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LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE

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Friday, 9 June 2000

Legislative Council

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STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

The meeting commenced at 9.00 am.

The CHAIRMAN (Hon Muriel Patterson): On behalf of the committee, I welcome you to today's hearing. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia. The committee values that assistance. For the information of members, these proceedings will be reported by Hansard. The daily *Hansard* will be available on the following morning. Hansard will distribute documents for correction, which must be returned on the A4 documents sent to members. The cut-off date for corrections will be indicated on the bottom of each page. It will greatly assist Hansard if, when referring to the *Budget Statements* volumes or the consolidated fund estimates, members give the page number, item, program, amount, and so on in preface to their questions. If supplementary information is to be provided, I ask your cooperation in ensuring that it is delivered to the committee's clerk within five working days of receipt of the questions. An example of the required Hansard style for the documents has been provided to your advisers. The committee reminds agency representatives to respond to questions in a succinct manner and to limit the extent of personal observations. For the benefit of members and Hansard, I ask the minister to introduce his adviser to the committee, and for the adviser to please state his full name, contact address and the capacity in which he appears before the committee.

Division 4: Anti-Corruption Commission, \$9 959 000 -

Hon Muriel Patterson, Chairman.

Hon N.F. Moore, Minister for Mines.

Mr W. Mann, Chief Executive Officer, Anti-Corruption Commission.

The CHAIRMAN: At this time, I ask the witness whether he has read, understood and completed the "Information for Witnesses" form.

Mr MANN: Yes, I have.

The CHAIRMAN: Does the witness fully understand the meaning and effect of the provisions of that document?

Mr MANN: Yes, I do.

Hon N.D. GRIFFITHS: Last year I sought certain statistics about criminal charges being laid as a result of the activities of the Anti-Corruption Commission. I am happy for the information to be from either 1 November 1996 or 31 May 1999, whichever is more convenient. I am happy for it to be taken on notice if the answers are not available now. Of the total criminal charges laid since either 1 November 1996 or 31 May 1999, how many were investigated by the ACC, how many have been concluded, how many have led to convictions, how many have been proceeded with and been dealt with by way of acquittal, and how many have not been proceeded with?

Hon N.F. MOORE: I suggest that Mr Mann give the member some general comments about that issue and take on notice the details of the question.

Mr MANN: For clarification, did the member want just those matters that the ACC has looked at or investigated or all the matters coming before the commission which have resulted in prosecutions?

Hon N.D. GRIFFITHS: I am concerned with matters dealt with by the commission in any way, and in particular those investigated by the ACC. I want the total number of criminal charges, and of those, how many were investigated by the ACC; that is, the ACC investigators as distinct from other investigative bodies.

Mr MANN: Thank you for that clarification. I will provide the information through the minister by way of supplementary information. I can report that the Anti-Corruption Commission has investigated a number of matters which have resulted in prosecutions since 1996. Five matters have resulted in prosecutions, one matter did not go to trial, and four matters are currently before the courts. The four matters currently before the courts involve eight separate public officers and a number of charges.

The CHAIRMAN: For future questioning, I will be happy to give members ongoing questions, but it is very difficult for Mr Mann to answer a stream of questions like that.

Hon N.D. GRIFFITHS: Page 123 of the *Budget Statements* indicates that a significant number of briefs of evidence have been forwarded to the Director of Public Prosecutions for consideration. I ask this question in the context of the observations of the Chairman of the Anti-Corruption Commission before a committee of this Parliament several weeks ago. How many briefs have been forwarded to the DPP this financial year? Of those briefs, how many are not to proceed in any way by decision of the DPP, and, of those remaining, how many have led to prosecutions being launched? I take it that the balance is still under consideration?

Mr MANN: Yes. Five matters have been forwarded to the DPP in the current financial year. The DPP declined to prosecute in two matters and a response is awaited on three matters.

[9.10 am]

Hon N.D. GRIFFITHS: How much has been spent so far this financial year on special investigations?

Mr MANN: We do not have the exact figures, but I can report that one special investigation is currently underway which has only recently commenced, and the expenditure on that special investigation this year would be minimal.

Hon N.D. GRIFFITHS: How many staff, including investigators, did the Anti-Corruption Commission have at the end of the last financial year and how many does it have now, and of those how many are investigators?

Mr MANN: The commission had 58 staff as at 30 June 1999, of whom 27 were investigators. Currently we have 71 staff, as at the end of May, and the number of investigator positions is still 27.

Hon J.A. COWDELL: In an annual report of a few years ago comment was made that the then backlog was an unacceptable number of matters still to be dealt with. What is the current cumulative backlog of cases, virtually at the end of this financial year, and does it fall into a category of unacceptable, as indicated in that previous annual report?

Mr MANN: These figures are current to the end of May 2000: The commission currently has 303 matters before it, three of which were received by the Official Corruption Commission prior to the ACC being established. Some 20 of the matters were received during the first year of the ACC's operations, 23 in the second year, 92 in the third year and 163 in the current year. Relevant to the comments made by the chairman, we have managed to reduce the number of old matters outstanding, which is pleasing to report. The member will note from the figures I read out that the bulk of the complaints currently before the commission relate to the current year, so in effect the backlog has been reduced.

Hon J.A. COWDELL: I notice that we are talking about output measures in the statistics and the figures given to us. Has the ACC established criteria for the number of cases in backlog; for example, an ideal of no more than 10 per cent? Has it established some indicator? I ask because the term was used previously of what was an acceptable or unacceptable target for the backlog.

Mr MANN: I think the chairman was particularly concerned when he made those remarks that the commission had not been able to finalise a number of old matters. As I have indicated, we are pleased that we have been able to complete nearly all of those older matters. We do not have targets as such for an acceptable level of backlog.

Hon J.A. COWDELL: The chairman indicated on a previous occasion that the budget of the ACC could well be doubled for it to effectively do its job. In what areas could the ACC budget be doubled for it effectively to do its job? In what areas could the ACC do with additional funds in the light of that comment?

Hon N.F. MOORE: May I comment before Mr Mann responds? It is a fact of life, as I have noticed in most government agencies that I have been involved with, that they could use twice, 10 times or 500 times the amount of money they get. The decisions on how much each agency gets is made by Treasury in the context of the overall amount of money available. That is how the amount of money was determined to be provided to the ACC. Mr Mann might want more - it would be unusual if he wanted less because I have never met a chief executive officer who wanted less - but the comment must be taken in the context that the Government provides the funds that are available to all agencies. The number of dollars provided to the ACC has grown dramatically in comparison with that provided to other agencies.

Hon J.A. COWDELL: I sought clarification of the statement; that is, whether there were particular areas which could be identified as needing funds, which would substantiate the chairman's comments.

Mr MANN: I think the area the chairman particularly had in mind was that of prevention and education. In respect of prevention, if the commission had greater funding, it could take a more proactive role in working with agencies to modify systems and procedures to minimise corruption. Just as important, with extra funding the commission could undertake an education role, as is done in other States by like bodies.

Hon J.A. COWDELL: In output description on page 122 comment is made about promotion of public administration policies, practices and regulations to minimise and discourage serious misconduct by public officers. Mr Mann commented about expansion in that area. I understood from the chairman's comments before another committee in this place that the ACC is limited in what it can do in that area and that it is not a brief given to it under the Act.

Hon N.F. MOORE: Are you suggesting that the ACC is limited by the Act rather than by money?

Hon J.A. COWDELL: Yes. This is identified clearly both in Mr Mann's comments and in the budget papers as an area of expansion, but on another occasion the chairman has indicated that it may not be an area of expansion because the Act gives no authority to the ACC to move in that area.

[9.20 am]

Mr MANN: The Anti-Corruption Commission Act does not specifically give the Anti-Corruption Commission a mandate in the areas of corruption prevention and education. A general function in the Act gives the commission power to carry out whatever work is necessary to meet the objects of the Act. The current limited education work that is being done is carried out in that context. However, as I believe the chairman indicated, if the ACC must carry out a greater role in that

area, it would require funding. I accept the implication in the member's question that the Act could be amended to make that role overt rather than implied.

Hon M.D. NIXON: My question relates to the statistics at the bottom of page 122 under "Quantity" which indicate that 66 allegations were assessed, 12 matters are under investigation and 284 reviews and one audit have been completed. Can the officer describe a review, as the number of reviews is much larger than the number of allegations received?

Mr MANN: I will explain those four measures. When a complaint is received by the Anti-Corruption Commission, the complaints and compliance unit assess whether further action on reasonable grounds is warranted and the unit makes a recommendation to the commission. The three commissioners, sitting as the commission, then decide whether further action is warranted and, if it is, who should carry out that further action. If the matter is investigated in-house by our own investigators, it then falls into the next measure, matters under investigation. However, the bulk of matters are referred to appropriate authorities or independent agencies for further action. When those other agencies complete their investigations, the commission reviews their work which then falls into the next measure, reviews completed. Finally, when we conduct a review, sometimes we call for the investigation file and audit the investigation which is carried out by another body; that is the fourth measure.

Hon MARK NEVILL: I recently became aware of two major prosecutions involving police officers that were being dealt with by fairly junior prosecutors at the Office of the Director of Public Prosecutions. I am pleased to say that one of those cases has been adjourned and a more senior prosecutor is now handling it. I asked the Attorney General whether the ACC had an option to not use the DPP to conduct its prosecutions as the DPP's prosecutors work daily with police officers on prosecutions and they may find themselves having to prosecute police officers they have worked with previously. Is there an arrangement, as indicated by the minister in his answer, between the ACC and the Attorney General for the use of alternative prosecutors to those in the Office of the Director of Public Prosecutions?

Mr MANN: There is an arrangement whereby the ACC can forward assembled evidence to crown counsel instead of the DPP so that the evidence can be independently assessed. Only in the past week or so an agreement was reached between the DPP, crown counsel and the ACC that a matter being dealt with by the commission will be referred to the crown counsel for assessment. My understanding is any prosecution in that case will continue to be carried out by the DPP's office but the brief will be assessed by the crown counsel.

Hon MARK NEVILL: I do not know whether this question is appropriate and, if not, please do not answer it: Do the anti-corruption commissions in other States employ their own lawyers to prosecute cases or is that an improper role for a body of that type?

Mr MANN: With the minister's permission, I would like to answer that question by way of supplementary information.

The CHAIRMAN: Is that acceptable to the minister?

Hon N.F. MOORE: Yes.

Hon J.A. COWDELL: The 1999-2000 estimate of the total number of cases under output measures on page 122 adds up to 363. Does that figure reflect a combination of allegations received in this financial year and cases carried over from the past financial year?

Mr MANN: I am sorry, could the member point me to that figure?

Hon J.A. COWDELL: I am referring to the quantity of cases under output measures on page 122; the figures 66, 12, 284 and 1 add up to 363. Is that a mixture of cases carried over from previous years in addition to new allegations received this year?

Mr MANN: Yes, many matters under investigation by the commission run over two to three financial years.

Hon J.A. COWDELL: The point I wanted to make was with respect to clarifying the output measures. It would be helpful to the Parliament if the measures could indicate the number of allegations received in a particular financial year, the breakdown of cases being dealt with and then the matters that are carried over. That would indicate the agency's performance as to the number of cases it deals with in each financial year. It would also involve including in these formal statistics the type of information the officer gave of the cases carried over. How many allegations have been received to date this financial year?

Mr MANN: Again, with the minister's permission, I will take that question on notice and provide supplementary information.

[9.30 am]

Hon J.A. COWDELL: What has been the trend of the number of allegations received; that is, are the number of allegations this financial year compared with the past financial year increasing, decreasing or about the same?

