



PUBLIC ACCOUNTS COMMITTEE

REVIEW OF THE REPORTS OF THE AUDITOR GENERAL 2006-2007

**Report No. 8
in the 37th Parliament**

2007

Published by the Legislative Assembly, Parliament of Western Australia, Perth, November 2007.

Printed by the Government Printer, State Law Publisher, Western Australia.



Public Accounts Committee

Review of the Reports of the Auditor General 2006-2007

ISBN: 978-1-921355-26-4

(Series: Western Australia. Parliament. Legislative Assembly. Committees.
Public Accounts Committee. Report 8)

328.365

7673-1

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PUBLIC ACCOUNTS COMMITTEE

REVIEW OF THE REPORTS OF THE AUDITOR GENERAL 2006-2007

Report No. 8

Presented by:

Mr J.R. Quigley, MLA

Laid on the Table of the Legislative Assembly
on 22 November 2007

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COMMITTEE'S FUNCTIONS AND POWERS

The Public Accounts Committee ('the Committee') inquires into and reports to the Legislative Assembly on any proposal, matter or thing it considers necessary, connected with the receipt and expenditure of public moneys, including moneys allocated under the annual Appropriation bills and Loan Fund. Standing Order 285 of the Legislative Assembly states that:

The Committee may -

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

CHAIRMAN'S FOREWORD

It gives me great pleasure to present for tabling the Review of the Reports of the Auditor General for 2006-2007. This represents the second report of this nature, indicating the progress public sector agencies have made in implementing the recommendations of the Auditor General. The Public Accounts Committee resolved to follow-up this progress at the commencement of the 37th Parliament, continuing on from a resolution of the previous Committee.

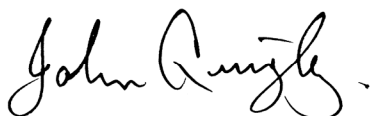
The Committee's follow-up process is important to ensure that recommendations made by the Auditor General are given close consideration by the public sector. In presenting this Report, the Committee believes that it is providing necessary information to the public on the work carried out by the Auditor General, and that it is improving the accountability of agencies to the Parliament.

This Report examines the findings and recommendations made by the Auditor General in Public Sector Performance Examinations tabled in the Parliament. Chapter 2 provides information on the follow-up process for the Examinations carried over from the 2005-2006 financial year, indicating which have been concluded, and which are yet to be finalised. Chapter 3 gives detail on the Auditor General's Public Sector Performance Examinations for the 2006-2007 financial year where the Public Accounts Committee has received a response from the agency and a substantial follow-up process has been initiated. Chapter 4 outlines the reports tabled in Parliament in the 2006-2007 financial year which have not yet reached the stage of agency reporting.

Over the past 12 months, the Committee is pleased to have further developed its constructive and effective working relationship with the Office of the Auditor General. The positive relationship the Committee formed with the previous Auditor General, Mr Des Pearson, has continued with Mr Colin Murphy, the present Auditor General. While it is essential for the Public Accounts Committee to maintain its independence, good communication between the Committee and the Auditor General is necessary to the effective performance of the Committee's role, and has been strengthened this year.

I wish to thank the Members of the Committee for their commitment, hard work and vigorous contribution, in particular: the Deputy Chairman, Dr Steve Thomas (Member for Capel); Mr Terry Redman (Member for Stirling); Mr Peter Watson (Member for Albany); and Mr Ben Wyatt (Member for Victoria Park). I also thank the Committee staff for their assistance, particularly the former Principal Research Officer Ms Liz Kerr, the current Principal Research Officer Dr Julia Lawrinson, and Research Officers Ms Nicole Burgess and Ms Dawn Dickinson.

I commend this report to the House.



MR J.R. QUIGLEY, MLA
CHAIRMAN

ABBREVIATIONS AND ACRONYMS

“AFPP”	Annual Forward Procurement Plans
“ARB”	Attraction and Retention Benefit
“BEA”	Business Exit Assistance
“CCLSU”	Child Care Licensing and Standards Unit
“CEO”	Chief Executive Officer
“CRAM”	Clinical Risk Assessment and Management
“CUA”	Common Use Arrangement
“CWTS”	Controlled Waste Tracking System
“DAFWA”	Department of Agriculture and Food Western Australia
“DCA”	Department of Culture and the Arts
“DCD”	Department for Community Development
“DEC”	Department of Environment and Conservation
“DECU”	DNA Exhibits Coordination Unit
“DET”	Department of Education and Training
“DHW”	Department of Housing and Works
“DIA”	Department of Indigenous Affairs
“DNA”	Deoxyribonucleic Acid
“DOCEP”	Department of Consumer and Employment Protection
“DoH”	Department of Health
“DOIR”	Department of Industry and Resources
“DotAG”	Department of the Attorney General
“DPC”	Department of the Premier and Cabinet
“DPI”	Department for Planning and Infrastructure
“DPP”	Director of Public Prosecutions
“DSC”	Disability Services Commission

“DTF”	Department of Treasury and Finance
“ECD”	Ecological Character Descriptions
“EMS”	Expense Management System
“ETSSC”	Education and Training Shared Services Centre
“FESA”	Fire and Emergency Services Authority
“FSC”	Fleet Steering Committee
“HCN”	Health Corporate Network
“HGP”	Hormone Growth Promotant
“HRMIS”	Human Resources Management Information System
“ICT”	Information and Communication Technology
“IM”	Information Management
“IT”	Information Technology
“ITIL”	Information Technology Infrastructure Library
“MCB”	Metropolitan Cemeteries Board
“MHNCG”	Mental Health Network Coordinating Group
“MRIT”	Metropolitan Region Improvement Tax
“MRWA”	Main Roads Western Australia
“MTSQMS”	Mineral and Titles Services Quality Management System
“NATA”	National Association of Testing Authorities
“OPSSC”	Office of the Public Sector Standards Commissioner
“OSR”	Office of State Revenue
“OSS”	Office of Shared Services
“PDC”	Pilbara Development Commission
“PEU”	Pay Equity Unit
“PSMA”	<i>Public Sector Management Act 1994</i>
“PSOLIS”	Psychiatric On-Line Information System
“PTA”	Public Transport Authority

“RCIS”	Revenue Collection Information System
“RTA”	<i>Road Traffic Act 1974</i>
“SIP”	Strategic Information Plan
“SPCU”	Security Planning Coordination Unit
“TRELIS”	Transport Executive and Licensing Information System
“VLS”	Vehicle Loads System
“WAPOL”	Western Australia Police

CHAPTER 1 INTRODUCTION

1.1 Background

Public sector agencies are accountable to Parliament for their use of public resources and the powers conferred on them by Parliament. The key role of the Auditor General is to assist Parliament to oversee the public sector, and provide independent assurance that agencies are operating, and accounting for their performance, in accordance with Parliament's purpose.

Specifically the Auditor General:

- Audits and provides an opinion to Parliament on each public sector agency's annual financial statements and performance indicators;
- Provides an opinion on the adequacy of controls in satisfying legislative provisions;
- Conducts performance examinations; and
- Reports any significant matters to Parliament.¹

The Public Accounts Committee is empowered under the Standing Orders of the Legislative Assembly to inquire into and report on any proposal, matter or thing it considers necessary, connected with the receipt and expenditure of public moneys. The Committee has resolved to follow-up Auditor General Performance Examination reports tabled in Parliament. Agencies that have been the subject of these reports must inform the Committee regarding progress made towards implementation of each recommendation included in the Auditor General's Report.

1.2 Auditor General Reports

Reports on the examination of public sector agencies are undertaken by the Auditor General and comprise assessments of agencies' compliance and performance. Compliance examinations provide assessment of the internal controls and legislative compliance of an agency. Performance Examinations evaluate whether an agency is effectively meeting its objectives and using its resources economically and efficiently to deliver desired outcomes.² The reports contain a number of discrete examination subjects that normally gauge whether major areas of public sector operations are reliable and follow accepted practice.

Four Public Sector Performance Reports were undertaken by the Auditor General in this reporting period.

¹ Auditor General for Western Australia, *Audit Practice Statement*, in Report on Ministerial Portfolios at November 25 2003, Office of the Auditor General, December 2003, p38.

² Auditor General for Western Australia, *Practice Statement*, 1 February 2007, p6. Available at: http://www.audit.wa.gov.au/pubs/AuditPracticeStatement2007_oct.pdf. Accessed on 8 November 2007.

(a) Follow-up Performance Examination Reports

Performance Examinations are undertaken by the Auditor General to examine the accountability, efficiency and effectiveness of public sector agencies or specific areas within agencies. Following the completion of these initial examinations, the Auditor General may return to complete a Follow-up Performance Examination to provide Parliament with an assessment of changes that have occurred as a result of the initial examination.

One Follow-up Performance Examination was undertaken by the Auditor General in this reporting period, a summary of which is incorporated into the Second Public Sector Performance Report of 2006.

(b) Audit Results Reports

The Auditor General presents annual Audit Result Reports to the Parliament, which report on the audit findings from the annual attest audits of financial statements, controls and performance indicators prepared by agencies.

The Committee does not examine Audit Results Reports as part of its review process. For a list of reports reviewed herein refer to Appendix One.

1.3 Follow-up Process

The Committee established a process by which it could follow-up on the Auditor General's Reports. The procedure established by the Committee can be summarised as follows:

1. The Auditor General tables a Performance Examination Report relating to a particular agency;
2. Approximately one month after the report is tabled, the Committee requests a report from the agency to be submitted within 12 months of the date of tabling detailing progress made in the implementation of the Auditor General's recommendations; and
3. The Committee considers the agency's response and may request additional information.

The same process applies even if multiple agencies are included in a single report. Following receipt of an agency's response, the Committee has resolved to forward a copy to the Auditor General for comment and, after due consideration, may convene a hearing of relevant senior agency officers and/or the Auditor General.

This is the second review of the Auditor General's Reports to be tabled in the Legislative Assembly.

CHAPTER 2 REPORTS CARRIED OVER FROM PREVIOUS REVIEW

2.1 Introduction

Agencies that are the subject of Auditor General Reports are given 12 months to respond to the Committee's request for details on the implementation or otherwise of the recommendations contained therein. A number of reports tabled in the Parliament during the previous period of review (1 July 2005 and 30 June 2006) had not yet reached the stage of agency reporting. This Chapter provides details of progress made on the Committee's follow-up of these reports. In some cases, the follow-up has been progressed but not finalised, in which case it is anticipated that details of the conclusion of these follow-ups will be included in the Committee's 2008 review.

2.2 Regulation of Heavy Vehicles - Report 4 (29 June 2005)

Background

In 2005, the Auditor General found that the regulation of heavy vehicles, for which Main Roads Western Australia (MRWA) plays the biggest role in government, was adequate. Several regulatory practices showed opportunity for improvement however, and the Auditor General recommended that: MRWA should obtain accurate and meaningful reports from crash data to be used routinely in business planning and policy formulation; and MRWA should standardise its inspection criteria, revise its inspection program and monitor the application of both.

MRWA provided a comprehensive report to the Committee detailing actions taken in response to the Auditor General's report. While these actions have been reported previously³ and are not repeated here, key initiatives included improvements to vehicle assessments and a more strategic approach to compliance. In the latter instance, initiatives that were mooted included a replacement for the existing Vehicle Loads System (VLS) to facilitate sharing of information across access, accreditation and compliance activities. The Committee sought the Auditor General's opinion on the agency's response. Feedback was favourable and the Auditor General found that MRWA had addressed all the key recommendations in the report. The Committee commended MRWA for its progress but also sought to clarify two aspects of the implementation process. MRWA were requested to provide further information regarding the progress of the business case for the VLS, and proposed amendments to legislation that would directly impact Main Roads.

Agency Response

In response to the Committee's request for further information, MRWA advised that significant progress had been made with respect to the VLS Replacement Project. Developments included:

³ Public Accounts Committee, *Review of the Reports of the Auditor General 2005-2006*, Legislative Assembly, Parliament of Western Australia, Perth, November 2006, p12-15.

- The appointment of a Project Manager and research into best practice permit systems internationally, as well as critical examination of processes and procedures; and
- The preparation of a scoping document and allocation of funds to the next phase of the project, specifically the engagement of a consultant to ‘advise on appropriate architecture for an integrated system, define system requirements, deliver a functional and systems specification and provide a cost estimate for build and buy options’.⁴

MRWA advised that preparation of a business case would occur in parallel with the abovementioned consultancy and the business case, together with a cost estimate, would be submitted for funding consideration along with other high priority works. The project schedule indicated that, assuming corporate executive approval is secured and other key milestones are met, the VLS will go live before the end of 2009. MRWA advised that:

*The new system will improve customer service, reduce permit turnaround times and integrate the access planning, permitting, accreditation and compliance functions to enable a more efficient allocation of resources and improved safety on the State’s road network.*⁵

In relation to the Committee’s second query regarding relevant legislative amendments, MRWA advised that there had been close collaboration with the Department for Planning and Infrastructure (DPI) to resolve problems with WA Heavy Vehicle Accreditation, which would be reflected in new legislation to replace the *Road Traffic Act 1974*. MRWA also highlighted the collaboration with DPI on the preparation of new Heavy Vehicle Accreditation Regulations.⁶ The new legislation referred to is currently being considered by Parliament.

Committee Action/ Comment

The Committee considered the agency’s response at its meeting of 9 May 2007 and was satisfied with the steps taken by MRWA to address the Auditor General’s recommendations. The Committee therefore concluded its follow-up of this report.

2.3 Protection of Critical Infrastructure Control Systems - Report 5 (24 August 2005)

Background

Critical infrastructure in Western Australia refers to the assets used to deliver essential services such as power, water and transport needs. Specialised computer systems are employed in the control of assets such as power grids, gas pipelines, and water treatment systems to ensure the delivery of services. The Security Planning Coordination Unit (SPCU) within the Department of

⁴ Mr Menno Henneveld, Commissioner of Main Roads, Main Roads Western Australia, letter, 28 March 2007, p1.

⁵ Ibid.

⁶ Ibid., p2.

the Premier and Cabinet has been collating a Western Australian database of critical infrastructure. The Auditor General reviewed the progress made by the SPCU and also examined three state government agencies with respect to risk management, Information Technology (IT) security management, and the vulnerability of control systems. The SPCU was found to have completed its preliminary identification and assessment of various state and national critical infrastructure assets. With respect to the three agencies, the Auditor General found that risk management practices are good but require improvement. Similarly a number of weaknesses were identified in the security management practices and control systems of agencies. The Auditor General recommended that agencies should fully implement risk management frameworks, improve IT security, and establish processes to address vulnerabilities such as firewall management and physical security.

Committee Action/ Comment

The Auditor General did not name the agencies investigated in order to avoid potentially placing critical infrastructure at risk. For the same reason, the Committee resolved not to include agency specific details in the 2007 review. The Committee nonetheless followed up the agencies subject to examination by the Auditor General and considered responses from the agencies as well as comments sought from the Auditor General in relation to those responses. The Committee was satisfied that agencies had addressed the Auditor General's key recommendations and concluded its follow-up of this report in September 2007.

2.4 Administration of Protection of Old Growth Forest Policy Funding Programs - Report 6 (24 August 2005)

Background

In May 1999 the Commonwealth and WA Governments signed a Regional Forest Agreement to reduce logging of jarrah and karri from state forests and established a Business Exit Assistance (BEA) program to assist businesses exiting the industry. The Department of Industry and Resources (DOIR) was the agency responsible for implementing the BEA program and guidelines were developed to administer the scheme. In the 2005 report, the Auditor General found major shortcomings in the administration of the BEA program including: inconsistent application of program guidelines in terms of financial information provided by applicants, and the assessment of applications; an inconsistent appeals process; and the timeliness of processing BEA applications, which was protracted in some cases.

As previously reported, the DOIR in its response to the Committee was of the view that the Auditor General 'did not take into account most of the factual information provided which resulted in an overly critical report'. The Committee requested feedback from the Auditor General on the agency's response and resolved to revisit the matter following further consideration of the issues raised by both the DOIR and the Auditor General.⁷

⁷ Public Accounts Committee, *Review of the Reports of the Auditor General 2005-2006*, Legislative Assembly, Parliament of Western Australia, Perth, November 2006, p15-16.

Auditor General's Response

The Auditor General, in response to the Committee's request for feedback highlighted a number of issues including:

- The methods used by assessors in determining BEA. According to the Auditor General, 'assessors went outside the guidelines and used unaudited financial statements...in consequence the required level of third party assurance regarding the authenticity and reliability of financial information used to calculate payments was not available'.
- The fair and equitable treatment of applicants by 'ensuring that guidelines are appropriate throughout the life of a program and are consistently applied'. The Auditor General stated that it was not evident that DOIR had 'monitored the operation of the program beyond the first stage of allocating responsibility to various participants in its administration', and 'there was differing treatment of applicants depending on which assessor reviewed their application'.
- The financial ratio date highlighted the methods used to calculate BEA. Financial ratios highlighted the 'need for third party assurance about the information used to calculate compensation'.
- The timely delivery of service. According to the Auditor General, 'the processing of applications was protracted', and since 'the timely delivery of services is a key indicator of the performance of state public sector agencies', it would have been reasonable for DOIR 'to report on elapsed time particularly where there is disparity in the service experienced by the public'.
- The consideration of appeals and how, in particular, 'no separate criteria or guidance was established for use...in assessing the merit of appeals'.⁸

Committee Action

Following consideration of the Auditor General's comments, the Committee resolved to provide DOIR with a copy of the Auditor General's response and invite the agency to a meeting with the Committee. A hearing was duly conducted with DOIR on 16 May 2007 and DOIR representatives were queried on the major areas of concern raised by the Auditor General.

Mr Peter Viney, Deputy Director General, DOIR admitted that the certifications of financial statements referred to in the guidelines were not obtained, and:

*Ideally, it should have been done but it was not done...we have learnt from this that if this matter were to be raised again, we would ensure that the guidelines were followed, or we would get them changed...when there are guidelines, they should be followed.*⁹

⁸ Mr Des Pearson, Auditor General of Western Australia, letter, 24 July 2006, p1-12.

With respect to financial ratios, Mr Christopher Williams explained that financial ratios were not applied in assessing BEA due to the diversity of businesses involved in Western Australia. The BEA program was unique and Mr Williams indicated that DOIR does not administer or monitor any similar programs.¹⁰

DOIR were queried on the fairness of appeals, and in particular how some applicants could appeal their initial assessment and seek a second valuation, which led to higher payouts in some cases. The Committee was advised that the opportunity to appeal was open to everyone and everyone was advised of that. According to Mr Viney,

*Whether some choose to [appeal and pursue a second valuation] or not was a matter for the individual.*¹¹

Mr Viney acknowledged that ‘the issue of appeals is an important one’ and DOIR is now developing ‘consistent procedures and consistency across programs as much as possible’.¹²

With respect to the time taken to process BEA applications, Mr Williams explained that timeliness was compromised due to the delays in the finalisation of the Forest Management Plan. Applicants submitted their applications to DOIR to ensure eligibility for BEA but did not activate them until the Forest Management Plan had been finalised. This may have led to a significant time lapse between submission and the processing of an application, however DOIR had not received any complaints.¹³

More broadly, Mr Viney explained that DOIR are currently working on improving practices ‘from due diligence up-front through to the management of agreements’ and stated that ‘at a people level and at a procedures level, you will see greater discipline and consistency’. More specifically, a new program management branch within DOIR has been tasked with referencing best practice across agencies and improving knowledge and experience across programs.¹⁴

At the hearing, the Committee sought supplementary information from DOIR including: the grounds for appealing valuation decisions; a breakdown of the size of businesses that generally appealed and were successful; the proportions of BEA payments that were goodwill and how goodwill components were determined; multipliers used in different circumstances; and evidence of fairness in instances of businesses obtaining an alternate valuation as a result of appeal,

⁹ Mr Peter Viney, Deputy Director General, Department of Industry and Resources, *Transcript of Evidence*, 16 May 2007, p3.

