of, and education for, all participants involved in the Public Accounts Committee process;
- maintaining and promoting independence and integrity of Public Accounts Committees and Auditors-General;
- encouraging transparency by ensuring decisions and information are accessible to the public through a variety of applications; and
- the status and enforceability of Public Accounts Committee recommendations.

The Hon. John Kobelke, MLA, presented a paper to the Conference titled ‘Public Accounts Committees and Public Private Partnerships’ with an accompanying power point presentation. The paper explored the impact of public private partnerships on the ability of PACs to subject public expenditure to appropriate levels of scrutiny. The District Court Building in Perth was the case study underpinning the development of the paper. The Committee sought input from key

government agencies and businesses involved in the project. The Committee wishes to acknowledge the assistance of the Western Liberty Group which provided detailed documentation; photographs of the precinct; and a briefing on, and tour of, the facility for Members. The paper was well received.

1.5 Reports Tabled

The Committee tabled two reports during the period 13 November 2008 to 30 June 2009. They were as follows:

- Report No. 1 — *Review of the Reports of the Auditor General 2007–2008*; and
- Report No. 2 — *Inquiry into the Implications of the New Structure and Functions of the Department of the Premier and Cabinet and the Public Sector Commission*.

(a) Review of the Reports of the Auditor General 2007–2008

The review of government agencies' implementation of the recommendations of the Auditor General's Compliance and Performance Examinations is a key mechanism by which the Public Accounts Committee ensures that public funds are expended lawfully, efficiently and effectively. The process, which recognises the benefits inherent in maintaining a supportive and cooperative relationship with the Office of the Auditor General, was determined by the former PAC of the 36th Parliament. Successive PACs, including the current Committee, have resolved to continue this work in acknowledgement of the level of resources devoted to the examinations by the Office of the Auditor General and the commonality of objectives between the two bodies.

Compliance Examinations assess a government agency's compliance with legislative provisions, public sector policies or its own policies. Performance Examinations evaluate whether an agency is effectively meeting its objectives and using its resources economically and efficiently to deliver desired outcomes. Both reports contain a number of discrete examinations.

The process involves an agency providing the Committee details, within a 12-month period of the tabling of a Compliance or Performance Examination by the Auditor General, of the actions the agency has taken to implement the Auditor General's recommendations. The responses are considered in consultation with the Auditor General and further information may be requested in writing or via a public hearing. A report detailing the results of those inquiries is then tabled in the Legislative Assembly on an annual basis. The Committee tabled a report for the period 2007–2008 on 19 March 2009. The Committee acknowledges that the majority of work for that report was undertaken by the former PAC of the 37th Parliament.

(b) Report on the Inquiry into the Implications of the New Structure and Functions of the Department of the Premier and Cabinet and the Public Sector Commission

The PAC resolved on 10 December 2008 to examine the implications of the new structure and functions of the Public Sector Commission (PSC) and the adequacy of the *Public Sector Management Act 1994* (PSM Act) and other relevant statutes to effect those changes; and the implications of a more efficient Chief Executive Officer (CEO) appointment process in Western Australia (WA).

The establishment of the PSC by the Liberal National Government was based on a Liberal Party election commitment and was viewed as a positive move to address a range of issues and challenges faced by the WA public sector. The PSC was created as a department and its powers were delegated by the Minister for Public Sector Management. Public Sector Management functions were transferred from the Department of the Premier and Cabinet (DPC) to the PSC.

Mr Malcolm Wauchope, then Director General, DPC, was assigned to head up the PSC and Mr Peter Conran was appointed to replace Mr Wauchope. Mr Conran's selection and appointment occurred in accordance with recruitment processes ascribed in Section 45 of the PSM Act, which are principally the responsibility of the Commissioner for Public Sector Standards. That said, it occurred within a very short time frame and raised questions about procedures for a timely and efficient CEO appointment process. That is, one that occurs efficiently and effectively whilst maintaining the integrity of the process.

The Committee called for public submissions and framed requests for information from key government agencies. Witnesses from the PSC, DPC, OPSSC, experts in public sector management, and recruitment consultants involved in the selection of public sector CEOs, were examined in public evidence hearings.