Mr MANN: I will provide more detailed information by way of supplementary information. At this stage it appears that the number of allegations for this current financial year will be more than last year.

Hon J.A. COWDELL: Could I get an indication of the number of serious or significant allegations as a subcategory of those allegations? I raise the point on the classification because, obviously, of the allegations received, some are classed as

vexatious, some as frivolous, some are withdrawn and some are beyond the scope of the Act so they cannot be investigated by the ACC. Presumably, after that process, of those which are still left, there would be some cases that relate to misconduct and some to charges of corruption. I am asking for a breakdown of the two classes of serious allegations that have been sifted through the first stage. I think that would be very worthwhile information.

The CHAIRMAN: Mr Mann, can that information be supplied?

Mr MANN: Yes, we will provide that by way of supplementary information, and I refer the member to our last annual report, which showed that the number of serious matters was increasing.

Hon J.A. COWDELL: That is why I ask at this stage. It will give me a category update since the conclusion of the past financial year.

Hon N.D. GRIFFITHS: With respect to the issue raised by Hon Mark Nevill - the brief forwarded to the crown counsel to be assessed - is that one of the three matters that is otherwise awaiting the DPP's determination?

Mr MANN: No, that is a new matter.

Hon N.D. GRIFFITHS: When was that sent?

Mr MANN: This week, I believe.

Hon RAY HALLIGAN: I refer to pages 122 and 123 of the *Budget Statements*, regarding the increased costs of operation. I note that the number of FTEs is increasing and that, according to the output measures, the number of cases being dealt with remains constant. Therefore, the average costs are increasing. Mention is made of the increased costs reflecting the increasing complexity and seriousness of the complaints received. Is Mr Mann in a position to expand upon the complexities and seriousness by way of example?

Mr MANN: In essence, the figures reflect the position that the commission is still staffing up to what it believes is its base strength and that is because, until now, the commission has not had the full suite of legislation available that it believes is necessary. Recently, the state telecommunications interception legislation was amended to enable the commission to tap telephones and new surveillance devices legislation will enable the commission to use other electronic surveillance devices. We are in the process of staffing up in order to make use of those facilities and purchase equipment. It is the complex matters on which we will be using the technology. To operate the technology, we need approximately 13 new staff. Telephone interception equipment and the role of telephone interception requires that we operate 24 hours a day and have teams of monitors to work around the clock. It is labour and equipment intensive and the cost has to be spread over the cases with which we are dealing.

Hon J.A. COWDELL: Average costs are given on page 123. The average cost per audit seems to be fairly stable between \$4 000 and \$6 000. The average cost per review completed - that is, to see that another agency which has dealt with a matter has done so adequately - is \$542 to \$605. I am interested in the average cost per matter under investigation. Does that refer to the 12 matters that are mentioned on page 122 and does that refer to any special investigations, which, I understand, are significantly more expensive?

Mr MANN: The costs shown relate to the 12 matters under investigation and would take account of any new matters that might arise during the next financial year. As I was just indicating, the figures reflect the anticipated extra costs of running an electronic surveillance unit.

Hon J.A. COWDELL: With respect to the final category there, the average cost per allegation assessed, the figure goes from \$68 697 to \$87 727. Are the figures matched with the number of allegations assessed on page 122, which is given as 66?

Mr MANN: Yes, that is correct.

Hon J.A. COWDELL: The amount appears to be a significant cost for preliminary assessment. Do the 66 allegations include matters that are eliminated in the early sifting process, such as being beyond the ACC's jurisdiction or being frivolous or vexatious or are the 66 categories more substantial than those that are initially eliminated?

Mr MANN: No, the 66 include those that are eliminated fairly quickly. We have another in-house category which we call "inquiry only", which involves getting an inquiry from a member of the public who thinks he has an allegation, but after discussion with one of our complaints investigators decides he does not have anything to substantiate his concern and decides not to proceed; or we will leave it on the basis that, should he get further information in support of the concern, he can come back to the commission with a formal complaint. We keep a number of matters on file as "inquiry only", which do not proceed to a complaint. Through that process we are able to, using the member's term, sift out a number of matters before they proceed. Once we receive a formal complaint, we go into the formal assessment process. That is the 66 allegations referred to. We can carry out what is called a preliminary inquiry as part of that formal assessment process using the powers under the Act. Extensive preliminary inquiries are undertaken for a number of matters in that category. I could envisage as part of that process some use being made in the future of surveillance and other investigative techniques.

[9.40 am]

Hon J.A. COWDELL: This question probably needs to be placed on notice: Can we have some breakdown of the

subcategories of the 66 allegations? Presumably some of the subcategories of allegations assessed and found to be beyond the scope of the jurisdiction of the ACC would have much less cost per unit than would some other subcategories. Can I have an indication of any significant variation of subcategories in the 66 allegations?

Mr MANN: I would need to provide that as supplementary information. I foreshadow that we will probably need to provide examples rather than state what an assessment in each category costs on average.

Hon J.A. COWDELL: It is useful for any oversight body to know whether it costs a couple of thousand dollars more than others for an inquiry which falls into the ACC category of frivolous and vexatious. If an assessment finds a matter to be beyond the ACC's jurisdiction, it costs, say, \$1 000 less per case to assess than the average. A figure could be provided for more serious matters. That sort of breakdown would be useful.

Mr MANN: Yes.

The CHAIRMAN: As there are no further questions, I thank everyone for their attendance at this session.

Sitting suspended from 9.43 to 10.16 am

Division 3: Premier and Cabinet: Output 3, Support for the Premier as Minister for Public Sector Management, \$4 361 000 -

Hon Ljiljanna Ravlich, Chairman.

Hon Peter Foss, Attorney General.

Mr M. Wauchope, Director General, Ministry of the Premier and Cabinet.

Mr P. Conran, Acting Deputy Director General, Ministry of the Premier and Cabinet.

Mr G. Hay, Acting Assistant Director General, Public Sector Management, Ministry of the Premier and Cabinet.

Mr M. Cole, Management Accountant, Ministry of the Premier and Cabinet.

Mr J. Lightowlers, Acting Assistant Director General, Public Sector Review, Ministry of the Premier and Cabinet.

The CHAIRMAN: On behalf of the committee, I welcome you to today's hearing. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia. The committee values that assistance. Members are asked to sit at the front of the Chamber so that the witnesses do not have to turn their heads when answering questions. It will greatly assist Hansard if, when referring to the *Budget Statements* volumes or the consolidated fund estimates, members give the page number, item, program, amount and so on in preface to their questions. If supplementary information is to be provided, I ask your cooperation in ensuring that it is delivered to the committee's clerk within five working days of receipt of the questions. An example of the required Hansard style for the documents has been provided to your advisers. May I remind those members of the public in attendance that only accredited media representatives may take notes. However, full Hansard transcripts will be available to the public within a week of the close of these hearings. The committee reminds agency representatives to respond to questions in a succinct manner and to limit the extent of personal observations. On behalf of members and Hansard, I ask the minister to introduce his advisers to the committee, and for each adviser to please state his full name, contact address and the capacity in which he appears before the committee.

At this time, I ask each of the witnesses whether they have read, understood and completed the "Information for Witnesses" form.

WITNESSES: Yes.

The CHAIRMAN: Do all the witnesses fully understand the meaning and effect of the provisions of that document?

WITNESSES: Yes.

The CHAIRMAN: My first question relates to the administration of credit cards throughout the public sector. I wonder if the director general could provide information on the number of credit cards that are currently in use in the public sector, including all public sector agencies.

Mr WAUCHOPE: The chairman raised this question briefly yesterday. I have taken the opportunity to confirm that what I told her was correct. The credit card arrangement is managed by the Department of Contract and Management Services under two contracts, I understand. I have tried to obtain details about the number of cards. CAMS has not been able to provide that to me at this time. I will reiterate the comment I made yesterday: The reason that agencies or chief executive officers have moved towards using corporate cards as a basis of purchasing is that it is a more efficient form of purchasing and leaves a transparent trail for audit purposes, and it has been favoured by the Auditor General.

The CHAIRMAN: Has any recent analysis been undertaken by the Ministry of the Premier and Cabinet concerning the cost efficiency of using credit cards in view of the recent interest rate hikes and their potential to undermine any of the initial benefits that were deemed to accrue as a result of using cards as opposed to the old periodical payments system?

Mr WAUCHOPE: The Ministry of the Premier and Cabinet has not undertaken that analysis. CAMS may have looked at that. Again, I can ascertain from CAMS, by way of supplementary information, what it has been doing in that regard.

Hon PETER FOSS: There was another reason for a change. When we used local purchase orders, there was a fixed charge

on every LPO of something like \$14. I cannot remember the exact amount because we have not used them for a while. Credit cards came in because the transaction costs on LPOs were significant, and there was not the same degree of central control as there is with credit cards. It was to avoid a significant single transaction cost and also to give a better central government summary of the amount of money that was being spent. One would hope that, generally speaking, most people pay their bills so there is no interest charge.

Mr WAUCHOPE: What the Attorney said is correct. The corporate card was introduced for those reasons in 1989-90, or around that time. On the introduction of the then corporate card, I think the Treasurer of the day made a statement about the efficiencies in terms of the cost per transaction.

The CHAIRMAN: There have been increases in interest rates, and that will impact on the cost of the use of credit cards. As a result of that, at some time it might be appropriate for a cost-benefit analysis to be carried out on whether credit cards are still the most efficient form of purchasing.

Hon PETER FOSS: At the time the decision was made in 1989-90, which goes back to the previous Government, interest rates were extremely high, but it was considered to be worthwhile then. By comparison with 1989-90, today's interest rates are minuscule. If the Chairman would like us to review the matter, we can. However, at the time when both systems were being run, the cost penalty for using LPOs was significant.

[10.20 am]

The CHAIRMAN: I understand that the Government's vehicle fleet leasing arrangements and policy means that only officers in level 8 and above positions are entitled to a government car, and that the Premier is responsible for administrative matters in ministerial offices. I have received responses from a number of ministerial offices that a number of people working in those offices in level 4, 5 or 6 positions have access to a vehicle. I guess that also applies to a number of public sector employees. Why is there an apparent breach of the Government's motor vehicle policy?

Mr WAUCHOPE: The Chair may be aware that a fleet management steering committee chaired by Paul Schapper, the head of the Department of Contract and Management Services, is responsible for the policy framework and management of vehicle arrangements. I sit on that committee, as do a number of other chief executive officers. The policy does not preclude people in positions lower than level 8 having access to cars. Some individuals need to take home a car for official purposes. I understand that the transition to the new policy means the arrangement with the ministerial offices will be grandfathered; that is, it will continue.

Hon PETER FOSS: Government receives significant financial benefits if people are involved in the government vehicle scheme. One of the major costs to government is fringe benefits tax. Some form of staff contribution also results in a reduction in the fringe benefits tax, which is a double whammy. Despite any pressure there might be for access to cars, the State receives a huge financial benefit if people are in the GVS.

The CHAIRMAN: What is the financial benefit if a level 3 or 4 officer has access to a car and pays \$70 a fortnight for it?

Hon PETER FOSS: As the director general said, people with access to cars often need to garage them at home. It could be a government-plated car which is used for government business, but the fact that it is taken home renders the Government liable to significant amounts of fringe benefits tax and other taxes. As well as the dollar benefit from any contribution that is made by the person, the Government receives a reduction in the fringe benefits tax. The Government does very well.

The CHAIRMAN: Is there a limit on the extent to which level 3 or 4 officers can use that car for their private purposes, at \$70 a fortnight? Is there not potential for abuse of the system if no limit is applied? I am sure the Attorney General is aware of how much it costs to fill a tank with petrol.