¹⁰ Mr Christopher Williams, Public Servant, Department of Industry and Resources, *Transcript of Evidence*, 16 May 2007, p5-6.

¹¹ Mr Peter Viney, Deputy Director General, Department of Industry and Resources, *Transcript of Evidence*, 16 May 2007, p8.

¹² *Ibid.*, p9.

¹³ Mr Christopher Williams, Public Servant, Department of Industry and Resources, *Transcript of Evidence*, 16 May 2007, p12-13.

¹⁴ Mr Peter Viney, Deputy Director General, Department of Industry and Resources, *Transcript of Evidence*, 16 May 2007, p13.

compared to businesses which did not appeal. Supplementary information was provided by DOIR and the Committee was satisfied that all requested information had been supplied. In June 2007, the Committee resolved to forward a copy of the information to the Auditor General for comment.

The Auditor General confirmed that similar information had been available to the Auditor General during its investigations and concluded that:

Overall, the 2005 Report demonstrates the need for appropriate administrative oversight of such programs. The 2005 Report highlighted a fundamental flaw in the level of assurance provided that expenditure of public money is valid and a general lack of rigour in administering the BEA Program to ensure that eligible applicants for assistance were treated equitably... We continue to hold the view that while the assessors were arms length from DOIR it was the responsibility of DOIR to monitor their performance and ensure consistency of approach.¹⁵

Committee Comment

The Committee considered the issues raised by both DOIR and the Auditor General at its meeting of 5 September 2007. The Committee concurred with the Auditor General's comments that DOIR's administration of the BEA program was flawed, however the Committee was satisfied that DOIR admitted to shortcomings in its administration of the program. DOIR are not administering any similar programs nor is the Department likely to, due to the uniqueness of the BEA program. The Committee was therefore satisfied that the Department is taking active steps to improve accountability more generally through its latest initiatives. Prior to finalising its follow-up, the Committee resolved to seek further advice from the Auditor General with respect to ongoing unfinished aspects of the BEA program, specifically the second round of applications for small millers for which applications have been assessed but appeals are yet to be finalised.¹⁶ The Auditor General was queried whether any further follow-up of ongoing elements of the program such as this would be undertaken to ensure administrative shortcomings did not arise again.

The Committee was advised that the second round of BEA applications for small millers appears to have closed after the tabling of the Auditor General's report in 2005 although the report did identify an ongoing element of the main BEA program. Even so, the Auditor General indicated that the intention was not to follow-up any incomplete aspects of the BEA program and:

The responsibility and task of ensuring that lessons have been learnt and administrative shortcomings are not repeated rests with the agency administering the BEA program.¹⁷

Following consideration of the Auditor General's comments, the Committee was confident that DOIR had recognised the shortcomings of the main BEA program and is taking steps to avoid

¹⁵ Mr Colin Murphy, Auditor General of Western Australia, letter, 18 July 2007, p2.

¹⁶ As advised by Ms Janet Want, Public Servant, Department of Industry and Resources, *Transcript of Evidence*, 16 May 2007, p14.

¹⁷ Mr Colin Murphy, Auditor General of Western Australia, letter, 4 October 2007.

such errors being repeated. As such the Committee resolved on 24 October 2007 to conclude its follow-up of this matter.

2.5 Contract Management of the City Rail Project - Report 7 (31 August 2005)

Background

In August 2005, the Auditor General reported on the progress of the (then) \$1.56 billion New MetroRail project, and in particular the City Rail component, which comprises the inner city section of the Public Transport Authority's (PTA) new Southern Suburbs Railway servicing Perth to Mandurah. The project involved the construction of 770 metres of twin bored tunnel, 475 metres of cut-and-cover twin track tunnel and two underground rail stations within the Perth central business district. The \$324.5 million City Rail design-and-construct contract was awarded on 14 February 2004 to Leighton Contractors Pty Ltd ('the Contractor'), with a contracted completion date of 23 October 2006. The Auditor General's report examined the effectiveness of PTA's contract management at the halfway point of the contract.

The Auditor General found that the PTA was capably fulfilling its contract management role and recommended that the PTA should continue to vigilantly monitor the Contractor's performance as well as give priority to the development of contingency plans in the event the City Rail project is significantly late. The Auditor General also recommended that the contract management team should share its contract management practices and any lessons learned with other agencies, and that a thorough post-project evaluation should be conducted of the City Rail contract model to inform the delivery of future public infrastructure projects.

The Committee requested a briefing from the PTA towards the end of the project. At the time the hearing was organised, the estimated project completion date was July 2007. Mr Richard Mann, Director - City Project, provided the Committee with a briefing on 9 May 2007 and also supplied a written report directly responding to the Auditor General's recommendations.

Agency Response

In a comprehensive briefing and report to the Committee, PTA advised actions taken in response to each of the Auditor General's recommendations. With respect to the Auditor General's first recommendation relating to ongoing monitoring of the Contractor's performance, PTA advised the following had been implemented:

- **Monitoring Contractor performance.** PTA maintain and adhere to a suite of management documents including a Project Plan, Records System (hard- and electronic-copy), Contract Management Plan and Manual, Quality Plan, and Risk Management Plan. PTA has implemented a more formalised document review process and has introduced monitoring/reporting on a weekly basis of key project risks. Reporting of Key Performance Indicators under the contract has also been improved.

- **Claims Management.** PTA advised that as anticipated by the Auditor General, the number of claims and disputes had steadily increased from June 2005. In response to this, PTA has implemented and maintained a specialist commercial team comprising commercial, legal and technical expertise to assess and respond to claims and disputes. PTA utilise a formal, regularly updated register to track the status of claims and ensure that response times are met and that the dispute resolution process prescribed under the contract has been observed.
- **Assisting the Contractor.** PTA advised that both it and the Contractor have maintained a productive working relationship at site level despite the number of commercial disputes. PTA instituted a 'Team Barometer' to test this and indeed, the survey of team members' responses to key project objectives has been positive. PTA has directly assisted the Contractor in a number of ways without impacting on the allocation of risks set out under the contract. In particular, PTA has facilitated stakeholder liaison and approvals with respect to City of Perth and service authorities, traffic management implementation and public information, and interfaces with other contractors.¹⁸

The Auditor General recommended also that contingency plans be developed in case of project delay. In response, PTA has established an executive Southern Suburbs Railway Commissioning and Handover Steering Committee tasked with oversight of all technical and operational risks relating to the opening of the railway. According to PTA, key management initiatives implemented by the steering committee include:

- *A consolidated "Handover and Start Up Plan" detailing approvals, resources and a related milestone schedule;*
- *Detailed procedures to address specific system requirements (eg integration of communications systems, emergency response plans);*
- *Monitoring by Steering Committee and response to delay in milestones (eg driver training program, station security prior to opening).¹⁹*

The Auditor General's third recommendation pertained to the retention of PTA's experienced contract management team through to project conclusion. PTA advised that the City Project's key managers have remained in place since the project development phase in early 2004. A combination of long term secondment, panel contracts and consultancy services contracts (including specialist technical, commercial and legal services) have been used to secure key resources beyond July 2007, and a Resource Plan has been implemented which identifies permanent PTA staff to manage project handover and ongoing contract management during the defects liability and maintenance period.

The Auditor General recommended that PTA periodically review the City Rail budget, to which PTA have advised that a monthly internal budget and cash flow review is undertaken. The results

¹⁸ Mr Richard Mann, Director - City Project, Public Transport Authority of Western Australia, letter, 26 June 2007, p2-3.

¹⁹ Ibid., p3.

of this review are reported to a high level interagency committee comprising membership of PTA, DPI, State Solicitor's Office, Department of Treasury and Finance (DTF) and MRWA. PTA advised that in addition, a detailed budget review is conducted biannually of the entire New MetroRail project in liaison with DTF.

In terms of sharing contract management practice, PTA advised that:

- the multi-agency nature of the project, involving personnel from PTA, MRWA, DPI, LandCorp and Department of Housing and Works (DHW) had facilitated knowledge transfer across government. According to PTA, 'many of the contract management systems and processes and lessons learned have already been put to use on other projects both within and outside PTA'²⁰;
- representation on the State Supply Commission Board had enabled PTA to contribute towards formulation of high level procurement policy; and
- sharing had also occurred via briefings and presentations on project and contract management practice conducted by the project team within and outside government.

With regard to the Auditor General's final recommendation on post-project evaluation, PTA advised that the City Project Contract Management Plan requires a detailed report to be prepared on completion of the design and construction phase, covering all aspects of contract performance. Contractual reporting obligations also mean that the Contractor will be required to report regularly throughout the 10 year maintenance period.²¹

Further to addressing the Auditor General's recommendations, PTA provided additional information regarding contract performance and lessons learned from the City Rail Project. At the time of the Auditor General's report, the Practical Completion Date for the project was 31 December 2006.²² At the time of the PTA's briefing, the Date of Practical Completion was estimated to be late July 2007²³, however latest estimates indicate Practical Completion will be achieved by the end of 2007.²⁴ Costs had similarly increased from the original contracted amount but final settlement of the contract amount is still pending. PTA advised that a high number of contractual claims had been lodged by the contractor. While the contract provided for a dispute resolution process requiring negotiation at escalating levels of management prior to compulsory mediation and failing that, litigation, PTA stated that there had been limited success in negotiating the settlement of disputes especially where claims had been made for an extension of time.

²⁰ Ibid., p4.

²¹ Ibid.

²² Auditor General for Western Australia, *Contract Management of the City Rail Project. Report 7 - August 2005*, Office of the Auditor General, Western Australia, 31 August 2007, p6.

²³ Mr Richard Mann, Director - City Project, Public Transport Authority of Western Australia, *Briefing*, 9 May 2007.

²⁴ Hon A.J.G. MacTiernan, Minister for Planning and Infrastructure, Western Australia, Legislative Assembly, *Parliamentary Debates (Hansard)*, 19 June 2007, p3278.

PTA highlighted a number of successes from the City Rail project including overall outstanding risk management outcomes. These include: minimal community and business disruption with few claims for business disruption having been notified; minimal claims for damage to buildings and infrastructure; no significant impacts to project scope arising from the statutory approval process; and consistent favourable public perception for the Southern Suburbs Railway as demonstrated by customer surveys. Innovations in contract management to foster a productive client-contractor relationship and development of a quality product have also been highlighted such as the 'Team Barometer', and incorporation into the contract of a lengthy maintenance period respectively. In the latter instance, the 10 year maintenance obligation ensured the Contractor remained focused on delivering a durable product.²⁵

In terms of lessons learned from the City Rail Project, PTA commented that:

PTA is strongly convinced that the lump sum design and construct model has a place in major infrastructure delivery. The model is ideal in circumstances where the client seeks up front price certainty, where technical and program risk are best allocated to the contractor and where adherence to the client's performance requirements is paramount - all key initial objectives for the City Project.²⁶

Committee Action/ Comment

The Committee resolved on 25 July 2007 to send the PTA's response to the Auditor General for comment. Following consideration of the response received from PTA and the Auditor General's comments regarding the response, the Committee resolved on 17 October 2007 to conclude its follow-up of this report. The Committee was satisfied with actions taken by PTA to address each of the Auditor General's recommendations including PTA's commitment to undertake a post-project evaluation.

2.6 Second Public Sector Performance Report - Report 8 (19 October 2005)

(a) Production, Transport and Disposal of Controlled Waste

Background

The Auditor General assessed the Department of Environment's monitoring and enforcement of the *Environmental Protection (Controlled Waste) Regulations 2004*, which covers the transport of controlled waste. The report examined the accuracy, reliability and security of the Controlled Waste Tracking System (CWTS), the on-line tracking system used by the Department to monitor and manage controlled waste. Also investigated were the systems in place for training, licensing and inspection, and the Department's approach to incident investigation and enforcement.

²⁵ Mr Richard Mann, Director - City Project, Public Transport Authority of Western Australia, letter, 26 June 2007, p6.

²⁶ Ibid., p7.

The Auditor General found that problems with the CWTS make it difficult to gain reliable data from the system which affects its usefulness as a management tool. The CWTS failed to reconcile the amount of controlled waste generated with the amount disposed and the Auditor General recommended that the CWTS be strengthened to address this failing. The Auditor General also recommended that jointly with the Water Corporation, the Department should consider and agree on solutions to minimise the vulnerability of the sewer network to illegal dumping of controlled waste. In terms of licensing and inspection within the controlled waste industry, the Auditor General found some areas where management could be improved. The report recommended that inspections by the Department should be planned using a risk-based approach and that records of driver's licenses within the CWTS need to be checked to eliminate duplicate and outdated records.

Agency Response

The Department of Environment became the Department of Environment and Conservation (DEC) on 1 July 2006. In its response to the Auditor General's recommendations, DEC advised that the CWTS was reviewed by an external consultant in March 2006. As a result, system upgrades have been made and numerous improvements incorporated. With respect to the Auditor General's first recommendation regarding strengthening the CWTS, DEC advised the following:

- Reports can now be generated detailing discrepancies between the amount of waste collected and the amount of waste disposed. Controlled waste staff can therefore identify and investigate these issues and, if a genuine discrepancy is found, the reports can be used as a basis for conducting an audit. Many inconsistencies in the system were found to be the result of data entry errors. As a result, stronger data validation control has been introduced which verifies that data entered by industry are within specific limits, particularly with respect to volumes of waste.
- The Auditor General found that different units of measurement used by carriers and disposal sites (e.g. litres and kilograms) led to conversion difficulties between measurement units. The CWTS retains the ability to accept different measurement units to accommodate normal industry practices. This also ensures that waste load records, which are accessible by disposal site operators, do not have pre-populated fields and independent verification can occur of waste volumes and types actually disposed. In practical terms, for most categories of waste standard conversions apply between different units (e.g. one litre is equated to one kilogram) and officers reconcile different units. To ensure volumes of waste transported and disposed reconcile, the 'Discrepancies Report' (outlined above) produced by the CWTS details loads with different volumes of waste transported versus disposed, which can then be investigated.
- Further to actions already described above which minimise data entry error, other initiatives include amending certain mandatory fields. Previously, these mandatory fields encouraged system users to enter false data in order to complete the form. As these fields are not critical to the regulation of controlled waste, they will become non-mandatory.
- While not identified as a deficiency, the Auditor General had noted that weaknesses with the standard CWTS reports had led to an increased use of ad-hoc reports via direct

database connection, which could potentially provide inaccurate data. As a direct result of the Auditor General's report, controlled waste staff use only the inbuilt reporting system to generate reports. If the inbuilt system cannot provide the required report, an external consultant is used to extract specific data from the system using structured query language. Analysts from the consultancy possess the appropriate skills and accreditation to ensure accurate, reliable reports are produced. Various new inbuilt reports have also been developed to cover different scenarios.²⁷

With respect to the Auditor General's findings relating to management of licensing and inspection within the controlled waste industry, DEC advised the following:

- The Department plans an annual auditing program which is mindful of risk. Priority is given to areas where DEC has been notified of suspected non-compliance with regulations. Incidents and complaints are tracked via the Department's Incident/Complaint Management System, which records input from DEC officers, industry and the general public. Planning of the audit schedule also involves liaison with industry association groups, relevant local government authorities and Water Corporation representatives as well as regional DEC staff to identify local controlled waste issues.
- Unannounced audits are continually carried out by controlled waste inspectors on licensees, which includes carriers, their tanks and drivers. Unannounced audits are also conducted of waste generators and disposal sites to ensure compliance with regulations. Information on waste generators within a target area is analysed within the CWTS enabling officers in the field to then identify suspect and previously unknown waste generators, carriers and disposal sites. This particular risk-based approach yielded a successful outcome during a 2006 operation.
- Duplicate and outdated licence records are eliminated on an ongoing basis. Every month, unpaid licences are identified and the reasons for non-payment investigated. Any duplication and expired licences are cancelled in the CWTS.²⁸

In response to the Auditor General's second recommendation, DEC advised that it is working closely with the Water Corporation to minimise illegal dumping of controlled wastes in the sewer. The largest volumes of septic waste are transported by, or on behalf of, the Water Corporation. To ensure illegal dumping does not occur in these instances, the Water Corporation has instituted a policy of verifying each load has an accompanying Controlled Waste Tracking Form before paying contractors' invoices. Access to CWTS data was granted to the Water Corporation by DEC in March 2006 in recognition of the system's value to Water Corporation in managing and protecting its sewer network. Data is used by the Water Corporation to identify waste generators that dispose to the sewer network and potentially identify problem operators for audit. To

²⁷ Hon Mark McGowan MLA, Minister for the Environment; Racing and Gaming, letter, 16 November 2006, Attachment - DEC response, p2-4.

²⁸ Ibid., p4-5.

minimise illegal disposal of controlled waste, DEC also continues to rely upon and encourage the public to report suspicious activity.²⁹

More broadly, DEC advised that ‘further development of the CWTS and the Controlled Waste Section’s capability is expected to occur early in 2007’ once full staffing has been achieved and consultants are freed up from work relating to the creation of the Department. DEC has undertaken to deploy system upgrades and improvements as they become available in its ongoing development and fine tuning of the CWTS.³⁰

Committee Action/ Comment

After considering the Department’s response and comments sought from the Auditor General in relation to the response, the Committee resolved on 28 February 2007 to conclude its follow-up of the matter. The Committee was satisfied with the comprehensive report provided by DEC detailing actions implemented in response to the Auditor General’s recommendations and also the Department’s undertaking to continue the process of improvements and upgrades to the CWTS.

(b) Regulation of Child Care Services

Background

The Auditor General assessed licensing and compliance activities for child care providers as undertaken by the Department for Community Development (DCD). At the time of audit, DCD was responsible for administering key legislation regulating child care providers in Western Australia, namely the *Community Services Act 1972*, the *Community Services (Child Care) Regulations 1988* and *Community Services (Outside School Hours Care) Regulations 2002*.³¹

The Auditor General found that DCD adequately assesses applications for new or renewed licences but recommended a number of ways to improve current practices. Recommendations included assessment of the number and qualification of staff at new centres, classifying the significance of regulation breaches in order to determine what level of non-compliance constitutes grounds for prosecution, and managing the time taken to conduct investigations of complaints and allegations into child maltreatment.