The Committee tabled the associated report on 11 June 2009 in the Legislative Assembly. Key recommendations included:

- that government provide, as expeditiously as possible, detailed plans on how it intends to achieve its cited outcomes for the reforms;
- that the PSM Act be amended to establish the Public Sector Commissioner as an independent entity; to amalgamate the offices of the OPSSC and the PSC; to appoint an advisory board for the PSC; and simplify the Act based on consideration of previous reviews of that Act;
- that in the absence of statutory foundation for the PSC, that any variation or intervention in delegated powers by the Minister for Public Sector Management be subject to timely disclosure;
- that the Minister, subject to certain prescribed conditions, be able to directly appoint a CEO whose tenure is for the term of government;

- that in circumstances where the integrity of the CEO appointment process may be called into question, that the Commissioner for Public Sector Standards take all reasonable steps to ensure the maintenance of the integrity of that process; and
- that the Public Sector Standards Commissioner report to the Parliament on how the CEO appointment process may be completed in a more timely manner whilst maintaining the integrity of that process.

1.6 Work in Progress

The PAC resolved on 24 June 2009 to conduct an *Inquiry into the Distribution of Grant Funds from the Confiscation Proceeds Account*, adopting the following terms of reference:

The Public Accounts Committee will examine and report on whether grant funding from the Confiscation Proceeds Account has been allocated:

1. *In compliance with the Criminal Property Confiscation Act 2000; and*
2. *On the basis of an impartial and politically neutral process.*

The Committee's Inquiry has involved an examination of matters raised by the Hon. Christian Porter, MLA, Attorney General, in the media on 14 and 15 June 2009 and the Legislative Assembly on 16 June 2009 regarding the distribution of funds from the Confiscation Proceeds Account. Specifically, the localities to which the funds were directed and the decision-making processes adopted by the grants committee.

The Committee has taken evidence from relevant government and other agencies as determined. The Committee intends to table the associated Inquiry report in September 2009.

1.7 Post-Budget Briefing

The Public Accounts Committee hosts the Department of Treasury and Finance post-budget briefing each year to familiarise Members of the Legislative Assembly with the Budget Estimates Papers.

During 2008 the Department, in consultation with relevant stakeholders, including the Public Accounts Committee and Estimates and Financial Operations Committee, reviewed the content and format of Budget Paper No. 2. The aim was to provide better information for Parliamentary scrutiny and strategic management at a whole-of-government and agency level. Given the aforementioned changes to the format of budget documentation, and the fact that this was the first briefing post election, Member attendance was high.

The Committee acknowledges the ongoing quality of the presentation by the Department of Treasury and Finance.

CHAPTER 2 FINANCIAL STATEMENT

The Public Accounts Committee has a nominal administrative budget of \$10,700 which is funded out of the budget of the Legislative Assembly. Approval for major expenditure occurs on a case-by-case basis and is subject to the approval of the Speaker.

The Committee is required in accordance with Standing Order 276 to detail expenditure for the financial year 1 July 2008 – 30 June 2009. The Legislative Assembly dissolved on 7 August 2008, therefore, two Public Accounts Committees operated during this financial year. Whilst the current Committee of the 38th Parliament tenders the financial figures below, the Legislative Assembly has provided those pertaining to the Public Accounts Committee of the 37th Parliament.

Table 2.1

Expenditure Items of the Public Accounts Committee of the 37th Parliament for the period 1 July 2008 – 7 August 2008 and of the 38th Parliament for the period 13 November 2008 – 30 June 2009:

Expenditure Item	37 th Parliament	38 th Parliament
Advertising		\$1800.00
Conference Fees	\$100.00	\$2000.00
Travel	\$100.00	\$9400.00
Protocol		\$600.00
Printing		\$1600.00
Miscellaneous		\$1500.00
TOTAL	\$200.00	\$16900.00

Notes:

- The total figure for the financial year 1 July 2008 – 30 June 2009 is \$17100.00.
- Figures rounded off to nearest \$100.
- Salaries of committee staff are not included.
- Costs of shared administrative expenses, including lease costs for committee accommodation, not included.