Hon PETER FOSS: I am pleased that the Chair has noticed how expensive fuel has become. I have told her that a few times over the past few days. There is a limit on the extent that cars can be used.

Mr WAUCHOPE: A limit is set for officers using vehicles while on leave. They are then required to pay for the cost of running the vehicle, such as petrol. CAMS set the levy, taking into account the average use across the public sector. That was done fairly carefully. The charge, which is in the process of being increased, addresses the average usage patterns on weekends and after hours. That issue has already been taken care of.

The CHAIRMAN: There is full cost recovery for the running of the vehicle when the officer is on leave, which is usually four weeks out of the year. Is there a cost recovery on weekends or after work or does the officer have unlimited access to petrol and the vehicle?

Mr WAUCHOPE: That is the policy, which has been in place essentially since 1991. The levy is based on average usage patterns. The occasional person may use more than \$70, but that is balanced by the people who use much less.

Hon PETER FOSS: Many people probably hardly use their cars on weekends. Without judging each person, government is trying to arrive at a figure which fairly represents private use. As I said before, the Government receives a double benefit because it recovers the cost of private use and affects the fringe benefits tax payable. The Government does well out of the scheme because it is quite economical for the Government to show that private use is paid for to relieve its FBT liability.

The CHAIRMAN: Could the Attorney clarify the policy on who is entitled to a government vehicle?

[10.30 am]

Hon PETER FOSS: Is the Chairman referring to a government vehicle scheme or just a government vehicle?

The CHAIRMAN: A government vehicle.

Mr WAUCHOPE: That decision will be made by the chief executive officer and will depend on operating requirements. Times arise when a level 1 officer may need to take a car home. In the past, for example, a rent collector who was a level 1 officer required a vehicle to go out the next day.

Hon PETER FOSS: That applies to nurses or rural workers. If they need cars for their work, it may be more sensible for them to garage the cars at home rather than take them to a central government point, particularly in rural and regional areas where there is no public transport. If a worker had to pick up a car from work and was dependent on public transport at five o'clock in the morning, it is unlikely he would get there. The use of government vehicles by staff is a decision for the chief executive officer and depends on the needs of government.

The CHAIRMAN: What is the current policy regarding the GVS?

Mr WAUCHOPE: The GVS is a charge that is applied to people who have private usage of a vehicle, but who are not covered by the Salaries and Allowances Tribunal's determination. The policy covers officers from level 8 upwards, but as I said, grandfathering arrangements have been put in place for some people.

Hon PETER FOSS: It is arguable that the scheme would work better financially if it applied to people at even lower levels than level 8. However, that has not occurred because of concern it may lead to pressure from people asking for cars when they do not need them. It is a matter of balancing the financial return by having people on the GVS, with the need to keep the fleet to an absolute minimum so that people have access to government cars only for government purposes.

The CHAIRMAN: Yesterday this committee heard from the Police Department that a reduction in the number of its vehicle fleet by 89 vehicles has caused Police Services no pain. Does that suggest that vehicles which may not be required are being used by public sector agencies?

Hon PETER FOSS: I was present when that was said. It is true that nearly half of the reduction was due to better management of the fleet exchange. The police pointed out that was done because the Matrix contract encourages reduction of the fleet due to information received and the charging basis. One of the good things that has arisen from the contract is that it encourages agencies to examine their fleet management policies.

Vehicle management has been a concern of government and every single department has been reviewing its usage of cars. A classic example is that a person may need the use of a car but not for a whole day. It is a matter of having in place sensible arrangements so that cars can be shared at appropriate times. That will not always be possible depending on where people are and the jobs they are doing. They may all want them at the same time. It is similar to managing a bus fleet. There must be enough buses to transport people at peak hours; notwithstanding if everybody were able to go to work at allocated times of the day fewer buses would be required.

Mr WAUCHOPE: Every chief executive officer has been required to review his fleet and determine his requirements and, as a result, there is a move towards a general reduction in vehicle numbers.

The CHAIRMAN: Is it true that the Premier has foreshadowed a meeting with the State Supply Commission and the Under Treasurer next week in order to extend the Matrix vehicle fleet contract for a further 10 years?

Mr WAUCHOPE: I am not aware of that.

Hon RAY HALLIGAN: I refer to the last dot point under major achievements for 1999-2000, at page 1109. I note provision has been made for agencies to have on-line access to a new redeployment management system. Can we have more details of this program, including the agencies that participated in the pilot program?

Mr WAUCHOPE: Advances in technology have provided us with an opportunity to distribute information on available jobs to all agencies. The information is critical to the management of redeployees and the distribution of information has enabled us to have an active role in identifying suitable jobs through agencies for their redeployees. Details of vacancies are entered on an Internet-based system rather than being submitted to the ministry by facsimile or mail. The new system was successfully piloted with selected agencies from August to December 1999 and the first stage was made available to all agencies in 2000.

The devolution of redeployment responsibility involves agencies being responsible for the management of their own employees who are registered for redeployment. The agency redeployment managers gain access to a list of vacancies that can be offered to redeployees so that managers can make their own arrangements for the referral of staff.

This sheets home responsibility to agencies to manage their own people. The pilot phase of devolution is to be formally evaluated in the near future. It is important to realise that the Ministry of the Premier and Cabinet will retain responsibility for the redeployment and redundancy policy framework and for monitoring the effectiveness of the redeployment system. At the end of the day it will operate as a safety net.

During the pilot phase, the agencies that participated were: Contract and Management Services, Homeswest, the Ministry of Justice, the Ministry of the Premier and Cabinet, Westrail, Police, Education, Health - the corporate office and one

country health service - Family and Children's Services, the Ministry of Fair Trading, the Industrial Relations Commission, the Ministry for Culture and the Arts, the Central Metropolitan College of TAFE, MetroBus, Main Roads WA, the Metropolitan Health Service and the Disability Services Commission.

Hon RAY HALLIGAN: I refer to the second dot point at page 1110. How many participants have taken part in the public sector traineeship program since it commenced and what outcomes will have been achieved through it?

Mr WAUCHOPE: In 1999, 39 full-time and 11 part-time traineeships commenced. Twenty-nine full-time and 12 part-time workers, and a further two part-time trainees, were employed in the public sector. From the 1999 intake, eight gained employment in the private sector on completion of their traineeships. It is important to realise a variety of traineeships are run covering youth and Aboriginal employment. To a large extent, they have been successful in meeting the targets.

The CHAIRMAN: I note that fairly consistently since 1993 less than 5 per cent of the Western Australian public sector work force is under the age of 25. Is there a problem with an ageing work force within the public sector? If so, what is your office doing about it?

Mr WAUCHOPE: A demographic shift in age groups is occurring throughout the community not just in the public sector and there has been an increase in the proportion of people employed in the public sector who are 45 or over. We have been monitoring this through our demographic data, much of which is published in "Profile". Over the past few years we have published some position papers aimed at getting heads of agencies to examine this as a management problem for the future. I think we have published three position papers examining issues such as phasing in retirement; in other words, retaining the expertise of those people who may be considering retirement, while allowing them to continue in the work force on a basis suitable to them.

In terms of projecting forward, we will be involved in a program across jurisdictions at the state and commonwealth level to predict retirement patterns into the future. We are hopefully building on the database we have currently developed to make predictions about likely retirement intentions in the next five to 10 years.

[10.40 am]

The CHAIRMAN: Thank you. Page 33 of the agency's annual report states that the number of permanent entry level vacancies filled from the central database in response to agency requests in 1998-99 was 60 - I do not know whether they are permanent jobs. The number of contract vacancies filled was 389. I notice that in a report put out by the Commissioner for Public Sector Standards, he was critical of the opportunities afforded to young people in terms of very short term contracts, and often contracts being renewed many times. In a recent report he stated that in one case a young person had the contract renewed a total of 16 times. Does the agency see a problem with that? What is the agency doing about creating real opportunities for young people within the public sector?

Mr WAUCHOPE: The agency's role is limited to providing the traineeship opportunities that it has undertaken. At the end of the day, CEOs have the responsibility to determine their own staffing requirements. I do not want to comment on the instances you have cited without knowing more about them. There are probably good management reasons for people's contracts being renewed. If there were not, one would be concerned, but I do not know the circumstances.

Hon M.D. NIXON: My question is in four parts. The second dot point on page 1109 of the *Budget Statements* refers to the Leadership Enhancement Program which commenced in August 1999; the second program commenced in February 2000. How many participants have taken part in the program since it commenced in August last year? How many participants are women? Are any special efforts being made to attract women to these courses? What does the program involve?

Mr WAUCHOPE: The Leadership Enhancement Program was introduced two years ago. It aims to primarily enhance the leadership capability of CEOs and also members of the senior executive service working within the Western Australian public sector. People who are in acting positions in the SES are also eligible to nominate for the program. The program is in addition to other leadership programs that the ministry has managed in the past. Currently each program has 18 places. To date, a total number of 30 people have participated; the number of females is 12. The Ministry of Premier and Cabinet funds five scholarships in each program to reserve places for senior women in the public sector as incentives. We are hopeful that will encourage more females to come forward and be part of the program. The objectives of the program are to facilitate the development of leadership by supporting participants to learn and consolidate new ways of leading and managing within their sponsoring agency; to develop skills in giving and receiving objective, credible feedback; to develop an attitude of life-long learning; and to become self-sufficient and identify and resource their own development needs and strategies. It is also to foster cross-sector cooperation and initiatives and to contribute to the development of a whole-of-government perspective. It consists of a number of stages including attendance at a two-day residential development needs assessment; creation of an individual development program with support of a consultant; and participation in a learning forum. I stress that the participation is voluntary and information collected as part of the program is owned by the individual participant and not the department; it remains confidential.

The CHAIRMAN: I refer to page 30 of the agency's annual report which also deals with the fact that tenders were invited for the provision of a strategic financial management program for CEOs that will commence in 1999-2000. In view of the fact that there is a leadership program and also a financial management program and the fact that most CEOs are being paid fairly well, it begs the question that if they need leadership and financial management skills, what are they doing in these positions in the first place?

Mr WAUCHOPE: A suggestion was made by the former Minister for Finance which we picked up as an important issue; that is, there has been a major shift in the way the Government budgets and accounts for its activities in the past few years. The need was identified as a result of our experience in the past two to three years with managing that new framework. The offer of that course was well received by CEOs and there was a good participation rate. I attended it and found it very useful. A third module is to be conducted in June or July, which will bring together the issues discussed in the first two modules, in response to the fact that the management framework for budgeting and accounting has changed in the past few years.

Hon PETER FOSS: It is an important point. The transformation and the provision of financial information and the dealing with financial matters has undergone a massive change which a lot of people do not appreciate. The classic complaint about government was that expenses were conducted on a cash basis. If the money had not been spent, the classic government approach was to spend up at the end of the year. The fact that the Government has brought forward the budget and moved to accrual-based accounting is a revolution in the way people who work for the Government think. A large number of people in government have lived their whole lives in government under the old cash-based system and have had very little appreciation of the world as it applied to people in business. Hon Max Evans noted the fact that if someone had spent his whole life in government, there was no reason to have that skill because that was not the way it was done. A lot of credit must be paid to Hon Max Evans for the total change of focus in the way government looks at finances and the fact that the Government now has put in place a rational financial system which is comparable to that in private business.

The CHAIRMAN: How much was spent on the leadership program last year and how much was spent on the financial management program?

Mr WAUCHOPE: The total estimated cost of the Leadership Enhancement Program over three years was \$511 000, of which \$190 000 will come from participant contributions. I do not have the figures for the breakdown of how much was spent last year, but I can provide that information. I do not have the figures for the strategic financial management course but I will provide that as supplementary information.