Agency Response

DCD advised that the new structure of the Child Care Licensing and Standards Unit (CCLSU) was implemented in February 2006 including the appointment of senior management, an increase in the number of permanent licensing officers, and the inclusion of an Investigation and Prosecution Team within the Unit tasked with assessing evidence relating to serious non-compliance with

²⁹ Ibid., p6-7.

³⁰ Ibid., p7.

³¹ As at 1 July 2007, this responsibility was transferred to the newly formed Department for Communities, however for reporting purposes, reference here is to DCD.

regulations. In relation to the Auditor General's first recommendation pertaining to checking staff at new centres, DCD advised the following:

- Through the CCLSU, a detailed licensing visit is conducted of all new child care centres as part of the standard process for assessing licence applications. As the centre is not yet operational at the time of application, a further evaluation is undertaken after 12 weeks through either a visit to the centre or the centre completing a self assessment check. This is done to ensure that the number and qualification of staff supervising children of different ages complies with legislative requirements.
- If appropriate, a Self Assessment Check form is sent to a new centre requesting specific details. This must be supported by documentary evidence such as employee time sheets and daily attendance records. Completed forms are evaluated by the CCLSU and if a form is not returned by the due date, follow-up is undertaken. Information provided via the self assessment pathway is subject to verification by licensing officers when the centre is next visited during random audit.
- A manual system is being used to record 12 week checks, however there is potential for human error. As such, DCD is introducing a computerised quality assurance process.³²

The Auditor General recommended that breaches of regulations be classified to determine what level of non-compliance constitutes grounds for prosecution, suspension or revocation of a child care licence. In response, DCD advised that a draft Child Care Compliance and Enforcement Strategy has been developed, which will classify non-compliance to regulations according to risk. Only the most serious areas of non-compliance will be investigated. Non serious matters will be noted as a concern but will not be dealt with formally thereby allowing resources to be concentrated on areas of high risk and systemic non-compliance in a timely manner. The benchmark timeframes will be based around action points.

In relation to the Auditor General's recommendation to establish internal measures to monitor and manage the time taken to conduct investigations, DCD advised that a new client database is under development which will enable the reporting of protracted complaints against set performance standards. An Outstanding Breaches Report has been developed and is already in use. Otherwise, all serious breaches must be referred to the licensing Investigation Team. Existing systems will be used to manage the time taken to conduct investigations pending the finalisation of the Compliance and Enforcement Strategy, which once complete, will better focus the Department's resources on investigating non-compliance in a timely manner.³³

The Auditor General recommended that information provided by the Child Care Licensing System database should be improved as well as greater formal reporting to management of the performance of the CCLSU or licence holders. DCD advised of the development of a suite of reports which significantly improve formal information reporting to management. Reports cover

³² Dr Ruth Shean, A/Director General, Department for Community Development, letter, 13 November 2006, p3-4.

³³ Ibid., p4.

key reporting areas such as workload, breaches, allegations of abuse, and statistics. As reports are presented as a 13 month rolling view, this also enables trend analysis to occur. Workload reports can be shown by region and service type, and can show work already undertaken and work outstanding in terms of exemptions, breaches, visits and new licences/renewals. Reports are produced regularly and are accessible by management outside of the CCLSU. Key information is also reported quarterly to the Department's Executive.³⁴

DCD responded to the other findings made by the Auditor General and advised as follows:

- DCD has instituted more robust processes for assessing new licences with respect to referees, criminal record checks, and supervising officers. A comprehensive referee report form designed by DCD is now sent to nominated references by the CCLSU whereas before applicants requested references themselves. The form covers various criteria and is assessed by licensing officers. All people working in the child care sector are required to apply for a working with children card, ensuring more thorough record checking. Finally, supervising officer applicants must undergo a suitability assessment before being licensed to supervise a child care service.
- In terms of investigating allegations of child maltreatment, the Auditor General noted that not all CCLSU staff had been provided with child protection training although they were the ones most likely to receive complaints. This has now been rectified and training has been provided to staff.
- Increased coordination between the CCLSU and district offices is being facilitated by the Department's Director General Instruction 58, which provides instructions for district offices and CCLSU to liaise regarding how to respond to child maltreatment allegations involving a licensed child care service. DCD undertakes assessments to ensure requirements are met. The Director General Instruction 58 also provides for feedback to the affected child care service and other affected persons regarding the outcome of departmental investigations. Better identification of key stakeholders in the investigation ensures all affected parties have been informed of the outcome of the investigation irrespective of outcome.
- The Department's Internal Audit has confirmed that the Duty of Care Unit is tracking timeframes of outcomes for child maltreatment investigations in a timely manner. Considerable improvement has been noted since the time of the Auditor General's report.³⁵

DCD noted that ongoing improvement is occurring to the Child Care Licensing System in response to the Auditor General's findings and the Department's own internal audit.³⁶

³⁴ Ibid., p5.

³⁵ Ibid., p6-8.

³⁶ Ibid., p8.

Committee Action/ Comment

The Committee considered DCD's comprehensive response and comments received from the Auditor General regarding the response. Further information was sought from DCD with respect to the method used to undertake random audits. DCD were also queried whether frequent and consistent low-risk non-compliance (not formally dealt with under the Department's risk-based allocation of resources approach) would constitute grounds for prosecution, suspension or revocation of a licence.

DCD provided the requested information and advised that random checks have been conducted of all new centres where licensee self assessment reports are ambiguous with respect to meeting the child care regulation requirements. In terms of addressing low-risk non-compliance issues, DCD advised that this would be addressed by the Compliance and Enforcement Strategy (currently under development). Under the Strategy, infringement notices would be issued requiring licensees to pay an on-the-spot fine where non-compliance has occurred. Licensees would first receive a warning for low-risk non-compliance but an infringement notice may be issued where a warning proves ineffective in remedying the non-compliant activity.³⁷

The Committee was satisfied that the Department had addressed all of the Auditor General's recommendations and is making ongoing improvements to systems and processes with respect to child care licensing and compliance. As such the Committee resolved on 9 May 2007 to conclude its follow-up of this matter.

(c) The Personnel and Payroll Processing Function at the Department of Education and Training

Background

As the largest state government employer, the Department of Education and Training (DET) has a responsibility to effectively coordinate, control and monitor its personnel and payroll function. Concentrating on the period from March 2004 to March 2005 the Auditor General examined the adequacy of DET's personnel and payroll processing functions.

The Auditor General found high employee turnover in the personnel and payroll branch in 2004. Although 98 per cent of pays were correct, a need for improvement was also identified in DET's control environment to ensure reliability of pay and leave entitlements. The Auditor General recommended that DET should establish performance measures to monitor and evaluate the efficiency and effectiveness of the personnel and payroll function. Other recommendations pertained to addressing high staff turnover within the Personnel and Payroll Branch, addressing delays in the submission and processing of payroll variations, handling of payroll errors, and ensuring key personnel and payroll functions are subject to regular internal audit reviews.

³⁷

Dr Ruth Shean, A/ Director General, Department for Community Development, letter, 20 April 2007.

Agency Response

DET provided a detailed action plan in response to the Auditor General's recommendations. The action plan, which specifies issues, actions and responsibility/timeframe for implementation, is reviewed and updated monthly to ensure that progress is made. DET advised key actions and initiatives as follows:

- Internal audit coverage has been improved through incorporation of Personnel and Payroll into the audit schedule.
- Performance measures and benchmarks have been developed in order to monitor and control the system, process and staff performance affecting the Personnel and Payroll system.
- A Retention of Staff strategy has been developed and implemented.
- A streamlined process has been developed for incoming mail to facilitate tracking of both incoming faxes advising payroll of new commencements, cessations or variations, and new commencements advice forms. In the latter instance, commencement advice forms will be promptly scanned onto the employee's electronic personnel file held at Central Office to avoid being lost or misplaced.
- To ensure all employees are correctly paid, pay rates within the Department's Human Resources Management Information System (HRMIS) are based on information received from Labour Relations. An internal quality assurance process and fortnightly meetings between Human Resources, Personnel and Payroll, and Labour Relations ensures changes are correct.
- Steps have been taken to encourage schools to submit correct and completed commencement advice forms on a timely basis to Personnel and Payroll for more efficient processing of new employees. Incomplete and incorrect forms are returned to the originating site for correction to avoid receiving multiple forms with additional information. DET also maintains a presence at conferences, network meetings and inductions to provide training to school administrators and registrars. Similar methods (returning incomplete and incorrect forms, and training school administrators and registrars) are being applied to improve the process of notifying Payroll regarding employment terminations in order to avoid salary overpayment.
- Procedures have been tightened to ensure that documentation to support any manual payments on payslips for terminated employees are authorised, correctly calculated and retained. To this end, training has been carried out across Departmental teams to ensure standard practices are observed, and the Team Minimum Guidelines (which requires a copy of the calculation to be saved to the electronic and hard copy personnel files) have been updated, distributed to staff and are reviewed fortnightly. Similarly, to ensure sufficient detail is captured within general comments in HRMIS to explain payroll variations, training has been provided to ensure standard practices are carried out.

Information has also been made available on the Personnel and Payroll Branch Information page and within Team Minimum Guidelines to provide all Branch Staff with examples of appropriate general comments.

- To ensure Higher Duties Allowance does not continue over excessive time periods, Personnel and Payroll staff will perform an audit quarterly to ensure Higher Duties Allowance is not processed for longer than six months, or where the acting position is valid and ongoing, an extension is applied for and noted within HRMIS by Payroll officers once documentation is received. Investigation is also underway into whether an email alert might be sent to Managers when an employee's Higher Duties Allowance is about to cease. The quarterly audit will also be used to ensure that there is sufficient authorising documentation to support Higher Duties Allowance transactions. In this regard, appropriate documentation for all transactions will be stored on the employee's personnel file for easy access by both internal and external reviewers.
- A greater separation of duties has been instituted with regard to processing procedures for leave and casual relief. This is intended to address instances where the same officers involved in recording and processing transactions, also authorise transactions and review output. The On Demand training tool has been introduced to provide online training for new HRMIS users, and Payroll has also attended conferences, network meetings and induction courses to train worksite users.
- The minimum requirements for documentation supporting payments to casual relief staff will be developed and included in the HRMIS manual.
- Quality assurance of payroll checking has been improved. Output reports for previous pay-runs can now be efficiently retrieved.
- Procedures have been amended to ensure voluntary severance payments are accurate, authorised and stored more securely and confidentially. Training documentation is regularly reviewed and updated by Personnel and Payroll staff.
- To increase accountability and assurance that payroll certification reports are being appropriately reviewed and certified, protocols will be developed for certification reports that are not completed. The potential introduction of an electronic signature/sign off (date stamp and user ID) for payroll certification reports will be investigated.
- To address excessive leave balances within HRMIS, excessive leave balance data will be investigated and any incorrect data cleansed. DET has recognised the need to actively enforce its leave management policy to avoid excessive leave accumulating, through strategies such as payout of excessive leave, forced leave, and a payroll warning report when leave accumulated exceeds the upper acceptable limit. DET has also recognised the need to establish some upper limits of acceptable leave accumulation within the system. Training has been provided to staff regarding leave calculations and adjustments and the HRMIS Newsletter covers compliance issues. The same methods have been applied to ensure leave balances are accurately recorded in HRMIS.

- In order to avoid unapproved leave applications accumulating within HRMIS, a new strategy has been developed to remind line managers to approve leave bookings for staff. Tighter controls have also been introduced to escalate leave requests to the next management level in order to improve the timeliness of on-line approvals.
- With regard to the payroll checking function, improvements have been made to ensure error rate statistics are collected and accurately calculated. Error rate statistics are compiled more regularly and DET has recognised the potential for this information to be used to identify payroll training needs. Improvements have also been made to the retention and storage of payroll checking reports.
- To improve data integrity within HRMIS there has been a check of birth date information to ensure greater accuracy.
- Practices regarding relieving allowances have been improved. DET has a policy for the payment of allowances within the industrial and government framework to which it adheres. Furthermore, all employee payments subject to Fringe Benefits Tax (e.g. relieving allowances) are provided in a timely way.
- Access to Departmental payroll/personnel information has been improved. Internal audit and communication procedures have been formalised to ensure information can be provided in a timely and accurate way. In order to improve knowledge transfer and handover procedures to prevent loss of 'corporate knowledge' in the Personnel and Payroll area, training manuals will be developed to support succession planning, and a Retention of Staff Strategy has been developed.

DET reported that some positive outcomes were already evident as a result of the improvements implemented. The high rate of staff turnover within the Personnel and Payroll branch, which was noted by the Auditor General, has reduced significantly. The retention of corporate knowledge has had a positive flow-on effect into better service delivery.³⁸

Committee Action/ Comment

Following consideration of DET's response and feedback sought from the Auditor General in relation to the response, the Committee resolved on 9 May 2007 that no further follow-up would be required. The Committee was satisfied that DET had addressed all of the key recommendations within the Auditor General's report.

³⁸ Ms Sharyn O'Neill, A/Director General, Department of Education and Training, letter, 14 December 2006, p1-23.

(d) Follow-up Performance Examination of 2001 Report *Life Matters: Management of Deliberate Self-Harm in Young People*

Background

The Auditor General tabled a report in 2001 pertaining to *Life Matters: Management of Deliberate Self-Harm in Young People*. The report compared the care given by hospital emergency departments and community mental health services with medical guidelines. In a follow-up Performance Examination of the 2001 report, the Auditor General found that the Department of Health (DoH) had made limited progress in addressing recommendations. The Auditor General recommended that DoH should expedite initiatives to support psychiatric reviews in hospital emergency departments and promote compliance with the National Mental Health Standards. It was also recommended that DoH should improve coordination between hospitals and community health services by developing and implementing protocols, make better use of its online clinical information system, and measure progress in achieving State Mental Health Strategy objectives.

In September 2006, the Legislative Council's Standing Committee on Public Administration prepared a separate report on the Department's compliance with the recommendations of the Auditor General's report. The Legislative Council Committee identified specific improvements to enhance the management of young people at risk of deliberate self harm within the context of more effective and efficient administrative practices.³⁹

Agency Response

In its reply to the Committee in December 2006, DoH outlined initiatives developed in response to the Auditor General's recommendations. DoH advised that a separate response was being prepared to the Legislative Council's recommendations⁴⁰, and as such, the points below relate only to the Auditor General's report. DoH advised that the Mental Health Network Coordinating Group (MHNCG) was established in November 2005. According to DoH, the MHNCG is 'the peak body for progressing the mental health agenda in Western Australia and brings together consumers, carers and key stakeholders in the public, private, non-government and academic sectors'.⁴¹

With respect to the Auditor General's recommendation to expedite initiatives in hospital emergency departments, DoH advised that:

- a Working Group is being convened to develop guidelines for improving the consistency of processes regarding the reception and assessment of people presenting at hospital

³⁹ Western Australia, Legislative Council, Standing Committee on Public Administration, *Compliance of the Department of Health with Recommendations of the Auditor General's 2001 Report on Life Matters: Management of Deliberate Self-Harm in Young People*, September 2006.

⁴⁰ Department of Health, *Select Committee Reports: Government Response*, 20 December 2006, p1-5. Available at: <http://www.parliament.wa.gov.au/web/newwebparl.nsf/iframewebpages/Legislative+Council+-+Current+Committees>. Accessed on 18 September 2007.

⁴¹ Dr Simon Towler, Acting Director General, Department of Health, letter, 12 December 2006, p1.

emergency departments with mental illness and self-harm issues. This will be undertaken in consultation with the Emergency Department Reference Group; and

- additional mental health liaison nurses and on-duty psychiatric registrars have been recruited at designated emergency departments as per Key Initiative 1 of the Mental Health Strategy 2004-2007. According to DoH, this will 'significantly improve the provision of mental health triage and review services'.⁴²

Regarding compliance with National Mental Health Standards, DoH advised that the Chief Psychiatrist is required under the *Mental Health Act 1996* to monitor standards of psychiatric care across Western Australia. Clinical Governance Reviews of Mental Health Services are conducted by the Chief Psychiatrist to ensure that mental health services' clinical governance practices and procedures comply with legislative and policy requirements.

DoH advised that an initiative being developed, however, is a policy to establish minimum standards for clinical risk assessment and management in Western Australian public mental health services. Implementation of the policy, originally anticipated for early 2007, will be coupled with a training package for mental health staff. The policy will apply to individual clinicians, managers and health services and will be subject to regular review by the MHNCG. DoH also advised that more broadly, issues pertaining to mental health service compliance with the National Mental Health Standards are raised at the MHNCG.

In terms of protocols for improving coordination between hospitals and community mental health services, the MHNCG has established a number of Working Groups targeting continuity of care within the Child and Adolescent Mental Health services. One Working Group will review, develop and implement protocols for communication and joint care planning between secondary and tertiary child and adolescent mental health services. Another Working Group has been established with a specific focus on Youth Mental Health and will:

*oversee a planning process to develop a youth mental health strategy for WA that includes service frameworks across the continuum of care (i.e.; promotion, prevention, early intervention, assessment and treatment and rehabilitation - including accommodation, employment support, education, income support, community and family care).*⁴³

DoH advised that the scope of planning will cover planning for young people aged between 13 and 24.

The Auditor General recommended improvements to the Department's Psychiatric On-Line Information System (PSOLIS). DoH advised that the ad hoc reporting module within PSOLIS is being developed with release anticipated for mid 2007. A web-enabled Oracle Reporting Module has been developed and implemented in the interim enabling clinicians to easily access data. Training for new users and refresher training is available via a PSOLIS Area Coordinator in the North, and South Metropolitan Area Health Services. A centrally located PSOLIS team provides

⁴² Ibid., p2.

⁴³ Ibid., p3-4.

training in new functionality and WA Country Health Services have access to a PSOLIS Local Administrator for training. In addition, there is PSOLIS support desk available during working hours as well as an out-of-hours service. In terms of hardware, individual health services are responsible for providing hardware requirements.

In terms of measuring progress in achieving the objectives of the Mental Health Strategy 2004-2007, DoH advised that a document has been developed for this purpose. The document provides the indicators and framework for evaluating all Key Initiatives of the Strategy so that it may be determined to what extent desired outcomes as identified in the Strategy have been achieved. Implementation of the Strategy is subject to a comprehensive reporting process by the Reform and Special Projects Unit of the Mental Health Division. Regular reports to among others, the Minister for Health, Health Reform Implementation Taskforce, and Project Control Group, comprising key stakeholders in the mental health sector, contain information on the current progress of commitments under the Key Initiatives of the Strategy. DoH advised this will be ongoing until all projects have been completed.

DoH felt that contrary to the Auditor General's finding that limited progress had been made with respect to the recommendations of the 2001 report, the Department had made significant progress. DoH cited the implementation of the *Guidelines for the Management of Deliberate Self Harm in Young People* as an example, as well as strategies underway to implement a number of the mental health reform initiatives identified in the State Mental Health Strategy. DoH considered that the ongoing implementation of these and other Departmental strategies would continue to address the Auditor General's recommendations in a comprehensive manner in the future.⁴⁴

Committee Action/ Comment

The Committee considered the Department's response together with comments requested from the Auditor General in relation to the response. While the Committee was pleased with the Department's progress in the areas under review, the Committee resolved in May 2007 to request further information. DoH was requested to provide an update on the policy for minimum standards for clinical risk assessment and management. Details were also requested as to how DoH would confirm the policy had been fully implemented by all mental health services.