The CHAIRMAN: Do you have a ballpark figure?

Hon PETER FOSS: That raises another point that in private business the need for people to be continually upgrading and updating their skills is seen as absolutely essential. The worst thing that can happen is for people to become complacent and unaware of the trends in management and so forth that have taken place. It is a positive attitude to have because the public service was noted for having the attitude that this is the way we do it, this is the way we have always done it and nothing is ever going to change. That used to drive the public mad because the public could never get the public service responsive to public needs. These courses are very important for bringing people in touch with providing a service to people, not just to themselves.

Hon MARK NEVILL: Does Public Sector Management monitor the number of people in acting positions? A couple of years ago, the Ministry of Justice looked like Hollywood; there were that many people acting here and there. Is there any monitoring of that?

[10.50 am]

Hon PETER FOSS: The member has raised an interesting point, because we have been asked about people on contracts. One of the interesting things that happens in the Public Service is that people are entitled to substantial amounts of absences from work. As a personal experience, my office has two people on extended maternity leave. The problem with that is that those people can decide how long that leave will be and they can extend it up to two years, and sometimes beyond that. During that period, those positions cannot be filled. To ensure that a position is filled, there must be somebody in an acting position and that person must be on a contract because he or she will obviously need to be replaced when the other person returns.

Another thing that happens a lot is that when people go away for a period, to upgrade their skills, other people act in those positions until those people return. At any given time, given that people get a large amount of long service leave and four weeks annual leave, and given the proportion of people who use that, a large number of people will be in acting positions simply because they are filling other positions. There will be another lot of people behind them who are acting in the position that those people have moved out of. That seems to be a necessity because of the way the Public Service operates. As well as that, there are places which have been vacated and not filled. Distinguishing between them may be a bit difficult.

Mr WAUCHOPE: As to the member's specific question of whether this is monitored, we monitor a range of human resource indicators through the minimum obligatory information requirements data and that is published in "Profile". Although the responsibility lies with the chief executive officer of the agency to manage it, we are identifying indicators outside the normal bounds. We are now drawing it to the attention of the CEOs, asking the question and seeing whether any management issues need to be addressed.

Hon RAY HALLIGAN: My question relates to a dot point on page 1112 regarding the presentation of the Premier's awards for excellence in public sector management. Will this be continued into next year, what form will it take and what costs are involved?

Mr WAUCHOPE: The Premier's awards were established in 1996 as an annual awards program to formally recognise and reward the achievement of excellence in management practices within the public sector. The awards also aim to stimulate innovation through the promotion of highly innovative projects, activities and displays of creative leadership within the

Western Australian public sector leading to better service to the community. The categories in which agencies nominate a project for assessment as part of the awards are quality improvement, people management, economic development, services to regional and remote clients, change management, customer focus and innovation. In 2000, that list will be augmented with the category of equal employment opportunity and diversity recognition. As I understand it, the award winners will be announced on 9 November this year. The judges panel comprises eminent persons from academia, industry, the private sector and the Western Australian community. The interest in nominating for the awards has increased considerably since its inception, with 86 nominations received in 1996 rising to 138 nominations last year. The net cost of the awards program is \$61 000 - a cost which has been capped for the past three years.

Hon MARK NEVILL: There has been some criticism of the number of departments in government - I think the Chamber of Minerals and Energy of Western Australia is fairly vocal. Has there been any review by government of amalgamating departments and are any proposals in the pipeline to reduce the number of departments, or will it be business as usual?

Hon PETER FOSS: This is an interesting issue; every time we amalgamate, we get criticised for it. The Ministry of Justice is an amalgamated department.

Hon MARK NEVILL: It is a great idea; the minister just needs to get it to work.

Hon PETER FOSS: It is working now. I agree with the member: It got off to a bad start, but it is now working extremely well. It indicates the benefits that come from presenting to the public something which matches what they need rather than what happens in government. Every other time we have tried to amalgamate bodies, there has been some public resistance; there is always somebody with an interest in it. I am not aware of any current issues.

Mr WAUCHOPE: The matter is kept under review as a matter of course. Where it has been sensible to make changes, sometimes at the margin and sometimes more substantively - like the Ministry of Justice - changes have been undertaken.

Hon PETER FOSS: I think it works, but it takes a lot of good change management. The problem with the Ministry of Justice is that it did not have good change management. That has now been done and the strengths of it have been shown.

Hon MARK NEVILL: What progress has been made in increasing Aboriginal employment in the public sector over the past five years?

Mr WAUCHOPE: As I indicated in response to an earlier question, the Ministry of the Premier and Cabinet is also involved with specific Aboriginal employment programs. Currently there is a joint state-commonwealth Aboriginal employment funding agreement which was established in 1998 to support the public sector Aboriginal and Torres Strait Islander employment strategy. It aims to increase the employment of Aboriginal and Torres Strait Islander people in the Western Australian public sector; to increase the retention of Aboriginal and Torres Strait Islander people in the Western Australian public sector - that is an important issue, because often there is a high attrition rate; and to support the advancement of Aboriginal and Torres Strait Islander people in the Western Australian public sector. The agreement provided \$1.65m in commonwealth funding to assist public sector agencies for this purpose. The objectives were to recruit 75 trainees, 24 cadets and 20 field officers over five years. The majority of those targets will be met at the end of this financial year. The Ministry of the Premier and Cabinet has coordinated the traineeships and cadetships, and various agencies have participated. Most of the trainees have participated in the one-year business office administration traineeship. In terms of the numbers completed, 69 trainees, 16 cadets and 17 field officers commenced between 1998 and 2000, and 39 trainees, 15 cadets and 6 field officers are yet to complete the program.

Hon MARK NEVILL: Can you supply the committee with an indication of the overall level of Aboriginal people employed in the public sector over the past five financial years to see whether there is a trend?

Mr WAUCHOPE: We can take that on notice, but I make the comment that this is one of those self-reporting statistics. It depends on individuals identifying themselves as being of Aboriginal descent.

Hon MARK NEVILL: When these programs are designed for senior people in the public sector, it might be beneficial to advise the Parliament of some of those programs if you think they are relevant. Many members of Parliament could benefit from some assistance in reading financial statements and things like that.

Hon PETER FOSS: I endorse that.

The CHAIRMAN: My understanding is that the traineeship programs which have been outlined will be commonwealth government funded.

Mr WAUCHOPE: Yes.

The CHAIRMAN: Why has there been no real improvement in the proportion of Aboriginal and Torres Strait Islander people as a percentage of employees within the Western Australian public sector? I note that "Profile" as at 30 June 1998 clearly shows that Aboriginal and Torres Strait Islander people make up 3 per cent of Western Australia's population, but they account for only 2 per cent of Western Australian public sector employees. In the area of people with disabilities, they make up 18 per cent of the population, but they account for only 2 per cent. I have been tracking "Profile" for a number of years, and there seems to be no improvement whatsoever in those two areas over the past five or so years. Can we have an explanation of why there has been no improvement?

[11.00 am]

Mr WAUCHOPE: A number of complex factors are involved in both the issues you have raised, Madam Chair. I stress

that the Government takes the matter very seriously, to the point at which managing the diversity groups is now one of the key cross-sector elements included in CEO performance agreements. CEOs are required to address the issue. That does not mean that they will always be successful in lifting the numbers because a range of issues come to bear on the matter. As the Attorney General pointed out to me, there has been substantial experience of the Government training people and finding that they have been recruited by others after we have undertaken the training. We are trying to address that issue through the program. I indicated that retention was an issue that needed to be specifically addressed. As I say, the importance of this issue means that it is addressed through the CEO performance agreement.

The CHAIRMAN: May I suggest that is not a new initiative but it has been one of the criteria of CEO performance agreements for at least two years that I am aware of? May I also suggest that part of the problem could be that at the end of the day the extent to which they achieve the objective is not really taken seriously in their performance assessment? Would that be accurate?

Mr WAUCHOPE: No, I do not agree with that. CEOs take it very seriously. It is a difficult area in which to achieve outcomes overnight and is something which must be worked on over time.

The CHAIRMAN: Is Mr Wauchope confident that if the Commonwealth is paying the funding, the ministry will be able to achieve a better outcome in the next few years?

Mr WAUCHOPE: Commonwealth funding is specifically directed at training opportunities. We were very pleased to take the opportunity to participate in that program.

The CHAIRMAN: I refer to page 31 of the annual report and to senior executive remuneration. In its June 1998 determination, the Salaries and Allowances Tribunal foreshadowed the introduction of a personal merit allowance for CEOs to recognise sustained high performance by senior executives under its jurisdiction, and an operational framework to support this initiative came into effect on 1 January 1999. At last count, at least 14 CEOs are the beneficiaries of a personal merit allowance. How much has been budgeted and what is this special provision for CEOs costing the State?

Mr WAUCHOPE: Madam Chair, as you indicated, this is a decision of the Salaries and Allowances Tribunal. As I understand it, there would not be any specific budget provision for this. It will impact from time to time on different agencies. My figures are slightly different from yours, Madam Chair. We have 10 CEOs who are subject to this allowance. The allowance is at risk and does not continue ad infinitum; it is reviewed every year, and the tribunal makes a determination accordingly.

The CHAIRMAN: Could the committee be provided with a list of the CEOs who are currently recipients of the allowance? Since the commencement of this initiative, a peer assessment group has recommended CEOs for payment of the allowance. How does the peer assessment group work?

Mr WAUCHOPE: The peer assessment group comprises the Under Treasurer, the Commissioner of Health and me, none of whom is a beneficiary of the allowance.

The CHAIRMAN: Is there not a potential for some sort of boys' club to be established - I notice there are no women on the list - or the potential for CEOs to scratch each other's backs and arrange for one to have the merit allowance this year and another to have it next year? How can we guarantee that there are no conflicts of interest? Given that Mr Wauchope is on the assessment group, he might be able to explain to us what measures the group puts in place to ensure that all elements of favouritism are taken out of the process.

Mr WAUCHOPE: Any decision is made by the tribunal. At the end of the day it determines whether the person warrants the personal merit allowance. The peer assessment group relies very heavily on objective information from the Auditor General and the Commissioner for Public Sector Standards relating to performance on financial matters, financial accountability matters and human resource accountability matters, so we are not looking at information without basis. We rely on independent assessments made by other bodies and take that into account when making our recommendation.

The CHAIRMAN: The annual report at page 34 refers to 757 employees still being registered for redeployment, with approximately 60 per cent of total registrations coming from MetroBus. The question I got halfway through the other day was what happened to the most comprehensive retraining and job placement program for those MetroBus redeployees?

Mr WAUCHOPE: Madam Chair, you sought to raise this question yesterday. As at 21 May, only 21 MetroBus people had not been placed or had not received a termination payment. The number of redeployees at 23 May totalled 379, of whom 21 were MetroBus people.

The CHAIRMAN: How many of those MetroBus redeployees have been used as part of the Graffiti Task Force?

Mr WAUCHOPE: I cannot tell you the history of it, Madam Chair, but I can tell you the current position. The Graffiti Task Force has four engineering trades people and one salaried person from MetroBus, so currently it looks like five people.

The CHAIRMAN: How many people on the Graffiti Task Force are redeployees?

Mr WAUCHOPE: I do not have that information, but I can find out.

The CHAIRMAN: I understand that for AlintaGas workers, redeployment is being offered within the public sector on an equivalent-and-salaries basis for 12 people. In view of the number of redeployees who are still waiting and have been waiting for a long time to get placement within the public sector, how does the Ministry of the Premier and Cabinet intend to place those 12 people or are they likely to be members of the Graffiti Task Force?

Mr WAUCHOPE: My understanding is that those people do not come into our system because they lie outside the Public Sector Management Act, so they would be redeployed by AlintaGas and not by us.

[11.10 am]

The CHAIRMAN: AlintaGas will manage that process because it is a government trading enterprise. Therefore, the figure for redeployees does not take into account redeployees with government trading enterprises.

Mr WAUCHOPE: The 379 figure does not include the group from AlintaGas.

The CHAIRMAN: My next question relates to the motor vehicle fleet. I note at 30 June 1999 the office had 226 vehicles costing \$2 301 490; currently it has 224 vehicles costing \$2 728 134; in other words, there are two fewer cars but the rest are costing \$426 644 more. Why is that? If it is attributable to a depreciation in the second-hand car market, the goods and services tax, leasing costs or any other variable, can I have a breakdown of the costs that can be accounted for?

Mr WAUCHOPE: The increase in the leasing costs for this year reflects a couple of factors, the first being that the second-hand car market is depressed, which means residual values for leased vehicles will be less. That is reflected in the leasing costs, which have increased as a consequence of that. However, another issue which, as I indicated yesterday, is important for our department is the increased sales tax we have paid this year because of the turnover of vehicles. Again, that is part of the cycle of turnover of vehicles. This year we have replaced more vehicles that attract sales tax. A combination of those two factors is the principal contributor to the increased costs in 1999-2000.

The CHAIRMAN: Do you expect an improvement in the situation next year?

Mr WAUCHOPE: We will have a different replacement cycle. I am unsure how that will impact on costs. I understand that Treasury expects the residual values to be the same or thereabouts.

The CHAIRMAN: Is the Matrix fleet contract a good contract for your agency to have?

Mr WAUCHOPE: The Matrix contract has not posed a problem for our agency.

The CHAIRMAN: You are happy to stay with the Matrix contract?

Mr WAUCHOPE: I do not have a problem with it.

The CHAIRMAN: Has the Office of the Public Sector Standards Commissioner received complaints from other ministers or government agencies of pain which has been caused to them as a result of the Matrix fleet contract?

Hon PETER FOSS: Madam Chair continues to insist that the Matrix contract is not a good contract. I take up Hon Mark Nevill's suggestion that it would do members of Parliament a bit of good to gain some financial know-how.

The CHAIRMAN: I am not so sure that that is what he said.

Hon PETER FOSS: The fact is that with any leasing contract one is dependent on market forces. We heard someone yesterday say that in the leasing market generally, whether or not it is a Matrix lease, leasing costs have risen. There is no pain that comes from being in a particular contract; there is a pain from living in Australia and living in the world, and if things change and costs increase, one has no choice about it. It is not that the Matrix contract causes a problem but that the second-hand car market has weakened; that has affected everybody with a car, whether they own it, lease it with Matrix or lease it with someone else. The Matrix contract has actually saved government a considerable amount of money and removed some of the impact that would otherwise have been felt by government had we not had the contract. It is therefore not a matter of there being pain but of being darned glad that we have it.

The CHAIRMAN: I ask the CEO through the minister to provide me with a breakdown of the variables which have led to this bottom line reduction. In other words, how much of the extra payment of \$626 644 for two fewer cars can be attributed to the impact of the GST, how much to a reduction in the second-hand car market, how much to an increase in petrol costs and how much to increases in leasing costs?

Hon PETER FOSS: Many of those aspects show up in the leasing costs. It depends how far back in the world Madam Chair wants to go.

The CHAIRMAN: Does the officer have any problem with providing that information?

Hon PETER FOSS: Would Madam Chair like to know the price of oil? That would obviously have had some impact on the price of fuel. It shows up in the leasing costs. Some of the factors that lead to it are of an Australian nature and some of a world-wide nature. It depends on how far back behind the leasing costs one wants to go.

The CHAIRMAN: Can I have that request placed on notice?

Mr WAUCHOPE: We will endeavour to provide the information.

Hon PETER FOSS: Madam Chair may have to accept the fact that leasing costs will change and we will not necessarily be going further up the line to find out and give her each of the particular factors in detail as to why leasing costs change.

The CHAIRMAN: I am not at all interested in smoke and mirrors. I have asked a straightforward question.

Hon PETER FOSS: No, Madam Chair, you will get the facts as they are but we will not engage in navel gazing for every one of the single factors to dissect them if in fact they have shown up in one particular payment we make.

The CHAIRMAN: I can assure the minister that the last thing I would like to do is navel-gaze.

I thank the minister, Mr Wauchope and staff for their attendance at this morning's hearing.

Technical and Further Education: Central Metropolitan College -

Hon Ljiljanna Ravlich, Chairman.

Hon N.F. Moore, Minister for Mines.

Mr T. Smith, Chair, College Governing Council.

Mr B. Paterson, Managing Director.

Mr J. Campbell, Director Finance.

The CHAIRMAN: On behalf of the committee, I welcome you to today's hearing. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia. The committee values that assistance. It will greatly assist Hansard if, when referring to the *Budget Statements* volumes or the consolidated fund estimates, members give the page number, item, program, amount, and so on in preface to their questions. If supplementary information is to be provided, I ask your co-operation in ensuring that it is delivered to the committee's clerk within five working days of receipt of the questions. An example of the required Hansard style for the documents has been provided to your advisers. May I remind those members of the public in attendance that only accredited media representatives may take notes. However, full Hansard transcripts will be available to the public within a week of the close of these hearings. The committee reminds agency representatives to respond to questions in a succinct manner and to limit the extent of personal observations. For the benefit of members and Hansard, I ask the minister to introduce his advisers to the committee, and for advisers to please state their full name, contact address and the capacity in which they appear before the committee. Has each of the witnesses read, understood and completed the witness information form?

WITNESSES: Yes.

[11.20 am]

The CHAIRMAN: Do all the witnesses fully understand the meaning and the effect of the provisions of that document?

WITNESSES: Yes.

The CHAIRMAN: What is the proposed planned operating deficit for the college?

Hon N.F. MOORE: Before we begin I would like to explain to some members who may not be aware that the Central Metropolitan College of TAFE is funded by the Department of Training and Employment, and, as such, there is no budget item in the estimates documents for this organisation. Members should be aware of that when they ask questions about the budget.

Hon MARK NEVILL: What campuses are covered?

Mr SMITH: Wembley, Leederville, Perth, East Perth and Mt Lawley.

Mr PATERSON: As indicated in our section 42 estimates this year, our planned net outgoings are \$6.729m.

The CHAIRMAN: How does that compare with last year?

Mr PATERSON: Our actual loss at the end of last year was \$1.628m.

The CHAIRMAN: In view of that, is it possible to explain why there is a proposed increase of \$5m in the planned budget deficit?

Mr SMITH: The college has a planned deficit of \$6m or so. Most of that is made up of \$4.7m for provision for depreciation on capital, which is an accrual accounting issue and does not represent real money to the college. The balance is the funds that we will be investing for new developments and new products to further the business of the college. The funds will come from reserves held by the college. It is college policy to use our funds to the best advantage and that we hold a strategic reserve of \$4m, below which we will not go. Money above that we invest. As it goes into a product, it does not get converted into other forms of assets and therefore it shows up as a deficit in the accounts.

The CHAIRMAN: At their highest, how much were the strategic reserves?

Mr SMITH: Since the council has been in, the strategic reserve has always been \$4m. Until the council put in a strategy, the funds held by the college have varied over the past four or five years up to \$10m.

The CHAIRMAN: So we have gone from \$10m to \$4m in strategic reserves.

Hon N.F. MOORE: The strategic reserve is \$4m but other reserves have been used for other purposes.

The CHAIRMAN: The other reserves have gone from \$10m to \$4m?

Mr PATERSON: That is not entirely correct. The \$10m is the total available cash at any one time. Some of the cash is

committed to other programs in the college. Of that \$10m I do not know what was available in terms of reserve cash other than that we established a policy three years ago that we would not fall below about 7.5 per cent of our operating expenditure.

Mr SMITH: The governing council does not see that the function of the college is to accumulate money. Money that is surplus or additional to our reserves is invested in the business of the college in terms of product development. The college provides nearly 60 percent of the product for the TAFE system. That is our policy.

The CHAIRMAN: To clarify the situation, there was \$10m in reserves five or six years ago and currently the reserves are down to \$4m.

Hon N.F. MOORE: No. Mr Paterson has explained that. There was \$10m in cash for various purposes; whether or not it was a reserve is something that the Chairman is calling it. The officers are now saying that they have a variation in the number of dollars available to invest but they are maintaining a strategic reserve of \$4m, below which they will not go, as college policy.

The CHAIRMAN: Thank you for that clarification.

Hon E.R.J. DERMER: I am interested in discussing information technology and the related graphic design courses provided by the college. I have been very encouraged by reports I have received from the information technology industry about the students coming through the courses. I would like to know more about the program or regime that exists for the updating of hardware and software used in the courses. In the way that it is presented, graphic design is an information technology related course.

Mr PATERSON: The college has a continuing program of refreshment of its equipment across all its computing programs. We currently have top of the range computing equipment, particularly in multimedia and graphic design. We have recently upgraded that part of the college. In terms of our general information technology, we updated our laboratories two years ago and they still represent state-of-the-art computing. We can still take all the modern software. We are now updating our computer-aided drawing facilities at Leederville, which will then bring them fully up-to-date. They are already at a very high level, but we will make sure that they are at the leading edge of computer-aided design.

Hon E.R.J. DERMER: What would be the oldest hardware equipment still in use on the courses?

Mr PATERSON: I could not answer that off the top of my head. I will have to take the question on notice and provide the information later. Most of our equipment would be within three years of age.

Hon E.R.J. DERMER: Some may be older?

Mr PATERSON: I could not answer that off the top of my head.

Hon E.R.J. DERMER: I would be grateful if you could provide information on notice. What requests have been received from teaching staff for the provision of equipment for those courses? Have all the requests been met?

Mr PATERSON: My understanding is that all requests that are needed to meet the requirements of the programs have been met. We are vigilant in making sure that the computing equipment is of sufficient standard to deliver our programs. We have just recently had some requests from the Leederville campus about our CAD operations and we have agreed to bring those operations completely up-to-date. I am not aware of any outstanding computing requirements.

[11.30 am]

Hon E.R.J. DERMER: When was that decision made?

Mr PATERSON: It was made in the past two weeks as a consequence of detailed discussions with staff. We went to the Leederville campus to communicate our strategic plan; the matter was raised, we took it seriously and we have acted on it.

Hon MARK NEVILL: I am interested in the basic and advanced literacy enhancement courses for adults. I understand that the system in the TAFE college is being adopted by the prisons system. What capacity does the Central Metropolitan College of TAFE have to expand the number of places available in literacy programs for people undertaking community sentences?

Mr PATERSON: I need to take that question on notice.

Hon MARK NEVILL: In general terms, does the college have the capacity, provided it is funded, to expand the delivery of such courses?

Mr PATERSON: Literacy and numeracy adult learning, which was recently expanded, is a large program in the college. It is full at the moment. However, a turnover is involved as it involves mainly short courses with the opportunity for people to come in at different times during the year. I will provide further information on our current capacities.

Hon M.D. NIXON: My question relates to page 54 of the college's annual report. I note a dramatic reduction of 50 per cent in workplace accidents, which is most impressive. What steps were taken to achieve such a great reduction?

Mr PATERSON: We have a program on occupational health and safety through our human resources branch. An expert occupational health and safety person is located at the college and his role is to ensure that we have a proper workplace

environment for our people. Reports are provided to the executive of the college on a monthly basis outlining the likely occupational and safety hazards. These are in the three categories of A, B and C, the most urgent of which is category A; these matters are dealt with straight away. There are also safety committees at each campus which look at occupational health and safety issues. It is part of our management performance. Each manager under a performance agreement must manage occupational health and safety issues.