In a supplementary response, DoH advised that the policy document, *Clinical Risk Assessment and Management (CRAM) in Mental Health - Policy and Standards* had been endorsed by the Mental Health Network's Management and Implementation Committee (comprising senior representatives from public mental health services), the Mental Health Division, and the Office of the Chief Psychiatrist. The policy had also been reviewed by the WA Health Legal Services and by the CRAM reference group. Responding to their advice, a standardised format to assist clinicians to report a risk management plan will now also accompany the document. DoH advised that the Mental Health Division is currently progressing training to support the implementation of the policy. While this will likely be initially outsourced, in the longer term it will likely involve existing practice development resources within public mental health services. In terms of ensuring

⁴⁴ Ibid., p4-5.

compliance with the policy, DoH advised that this will ultimately be devolved to area mental health services following implementation.⁴⁵

The Committee considered comments requested from the Auditor General in relation to the supplementary information provided by DoH. The Committee concurred with the Auditor General and resolved to convey to DoH a number of issues that were raised. It was suggested to DoH that the effectiveness of the CRAM Policy and Standards should be evaluated after a period of operation, and in terms of devolving compliance to area mental health services, that senior Departmental management should have in place a process to provide regular assurance that appropriate levels of compliance are being achieved. The Committee was otherwise satisfied with the Department's progress in addressing the Auditor General's recommendations and resolved on 17 October 2007 to conclude its follow-up of this matter.

2.7 Third Public Sector Performance Report - Report 9 (16 November 2005)

(a) Unauthorised Driving - Unlicensed Drivers and Unregistered Vehicles in Western Australia

Background

The Auditor General assessed the arrangements in place to deal with unauthorised driving, with reference to both unlicensed drivers and unregistered vehicles in Western Australia. The report examined the Western Australia Police as the agency responsible for the detection and prosecution of unauthorised drivers, and DPI as the agency responsible for administering and enforcing Western Australia's driver licensing and vehicle registration systems. The Auditor General found there was a lack of reliable data on the incidence of unauthorised driving in Western Australia. It was also found that the ability of the Police and DPI to detect and prosecute unauthorised drivers is limited by legal and technical difficulties although this may change with amendments to the *Road Traffic Act 1974* (RTA). The Auditor General recommended that DPI determine the incidence and type of unauthorised driving in Western Australia so that it can assess the risks posed to the community. DPI should also actively pursue amendments to the RTA to enable Police to issue an infringement notice rather than a court summons to people caught driving an unregistered vehicle, and to allow court orderlies to accept surrendered licences by disqualified drivers.

Agency Response

DPI provided a response addressing both of the Auditor General's recommendations. DPI advised that in the first instance, it is difficult to accurately estimate the extent of unauthorised driving on the road owing to the diverse forms of data that would need to be captured. While DPI can provide data on the number of drivers currently disqualified from driving for reasons such as non-payment of fines or accumulation of demerit points, it would be difficult to determine how many

⁴⁵ Dr Steve Patchett, Executive Director Mental Health, Department of Health, letter, 14 August 2007.

drivers continued to drive without authorisation (for example, while disqualified or with an expired or incorrect licence). The Police can also provide data on unauthorised driving derived from enforcing speeding or red light camera offences but even this would not be all-encompassing. DPI cited the example of drivers themselves being unaware they are driving while unauthorised, for example with a suspended licence resulting from non-payment of fines.

Notwithstanding the lack of data on unauthorised driving, DPI indicated that certain initiatives are underway to tackle the issue in remote areas where the likelihood of detection is minimal and/or where access and equity issues make it difficult for some groups to obtain a valid driver's licence or drive a licensed vehicle:

- A consultant has been engaged to identify issues and develop practical solutions to assist people in the Ngaanyatjarra Lands (Warburton area) to obtain driver's licences. The Remote Indigenous Licensing Project will be trialled in the area. Positive outcomes are already becoming apparent as those usually precluded from obtaining a licence progress through the licensing process.
- DPI is working with various stakeholders to examine cultural and language barriers to obtaining a WA driver's licence by people from overseas.

DPI advised that another initiative to address unauthorised driving more generally involves changes to the RTA as part of the Repeat Drink Driving Strategy. This will facilitate detection of unauthorised drivers by making the carriage of a driver's licence compulsory and requiring licences to be surrendered on disqualification.

With regard to the Auditor General's second recommendation pertaining to the RTA amendments, DPI advised that:

- Amendments are being progressed to enable prosecutions for unregistered light vehicles to be handled via infringements. DPI is currently drafting a Bill for which Cabinet approval is being sought for its introduction into Parliament. The proposed amendments will enable the Police to issue infringement notices to drivers of unlicensed vehicles under 4500kg gross vehicle mass (which account for the majority of these types of offences) and will also propose a suitable penalty. The Bill will also improve upon the current situation whereby the general defence available under the *Criminal Code* if driving an unlicensed vehicle is very broad and is an obstacle to infringements. According to DPI, as proposed penalties are formulated as a proportion of the vehicle licensing fee, determining the appropriate penalty for infringements by vehicles above this weight would prove difficult due to the varied cost of licensing.
- The *Road Traffic Amendment Act 2006* will enable regulations that require a driver's licence to be returned to the Director General or authorised person in the event of disqualification. An authorised person could be a Police officer, Transport Warden or 'a person or class or persons'. In the latter instance, the Director General could authorise court orderlies to collect driver's licences from people who have been disqualified by the court from driving. DPI advised however that consultation with the Department of the

Attorney General has not yet occurred with respect to court orderlies accepting licences. Earlier discussion with the Chief Magistrate with respect to the Repeat Drink Driving Strategy had suggested a view that court orderlies accepting surrendered licences was not a court function.⁴⁶

Committee Action/ Comment

The Committee sought the Auditor General's feedback regarding the agency's response and following consideration of the issues raised by both the Auditor General and DPI, resolved to request clarification from DPI on a number of matters. Further to DPI indicating the difficulty of accurately estimating the extent of unauthorised driving on the road network, the Auditor General highlighted sampling as a possible approach and in particular, potential for applying Automatic Number Plate recognition cameras used by the WA Police to identify unregistered vehicles.⁴⁷ As such, the Committee requested that DPI advise whether such methods have been considered. The Committee also requested an update on the progress of amendments to the RTA. With regard to proposed changes to allow court orderlies to accept licences surrendered by disqualified drivers, the Committee requested information as to when consultation would occur with the Department of the Attorney General, and also clarification as to whether the Chief Magistrate's view of it not being a court function might impact on the outcome of the amendment.

The Committee has deferred its consideration of this matter until the requested information is received from DPI. As such, the outcome of the Committee's investigation will be reported in the 2008 review.

(b) The Management of the Light Vehicle Fleet

Background

The State Fleet branch within the Department of Treasury and Finance is responsible for managing the government passenger and light commercial fleet. The Auditor General reviewed the management of the light vehicle fleet by focusing on the period August 2004 to June 2005 and using four sample agencies, specifically: Department of Indigenous Affairs; Disability Services Commission; Fremantle Port Authority; and Fire and Emergency Services Authority.

The Auditor General found that although the 'WA Government Fleet Policy and Guidelines' ('Government Fleet Policy') provides an adequate framework for the management of the fleet, the policy requires updating. It was also found that greater whole-of-government monitoring and measurement of fleet performance by the Fleet Steering Committee (FSC) is necessary to meet the requirements of the policy. The Auditor General recommended that the FSC, comprising senior representatives from a number of departments and responsible for advising the Treasurer on fleet issues, should enhance its whole-of-government measurement, monitoring and management of the fleet. The Auditor General also recommended that government agencies ensure that fleet

⁴⁶ Mr Athol Jamieson, Acting Director General, Department for Planning and Infrastructure, letter, 12 July 2007, p1-3.

⁴⁷ Mr Colin Murphy, Auditor General of Western Australia, letter, 15 August 2007, p1.

management plans are up to date to enable a cost effective balance of fleet composition and utilisation to achieve operational needs.

Agency Response

In response to the Auditor General's first recommendation regarding improved measurement, monitoring and management of the fleet, DTF advised that better resourcing of the FSC is assisting in this area. A newly created Policy Officer position supports the FSC and also provides advice to agencies and responds to questions with respect to the Government Fleet Policy. The additional support has enabled the FSC to clarify aspects of the Government Vehicle Scheme, including rules relating to participation and officer entitlements. Contribution rates by officers accessing the Scheme were increased in 2005, and an automatic annual adjustment based on movements in a relevant transport index (CPI Transport Index for Perth) has also been implemented. The Government Fleet Policy document has been rewritten by the FSC to facilitate ease of understanding by agencies and reduce duplication, a vehicle safety policy has been developed in liaison with the Office of Road Safety to address occupational health and safety, and a survey of agencies has been initiated. In the latter case, the survey seeks 'information about vehicles, their utilisation and officer entitlements, to support ongoing work being undertaken for the FSC'.⁴⁸ More broadly, DTF advised that regular information (for example Buyer Behaviour Reports) is being provided to agencies regarding their progress with key requirements under the Government Fleet Policy.

In terms of the Auditor General's second recommendation, DTF advised that individual agencies are responsible for keeping fleet management plans up to date, however DTF has provided some assistance in this regard as follows:

- DTF reminded agencies of their responsibilities under the Government Fleet Policy;
- Contracted fleet managers responsible for providing fleet management services to State Fleet clients were requested to provide more targeted advice and assistance to their clients;
- The Government Fleet Policy was revised so that small agencies with limited numbers of vehicles did not necessarily require a fleet management plan provided they complied with the policy; and
- Buyer Behaviour Reports have helped focus agency attention on issues of fleet composition and utilisation.⁴⁹

DTF also provided feedback on a number of the Auditor General's findings. DTF advised that the Government Fleet Policy is a dynamic document and the FSC will continue to ensure it reflects contemporary circumstances. Policy enhancements as detailed above are a sign of progress, but policy development work is ongoing.

⁴⁸ Mr Timothy Marney, Under Treasurer, Department of Treasury and Finance, letter, 26 March 2007, p1-2.

⁴⁹ Ibid., p2.

The Auditor General found that the operations of the State Fleet are financially sustainable although this is dependent on accurately predicting vehicle residual values. In response, DTF advised that a major focus of State Fleet involves identifying and managing business risks, particularly exposure to a declining second-hand vehicle market. As such, market conditions and projections are regularly monitored and residual values are adjusted where necessary.

DTF advised that State Fleet monitors the performance of all contracted fleet managers, including a formal assessment against a series of Key Performance Indicators every quarter. Annual client surveys reflect audit findings inasmuch as contracted fleet managers have enjoyed consistently high satisfaction ratings.⁵⁰

Another finding of the Auditor General concerned the inability of the four sampled agencies to provide evidence that their fleet composition met operational needs in the most cost effective manner. DTF advised that individual agencies are responsible for this aspect of fleet performance however,

State Fleet has reminded agencies that strategic fleet management advice is available from their fleet managers, and the advice now available to agencies through Buyer Behaviour Reports and the like will also help focus agency attention on their fleet management responsibilities.⁵¹

Committee Action/ Comment

Following consideration of the agency's response as well as comments requested from the Auditor General regarding the response, the Committee resolved on 13 June 2007 to request further information from DTF. While the Committee was pleased with the Department's progress, further information was sought regarding the survey of public sector agencies and in particular the outcomes. DTF advised that the survey identified two major issues. Firstly, the survey found that some or all passenger and light commercial vehicles acquired by a limited number of general government sector agencies was occurring outside of the State Fleet arrangement. Secondly, there was a minor incidence of officers being offered access to the Government Vehicle Scheme inconsistent with policy provisions.

DTF advised that the FSC considered the issues raised and provided a comprehensive summary of the outcomes. The survey results indicated that rather than leasing all of their vehicles through State Fleet, some agencies owned some or all vehicles outright, used alternative leasing arrangements, or had sponsored vehicles financed from non-agency funds. While there are clear benefits if all general government agencies lease their vehicles through State Fleet, including participation in the State Fleet greenhouse gas offset program, better risk management, and access to professional advice from contracted fleet managers, it has not previously been enforced as mandatory. The FSC has now approved an amendment to the Government Fleet Policy so that from 1 January 2008, all general government agencies will be required to lease vehicles through

⁵⁰ Ibid., p3.

⁵¹ Ibid., p4.

State Fleet, except in special circumstances where an alternative arrangement has been approved by State Fleet. The transition is expected to occur gradually as each existing vehicle is replaced.

In terms of the second survey finding, DTF advised that contrary to policy, access to the Government Vehicle Scheme by officers classified below Level 8 had occurred in a few cases, and access to the Scheme had also been offered as a condition of employment when it should not have been. Details of the agencies involved have been provided to the Department for Employment and Consumer Protection for follow-up before the FSC determines whether any action is required. Although not consistent with government vehicle policy, the FSC conceded special circumstances may apply in some cases.⁵²

The Committee resolved on 5 September 2007 to request feedback from the Auditor General on the supplementary information provided by DTF. Further consideration of the matter by the Committee will occur once this feedback is received and as such, the outcomes of the Committee's analysis will be reported in the 2008 review.

(c) Follow-up Performance Examination on the 2002 Report *Level Pegging: Managing Mineral Titles in Western Australia Report*

Background

The Auditor General followed up an earlier investigation into *Level Pegging: Managing Mineral Titles in Western Australia*, which considered how the (then) Department of Minerals and Petroleum Resources managed mineral titles. In 2002 the Department of Minerals and Energy was incorporated into DOIR. In the follow-up examination, the Auditor General found that DOIR had made significant progress in implementing the report's recommendations including improvements to recordkeeping practices and mineral title application assessments. However, some areas for improvement were identified including time taken to assess mineral title applications, and compliance of mineral exploration reports. The Auditor General recommended that DOIR: establish and implement criteria for assessing exploration licence applications; further improve the timeliness of the mineral titles applications process; pursue forfeiture of titles for non-compliance with mineral exploration reporting requirements; proceed with plans to audit annual expenditure on tenements; and add to guidelines developed for granting expenditure exemptions.

Agency response

In its response to the Committee, DOIR reviewed its progress on items identified in the Auditor General's follow-up examination. With respect to the first recommendation, that DOIR build on improvements in assessing mineral title applications by establishing and implementing criteria, DOIR advised that a new web-based system has been introduced. The 'Mineral and Titles Services Quality Management System' (MTSQMS) comprises process maps for each of DOIR's major mineral titles processes with links to relevant legislation, procedures and supporting documents. DOIR advised that work is also being done to enhance the level of business rule 'validation' in the Department's new web-based Title Register system, 'eMITS'.

⁵² Mr Timothy Marney, Under Treasurer, Department of Treasury and Finance, letter, 16 August 2007.

In terms of improving the timeliness of the mineral titles application process, DOIR cited statistics showing that the time taken for applications to progress from submission to assessment has improved. Applications for exploration licences and mining leases have, between 2000-01 and 2006-07 (to 31 December 2006), met their target timeframes, this being 75% of applications assessed for compliance within 7 months. Applications for prospecting licences have continued to improve over the same period of time although as at 2006-07, the actual figure was just shy of the 75% target of applications assessed within 4 months (in 2006-07, the actual figure recorded was 72%). DOIR advised that a process of 'continuous improvement' ensures that all types of application meet their timeframe targets and that the effectiveness of improvement initiatives would be reviewed in July 2007.⁵³

DOIR advised that procedures were implemented in June 2006 to ensure forfeiture of titles occurs in the event of late lodgement or non-compliance of Annual Technical Reports. Geological Survey is responsible for identifying, on a monthly basis, mineral titles which have not had a mineral exploration report lodged. A '30 day' letter is sent to the title holder as a reminder that a report is due by a certain date and failure to lodge by this time will lead to initiation of forfeiture. Each response is assessed by Geological Survey and Mineral and Title Services as to whether the late report should be accepted or submitted to the Minister for fine or forfeiture. According to DOIR, 200 reminder letters were issued during the initial programme resulting in 180 replies. Following review of responses, DOIR will seek forfeiture for approximately 20 titles. This process is now being conducted monthly.⁵⁴

The Auditor General recommended that DOIR proceed with plans to audit annual expenditure on tenements. DOIR advised that final Policy Guidelines on the operation of the audit system were issued on 16 May 2006 and have since been available on the Department's website. Ministerial approval was obtained for the necessary delegations and DOIR commenced issuing notices requesting audit statements for Form 5's (Report on Expenditure) in July 2006. Since then, a random sample technique for selected tenements has been used to request audit statements on a monthly basis.

With respect to guidelines for granting expenditure exemptions, DOIR advised that Policy Guidelines were amended to provide more information and therefore greater clarity for industry regarding requirements for seeking exemptions relating to plant and machinery, and the ground being unworkable. According to DOIR, these guidelines were issued on 20 February 2006 and have also since been available on the Department's website.⁵⁵

Committee Action/ Comment

At its meeting of 25 July 2007, the Committee was pleased to note the Department's progress in addressing the Auditor General's recommendations, however resolved to seek clarification on a number of matters. In requesting further information from DOIR, the Committee also took on

⁵³ Mr Jim Limerick, Director General, Department of Industry and Resources, letter, 5 April 2007, p4-5.

⁵⁴ Ibid., p5.

⁵⁵ Ibid., p6.

board comments received from the Auditor General in relation to the Department's response. While DOIR advised of the implementation of the MTSQMS, the actual criteria used to assess the applicants' work programme and technical and financial resources was not disclosed. DOIR was therefore requested to clarify how the Department ensures that assessments by Mining Registrars are being managed in a consistent, accountable and fair manner. DOIR also provided evidence of improvements in the timeliness of the mineral titles application process by measuring against targets that were originally set in 2001. The Committee requested that DOIR comment on the continued suitability of these targets particularly given the demands of the current resources boom.

The Committee will report on the outcome of this follow-up investigation in the 2008 review, following consideration of DOIR's response.

2.8 Making the Grade? Financial Management of Schools - Report 10 (16 November 2005)

Background

The Auditor General examined the financial management practices of schools and the effectiveness of support for, and monitoring of, schools by the Department of Education and Training. Although schools had improved their financial management practices since assuming responsibility for day-to-day financial management decisions in 1987, the Auditor General found that schools are still not managing their finances adequately. DET was found to have implemented initiatives to improve financial management of schools, however did not adopt a coordinated approach. The Auditor General recommended that DET develop and implement a coordinated program to improve the quality of financial management of schools and that this include clear objectives, targets and timelines.