Hon M.D. NIXON: It is most impressive. It appears that physical injuries of sprains and strains have reduced from nine to six, and open wounds are down from five to one. Also, a major reduction in stress has occurred at the other end of the scale. Which programs achieved that result?

Mr PATERSON: Stress is one of the major issues that must be dealt with today. We endeavour to take care of that through proper communication and a formal management process. It also relates to the professional development of our managers and staff as well. We ensure that where we encounter matters of stress, we deal with them in a compassionate and sensitive manner.

Hon MARK NEVILL: What mechanisms are in place at the college to handle internal disputes with students and staff?

Mr PATERSON: The overarching policy regarding those issues is the college's code of conduct. The code of conduct clearly lays down the behaviour that is required from both our staff and students. Underpinning that is a grievance process which the students have available to them. They go through a formal grievance process. If required, there can be an independent assessment of the situation. Similarly, there is a grievance process for the staff, and they too can access an independent assessment. However, we endeavour to undertake consultation and debate with the people concerned before it gets to that stage and becomes too much of a problem.

The CHAIRMAN: I am particularly interested in some of the commercial activities in which the college has engaged. The first one relates to the Centre for Business Solutions. I understand that was established in 1997.

Mr PATERSON: That is correct.

The CHAIRMAN: It was originally set up in East Perth.

Mr PATERSON: No. The forerunner of the Centre for Business Solutions was established at a centre in Mt Lawley. We transferred the centre from there to our St Georges Terrace location, and renamed it from Skills Development Centre to Centre for Business Solutions.

The CHAIRMAN: I understand a lease was taken out by the college for the 111 St Georges Terrace property.

Mr PATERSON: Yes.

The CHAIRMAN: That lease was taken out for 10 years.

Mr PATERSON: Correct.

The CHAIRMAN: Why did Central Metropolitan College of TAFE decide to take a 10-year lease on that property? I understand that Treasury had concerns about the cost-effectiveness of the proposal in the first place. In view of some of the uncertainties, why was a 10-year lease on 111 St Georges Terrace signed?

Mr PATERSON: When we went into the proposal, it was considered that we would take a long-term view of establishing this business. It would be required to establish its credibility and its image in the marketplace. Given that we were an inner-city institution, we were interested in establishing in a strong location within the central business district. We saw ourselves as being very much an ongoing business and that there was a requirement in the marketplace for enterprise-type training and for training within the CBD itself. Not a lot of training centres were within the CBD, and background research indicated that there was an opportunity for us to broaden our client base by moving our operations from our Mt Lawley location, which was essentially in a retail location, to the business district in which we were more interested.

The CHAIRMAN: When did the college move into 111 St Georges Terrace, and how much did it cost?

Mr PATERSON: I do not know the precise date. I think it was in 1997. I would have to take that on notice and provide the details of the exact date and also the exact cost later.

The CHAIRMAN: The college was required to refurbish the property at 111 St Georges Terrace before it could move in.

Mr PATERSON: Yes.

The CHAIRMAN: Has the college done any calculations of what the full cost of this lease over 10 years will be?

Mr PATERSON: Yes, we would have.

The CHAIRMAN: Do you know how much this lease will cost the college over 10 years?

Mr PATERSON: Yes, we would know that.

The CHAIRMAN: How much?

Mr PATERSON: I do not know. I will have to provide that information later, because I think the lease is renegotiable after three years. Therefore, we will have to do some estimates of what will be the likely outcomes - for the second five years anyway. I can provide that information on notice.

[11.40 am]

The CHAIRMAN: We will take that on notice.

Hon N.F. MOORE: Do you want the cost of locating to those premises?

The CHAIRMAN: I want all the costs associated with the refurbishment of the premises and any costs incurred in transferring resources from the pre-existing office to 111 St Georges Terrace.

Is it true that, after a year, the staff did not like the premises, for whatever reason, or thought it best to move to the Advanced Manufacturing Technologies Centre, close to 151 Royal Street, East Perth?

Mr PATERSON: We moved out for a brief period.

The CHAIRMAN: What was that decision based on?

Mr SMITH: The Central Metropolitan College of TAFE has an overall commercial strategy and developmental program, of which the Centre for Business Solutions is one element. The interaction between that centre and other college activities is important and integral to that strategy. The centre is an element for building the business. Decisions have been made about that centre that impact upon other college activities; however, we believed it would be of strategic value to do those things. Sometimes things are not as successful as one hopes. However, the Centre for Business Solutions is integral to a range of other activities, not least of which is the college's normal programs. In that context, these decisions were not made about the centre in isolation, but in relation to the activities of the whole college.

The CHAIRMAN: A 10-year lease was signed for 111 St Georges Terrace and within 12 months the Centre for Business Solutions decided it no longer had a requirement for those premises. How many square metres is the premises at 111 St Georges Terrace?

Mr PATERSON: It is in the vicinity of 900 square metres.

The CHAIRMAN: After a year, it was decided there was no requirement for that premise. Did the Central Metropolitan College of TAFE attempt to sublease it?

Mr PATERSON: It did.

The CHAIRMAN: Was it successful?

Mr PATERSON: No.

The CHAIRMAN: For how long were the leased premises at 111 St Georges Terrace vacant while the college still had a financial obligation to them?

Mr PATERSON: The Centre for Business Solutions was back in the premises after six months.

The CHAIRMAN: So, you left for six months and then came back. Why did you come back?

Mr PATERSON: We believed that, from a marketing point of view, it was better to reposition the centre in the central business district.

The CHAIRMAN: Have you calculated the cost of the premises being vacant for six months and of the Centre for Business Solutions moving out and then moving back?

Mr PATERSON: We would have those costs to hand.

The CHAIRMAN: Could you provide those costs to the committee? Was the Western Australian School of Management and Business located in or with the Centre for Business Solutions?

Mr PATERSON: It is now.

The CHAIRMAN: With whom is the Western Australian School of Management and Business a joint venture? Could you explain what the organisation is?

Mr PATERSON: The Western Australian School of Management and Business is one of the schools that operates within the Central Metropolitan College of TAFE. Its primary function is to deliver the government purchase training that the college receives from the Department of Training and Employment.

The CHAIRMAN: The projected revenue for the commercial activities of the Western Australian School of Management and Business is \$1.97m for 1999-2000 and \$2m for 2000-01. Was the 1999-2000 target met?

Mr PATERSON: I will take that question on notice.

The CHAIRMAN: What is the involvement of the Central Metropolitan College of TAFE in the Oil and Gas Training Centre?

Mr PATERSON: It is to run oil and gas training programs. The name of the centre is a marketing name; it is not a legal entity. We offer training programs to the oil and gas industry in Western Australia.

The CHAIRMAN: How much has been spent on the Oil and Gas Training Centre to date?

Mr PATERSON: I will take that on notice and provide supplementary information.

The CHAIRMAN: Can you also take on notice how much fee-for-service training was delivered in 1999 and how much fee-for-service training is expected to be delivered for 2000-01? Will you please provide a copy of the petroleum industry training system model?

Mr PATERSON: I am not sure I understand what that is.

Hon LJILJANNA RAVLICH: It is the petroleum industry training system model on which the Oil and Gas Industry Training Centre was based. I understand it was a system that emanated somewhere offshore. There might be a document in the department that you could provide; if not, that is fine.

Hon N.F. MOORE: Perhaps the Chairman can tell us which document she is quoting from so we can get a copy of it.

The CHAIRMAN: It is my own note.

Hon MARK NEVILL: I understand that TAFE generally is the first choice of more than 50 per cent of school leavers, which rate has increased from about 30 per cent to approximately 55 per cent in the past decade or less. Do you have any figures on the percentage of students who are school leavers and an indication of whether your institution is their first choice? Are any trends evident?

Mr PATERSON: We do not have the figures to hand, but I will provide that information.

Hon MARK NEVILL: Can you give a general view about whether they have improved?

Mr PATERSON: We have seen a significant increase in central college being selected as first choice provider for the TAFE sector. From memory, about 65 per cent of the students apply to come to central. The number of year-12 leavers has increased substantially.

The CHAIRMAN: I understand that for 1999 a refund was associated with the module load output rate and that, in view of that fact, TAFE colleges face pressure to pass students because a financial gain can be acquired by the colleges in the event they meet their MLOR. Is this a problem? Is it one of the downsides of the tightening of resource agreements between the Western Australian Department of Training and TAFE colleges?

[11.50 am]

Mr SMITH: The actual resources agreements are signed between the chair of the council and the department. It is my understanding that that measure is not a basis for funding cutbacks or anything else at this time; it is a measure of outcomes. It is not tied to funding.

The CHAIRMAN: Is a refund provided to TAFE colleges for meeting their module load output rate?

Mr PATERSON: There is a requirement under the delivery and performance agreement we have with the department to meet a certain level of modular completions in each group of programs.

The CHAIRMAN: What if that requirement is not met?

Mr PATERSON: There is a formula for some clawback.

The CHAIRMAN: So the college is penalised.

Mr PATERSON: It can be if it does not meet that requirement.

The CHAIRMAN: If the college does not meet that module load output rate, is it then penalised through a clawback of funding?

Mr PATERSON: There is that formula under the performance agreement.

The CHAIRMAN: Could that encourage colleges to pass students so that they meet their module load output rate?

Mr PATERSON: No, I would not say that. We are dealing with a professional industry that has integrity. It is very difficult for lecturers to pass people who genuinely have not met the pass requirements. There is an allowance for people to be put on hold so that they can have a second chance to pass their requirements. I do not believe this has in any way put pressure on people's professional judgment to provide passes for students. In the long run, there is no benefit in our doing that because at the end of the day, we are accountable to the marketplace. If we pass students who do not have the skill requirements to go into industry, industry will have a quick reaction to that.

The CHAIRMAN: Apart from the professionalism of the TAFE system, is there no possibility that students can be passed purely and simply to meet this requirement?

Mr PATERSON: No, I do not believe that is the case.

The CHAIRMAN: Could you provide this committee with the module load output rates for the Central Metropolitan College of TAFE for the past two years?

Mr PATERSON: Yes, we can do that.

The CHAIRMAN: Thank you. In terms of compiling success rates for TAFE students, is it true that some colleges count students who leave for related employment as having successfully completed their courses?

Mr PATERSON: I cannot answer for other colleges, other than to say that under the business rules that have been laid down, a student who has started a course and subsequently gains employment can be counted as being a successful student.

The CHAIRMAN: Even though they have not completed their course?

Mr PATERSON: Some students then change their direction from full-time to part-time and complete their courses in a part-time mode. One of the key outcomes for the Central Metropolitan College of TAFE and the TAFE system at large is to get people into employment.

The CHAIRMAN: Should training institutions ultimately be about providing a qualification to students which is portable and will enable them to go from job to job and have some currency in that process? Should that not be the primary aim of a training institution?

Mr PATERSON: I think the primary aim of the institution is to provide the skills necessary for employment in our industries in Western Australia, whatever those skills may be. Part of that involves ensuring there is a capacity for people to continue to upgrade their skills, if they wish to move from one industry to another, or to improve the skills in the industry they are already in. At the end of the day, we are looking at providing people with the necessary skills to perform in the industry they choose.

Hon M.D. NIXON: My question is along the same line. I note that the statistics on page 25 of the report indicate that about 70 per cent of graduates are employed. I did not see the figure for how many people start and how many graduate. What is a ballpark percentage for that?

Mr PATERSON: To graduation?

Hon M.D. NIXON: Yes.

Mr PATERSON: I could not indicate what percentage of people go through to graduation other than to say that roughly 5 000 students a year graduate, but I could find that figure for the member. It is a complex issue, because in today's training environment, people can simply come in and get a necessary skill without completing a course. With competency-based training and training packages, there is a flexibility for students to gain a particular competency they need for their job without necessarily completing a total course. The length of courses ranges from six months to three years. I could provide the member with some information about the trends for a person who completes a course and how many students would go from year 1 to year 2 to year 3.

Hon M.D. NIXON: That page states that the central TAFE employment outcomes of graduates are comparable with those of other Western Australian graduates. Is that compared with other TAFE colleges?

Mr PATERSON: Yes, it is.

Hon M.D. NIXON: You are not comparing it with universities or something like that?

Mr PATERSON: No, we are not.

Hon M.D. NIXON: The graph on that page indicates that 70 per cent become employed, and that is clear enough. However, 16 per cent are not in the labour force, and I do not know what that means. Perhaps it is hobbyists or young ladies who have decided to raise a family or something like that and who are out of the system. If 13 per cent of graduates are unemployed, that is about double the state average. It could be that this group of graduates is the youth group, and the unemployment rate for that group is considerably higher than the state average. It is something like 25 per cent, is it not?

Mr PATERSON: I am not sure. I need to understand what "unemployed" means in relation to that graph. I think it means that they were unemployed in the time frame in which the survey was conducted. The 70 per cent is within three months of graduating. The 13 per cent may mean not that they are unemployed and without a job, but simply that they are not employed at the time of undertaking the survey.

Hon M.D. NIXON: It seems amazingly high if these are graduates, and those who did not graduate have already been taken off.

Hon MARK NEVILL: There are some wonderful photographs in the annual report, but it would be nice to know who the people are and what they are doing. The photographs lack captions. I asked my colleague what he thought the photograph on page 6 was of and he thought it might have been a still to make home-brew, but I do not think that is the case.

Hon N.F. MOORE: That is why there is no captioning!

Hon MARK NEVILL: Another comment I will make about the annual report is that pie graphs are wonderful in terms of graphic design, but they are nowhere near as informative in setting out information as the ordinary bar graphs.

Hon N.F. MOORE: I agree with the member, and I think the college will try to fix that next time.

The CHAIRMAN: I thank the minister and his advisers for their attendance.

[12 noon]

Division 7: Office of the Auditor General, \$7 192 000 -

Hon Mark Nevill, Chairman.

Mr D. Pearson, Auditor General.

Dr P. Jost, Director of Audit.

Dr P. Wilkins, Director of Policy.

Hon LJILJANNA RAVLICH: One issue that arose during this week is the establishment of a common-use rental facility by the Department of Contract and Management Services to provide agencies with access to operating lease finance from a panel of financiers. Apparently, the facility has been designed to provide competitively priced finance using a standard set of terms and conditions for a wide range of equipment. I have a number of questions to ask the Auditor General in view of his work on lease now, pay later schemes. If agencies were to acquire their funds through a lease contract, as opposed to Treasury, where would it show in their budgets?

Mr PEARSON: I will ask Mr Jost to clarify that; however, I would expect it to show as an operating expense in their program statement. If it is a finance lease it would appear as an interest expense and it would also appear on their balance sheet as a liability. If it is an operating lease it would appear only in their operating statements as it is effectively a hiring charge and a recurrent expense item. Mr Jost will elaborate on the disclosure aspect.

Mr JOST: That is right, it would appear in recurrent expenditure. There would be further mandatory disclosure by way of a note as to future commitment payments in three bands, 0-1 years, 1-5 years and 5 years and beyond.

Hon LJILJANNA RAVLICH: If the Health Department were to borrow money for the lease of medical equipment, how would that be reported?

Mr PEARSON: Are you talking about program statements or the agency's annual report?

Hon LJILJANNA RAVLICH: Program statements.

Mr PEARSON: I would expect to find it under a recurrent outputs heading in a program statement.

Hon LJILJANNA RAVLICH: In the work that the Auditor General undertook on lease now, pay later arrangements, did he find a trend for increased leasing across government agencies? If so, why, and is it a good thing?

Mr PEARSON: I will qualify my answer by saying that we did not specifically audit that dimension; therefore, I will have to give my belief rather than an audit finding. My belief is that there is an increasing trend in the use of leases, and we made reference to that in the report. At times agencies have no funds to buy an item and they choose to lease because they can spread the cost, an aspect of leasing of which I was somewhat critical. I do not see a problem with leasing as an option. However, the public sector should always use the most cost-effective option. Sometimes leasing can be the most cost-effective option and at other times buying is the most cost-effective option. In the report, we tried to get across the message strongly that agencies should work out the best option for the taxpayer and pursue that option. I see leasing as an open question based on a cost-benefit analysis. My message to public servants is that if a cost-benefit analysis indicates that purchasing is the way to go, they should go back to Treasury for additional funding rather than default to the more expensive leasing option. That was very much the signal I was sending in that report and something I will be looking for when we conduct our follow-up review in 12 to 18 months. In answer to the question as to whether it is a good or bad thing, I would say that leasing is part of today's society and is very much more an available option nowadays. However, it depends on the cost-benefit analysis; that should drive the decision.

[12.10 pm]

The CHAIRMAN: During our estimates hearings one can see the look of exasperation on some people's faces when we talk about performance indicators. That was evident during the Health estimates. How is that area progressing and is there a recognition in some areas that performance indicators cannot be developed to be objective to the extent that we would like them to be?

Mr PEARSON: Performance indicators are required under the Financial Administration and Audit Act and Western Australia is one of the small number of jurisdictions in Australia that imposes that requirement. My reading of progress with performance indicators is that their usefulness and value is increasing steadily, but slowly. I recognise that there are some areas in which it is very difficult to get meaningful performance indicators and that seems to be in the softer policy advising areas where there are less tangible deliverables from the agency concerned. That problem must be recognised and addressed. I have dealt with a few people who were exasperated and the one thing that we agree on is that the option of not measuring or not watching performance is not an option at all, so we have to strive harder in pursuing it. I am aware that there is some concern, and in discussions with Treasury this week, we canvassed an option. In some of the effectiveness areas, the option to date has been to use a survey to ask the client group what it thinks. There is recognition

that that may now be a default option and we need to look harder at trying to find a better alternative to default surveying. On the positive side, and broadly across the public sector, one indicator is that over 80 per cent of performance indicators are clear; that means that the agencies are meeting the criteria for good performance indicators. I have seen a very positive response from a number of agencies to a push by my office in the past cycle of audits to have a clearer picture in respect of their performance indicators for some years. We have told them that if they are preparing the indicators only to get our opinion and not using them at other times through the year, then they might be doing things right, but they are not doing the right thing. We are encouraging agencies to go back and align their performance indicators with their management information systems. I have seen quite positive reaction to that from a number of larger agencies which have been very successful in doing that and which are now seeing the benefits.

The CHAIRMAN: Could the committee get an overview of the office's general activities; where there seems to be a need for improvement; where there are problem areas that may be evolving across government; areas that the office may be investigating in the forthcoming year; and, without disclosing the findings, current inquiries that are being undertaken?

Mr PEARSON: I expect to table four reports in the next couple of weeks; that is, by the end of June. The first one is on a performance examination of contracting with the not-for-profit sector by a number of agencies. That has been an extended review looking at the shift from government agencies tending to make grants to not-for-profit agencies moving to contracting or partnering with not-for-profit agencies when delivering programs. There is a follow-up report in its final stages on the Joondalup Health Campus. A couple of years ago we did a review of the campus's contract. As members will recall from the report, it was after the contract had been signed but before the hospital was commissioned. We have been back there and reviewed some of the issues that we could not address at the earlier stage. I expect to table the third report in the performance area before the end of the month. That is a follow-on report regarding bus reform and the outsourcing of the bus fleet. Also, I expect to table a report on the tertiary education sector - namely, universities and TAFE colleges which have a 31 December balance date - which will be an acquittal of opinions. Those reports are at the forefront at the moment.

A couple of other performance examinations are under way. Although we are working on these issues, my obligation is to report matters of significance to Parliament. Matters may appear to be significant as we undertake the review, but explanation provided during the review may mean they do not warrant a report. One of those at the forefront is the administration of gun control by the Police Service following the gun buyback scheme and how that has been effected. We are also considering the outsourced management of facility management contracts across the public sector. A review is being carried out. A number of lesser reviews are being conducted in our controls and compliance area. We are considering motor vehicle usage and the justification of operational use and the management of the policy which applies to the procurement and disposal of motor vehicles.

The office is also considering the implementation of the program to buy computers for schools. Internet and Internet network security is another area of consideration because of the proliferation of the use of the Internet and computers. We will assess the preparedness of the Public Service in that regard.

Those are the major projects in train. Also, the office is firmly embarked on its annual cycle of attest audits, which take about two-thirds of its resources. This underpins our audit work. We have finished the planning cycle for the majority of public sector agencies and are well into the interim audit work to return after 30 June to finish off the audit of financial statements and performance indicators.

Regarding the question concerning what I interpret as the risk areas, contract and contract management is still an area of focus. From an auditor's perspective, anything involving change and new procedures poses the greater risk as greater reliance can be placed on stable and established systems. Returning to the lease-or-buy report, a number of areas may seem minor but can be significant concerning the behaviour of public servants contracting with private sector operatives in recognition of the different incentive and motivation schemes. Public servants are well attuned to dealing with other public servants; however, when mixing with private sector people who have a different incentive scheme, sometimes public servants can be somewhat naive or unrealistic in their expectations of the other party.

The CHAIRMAN: Members should understand that these are ongoing inquiries which we do not want to pre-empt.

Hon E.R.J. DERMER: A couple of matters caught my attention as the Auditor General reviewed the list of ongoing inquiries. Can the Auditor General give a time frame on the computers in schools program report availability?

Mr PEARSON: It is always very difficult to say. That is more likely to be reported early in the new year rather than late this year. In view of time lines and parliamentary sitting patterns, it is too optimistic to expect it this side of Christmas.

Hon E.R.J. DERMER: I appreciate that any indication of time frame is at best an estimate. I ask the same question regarding the report on Internet security matters.

Mr PEARSON: I hope to release the report by August or September as the review is at a reasonably advanced stage; nevertheless, I still register my qualification, as an audit is not complete until it is signed off.

[12.20 pm]

Hon E.R.J. DERMER: That is clearly understood.

The CHAIRMAN: Mr Pearson added the proviso that some of these inquiries may not evolve into reports.

Mr PEARSON: Yes.

Hon SIMON O'BRIEN: I refer to output 2, audit opinions, contained on pages 134 and 135 of volume 1 of the *Budget Statements*. I preface my question by saying that I appreciate the heavy workload of the Office of the Auditor General. I know that 30-something per cent of the audits are contracted out but, even so, the amount of work is huge. I acknowledge the staff's heavy workload, and perhaps the Auditor General could convey those sentiments. I notice from the figures that in the current financial year the office has audited 50 major agencies, 204 smaller agencies and 67 other agencies. Towards the bottom of page 134, by simple mathematical extrapolation, for the coming financial year the cost is \$76 200 for a major audit, \$10 300 for a smaller audit and \$3 700 per other audit. Could Mr Pearson give us an idea of how much work would be involved in the average figure for 1999-2000 of \$74 000 to audit a major agency? How many people, for example, would be involved, and what is the sort of time frame on which they would be working?

Mr PEARSON: That is a difficult question to answer because, even though they are stratified at three levels, they are broad averages. Probably a number of our 24 largest and most complex audits would take more than 500 hours on the job; that is, the field people out auditing. Behind that, there are the overheads and support. The next 47 audits are in the category of 201 to 500 hours.