Agency Response

DET provided a comprehensive response to the Committee detailing four key strategies that are currently being implemented to improve financial management in schools. DET advised that the recently created position of Deputy Director General, Finance and Administration is coordinating the strategies and that substantial progress has been made. The four strategies were advised as follows:

- Establishment of a corporate services framework to address and enhance financial management and administration practices in schools;
- Monitoring and review of school financial management and administration;
- Implementation of a coordinated program of support services to meet the needs of schools; and

- Improvement and promotion of enhanced financial management, administration and controls in schools.⁵⁶

To facilitate implementation of these strategies, DET has reviewed structures, roles and reporting relationships of staff responsible for financial management support in and across schools. The Department's Finance group is being restructured as a consequence and it is expected that the revised structure will, amongst other things, increase the level of support provided to schools, ensure a coordinated approach to school finance and administration, and increase capacity to monitor and review school financial management and administration.⁵⁷ According to DET, complementary reforms in the Internal Audit Directorate have improved audit coverage across the school sector. DET also plans to co-locate the Internal Audit and Finance Support and Services Directorates to reinforce the relationship between the compliance and financial support processes. DET will appoint three school support coordinators as part of the restructure, which it is anticipated will provide a more direct link between schools and the Chief Finance Officer, Internal Audit. DET intends for these new District Finance and Administration Officer positions to be dedicated to school support.⁵⁸

DET provided a detailed action plan summarising the key objectives, actions, and timeframes and responsibilities for implementing each of the four strategies. Regarding the first strategy for establishing a corporate services framework, DET advised:

- Objectives include ensuring that there is a coordinated approach to school finance and administration, monitoring change management in schools, monitoring and reviewing school financial management and administration, and improving governance arrangements and structures so these more closely align with the school accountability framework.
- Actions underway to achieve these objectives include the engagement of a consultant to review governance requirements within the Department, operational responsibility for coordinating financial management administration practices in schools being transferred to the new Director Finance position, and establishing a register to monitor change management in schools. Some proposed actions include enhancing the communication strategy with schools to improve service delivery, and exploring the potential for showcasing better practice and exemplar schools.⁵⁹

In terms of the second strategy for monitoring and reviewing school financial management and accounting practices, DET advised the following:

- Objectives include establishing an independent School Financial Performance Monitoring team outside of the Internal Audit Directorate, reviewing assurance auditing processes and

⁵⁶ Ms Sharyn O'Neill, Director General, Department of Education and Training, letter, 15 May 2007, p1-2.

⁵⁷ As advised by Ms Sharyn O'Neill, Director General, Department of Education and Training, letter, 15 August 2007, p1-2, the restructure of the Finance group is now complete.

⁵⁸ Ms Sharyn O'Neill, Director General, Department of Education and Training, letter, 15 May 2007, p1-3.

⁵⁹ Ibid., attachment p1-2.

annual school financial performance management, and getting schools to give greater emphasis to financial management.

- DET advised that the monitoring team is in place. Other completed actions include a standardised annual school finance report, and monthly production of a 'Schools at Risk Report'. Actions underway to achieve the strategy objectives include reviewing existing financial management and accounting practices and processes, reviewing the existing audit model in light of contemporary practices, and exploring the possibility of introducing financial management and accounting standards. Some proposed actions include developing financial performance benchmarks, and encouraging principals and registrars to regularly review financial processes in schools and take remedial action where required.⁶⁰

DET's third strategy involves developing and implementing a coordinated program and support services to meet the needs of schools.

- The strategy aims to reinforce the current support framework by identifying and strengthening training requirements, and improving current support services.
- Actions that have already been implemented include the development of additional financial management tools for schools (such as budgetary planning, asset management, and cost centre management), and collaboration with the Professional Learning Institute and Leadership Centre with regard to improving training. Key actions that are underway include surveying all non-teaching staff to determine training needs and inform development of a training program, and the introduction of five additional staff to promote risk management in schools.⁶¹

In terms of the fourth strategy to develop, improve and promote financial management and controls in schools, DET advised that:

- Objectives include enhancing financial management systems, improving financial management accounting capabilities at school and district levels, adopting a total asset management strategy at the school level, and transferring responsibility for finance and administration officers in district offices to the Deputy Director General, Finance and Administration.
- Actions currently underway to achieve these objectives include reviewing roles and responsibilities of key financial staff in schools, district and central offices to address financial management and control requirements, and reviewing workload of school support staff to improve financial management accounting practices. Also underway are initiatives

⁶⁰ Ibid., attachment p3-6.

⁶¹ Ibid., attachment p7-10.

to among other things, develop and implement a total asset management framework for schools, and provide asset management support and training.⁶²

Committee Action/ Comment

Following consideration of the agency's response, the Committee resolved to request clarification from DET regarding a particular action listed in its action plan. The Committee sought further information on the workload review of school support staff, proposed as one of the key actions to improve and develop financial management and controls in schools. As well as requesting information on exactly what the action entails, the Committee queried whether it had been devised to address an underlying workload issue. DET advised that the workload review of school support staff is complete and had been undertaken to investigate causes of, and identify means of dealing with, workload pressure for these officers. The review confirmed workload issues for school support staff due to a combination of pressures including increasing workload, inadequate resourcing, existing work practices and training requirements. The review identified 34 recommendations for resolving workload issues in schools, with the highest priority being to increase the base allocation of school support staff. A working committee has been formed within DET to assess the feasibility of each recommendation. A key initiative already underway is the development of a competency based framework and training program for school support staff. According to DET, 'it is anticipated that the implementation of the framework will assist in addressing the Office of the Auditor General's concerns over schools' failure to meet financial management and accountability standards by enhancing [school support staff] skills and competencies'.⁶³

The Committee also sought feedback from the Auditor General in relation to the Department's original response, and following consideration of the Auditor General's comments, resolved in August 2007 to request additional information from DET. In relation to the comprehensive action plan submitted, DET was requested to outline: how it will determine whether key strategies and actions have achieved the objectives; what criteria will be used to measure the success of the key strategies and actions; and whether there is a timeframe within which the objectives will be implemented, measured and changes evaluated. The Committee will complete its evaluation once the requested information has been reviewed and as such, the outcome will be included in the 2008 report.

2.9 Progress with Implementing the Response to the Gordon Inquiry - Report 11 (23 November 2005)

Background

The Report of the Gordon Inquiry into family violence and child abuse in Aboriginal communities was tabled in Parliament in August 2002. In response, the state government later that year released an Action Plan comprising more than 120 initiatives to be implemented by 15 public

⁶² Ibid., attachment p11-15.

⁶³ Ms Sharyn O'Neill, Director General, Department of Education and Training, letter, 15 August 2007, p1-4.

sector agencies. A Secretariat was formed in 2002 to assist with the development of the Action Plan and, among other tasks, implement a project management system for Action Plan initiatives and manage the reporting and monitoring of progress. The Department of Indigenous Affairs (DIA) assumed responsibility for the Secretariat from the Department of the Premier and Cabinet in April 2005.

The Auditor General reviewed the effectiveness of reporting and monitoring of progress with respect to implementing the Action Plan. Inadequacies were found in the central reporting and monitoring of progress such that key monitoring and oversight groups lacked basic information on the progress of initiatives, and reporting to the public provided limited information. The Auditor General recommended that DIA, in conjunction with participating agencies, finalise an evaluation framework and establish reporting arrangements to monitor the progress of initiatives. Delays in the implementation of some initiatives also prompted the recommendation that the effectiveness of agency collaboration via current oversight arrangements and on the ground be revisited with a view to expediting the implementation of initiatives.

Agency Response

In response to the Auditor General's recommendation for reporting arrangements to be implemented to monitor the progress of initiatives, DIA advised that processes have been established to monitor the Action Plan. An inaugural monitoring report completed in November 2006 provides an authoritative account of the progress of initiatives including those initiatives that have already been delivered and integrated into agency operations. DIA is currently updating this report to reflect progress as at June 2007 and intends to release the reports once they have been considered and endorsed by Cabinet.

In relation to the Auditor General's other recommendations regarding an evaluation framework, and the effectiveness of agency collaboration, DIA advised that an evaluation has commenced into the impact of the government's response. A number of case studies will be examined in order to assess the effectiveness of agency collaboration as well as partnerships with Indigenous communities. The evaluation will also include development of a framework of indicators to measure long-term outcomes. According to DIA:

It is proposed that the Gordon indicator framework, when developed, will be used to establish baseline data against which progress can be monitored on an ongoing basis. These reports would help to identify trends and determine whether the Government's Action Plan is making a difference.⁶⁴

Committee Action/ Comment

Following consideration of DIA's response and feedback requested from the Auditor General in relation to the response, the Committee resolved at its meeting of 25 July 2007 to seek further information from DIA. The Committee was pleased to note the Department's progress in relation to the Auditor General's recommendations and sought copies of the updated monitoring report as

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Mr Lex McCulloch, A/Director General, Department of Indigenous Affairs, letter, 15 May 2007.

at June 2007, and the outcomes of the evaluation into the impact of the government's response. As these were not yet available at the time of reporting, the outcome of the Committee's consideration of the information contained therein will be included in the 2008 review.

2.10 Management of the TRELIS Project - Report 1 (12 April 2006)

Background

The Department for Planning and Infrastructure became officially responsible for the Transport Executive and Licensing Information System (TRELIS) in July 2002. TRELIS is a critical government computer system used to store and calculate data relating to the licensing of drivers; registration of vehicles; and collection of fees for the Insurance Commission of Western Australia, Western Australia Police and the Commissioner of Main Roads.

The audit assessed the TRELIS Development and Implementation Project as well as business continuity and disaster recovery planning. The Auditor General found that TRELIS can be relied upon for accurate financial reporting and the raising of fees and charges. Procedures including contracting activities and long-term strategic planning were also found to be satisfactory. Issues identified by the Auditor General included poor specification of business requirements and software development problems resulting in TRELIS going 'live' two years behind schedule at significantly higher cost. DPI was also found to have not yet fully tested business continuity procedures and disaster recovery arrangements for TRELIS.

The Auditor General recommended that DPI (or any other agency undertaking a new large project) should address key check points including building a strong business case; adopting a proven approach to project and contract management; and undertaking regular project reviews for monitoring purposes. More specifically, in relation to TRELIS, the Auditor General recommended that DPI should test business continuity procedures and disaster recovery arrangements, and promptly address identified security weaknesses (for confidentiality reasons these were not detailed in the report).

Agency Response

With regard to building a strong business case for large projects, DPI advised that a Strategic Information Plan (SIP) has been developed. A copy provided to the Committee reveals it to be a comprehensive document which examines the Department's information systems requirements over the next five years. According to DPI, the SIP:

...defines the strategy for Information Management (IM), to ensure DPI's continued ability to discharge its responsibilities. The SIP recommends prudent provisions required to:

- *Ensure the continued viability of DPI, in relation to the maintenance and replacement of its existing IM assets; investment in business continuity measures; and addressing capacity constraints.*

- *Implement value add initiatives, keeping pace with the growth in the demands and expectations of the community and industry for service provision.*

The SIP defines the vision and required outcomes of IM, the investment necessary to deliver the outcomes, and recommendations to ensure that DPI has the capability and capacity required to deliver on this investment.⁶⁵

DPI advised that the SIP represents a comprehensive approach to the specification and funding of information systems projects within the Department and also ensures a more holistic approach to funding than occurred with TRELIS.

The Auditor General recommended that a proven approach to project management should be adopted. DPI advised of the adoption of the PRINCE2 methodology, which will not only contribute towards the development of more robust business cases, but will also assist with monitoring project progress against objectives. The PRINCE2 methodology:

- provides a framework for developing a project from inception to completion;
- suits all types and sizes of projects;
- focuses on the business case (or rationale) for a project;
- involves progressive review of business cases and defines decision points where the project is assessed before a commitment is made to proceed, thereby ensuring a more thorough analysis of costs;
- enables quality to be measured at various stages of a project. Quality plans are undertaken at major intervals during development of a project and any errors that are identified must be resolved before the next stage can be commenced; and
- has been successfully trialled with a range of DPI projects.

DPI advised that a Project Control Board is responsible for ensuring all new projects remain on track to deliver outcomes as defined in the business case. Therefore projects are regularly reviewed and progress monitored against objectives.

A Project Management Office has been established to support the methodology and more broadly, to implement good project management practices within the Department through the provision of support and mentoring services. According to DPI, the methodology has promoted a greater understanding within DPI of what is required to deliver a successful project and the Department is continuing to train and educate project managers within PRINCE2.⁶⁶

⁶⁵ Mr Greg Martin, Director General, Department for Planning and Infrastructure, letter, 21 May 2007, Appendix 2 Strategic Information Plan, p1.

⁶⁶ Mr Greg Martin, Director General, Department for Planning and Infrastructure, letter, 21 May 2007, p3-7.

With respect to the Auditor General's specific recommendations concerning TRELIS, DPI advised that a Business Continuity Assessment Impact Analysis was commissioned in November 2005 to determine the consequences of TRELIS becoming unavailable. The analysis also covered business continuity and disaster response strategies completed or underway such as the implementation of some processes from (the international standard) Information Technology Infrastructure Library (ITIL). DPI indicated that with the formal adoption of ITIL, the Department will 'conform to industry best practice standards for information technology'.⁶⁷ Following on from the impact analysis, DPI progressed to the planning phase and in May 2007, appointed consultants to complete Business Continuity Planning in relation to TRELIS. DPI advised that the first full test of the TRELIS Disaster Recovery Plan was intended for December 2007, however funding approval for this has not been secured.

With regard to addressing security weaknesses, DPI advised that all security weaknesses identified by the Auditor General have either been addressed or are in the process of being addressed. DPI also addressed two other findings of the Auditor General, specifically inconsistent programming standards applied to TRELIS, and data migration issues resulting from the transfer of data from the old mainframe to the new TRELIS system. In response, DPI advised that Information and Communication Technology (ICT) processes and practices within the Department have been moving towards greater standardisation through compliance with industry standards such as ITIL. Data migration issues have also been progressively addressed since TRELIS went 'live'. While some issues have not yet been resolved, DPI advised that funding has been secured in 2007-08 for a major project to address remaining data clean up and data quality issues.⁶⁸

Committee Action/ Comment

The Committee invited comment from the Auditor General on DPI's response and, following consideration of the issues raised by both DPI and the Auditor General, resolved to request further information from DPI. The Committee was satisfied that DPI had addressed all of the Auditor General's findings and recommendations, with the exception of testing TRELIS business continuity procedures and disaster recovery arrangements. Given the critical significance of TRELIS and the importance of ensuring that procedures are in place to adequately perform system recovery in the event of an incident, the Committee was concerned that the TRELIS Disaster Recovery Plan had not yet been tested and that a test planned for late 2007 had not received the requisite funding. The Committee therefore requested that DPI clarify how the Department proposes to test TRELIS business continuity procedures and disaster recovery arrangements.

The outcome of the Committee's investigation is pending consideration of DPI's response, and will be reported in the 2008 review.

⁶⁷ Ibid., p10.

⁶⁸ Ibid., p8-9.

2.11 Public Sector Performance Report 2006 - Report 3 (17 May 2006)

(a) Management of the Waterwise Rebate Program

Background

The Auditor General examined the management of the Waterwise Rebate Program, which offers rebates to households on a variety of water-saving products as a means of encouraging more efficient water use. The Water Corporation is responsible for administering the program and government oversight is provided by the State Water Council, which comprises senior executives of relevant agencies and receives executive support from the Department of the Premier and Cabinet. Audit found that the Water Corporation processed rebate applications in an accurate and timely manner, and were effective in making the public aware of the program. It was also found however that the extent and cost of water savings due to the program is difficult to estimate, and the rebate program lacks specific goals and targets. The Auditor General recommended that specific program targets be developed by the State Water Council. It was also recommended that the Water Corporation include a range of possible uptake scenarios in its reports to the State Water Council and issue appropriately reliable public statements and reports about the extent of water savings from the rebate program.

Agency Response

The Department of the Premier and Cabinet (DPC) responded to the Auditor General's first recommendation regarding the development of specific targets to enhance the planning and monitoring of the rebate program. DPC advised that since the program was part of the previous State Water Strategy (now State Water Plan), the establishment of specific targets was not included in reviews of the program. However, monitoring of the program against budgetary targets occurs regularly and the State Water Council 'routinely assesses settings (inclusions/exclusions of rebatable products) within the program to drive improvements in waterwise behaviour/performance'.⁶⁹ Further to the notion that the rebate program is responsible for enhancing waterwise behaviour, DPC advised that the State Water Council has also commissioned research into product effectiveness. This has resulted in program changes to further encourage community acceptance of more sophisticated product lines to achieve greater water savings (e.g. sub-surface irrigation).⁷⁰

The Water Corporation responded to the Auditor General's remaining recommendations. With respect to issuing appropriate public statements, the Water Corporation now includes certain notations on all public statements and reports relating to water savings from the rebate program:

- *The modelled annual water savings for these products is an estimate only...;*

⁶⁹ Mr David Hatt, Chief Policy Advisor, Department of the Premier and Cabinet, letter, 24 May 2007.

⁷⁰ Ibid.

- *The volume of water saved assumes that the purchaser's decision to buy the product was attributed solely to the rebate incentive.*⁷¹

According to the Water Corporation, the first notation applies only to new product additions where actual water savings have not yet been assessed. The latter notation addresses the Auditor General's concern that public statements did not adequately reflect those persons who would have purchased the products even if there was no rebate. To this effect, the Water Corporation will conduct research in order to determine how much the rebate program has influenced purchasing behaviour.

In relation to the Auditor General's recommendation to include a range of uptake scenarios in its reports to the State Water Council, the Water Corporation advised that a recent report to the State Water Council included presentation of anticipated water savings and modelled water savings. An extract of the report provided to the Committee also demonstrates water savings under a 'free rider' scenario whereby customers purchase water efficient devices at various rates regardless of the availability of a rebate.⁷²

Committee Action/ Comment

Following consideration of both agency responses and feedback requested from the Auditor General in relation to the responses, the Committee was satisfied that the Water Corporation had made progress in addressing the Auditor General's recommendations. The Committee therefore resolved in August 2007 to conclude its follow-up of the agency in relation to this matter.

In relation to the response received from DPC (State Water Council), the Committee resolved to seek further information. While DPC advised that specific targets were not included in reviews of the rebate program, the Committee understands that this conflicts with advice received by the Auditor General during audit to the effect that the State Water Council would consider the option of identifying some measurable outputs against which the rebate scheme could be evaluated. DPC have therefore been requested to advise whether the State Water Council did consider the option of identifying such measurable outputs, and if so, what the outcomes were. The Committee is yet to review the response from DPC. As such, the outcomes of this follow-up will be reported in 2008.

(b) Regulation of Animal Feedstuffs, Hormonal Growth Promotants and Veterinary Chemicals

Background

The Auditor General assessed the management and regulation of animal feedstuffs in Western Australia, including the management of Hormone Growth Promotants (HGP) and the control of the use of veterinary chemicals. The examination assessed the operational activities of the Department of Agriculture and Food (DAFWA) as the agency responsible for the regulation and

⁷¹ Mr Ben Jarvis, Manager Water Efficiency Branch, Water Corporation, letter, 24 May 2007, p1.

⁷² Ibid., p2-3.

control of animal feedstuff production in accordance with legislation and national guidelines, and regulation of HGP and veterinary chemicals. The Auditor General found that although legislation and national guidelines are followed by DAFWA in relation to feedstuffs and HGP, the introduction of regulations to control the use of veterinary chemicals has been delayed. Consequently DAFWA has no control over inappropriate use of veterinary chemicals. It was also found that DAFWA currently lacks a response plan in the event that contaminated feedstuffs are fed to ruminants. The Auditor General recommended that DAFWA ensure that regulations are put into place to control the use of veterinary chemicals as soon as possible.

Agency Response

In its response, DAFWA concurred with the Auditor General's findings that feedstuffs and HGP are regulated in accordance with legislation and national guidelines, however a similar regulatory framework is missing in relation to veterinary chemicals. With respect to the Auditor General's recommendation that DAFWA should ensure that regulations controlling the use of veterinary chemicals are implemented without delay, DAFWA advised that draft regulations are at an advanced stage and will be completed 'as soon as the drafting priorities of the Parliamentary Counsel's Office allows'.⁷³

The Auditor General also found that DAFWA does not have a response plan in the event that feedstuffs contaminated with Restricted Animal Material are fed to ruminants. In response, DAFWA advised that the Department is contributing towards a strategy to this effect being considered at the national level by industry and government. DAFWA also advised that Western Australia currently lacks legislation to deal with animals which have consumed Restricted Animal Material, but this will be addressed in the 'Biosecurity and Agricultural Management Bill' currently being considered by Parliament. According to DAFWA, the issue is one of market access rather than public health risk, which is considered to be negligible.⁷⁴

Committee Action/ Comment

The Committee considered the Department's response at its meeting of 19 September 2007 as well as comments sought from the Auditor General in relation to the response. The Committee was pleased to note that DAFWA had addressed the two key findings of the Auditor General's report regarding action required to enhance the legislative and regulatory framework. The Committee resolved however to seek clarification from DAFWA regarding regulations being drafted to control the use of the veterinary chemicals. Based on feedback received from the Auditor General, the Committee understands that DAFWA has been aware of the need for such regulations since 1999, and advised the Auditor General that new regulations were being drafted but were not expected to be in operation until at least the second half of 2006. As such, the Committee requested that DAFWA advise what priority the Department has requested the Parliamentary Counsel's Office to give these regulations, and when they are expected to be drafted.

⁷³ Dr Ashley Mercy, Director Animal Biosecurity, Department of Agriculture and Food, facsimile, 24 July 2007.

⁷⁴ Ibid.

The Committee will continue its follow-up of this matter following consideration of DAFWA's response and will report on outcomes in 2008.

2.12 Behind the Evidence: Forensic Services - Report 4 (31 May 2006)

Background

The Auditor General examined the delivery of forensic services relevant to the justice system in Western Australia by focusing on the forensic investigation and analysis services of the three key service providers, namely PathWest (part of DoH), the Chemistry Centre (part of DOIR), and the Western Australia Police (WAPOL). The audit assessed the efficiency and effectiveness of forensic services and how well this supports the work of the Director of Public Prosecutions (DPP) and the State Coroner, the two key external users of forensic information.

The Auditor General identified a need for greater whole-of-service planning and coordination to provide forensic services in a timely and effective manner, particularly in relation to the analysis of illicit drugs and DNA. Other key findings included a backlog of DNA analyses adversely affecting the justice system, a risk to the security and reliability of forensic exhibits due to storage arrangements, and the lack of a single register of exhibit details. The Auditor General recommended that WAPOL and PathWest should reduce the backlog in DNA analyses, and that all three agencies should: adopt a more coordinated approach to resource allocation and ensuring that future demand and appropriate quality standards are met; improve access, tracking and sharing of information by enhancing current forensic information systems; and address risks relating to the security and occupational safety and health of forensic exhibit storage facilities.

Agency Responses

The Department of Health on behalf of PathWest, Department of Industry and Resources, on behalf of the Chemistry Centre, and WAPOL each provided separate responses to the Auditor General's findings and recommendations. Initiatives undertaken by each of the agencies to address the Auditor General's report are summarised below with the exception of responses to the Auditor General's final recommendation pertaining to security of forensic exhibit storage facilities. The Auditor General identified some deficiencies in the security or occupational health and safety of certain facilities but did not identify the agencies involved to avoid potentially placing the facilities at risk. As such, security measures are discussed below along with other joint initiatives undertaken by all three agencies.

PathWest (Department of Health)

In relation to the Auditor General's recommendation to reduce the backlog in DNA analyses, DoH advised that the quantity of exhibits requiring DNA analysis has increased significantly since 2000 but this has not been matched by a similar growth in capacity by PathWest. PathWest is attempting to increase capacity and has reduced the backlog via the following mechanisms:

- Greater consultation with WAPOL is facilitating more efficient analyses. A Sergeant from the Police DNA Exhibits Coordination Unit (DECU) regularly attends the laboratory to review current and past case files so that it can be determined whether cases still require analysis and reporting. A Case Liaison Officer within PathWest similarly reviews cases and contacts the Police to determine whether a file is still active. By accessing the Police 'Briefcase' IT system, the Case Liaison Officer can also directly determine case status. Another initiative is a new dedicated IT connection between WAPOL and PathWest, enabling forensic staff to directly access the WAPOL Incident Management System network. Staff can therefore upload results and reports directly to the Police. PathWest forensic staff are now also invited by the Police to attend briefings for major crime incidents thereby enabling staff to select the most appropriate exhibits for DNA analysis and determine the most appropriate movement of shared exhibits.
- Improved resourcing. DoH advised that priorities assigned to cases by DECU assist PathWest to allocate resources. Staffing levels at PathWest have also been progressively increased from 19 in 2002, to 60 in May 2006, to in excess of 70 personnel in 2007.
- Additional equipment has been acquired including new robotic platforms and thermal cyclers. As robotics platforms are progressively brought on-line, staff will be relieved of routine tasks and will be able to focus on more complex tasks. New thermal cycling equipment will produce more consistent analyses and enhance performance and networking capability.
- An additional 650 square metres of laboratory space has been acquired to accommodate the additional equipment and enable the better separation of the crime and reference work.
- A new software Laboratory Information Management System has been acquired for implementation later in 2007, which will increase operational efficiency. New software has also been acquired to automate and speed up the reading of DNA profiles for upload to the state DNA Database.⁷⁵

With respect to the Auditor General's recommendation for ensuring whole-of-service coordination of resource allocation, and that future demand and appropriate quality standards are met, DoH advised that PathWest and WAPOL meet regularly to discuss issues 'related to resourcing, prioritisation, workflow and education'. According to DoH, the meetings maintain the close working relationship between the agencies and assist with managing the forensic DNA workload. For similar reasons, PathWest has initiated regular meetings with the Office of the DPP. Meetings have also been initiated by PathWest with representatives of the WA Court system and members of the Judiciary to provide educational lectures on DNA. Further to improving coordination between agencies, reference is made to a business case for a Forensic Science Centre in conjunction with the Chemistry Centre and WAPOL.⁷⁶ This is reviewed in more detail below.

⁷⁵ Dr Neale Fong, Director General, Department of Health, letter, 19 June 2007, p1-2.

⁷⁶ Ibid., p3.

In terms of enhancing current forensic information systems to improve access, tracking and sharing of information, DoH advised that the unique identification numbers applied by WAPOL to each exhibit are recorded by PathWest in its Laboratory Information Management System. While PathWest uses shorter identification numbers around the laboratory, these are cross referenced within the Information Management System with WAPOL identifiers. PathWest has promoted the use of the WAPOL identifier in communications between agencies, which the Courts and Office of the DPP have also agreed to promote in their computer system and communications. PathWest is also liaising with the DPP to develop means of linking PathWest and DPP data on the basis of the Police identifiers.⁷⁷

DoH responded to a number of other findings by the Auditor General, highlighting in particular that the PathWest backlog of DNA items (37,309 items) as reported by the Auditor General⁷⁸ did not realistically portray the situation. According to DoH, the figure does not only include items waiting for examination but also items already tested but waiting for input from third parties or put on hold pending Police identification of a suspect. DoH also emphasised that the efficiency of forensic services can sometimes be adversely impacted by factors beyond the control of PathWest such as the late appointment of prosecutors or late advice of trial dates, which were not considered by the Auditor General.⁷⁹

Chemistry Centre (Department of Industry and Resources)

The Auditor General recommended greater coordination across forensic services when allocating resources. In response, DOIR advised that this is complicated by the fact that forensic services are split across three large agencies and the state budgeting process, which funds each agency separately, makes integrated planning difficult. Even so, the three agencies have reinforced communication at levels above that of daily operations and have developed proposals to better integrate planning, management, and funding. Reference is made to a business case for a Forensic Science Centre, which is reviewed in more detail below.⁸⁰

In terms of developing a whole-of-service capacity to meet future demand and quality standards, DOIR advised that the Chemistry Centre monitors strategic skills coverage within the organisation to ensure that the appropriate analytical skills are covered. In doing so, attempts are made to factor in likely changes over the next 12 to 24 months such as staff changes (e.g. due to retirement) and the introduction of new technology. While there is some discussion with clients such as WAPOL, DOIR concedes that this measure applies principally to the Chemistry Centre and is not representative of a whole-of-service approach. This is a consequence again of the

⁷⁷ Ibid., p4.

⁷⁸ Auditor General of Western Australia, *Behind the Evidence: Forensic Services. Report 4 - May 2006*, Office of the Auditor General, Western Australia, 31 May 2006, p12.

⁷⁹ Dr Neale Fong, Director General, Department of Health, letter, 19 May 2007, p4-6.

⁸⁰ Dr Jim Limerick, Director General, Department of Industry and Resources, letter, 25 June 2007, p1.

current disaggregated management structure of forensic services, which may be addressed by the proposal for a Forensic Science Centre.⁸¹

In response to the Auditor General's recommendation to improve access, tracking and sharing of information, DOIR advised that the Chemistry Centre uses a sophisticated Laboratory Information Management System. Functionality includes tracking exhibits using the unique Police identification number, collecting data, and collating data from multiple sources with the relevant sample. The transfer of samples from the Police to the Chemistry Centre could be made more efficient by improving communication between the Chemistry Centre and Police computer systems. It is proposed that following the forthcoming separation of the Chemistry Centre from DOIR to become a statutory authority, the agency's business management information systems will be reviewed. Part of the initiative will involve liaison with WAPOL to resolve the issue of secure agency to agency communications, thereby enabling closer integration of the two information systems.⁸²

Western Australia Police

WAPOL have implemented a number of initiatives to improve the provision of forensic services to the justice system, both as a consequence of the Auditor General's report as well as an internal review undertaken in 2006. Key WAPOL initiatives to reduce the backlog in DNA analyses include but are not limited to:

- Management of, and consultation with stakeholders on, major crimes by a specific case manager. This enables among other things: the prioritisation of analysis; a coordinated approach to analysis; and better continuity and planning.
- Funding towards the purchase and installation of two new robotic platforms at PathWest (refer DoH advice above).
- Creation of a new managerial position within the Policy Property Management Division responsible for reviewing, prioritising and making recommendations relating to (i.e. triaging) each exhibit entering the Forensic Division. This effectively ensures that only exhibits considered worthwhile are submitted for analysis therefore reducing the number of exhibits submitted. A business case has been prepared for funding to triage exhibits being stored for future analysis. The triage of exhibits awaiting analysis at DECU meanwhile is ongoing.
- Joint training between WAPOL and PathWest to improve the knowledge and understanding of forensic personnel thereby reducing the number of exhibits submitted for analysis.⁸³

⁸¹ Ibid., p1-2.

⁸² Ibid., p2.

⁸³ Mr Karl O'Callaghan, Commissioner of Police, Western Australia Police, letter, 6 July 2007, p2 and attachment p6-7.

To address the Auditor General's recommendation concerning improved access, sharing and tracking of information and exhibits, key initiatives implemented by WAPOL include:

- Sharing of the WAPOL Incident Management System with PathWest and the Chemistry Centre thereby enabling all stakeholders to access information pertaining to exhibits. Although the different software systems do not interface, a formalised process has been implemented to ensure the accurate tracking and security of exhibits.
- Forthcoming installation of a new Laboratory Information Management System by PathWest, which, following resolution of interface issues with WAPOL software, will offer more effective and efficient tracking.
- Development of new policy and procedures to enhance the tracking of exhibits, and the development of a single exhibit numbering system.⁸⁴

In order to improve coordination with respect to resource allocation as recommended by the Auditor General, WAPOL advised that new operating procedures have been established which require all agencies to be involved in decision-making in relation to exhibit management and analysis. All agencies are also involved in each phase of the forensic process thus ensuring 'the most effective and efficient management of exhibits and resources'. With respect to addressing whole-of-service capacity to meet future demand and quality standards, WAPOL have established a project team to implement changes relating to 'quality, safety, results and resources', and investigate the feasibility of establishing a new Forensic Science Centre⁸⁵, as reviewed in greater detail below.

WAPOL referred to a number of activities yet to be addressed that will improve forensic services. These include implementation of a case management system, and the development of policies to: ensure removal of exhibits awaiting analysis when a guilty plea has been entered; ensure appropriate timeframes are observed by the DPP, Judiciary and Police Prosecutions when requesting trial dates; and streamline requests for DNA analysis.⁸⁶

All agencies

All three agencies addressed the Auditor General's recommendation pertaining to ongoing assessment and resolution of security and occupational safety and health risks at forensic exhibit storage facilities. Agencies advised that forensic facilities either meet the stringent National Association of Testing Authorities (NATA) forensic accreditation requirements or are working towards NATA accreditation. Security measures take into account various risks such as fire, unauthorised entry, and threat of external contamination. Occupational health and safety issues relating to the storage of hazardous materials as identified by the Auditor General have also been

⁸⁴ Ibid., p2 and attachment p8.

⁸⁵ Ibid., p2-3.

⁸⁶ Ibid., attachment p11.

addressed. Agency responses indicate that the security of exhibits is a key issue and improvements in this area are continually being made.

A joint initiative being undertaken by all three agencies will potentially improve coordination between agencies and facilitate a better whole-of-service capability. DoH, DOIR and WAPOL have all participated in a joint review of a proposal to develop a 'Forensic Science Centre'. WAPOL advised that this refers to a single government entity tasked with analysing all forensic evidence and comprising forensic specialists from each agency. The integrated forensic unit would draw expertise from PathWest, the Chemistry Centre and WAPOL. According to WAPOL, following initial discussions in early 2007 a Steering Committee was formed comprising senior membership from WAPOL, PathWest and the Chemistry Centre. Consultants were engaged to prepare a business case for the proposal, which has since been reviewed by senior management of the agencies. It is proposed to progress the proposal via ministerial briefings and Cabinet submissions, for which the business case will form the basis.⁸⁷

Committee Action/ Comment

The Committee considered the agency responses at its meeting of 25 July 2007 and resolved to seek further comment from the Auditor General in relation to the responses. The Committee will continue its follow-up once feedback from the Auditor General has been considered and as such, outcomes will be included in the 2008 review.

2.13 Help Wanted: Public Service Workforce Management - Report 6 (21 June 2006)

Background

The Auditor General examined how well government agencies attract and retain staff to deliver public services, and the role of central agencies in managing the public service workforce as a whole. Key central agencies consulted during audit were DPC, the Office of the Public Sector Standards Commissioner (OPSSC), and the Department of Consumer and Employment Protection (DOCEP). The Auditor General found that agencies are struggling to attract and retain staff, and that central government controls such as job advertising restrictions and remuneration controls, as well as agencies' human resource practices are contributing factors. Other key findings included a lack of a coordinated response to identified workforce issues, and little accountability for central government workforce controls that limit the capacity of agencies to attract and retain skilled staff. The Auditor General recommended that central agencies develop a management framework that delivers a coordinated response and addresses issues including leadership of the service, the benefit and accountability of central controls, and implementation of whole-of-service initiatives that complement the roles and responsibilities of Chief Executive Officers (CEOs).

⁸⁷ Ibid., p1 and attachment p10.

Agency Responses

The three key agencies (DPC, OPSSC and DOCEP) provided separate responses to the Auditor General's findings and recommendations, as summarised below.

Department of the Premier and Cabinet

In addressing the Auditor General's report, DPC focused on the audit's three key themes, specifically how to: provide a coordinated response to workforce issues; review central agency controls; and assist the recruitment practices of agencies. DPC outlined a number of initiatives that were implemented in earlier years to address significant workforce issues identified by Departmental research. The Integrated Workforce Management Framework 2003-2005, and Public Sector Improvement Strategy 2006 were both developed to address the issue of an ageing workforce, and led to the implementation of initiatives relating to leadership development, attraction and retention of staff, and graduate recruitment.

DPC detailed its initiatives in the context of the Auditor General's recommendation for greater coordination in relation to workforce issues. With regard to developing agency leadership capabilities:

- DPC launched a Leadership Development Strategy in September 2006. The strategy identifies the skills and attributes required of public sector leaders and offers a range of programs to assist current aspiring leaders to develop these skills. Funding has been secured in 2007-08 for ongoing implementation of the strategy. DPC cited high demand and participation rates for workshops, seminars and leadership assessments conducted since the program was launched as evidence of success and advised that a number of other agencies have also developed strategies based on the capabilities and programs of the Leadership Development Strategy. DPC proposes to engage an independent reviewer to evaluate the various components of the strategy after one year of operation.
- DPC has allocated funding in 2007-08 to cover scholarship positions in leadership development programs offered by the Australia New Zealand School of Government. The Public Sector Management Division within DPC also provides various leadership development programs as well as a range of targeted programs including executive breakfast seminars, graduate seminars and a CEO induction program. DPC advised that the number of leadership development programs staged by the Department increased by 118% from 2005-06 figures and is anticipated to increase by more than 40% in 2007-08.
- A 'Women in Leadership Planning Group' was established comprising representatives from DPC, DOCEP, OPSSC and the Office of Women's Policy within the Department for Communities. DPC will develop a strategy in consultation with the group with the intention of boosting women's representation in leadership roles through mechanisms such as providing support for women already in leadership roles, and facilitating the development of women who aspire to leadership roles.⁸⁸

⁸⁸

Mr Mal Wauchope, Director General, Department of the Premier and Cabinet, letter, 17 July 2007, attachment p1-6.

DPC advised that initiatives have also been implemented to address other workforce issues, including:

- Introduction of a regional skills strategy in 2006-07, which will address identified skill deficiencies impacting regionally based agencies through improvements to the quantity and quality of professional development opportunities for regional employees. A Regional Skills Forum has also been established to enable regional employees to communicate with colleagues in other agencies and regions thereby facilitating sharing of training and development resources. DPC has proposed to review and further develop the strategy and forum in 2007-08.
- A retirement intentions survey was conducted in 2006 of 18,000 public service workers aged 45 years and over. The findings of the survey will inform work with other government agencies to ensure policies and procedures are in place to address the issue of an ageing workforce and support strategic workforce planning. DPC recently published a report, 'Meeting the Challenge: Attracting and Keeping Public Sector Employees', which details a range of existing and proposed strategies to manage the impacts of the anticipated demographic change. Topics covered include 'valuing wisdom and experience', and 'attracting the best people'.
- Development and trialling of a whole-of-government Mobility Program in 2006-07. The program 'is a leadership development initiative, which encourages the acquisition of transferable skills and a whole-of-government perspective through placement in a different organisation'. The program involves individual coaching sessions for participants during a six month placement with a different agency. The program will accept its second intake of participants in February 2008. Implementation of a mobility register called Skills Connect in August 2007 will enable agencies to securely access via the web details of individuals who have completed a leadership development program and who wish to access mobility and other placement opportunities.⁸⁹

The Auditor General found that government agencies are struggling to attract and retain staff, which is impacting on service delivery in some cases. In response, DPC advised that a number of initiatives are administered under the Public Sector Improvement Strategy to market career opportunities in the public sector. These include university partnerships where DPC has participated at careers fairs/expos to target undergraduates and graduates, website initiatives to provide job seekers with information on working in state government, and a graduate development program. In order to retain the skills and experience of recently retired staff, DPC advised that a re-engagement policy is under development, which will facilitate the return of recently retired public servants.