Hon SIMON O'BRIEN: What if we take one of the major audits out of the 24 or so that require 500 hours or more -

Mr PEARSON: In fact, for large agencies like Health, Education or Transport, some of the audits would require up to 2 000 hours.

Hon SIMON O'BRIEN: I will take the 500-hour figure, for argument's sake. I know that the Office of the Auditor General sets deadlines to finish the job in a timely manner. How many people would be in the audit team to do, say, a 500-hour job?

Mr PEARSON: That is Mr Jost's area of responsibility. I will ask him to comment. I will start by saying that three to five people is the range. It depends on the expertise needed.

Mr JOST: I agree that it is three to five people, but it fluctuates up and down, depending on the nature of the work. As the Auditor General indicated, if specialist information systems auditors are needed in a new system, we might have only one or two people working. However, if we are working towards a balance date with tight closing, such as with Western Power, we would have, say, five people there for a couple of weeks.

Mr PEARSON: The hours are a major part, because obviously audits are labour intensive. However, with large and complex audits, we will buy in expertise on a needs basis. For instance, with the Insurance Commission of Western Australia, from time to time we will buy in actuarial expertise to provide us with support concerning management's judgments, and we will run the audit rule over that. Valuations are another area in which we bring in professional advice, and IS, as Mr Jost has already mentioned, is very much an area in which it invariably pays us to buy in that resource. We do not have the resources to maintain the level of expertise across the breadth of applications in the public sector.

Hon SIMON O'BRIEN: This is another broad question designed to help with understanding the role of the Auditor General. The Office of the Auditor General has many responsibilities which are prescribed by a range of measures, including audit-related legislation. One of its roles is to keep Parliament informed, which I think is done well through the tabled reports. It is often hard to get parliamentarians together for in-person briefings. That must be a source of frustration for the Auditor General from time to time. We in Parliament rely heavily on the written reports.

The CHAIRMAN: Get to the question.

Hon SIMON O'BRIEN: I understood that this hearing is not purely an inquiry; it is also a feedback session with the Auditor General. Through the annual report, the Office of the Auditor General talks about its plans for the next financial year and shows trends in the different areas in which the office is working. Much of that work is logically driven by legislative requirements. Do you have a need for further guidance from the Parliament or other quarters to assist in establishing forward plans for operation? Would you like further guidance or do you formulate the intent of Parliament through interpretation of the legislation?

Mr PEARSON: The Financial Administration and Audit Act requires me to audit as I see fit. The method is personal to each statutory appointee. I, and the office, seek feedback and contribution from the Parliament in various ways. Over time, we have had meetings with the Standing Committee on Estimates and Financial Operations in which we compare notes on what we are looking into and talk about the committee's agenda. We do a similar thing with the Standing Committee on Public Administration from time to time. We also undergo an explicit consultative process with the Public Accounts Committee about three times a year. In other jurisdictions, the trend when revising legislation is to have a related parliamentary committee. I would not call it an oversight committee. The two that immediately come to mind are the Australian National Audit Office and the New Zealand Audit Office, in which a committee talks with the Auditor General. In both those jurisdictions, and now Victoria, the Auditor General tables his proposed plan in Parliament and the committees comment on it. The Auditor General then formulates a view on what will be done and proceeds on that basis. That consultation process is more formalised.

Hon NORM KELLY: Page 130 of the *Budget Statements* refers to the external influences on the Office of the Auditor General, and states that the goods and services tax meant the office was required to consider the compliance work of public sector agencies. What sort of impact did that have on the overall budget for this coming financial year? Is it possible for the Office of the Auditor General to act as a liaison between agencies to assist in best practice?

Mr PEARSON: The answer to the first question is problematic. We are concerned about the goods and services tax because it permeates every agency and will continue to do so. I have compared it with the year 2000 bug, but although it had the potential to apply everywhere, it was a one-off event. If we got over the hurdle, the bug would presumably not be a problem.

Hon NORM KELLY: That is what we are saying!

[12.30 pm]

Mr PEARSON: The tack we took with the goods and services tax was that during the last auditing cycle - well in advance of the tax's introduction - we added it to the checklist. We assessed whether agencies were thinking about it or preparing for it. If they were, we commended them and facilitated networking exchange information between the agencies that were well advanced in their preparations and those which had not yet started. In the last cycle we specifically raised it as an issue. If we found that agencies had not started, we sent a management letter; otherwise we kept a close watch on it. The ultimate test will be how things proceed from 1 July. Generally, the state of preparedness is reasonable. I have not yet found anything to cause me to raise it as a matter of significance. There are pockets of problems, but in the scheme of things it appears that it will be managed. If any agencies trip up in the change to the GST, it will affect cash flow because they will be paying money out and not getting credit. We will focus on that.

We seek to provide a value-added audit service with constraints. While auditing we pass on information or arrange introductions with other agencies that may have already addressed a problem that an agency is facing.

Mr JOST: Treasury has taken on a role as the facilitator. As with pre-Y2K procedures, it has been seeking progress reports from agencies.

Hon NORM KELLY: You have a statutory obligation under section 37 of the Gas Corporation (Business Disposal) Act to consider the proposed sale of AlintaGas. What is the estimated cost of fulfilling that obligation? What would be the cost to do a similar audit on the sale of Westrail freight? Is there any intention to do that?

Mr PEARSON: That sort of review would be in the \$30 000 to \$50 000 range. It involves a start-up cost and coverage which means that I could not see us doing it for less than \$30 000, whether we did it ourselves or brought in expertise. The total cost would be closer to \$50 000, particularly for a complex sale.

Hon NORM KELLY: Are you referring to AlintaGas as well as Westrail?

Mr PEARSON: I am referring to the amount for each utility. I will keep an eye on the Westrail situation; it is not on the program to do a review. We did a review of the Dampier to Bunbury gas pipeline sale, so a precedent has been set. I have been heartened that people involved with the AlintaGas and Westrail sales have had regard to that and have been touching base with our office to clarify matters and ascertain what sort of documentation we would like them to use. Therefore, if we did a review, it would be somewhat expedited. I take that as a positive. It is not intended at this stage to review the sale of Westrail. However, I will have regard to whether the AlintaGas sale proceeds. When we have done that review, we will have at least surveillance of the Westrail sale, but it is a matter of whether I would commit to doing it.

Hon M.D. NIXON: I refer to page 60 of the Auditor General's annual report and the reference to occupational health and safety. I believe that, compared with other agencies and offices, the Office of the Auditor General has not fared well. However, obviously over the three years it has been variable. Are you doing something about this area? Do you believe that the statistics are unreliable because your office has a relatively small staff?

Mr PEARSON: Clearly the relatively small staff is an influential factor. One serious illness can significantly influence the situation. I am cognisant of the broader area of sick leave. In a report I tabled recently, my office appears at the upper end of the sick leave spectrum and that has prompted us to address the issue. In mitigation, however, when one looks at the sick leave table, I cannot explain it, but the table shows a trend towards higher utilisation in the larger agencies. In the agencies with under 100 employees there is small utilisation. When the agencies are grouped - my office is about the third or fourth largest office in that category - we are somewhat similar. It drops a bit in the over-100 category and goes up again to the big agencies in the over-100 category. That is one issue I am exploring and trying to understand. In mitigation of my office, it is, by its nature, an audit and project office and we account for our time down to 15-minute intervals and our diaries are recorded fortnightly. I am as assured as any CEO can be, and more so than most, that my figures are accurate and reliable, because I am collecting them; however, I have a suspicion there may be some leakage in the system generally that does not make us look as good as we would like to look. We are currently investigating the concept of a wellness program. It is not an easy decision to make. There are a range of variables and intangibles, including offering flu vaccines - which we can offer but people cannot be forced to take. The evidence is not explicit as to whether it is worth it. We are at the early stages of evaluating that.

Hon RAY HALLIGAN: Mr Pearson, I notice that your office has a performance indicator unit and it assists agencies in the preparation of those key performance indicators. I am interested in the breadth of them. I heard what you said about the department having latitude under the Financial Administration and Audit Act as to what they might be. My question might be best provided by way of an example. In universities, students going through from one year to another normally have to achieve a certain mark. Considering that these universities are publicly funded, I am concerned - and it has come to my attention - that some people may be moving ahead at the expense of others. This is a key performance indicator for such an agency. Do the audit arrangements in place pick up something of that nature?

Mr PEARSON: I do not think they would be at that level of detail. The performance indicators required by the FAAA are high-level indicators of efficiency and effectiveness. My recollection of universities and TAFE colleges is that they go more to macro success rates, employment and further study beyond graduation for their outcome models. If I have interpreted the member's question correctly, he means that some people who should not pass are passing.

Hon RAY HALLIGAN: They are being allowed to move into the following year at the expense of others who may very well have taken that place.

Mr PEARSON: Does the member mean they are being allowed to move from first to second year?

Hon RAY HALLIGAN: They are not achieving what the university expects the students to achieve, yet they are being allowed to move on to the subsequent year. Because of the shortage of places, that means they progress at the expense of others who have not been given the same opportunity.

[12.40 pm]

Mr PEARSON: That seems to be what I call the quality level or the curriculum level. Certainly, the published indicators are not at that level.

Hon RAY HALLIGAN: Would you agree that it is auditable inasmuch as guidelines are set down, even if it is only a matter of getting the chief executive officer to agree that everyone met those guidelines?

Mr PEARSON: It is something I could do legally, but I would have some reservations about the ability to do it in a practical sense, and I would want to have regard to the other controls operating in that area. I expect there would be controls from the Commonwealth Government, which provides the largest proportion of funding. I am aware that universities have a peer review or a peer audit process to provide assurance on the standards in use in an academic sense and to protect the overall standard of education. The short answer is that, yes, it is auditable. It is a question of whether it is of such significance to warrant using my limited resources on it. However, it is also an area which - I am not trying to pass the parcel - other agencies or authorities may be more competent or may have more expertise to review.

Hon RAY HALLIGAN: I suggest that it is something I would like the Auditor General to look at, if it is possible. As I say, public moneys are involved, and the greater the community involvement, the better, particularly for those who wish to go down this path other than the individual students who are allowed to get through in this manner.

Mr PEARSON: I would welcome it. It would be more appropriate to give the member more specific details in a different forum. I must also signal that sometimes these areas are very subjective and it is an academic assessment. That would be an area about which I would have some worries.

The CHAIRMAN: Has your office noted any trends with public sector agencies entering into contracts with commercial confidentiality clauses with the private sector?

Mr PEARSON: Not discernibly. I think it was this time last year that a number of people raised it and there was a lot of commentary about it. We have done some work in that area but it has been inconclusive. To our minds there was not an inordinate use of commercial-in-confidence clauses. When we looked at it, none lent themselves to our using them as an example. Conversely, on the occasions we have encountered commercial-in-confidence clauses, we have had unimpeded access to the contract to perform our audit. I have a watching brief on this area, but where it is a problem and where I should look deeper has been drawn to my attention.

The CHAIRMAN: Have the confidentiality clauses been justified from a public interest point of view?

Mr PEARSON: Essentially, we have not encountered particular confidentiality clauses. As I understand it, the Joondalup hospital contract has been tabled with all but a couple of schedules. The Matrix fleet contract, which was large and complex, contained a clause in relation to the return to the financier or the promoter, but that was well within the range of generally accepted practice. I have not seen any clauses which some of my interstate colleagues have seen. In some cases they have felt constrained by what was in the contract and have used their provision under the Financial Administration and Audit Act to put that on the record in the Parliament.

The CHAIRMAN: I declare the session closed. Thank you Mr Pearson.

Committee adjourned at 12.44 pm