DPC advised that recruitment support is also provided to agencies, both at a practical level aimed to make recruitment practices more efficient, and at a strategic level. DPC conducted a review of recruitment, selection, and appointment practices across the public sector in 2006-07 to identify

⁸⁹ Ibid., p6-9.

impediments to agencies competing effectively in the labour market. Proposals were made to address the issues identified and are currently being considered by government. Other initiatives intended to assist the human resources practices of agencies include: the implementation of an on-line screening process for entry-level recruitment which has provided an effective way of screening large numbers of applicants; and the introduction of a Human Resources Practitioner Development Strategy which will enhance human resource management skills across the sector in order to meet the needs of a rapidly changing workforce and a competitive labour market.⁹⁰

With regard to the Auditor General's finding that a coordinated response to workforce issues is lacking and there is an absence of clear leadership⁹¹, DPC detailed the leadership framework in place for the public service. According to DPC, the framework ensures a coordinated approach to workforce issues across the public sector:

*The Minister for Public Sector Management provides leadership in promoting the overall effectiveness and efficiency of the public sector. This includes the authority to establish and monitor public sector employment policy and whole-of-government workforce initiatives...PSMD [Public Sector Management Division] is the central agency working with other State Government agencies to ensure that policies and practices which support strategic workforce planning and monitoring are in place... Chief Executive Officers are responsible for recruitment, training and development, and performance of their employees. This includes developing approaches which promote work/life balance and which attract mature age workers to join and/or stay in the workforce.*⁹²

Regarding the Auditor General's recommendation to review central agency controls, DPC highlighted improvements to job advertising. These include the introduction of a dedicated website (www.jobs.gov.au), and specific formatting requirements for public sector recruitment advertisements in the weekend edition of The West Australia newspaper to fit the government employment section. At the request of DPC, the Government Media Office conducted a review of job advertising policy in 2006 and found numerous benefits to shifting the advertising focus from newspaper advertisements to the on-line Jobs Board, including cost savings and the ability to convey more information on-line. The review also found that the reduction in size or quality of candidate pools was more attributable to current labour shortages than the manner in which positions are advertised.⁹³

DPC advised that remuneration controls were also examined in a recent review of procedures for remunerating employees in specialist positions (where specialist knowledge, skills or experience are required), and for providing Attraction and Retention Benefits (where it is difficult to attract and retain employees for reasons such as work in remote areas or work of a specialist nature). The review found that Attraction and Retention Benefits (ARBs) are an effective means for agencies to

⁹⁰ Ibid., p10-12.

⁹¹ Auditor General of Western Australia, *Help Wanted: Public Service Workforce Management. Report 6 - June 2006*, Office of the Auditor General, Western Australia, 21 June 2006, p21.

⁹² Mr Mal Wauchope, Director General, Department of the Premier and Cabinet, letter, 17 July 2007, attachment p12.

⁹³ Ibid., attachment p13-14.

address attraction and retention issues, however substantial improvements are required in the scope, manner and method in which ARBs are applied so that agencies may respond more quickly to market forces. An ARB Working Group was formed in late 2006 comprising representatives from DPC, DOCEP and DTF, and is working towards identifying what changes are necessary to the ARB framework to improve effectiveness and accountability.⁹⁴

Office of the Public Sector Standards Commissioner

In relation to the Auditor General's recommendation for better leadership of the service, OPSSC advised that the New Leadership Development Strategy was published and promoted together with DPC. OPSSC also participated in the public sector induction program run by DPC. In another leadership initiative, OPSSC advised that the Office of Equal Employment Opportunity was responsible for the Women Aspiring to Leadership initiative, comprising a luncheon series with keynote speakers and panels.

The Auditor General recommended greater accountability for central controls. In this regard, OPSSC advised that annual reporting requirements have been reviewed and consolidated reporting requirements are subject to endorsement and inclusion by DPC in the 2007-08 Annual Report Framework.

Regarding the Auditor General's final recommendation regarding implementation of whole-of-service initiatives that complement the roles and responsibilities of CEOs, OPSSC advised that initiatives are underway to promote flexible recruitment practices and address staff attraction and retention issues.

- An online recruitment and selection tool (Right Path to the Right People) has been developed and promoted. Appointment Pool Guidelines have also been published on the internet (in liaison with DPC).
- A quarterly Standards, Ethics and Equity e-bulletin is available online. This is designed to inform the public sector and provide tips on recruitment and selection.
- In liaison with other key agencies, Human Resources management forums have been developed and promoted in metropolitan and regional locations. Focusing on recruitment, the forums are aimed at Human Resources Managers, staff and line managers. Regional workshops and satellite broadcasts have also been conducted or scheduled to address needs in rural/regional areas.
- An Ethics Framework has been developed and is now available to assist CEOs incorporate greater ethical conduct in operations. Political Impartiality Guidelines have also been developed and published, and work has commenced on a Code of Conduct template for public sector agencies.⁹⁵

⁹⁴ Ibid., attachment p15-16.

⁹⁵ Dr Ruth Shean, Commissioner, Office of the Public Sector Standards Commissioner, letter, 16 July 2007.

Department of Consumer and Employment Protection

DOCEP outlined its role in respect of the Auditor General's recommendations as being one of coordinating public sector labour relations, centrally managing the public sector wages and labour relations policies, and implementing initiatives to address labour relations issues. With respect to coordination and policy, DOCEP advised that in order to address recruitment issues in the existing highly competitive employment market, the focus has been on enhancing the attractiveness of government as an employer. New and enhanced conditions for public servants since 2001 comprised more flexible working and leave arrangements. The new general agreement negotiated in 2006 consolidated these conditions and introduced a number of minor changes including incentives for remote employees and increases to shift allowances.⁹⁶

Regarding the Auditor General's recommendation for whole-of-service initiatives, the agency has been participating in a review of ARBs undertaken by DPC (see above). DOCEP advised that discussions are ongoing and DOCEP is currently finalising its response to DPC's recommendations. In terms of other initiatives designed to address the recruitment and retention of public service staff, DOCEP has:

- Examined attraction and retention of staff in regional areas, as reliable data on which to base policy recommendations is not always available;
- Developed a mature age employment strategy and is encouraging agencies to introduce phased retirement, encourage mature age employees to remain in the workforce, and/or attract more mature age employees to the workforce;
- Planned a pilot program to examine work-life balance in the public sector. The program will be used to identify barriers to implementing work life balance initiatives in the public sector, develop strategies to overcome the barriers and evaluate the success of strategies. Three public sector agencies will be selected to participate and will receive reports at the conclusion of the program. A final report to DOCEP will detail the outcomes of the pilot program;
- Continued to address the issue of gender inequity in relation to pay. A Pay Equity Unit (PEU) was established within the Department in February 2006 and is responsible for working with the public and private sectors to reduce the gender pay gap. A pilot pay equity audit of a public sector agency was conducted by the PEU in late 2006 and discussions are currently underway with another agency to secure participation in a further audit. In August 2007, details of the gender pay gap were distributed to large agencies and the PEU advised that performance against the gap would be measured on an annual basis. Information materials have also been developed such as an Australian best practice toolkit

⁹⁶ Ms Susan Barrera, Executive Director Labour Relations, Department of Consumer and Employment Protection, letter, 19 September 2007, attachment p1-2.

to assist agencies to address gender pay gaps where these have been identified through a pay equity audit.⁹⁷

Committee Action/ Comment

The Committee has requested feedback from the Auditor General in relation to the responses received from DPC, OPSSC and DOCEP. The Auditor General's comments will be considered by the Committee along with the agencies' responses in order to progress the follow-up. The outcomes of this process will be reported in 2008.

2.14 Procurement Reform: Beyond Compliance to Customer Focus - Report 7 (28 June 2006)

Background

Since 2004 the DTF, through its Office of Government Procurement, has been leading the state's procurement reform agenda. The reform agenda comprises 60 procurement reform projects organised into 12 cross-agency programs. The Auditor General assessed the first year of procurement reform in terms of implementation and the savings achieved by DTF and agencies. The Auditor General found that DTF estimates of savings achieved by agencies were reasonable, but the full costs of procurement reform should also be estimated and published along with estimated savings. It was recommended that DTF ensure procurement reform improves value for money by ensuring agencies have optimal lead time for introducing new and revised common use arrangements. The Auditor General also noted that DTF would need to work closely with agencies to ensure savings are achieved without compromising service delivery.

Agency Response

DTF addressed each of the Auditor General's recommendations separately. In terms of estimating and publishing the full costs of procurement reform as well as savings achieved, DTF advised that the estimated costs of procurement reform for the 2005-06 year, as well as three and five year cumulative totals, were included in its 2005-06 Procurement Reform Benefits Realisation Report tabled in Parliament in November 2006. The report was also posted on the DTF website and sent to key stakeholders, including the Auditor General. DTF intends to produce Benefits Realisation Reports for each of the remaining two years of the five year procurement reform program (i.e. 2006-07 and 2007-08). These reports will include total cost estimates.⁹⁸

The Auditor General recommended that DTF should work with agencies to resolve barriers to the wider adoption of procurement reforms, including purchasing cards. DTF summarised a number of actions taken to address this recommendation including:

⁹⁷ Ibid., attachment p2-3.

⁹⁸ Mr Michael Barnes, Acting Under Treasurer, Department of Treasury and Finance, letter, 23 July 2007, attachment p1.

- Since mid-2005, customised Buying Behaviour reports have been produced for over 20 of the largest spending agencies in most months. The reports focus on whole-of-government contracts or Common Use Arrangements (CUAs) and provide a comparison of agency expenditure with sector averages and best practice. According to DTF, positive feedback has been received from agencies about this style of reporting and it has proven effective in assisting agencies to improve their buying behaviours. The reports are also used to promote other procurement reform initiatives such as training programs and the purchasing card project. DTF advised that the program will continue and will gradually be expanded to include additional agencies and CUAs.
- A Procurement Reform Toolkit has been published online and also distributed to agencies. The toolkit provides practical strategies for implementing reform ('8 Smarter Buying Principles') and also includes a self assessment template whereby agencies can record reform progress across key reform objectives. Regular reinforcement of the smarter buying principles occurs during various training programs, CUA launches and in published material, and is anticipated to continue in the foreseeable future.
- A project to expand the number and usage of Government Purchasing Cards commenced in late 2005. Pilot programs have been undertaken with a number of agencies, and a communication strategy has been adopted to encourage all agencies to meet targets established for the volume of purchases below \$5000 paid for by purchasing card. DTF advised that the next 12 months will focus on the implementation of the contracted supplier's Expense Management System (EMS) as this will facilitate management of the cards and online reconciliation of transactions, and thereby address one potential barrier to the wider use of purchasing cards. An officer has also been employed specifically to work with agencies to assist in the implementation of the EMS and address perceived barriers to implementation at the individual agency level.

Other potential barriers to wider agency take up of purchasing cards such as concerns around trust and accountability of cardholders will potentially be addressed through the development of a Best Practice Guide, policy template and agency tool kit. DTF advised that card usage has increased significantly in the last 12 months but even so, a general strategy has been endorsed by the Treasurer to expand the use of purchasing cards across the sector. As well as the initiatives already described, it includes aligning the purchasing card take-up initiatives with the schedule of agencies rolling into shared services. This is particularly important given that use of the contractor's EMS is only a temporary measure prior to the implementation of Shared Services Reform.

- In order to improve procurement outcomes for agencies and reduce contract leakage, DTF has improved the quality and accessibility of information relating to CUAs. An online Government Contract Directory has been developed summarising information about all CUAs. Buyers can link to more detailed information about a CUA including a Buyers Guide. Buyers in education facilities across the state can access a dedicated schools version of the Contract Directory. An online Electronic Decision Aid has also been developed by DTF to assist buyers to source information from CUAs with complex pricing

schedules. DTF will continue to regularly update the Government Contract Directory and is investigating the applicability of the Electronic Decision Aid to other CUAs. A project is also underway to rewrite all CUA Buyers Guides so they are less technical and more user friendly.

- DTF advised that the top 26 buying agencies were requested to provide a progress report detailing implementation of procurement reforms up to July 2006. Some of this information was used to develop case studies highlighting best practice in contracting and were then published. DTF will request procurement reform progress reports from agencies covering 2006-07.⁹⁹

Actions taken to address the Auditor General's recommendation that DTF should work with agencies to improve data on procurement performance can be summarised as follows:

- In 2006 DTF assisted a number of agencies by developing Procurement Reform Benefits Realisation Reports specific to those agencies. The reports were provided to the agencies as a management tool. KPMG were also engaged as part of the process to provide advice and feedback to the agencies on methods for determining contract savings and to develop appropriate databases for recording contract savings. In developing the reports, DTF obtained insights into the issues associated with agency-based procurement management and incorporated some of these lessons into the 2007 request for Agency Progress Reports. DTF advised that a number of agencies will again be sponsored and assisted to produce reports for the 2006-07 year. DTF proposes to include general guidelines on how agencies could record specific contract savings with the request to agencies for the 2007 Procurement Reform Progress Report.
- According to DTF, Buyer Behaviour Reporting has provided the largest spending agencies with valuable information on commonly purchased goods and services. This information has been used by most agencies to measure performance against procurement undertaken through CUAs. DTF will continue with Buyer Behaviour Reporting in 2007 and expand it to include further CUAs and some other agencies. A project is also underway to enable DTF to undertake more detailed analysis of agency spend patterns under CUAs.
- In 2006 DTF worked with all agencies to introduce a more effective system of classifying goods and services. This will improve the quality of procurement data thereby enabling agencies to better analyse spending. The United Nations Standard Products and Services Code has been identified as a more effective means of managing procurement data than the current system and is used worldwide for procurement and expenditure analysis. DTF proposes to use the United Nations Code to work with agencies to produce future Who Buys What reports that provide a greater level of trend analysis. The new tool will also enable individual agencies to better examine their procurement performance.
- A model for Annual Forward Procurement Plans (AFPPs) was established in conjunction with agencies in 2004 and has since been modified based on experience and agency

⁹⁹ Ibid., attachment p2-4.

feedback. According to DTF, the AFPPs provide agencies with a strategic view of major intended procurements thus allowing procurement to become an integral component of broader business planning. A comprehensive AFPP can then be used by the agency to monitor part of its procurement performance. DTF are working with the largest spending agencies on the development of their 2007-08 AFPPs and it is intended for this to become a normal annual business planning process for agencies.

- DTF advised that various procurement-related ICT projects are being developed and implemented across the sector. As more agencies roll into the shared services framework, ultimate use of a common e-procurement platform will provide agencies with access to extensive agency specific spend-data.¹⁰⁰

With regard to actions taken to ensure agencies have optimum lead time for introducing new and revised CUAs, DTF advised that new or re-tendered CUAs are promoted to the sector via a number of mechanisms. These include: the invitation of relevant government buyers to CUA launch events; group emails sent to agencies; early advice provided in the Procurement Matters newsletter; information published on the website; and agency staff participation on CUA development Client Reference Groups. In terms of improving responsiveness to agencies' specifications particularly with respect to direct service delivery, DTF advised that:

- Client Reference Groups comprising relevant agency personnel are established during CUA development and evaluation. These remain in place during the life of the contract thereby ensuring a ready source of expertise is available if required. Buyers are also encouraged via Buyers Guides and CUA launch events to provide feedback to Contract Managers in relation to the suitability of contract specifications. Regular review and updating of specifications is built into the contract framework of many CUAs. DTF advised that agencies will continue being encouraged to permit staff to participate on CUA Client Reference Groups, and to regularly review CUA standard specifications.
- A Client Procurement Services division has been formed within the Office of Government Procurement and agency contract staff have been rebadged as DTF employees. According to DTF, 'this arrangement captures the customer service benefits of having procurement specialists based within their client agencies, while at the same time improving the consistency and quality of procurement processes and standards'. DTF cited positive results from customer surveys as evidence of the success of this reorganisation of procurement resources.¹⁰¹

Committee Action/ Comment

At its meeting of 26 September 2007, the Committee considered the response received from DTF as well as comments sought from the Auditor General in relation to the response. The Committee was satisfied that DTF had addressed the Auditor General's recommendations pertaining to:

¹⁰⁰ Ibid., attachment p5-6.

¹⁰¹ Ibid., attachment p7.

reporting costs of procurement reform; working with agencies to resolve barriers to the wider adoption of procurement reforms; and ensuring that procurement reform improves value for money. However, the Committee resolved to seek further information regarding working with agencies to improve data on procurement performance, as it was considered this recommendation was only partially addressed. As the Auditor General had specifically investigated the balance between achieving savings and maintaining service delivery, DTF were asked to advise whether the savings created by procurement reform have been redirected to service delivery in agencies, and if so, what the value is of these redirected savings.

The Committee will continue its investigation following consideration of the response from DTF and will report on the outcome in 2008.

CHAPTER 3 REVIEW OF THE REPORTS OF THE AUDITOR GENERAL AND AGENCY RESPONSES

3.1 Introduction

The Auditor General tabled 11 reports in Parliament from 1 July 2006 to 30 June 2007, including two Audit Results Reports and four Public Sector Performance Reports, in addition to the Annual Report. This Chapter details the Committee's follow-up process for reports tabled in this period where an agency response has been received, and the Committee's follow-up process has commenced in earnest. The outcome of the process will be provided in the next Review of the Reports of the Auditor General, to be tabled in 2008.

3.2 Second Public Sector Performance Report 2006 - Report 8 (30 August 2006)

(a) Informing the Public: Providing Information on the Timeliness of Services

Background

Timeliness in providing services such as public transport, ambulance, fire and police is important to the community. In 2004-2005, there were more than 250,000 calls to emergency services and more than 100 million trips on public transport. If these services are not delivered on time, the impact on the public is significant. The public is entitled to accurate and up-to-date information on the timeliness of the services they use, and this information can in turn be used to encourage service improvement.

The Auditor General examined the quality of timeliness information publicly provided by seven agencies including police, fire, ambulance, water, electricity, buses, metropolitan and country trains, and taxi services.

Auditor General's Findings and Recommendations

The Auditor General found that the Western Australian public are generally well served in terms of the quality of timeliness information provided to them. However, there were areas where agencies could improve the usefulness of timeliness information, including providing the range of times taken to provide services; identifying when and in what areas timeliness is different to the information provided; and providing explanations as to how timeliness targets are set, and the reasons when these targets are not met. In addition, the Auditor General found that agencies could better use websites and other technologies to provide more information. As a result, the Auditor General recommended that agencies should review and improve the usefulness of their publicly available timeliness information, and explore ways of ensuring increased access to timeliness information.

Agency Response

The Committee followed-up six agencies, specifically WAPOL, DoH, Water Corporation, PTA, DPI, and Fire and Emergency Services Authority (FESA). Agencies were requested to provide a report to the Committee by 27 September 2007 hence the majority of agency responses will be incorporated in the 2008 review.

The Water Corporation however responded promptly and outlined the measures taken to address the Auditor General's findings. The Auditor General found that agencies could improve the usefulness of timeliness information by identifying localities or regions where performance differed. In this regard, the Water Corporation advised that the Water Corporation and the regulatory authority (Economic Regulation Authority) are developing protocols to ensure more performance reporting is publicly available for the larger population centres within Western Australia.

The Auditor General also found opportunities for agencies to enhance access to timeliness information. In response, the Water Corporation advised that regularly updated information on performance indicators is already available on the agency's website and brochures are also available which outline the agency's commitment and obligations to customers including response times to interrupted and uninterrupted supply. The Water Corporation has undertaken market research which has demonstrated the growing popularity of the internet and the strong interrelationship between technology and customer service. As a consequence, the Water Corporation advised that it will continue to engage its customers to identify ways to best meet all their information needs and not just information needs regarding timeliness in the provision of services.¹⁰²

Committee Action/ Comment

Following consideration of the agency's response and comments sought from the Auditor General in relation to the response, the Committee resolved to request further information from the Water Corporation. The Water Corporation was requested to advise whether there were times of the year when performance differed to an extent that it should be publicly reported, and why it took the approach of reporting publicly on the time it took for Water Corporation to attend the scene of a water supply problem, rather than the total elapsed time taken to resolve a complaint, such as an issue regarding unplanned supply interruptions or water quality problems.

The Water Corporation responded with a set of reasons regarding its reporting arrangements, and advised that there was no requirement under the current Operating Licence, established by the Regulator, to provide anything other than response times. The Water Corporation also indicated that current response time monitoring and analysis is more useful, as, due to the inherent complexity and nature of service issues, such measurement is common among regulated water utilities. The Water Corporation therefore felt that it was more valuable to maintain a common approach to Level of Service targets to enable meaningful benchmarking across the industry.

¹⁰² Mr Peter Moore, Acting Chief Executive Officer, Water Corporation, letter, 24 October 2007, p1-3.

Moreover, there was no customer demand for this information, despite public opinion being sought through a range of avenues. Examples included:

- Public Enquiries into the Performance of the Water Sector conducted by the former Office of Water Regulation (now part of the Economic Regulatory Authority), which did not identify a customer preference for ‘elapsed time’ reporting.
- Experience with customers, who anecdotally indicated that they want certainty in relation to when their particular issue will be attended to, as they understand that the nature and complexity of the issue will impact the elapsed time for the resolution.
- The Corporation’s active Customer Advisory Council, which has provided no feedback that the community has any concerns with the current reporting approach.
- The Corporation’s separate surveying of customers who have had no contact with the Corporation apart from billing, and from those who have needed to contact the Corporation to resolve a service issue. The Corporation reports that in the December 2006 survey, 60% of respondents agreed or strongly agreed that ‘the Water Corporation is quick to respond when there are faults within the system’, while 31% were neutral, and 9% disagreed or strongly disagreed with the proposition. Of those customers surveyed who had contact with the Corporation, the Water Corporation advised:

These customer contact follow-up surveys have provided no evidence of customer dissatisfaction with the ‘elapsed time’ for resolution of issues on restoration of service. Two of the attributes of the surveys are:

- Length of time taken to undertake the work

- Length of time taken to respond to the problem.

On a scale of one to five (five = excellent), the respective scores for the period October to December 2006 were 4.69 and 4.64.¹⁰³

The Committee was satisfied with this response, and, at its meeting of 23 March 2007, resolved to conclude its follow-up of the Water Corporation with regard to this Auditor General’s report.

(b) Setting Fees - Extent of Cost Recovery - Follow-up

Background

In 2004, the Auditor General released a report entitled *Setting Fees – The Extent of Cost Recovery*. The findings in that report concerned the way agencies set their fees and disclosed their fee setting policies. The follow-up report was undertaken to examine whether practices had improved, including whether those agencies that had set fees higher than the cost-recovery level had reduced them to reflect actual cost.

¹⁰³

Dr J.I. Gill, Chief Executive Officer, Water Corporation, Letter, 1 March 2007.

Auditor General's Findings and Recommendations

The Auditor General found that many agencies had improved their costing and fee setting practices as a result of accrual accounting, greater understanding of the user pays principle and enhanced functionality of financial systems, but further improvement was needed. While agencies are now required to certify to DTF information regarding their fee setting practices, DTF does not test the reliability of this information. The Auditor General also identified some instances of agency fees over recovering costs although some agencies had since implemented reductions so that fees more reasonably align with costs. The Auditor General recommended that DTF should selectively review the accuracy and reliability of agency fee certifications, as well as review the *Costing and Pricing Government Services* guidelines as a matter of urgency. It was also recommended that agencies should provide meaningful disclosure of their pricing policies.

Agency responses

The Committee followed-up eight agencies, namely DTF, Department of the Attorney General (DotAG), DEC, FESA, DET, Lotteries Commission of Western Australia, the Metropolitan Cemeteries Board (MCB), and Swan TAFE. At the time of reporting, only responses from MCB and DTF had been received. All other agency responses will be incorporated into the 2008 review.

DTF advised that with regard to guidelines on *Costing and Pricing Government Services*, an amended version of the guidelines will shortly be made available on the Department's web page.¹⁰⁴ The revised guidelines will be streamlined and simplified and will feature an actual agency case study to demonstrate the steps involved in identifying the cost of services and the prices charged for those services. With regard to the Auditor General's recommendation that DTF should selectively review the accuracy and reliability of agency fee certifications, DTF advised that this does not form part of the agency's oversight role. DTF stated that it lacks sufficient legislative authority and access to records to perform such a compliance role, unlike officers from Internal Audit or the Office of the Auditor General. As such, DTF's role is limited to 'providing guidance to agencies in respect of fees and charges from a policy perspective'.¹⁰⁵

MCB advised that it was 'continuing with its exercise to develop costing models for all of its core business services', and, once this is complete, 'will be in a better position to justify any reasons why prices charged for certain services or products vary from cost recovery'.¹⁰⁶ The MCB claimed that it was impracticable to provide details of its pricing for the 'very wide range of products and services which it makes available to the public' even once its costing exercises had been completed.¹⁰⁷ At the time of writing, the MCB anticipated that the memorial products

¹⁰⁴ At the time of reporting, these guidelines were available on the DTF website: Department of Treasury and Finance, 'Costing and Pricing Government Services', April 2007. Available at: http://www.dtf.wa.gov.au/cms/uploadedFiles/costing_pricing_government_services_april2007.pdf. Accessed on 19 October 2007.

¹⁰⁵ Mr Timothy Marney, Under Treasurer, Department of Treasury and Finance, letter, 30 October 2006.

¹⁰⁶ Mr PD MacLean, Chief Executive Officer, Metropolitan Cemeteries Board, Letter, 11 October 2006.

¹⁰⁷ Ibid.

costing model was at its final draft stage and was in the process of being tested. The revisions to memorial costs would be incorporated into prices advertised in the Government Gazette for the year commencing 1 July 2007. However, in its general comments, the MCB added that:

*...the costing of the Board's products and services is a complex exercise involving many financial and non-financial considerations which in some instances transcend the basic goal of cost recovery. The Board has in the past followed a policy of offering core services at all of its cemeteries at uniform prices regardless of the location or cost/income ratios of some of its smaller less active cemeteries. The current costing exercises combined with the new requirement for the Board to purchase land and develop new cemeteries will provide an interesting challenge to the traditional concept of uniform pricing. The costing exercise may also highlight potentially sensitive cross-subsidisation issues arising from the differing cultural and religious needs of our diverse community.*¹⁰⁸

Committee Action/ Comment

The Committee was satisfied with the actions implemented by DTF to address the Auditor General's recommendations, but on 9 March 2007 sought clarification regarding whether DTF was able to compel agencies to provide information under section 79 of the *Financial Management Act 2006*.

DTF stated that it agreed with the view that section 79 of the *Financial Management Act 2006* provided the legal power to allow DTF to obtain required financial information from agencies; furthermore, Regulation 6 of the *Financial Management Regulations 2007* also provided the Under Treasurer with the 'authority to inspect accounting records and financial management information systems of an agency'.¹⁰⁹ However, DTF considered that while it has the legislative authority to require information and inspect records, it does not have a 'legislative requirement or policy mandate to review the underlying assumptions and calculations supporting the agencies' fee certifications'.¹¹⁰ The Expenditure Review Committee has given the responsibility of certifying the review of fees and charges, the methodology used for costing, and the accuracy of the setting of fees to the Chief Executive Officer and the Minister responsible for each agency.

Therefore, DTF considered that the systems and processes supporting certification should rightly be the responsibility of the agency, and that in any case DTF is not resourced to undertake what it views as an audit function. It does, however, assist agencies by providing a framework through the *Costing and Pricing Government Outputs: guidelines for use by agencies*, and scrutinises fees and charges as far as is practicable through the budget process. This response satisfied the Committee, which resolved at its meeting of 14 May 2007 to conclude the follow-up of DTF with respect to this aspect of the Auditor General's report.

Following consideration of the response received from the MCB and comments sought from the Auditor General in relation to the response, the Committee felt that the MCB had not addressed

¹⁰⁸ Ibid.

¹⁰⁹ Mr Timothy Marney, Under Treasurer, Department of Treasury and Finance, letter, 2 April 2007.

¹¹⁰ Ibid.

the Auditor General's concerns regarding developing an effective and transparent costing framework. While appreciating these complex and important concerns, the Committee sought further information regarding specific details of progress towards work on a model to determine the costs of each element of the memorial products offered by the Board, which was expected to have been completed in 2006, and regarding costing models for core business services. The response from MCB and the Committee's consideration of the response will be detailed in the 2008 report.

3.3 Management of Ramsar Wetlands in Western Australia - Report 9 (13 September 2006)

Background

Twelve of Western Australia's 120 wetlands are listed as being of international importance under the International Convention on Wetlands, known as the Ramsar Convention, to which more than 150 countries are signatories. The Convention is dedicated to the conservation and 'wise use' of wetlands. The State of Western Australia is responsible for the management of Ramsar wetlands, although ultimate responsibility for compliance with the Convention lies with the federal government.

The Auditor General's examination of the management of Ramsar wetlands in Western Australia focused particularly on the operations of DEC, and the Conservation Commission.

Auditor General's Findings and Recommendations

The Auditor General found that there is a need for improving the implementation of strategies and management planning in order to conserve the sites listed under the Ramsar Convention. This will ensure that degradation of the wetlands does not occur, and mitigate costly rehabilitation measures in the future.

Recommendations included that DEC, as the lead agency for the management of Ramsar wetlands, should:

- establish a clear direction and management plans for the conservation of Ramsar sites, including the provision of explicit objectives for the overall management of Ramsar wetlands, improved prioritisation and timelines for the preparation of management plans, and systematic plans for monitoring and scientific activities;
- clarify responsibilities and funding for Ramsar wetlands with the federal government and other stakeholders;
- develop and implement management plans for Ramsar sites without such plans;
- investigate options to obtain clear authority for those sites not covered by the Conservation Commission, and advocate that any new or amended legislation provide clear responsibilities for such sites;

- conduct a gap analysis of the research and monitoring that has taken place on the sites and, following this, develop and implement a monitoring program to provide up to date and accurate information on Ramsar sites;
- report emerging concerns to the Commonwealth, as there is currently no agreed methodology for assessing ecological character and wetland indicators;
- should liaise with the Conservation Commission to establish procedures to end delays that occur in the finalisation of management plans such as regular review of progress against internal deadlines. As well as this, DEC and the Commission should consider proposing legislative amendments so that statutory deadlines are set for finalising stakeholder agreement.¹¹¹

Agency response

At the time of reporting, the Committee had only received a response from DEC outlining its responses and its plans for the future. The Committee is also following-up with the Conservation Commission but will cover its response in the 2008 review.

Regarding the Auditor General's recommendation to establish and communicate a clear direction for the conservation of Ramsar wetlands, DEC outlined the policies which support the Ramsar Convention in Western Australia, in particular the *State Wetlands Conservation Policy 1997*. The implementation strategy for this policy, and its attendant 62 actions, are reviewed annually by the Wetlands Coordinating Committee, and a revised Policy will be released in 2008. In addition, direction for the conservation of Ramsar sites are provided for in other departmental planning documents, including the 2006 draft of *A 100 year Biodiversity Conservation Strategy for Western Australia*.

DEC pointed out that as there is no state legislation governing Ramsar wetlands, landowners are responsible for their management. However, those Ramsar sites on conservation reserves are managed by DEC, and DEC and the Conservation Commission jointly prioritise and develop management plans for these in line with statewide needs. For sites on private or Crown land, such as those in Peel-Harvey and Roebuck Bay, DEC has facilitated community-based management strategies, but recognises the need for statutory powers for Ramsar sites, and this need is reflected in the drafting of the Biodiversity Conservation Bill. DEC has also captured its wetland monitoring program in its State Wetlands Database, established in 2004.

DEC is strengthening coordination and monitoring of Ramsar sites through:

- employing a Ramsar wetland monitoring coordinator since January 2007;
- developing case studies of ecological character descriptions (ECDs) for Ramsar sites to enable reporting of changes to Ramsar sites, and has sought and/or has secured funding

¹¹¹ Auditor General for Western Australia, *Management of Ramsar Wetlands in Western Australia. Report 9 - September 2006*. Office of the Auditor General, Western Australia, 13 September 2006.

from the state and Commonwealth governments to develop ECDs for all remaining Ramsar sites in WA;

- assisting in the development of nationally agreed wetland condition indicators, hosting two workshops in November 2006 to bring together state and federal agency staff, and regional natural resource management group staff to progress a nationally agreed protocol for measuring and reporting on wetland conditions; and
- assisting in the development of a national standardised scheme of reporting the condition of Ramsar wetlands.¹¹²

Regarding the clarification of the responsibilities for the Commonwealth government and other stakeholders, DEC stated that the current Natural Heritage Trust Commonwealth-State Bilateral Agreement contains Western Australia's agreement to manage Ramsar wetlands with the cooperation and assistance of the federal government. DEC believes that there is a renewed Commonwealth focus on Ramsar wetlands, and DEC will aim to retain this focus in the 2008-09 to 2012-13 proposed Natural Heritage Trust 3 Bilateral Agreement.

In addition, the outcomes of the national Wetlands and Waterbirds Taskforce include the development of *Australian National Guidelines on Ramsar Wetlands - Implementing Australia's Ramsar Obligations*, which will further clarify responsibilities for Ramsar implementation.

Regarding the development and implementation of management plans for those Ramsar sites which lack them, DEC stated that six of the Western Australian sites under the Ramsar Convention are covered by management plans. The agency prefers to use a whole-of-catchment approach, rather than develop management plans only applicable to the immediate Ramsar sites, but notes that this is not always possible when there are multiple landowners. Where non-statutory plans are in place, DEC, as stated above, works in partnership with community groups to ensure community-based management strategies are in place.

DEC is addressing the need to obtain authority for sites not vested in the Conservation Commission through the proposed Biodiversity Conservation Bill, but also notes that current state and federal policy states that Ramsar sites do not have to be managed by a state or federal agency. However, it cites federal legislation which has specific provisions to protect Ramsar sites, and the State's *Environmental Protection Act 1986*, which recognises Ramsar sites as areas of special environmental significance.

DEC advised that the Auditor General's recommendation concerning gap analysis of research and monitoring has been addressed by the agency's strengthened coordination and monitoring of Ramsar sites.

The Auditor General's recommendation regarding methodology was also addressed by DEC initiatives in relation to coordination and monitoring. DEC further noted that it has employed a

¹¹² Mr Keiran McNamara, Director General, Department of Environment and Conservation, letter, 20 August 2007, p1-6.

part time technical officer to audit current monitoring activities at Ramsar sites, and to prepare a strategic monitoring and evaluation program for Ramsar sites.

Regarding the Auditor General's final recommendation, DEC stated that:

...structures and processes are in place to ensure efficient communication and assessment of management plan priorities. Management planning is but one aspect of protected area and Ramsar site management that must be undertaken giving due consideration to other priorities and the availability of funding, including from Commonwealth sources.¹¹³

Committee Action/ Comment

Following consideration of DEC's response, the Committee resolved to forward a copy to the Auditor General for further comment. The Committee will use this feedback to assist its follow-up and will report on the outcome in 2008.

3.4 Public Sector Performance Report 2007 - Report 2 (28 March 2007)

(a) Arrangements for Managing the Performance of Chief Executive Officers

Background

Performance management arrangements have been developed in order to better assess and manage individual staff performance, and may be used as the basis for determining performance bonuses. Performance management is particularly important for CEOs to ensure that the role is being properly performed. There are two types of performance management arrangements - one for agencies covered by the *Public Sector Management Act 1994* (the PSMA sector), and one for those not covered by the PSMA (the non-PSMA sector). The Auditor General examined arrangements for CEOs at 10 PSMA and 10 non-PSMA agencies.

Auditor General's Findings and Recommendations

The Auditor General found that most of the arrangements in place for managing CEO performance incorporate good practice elements. However, there was concern that some arrangements may compromise overall effectiveness.

For example, the PSMA sector uses template performance agreements that do not require measurable performance criteria, which makes performance difficult to assess. In addition, for the past three years, CEOs and Ministers have not received the template agreements until four to five months after the commencement of the year, which diminishes their usefulness. Acting CEOs have not been subject to performance management arrangements at all, which is of concern, as 23% of PSMA CEOs were acting at the time of audit. The Auditor General was also concerned

¹¹³ Ibid., p5-6.

that the DPC's oversight of the PSMA arrangement is limited, which does not allow it to identify inappropriate practices such as a lack of targets or quantitative information to support assessments. In the non-PMSA sector, the Auditor General found that half of the performance assessments were not in writing, which limits transparency. However, half of the performance assessments provided for performance bonuses, which were paid in accordance with assessments.

The Auditor General recommended that DPC and/or boards should strengthen CEO performance management arrangements using mechanisms such as measurable performance criteria in performance agreements, written assessments to enable rigorous independent review, timely distribution of template performance agreements to CEOs, and ensuring the performance of acting CEOs is managed.

Agency Response

The Committee received an initial response from DPC to the recommendations made by the Auditor General. The agency also advised that further information will be forwarded in 2008. DPC gave a background to their Review of the CEO Performance Agreement and Assessment System which was undertaken to ensure that the current arrangements and proposed changes are:

- useful and effective for CEOs, their Boards and Ministers, and the Minister for Public Sector Management;
- practical and efficient to administer; and
- compliant with legislation.

The DPC Review developed findings and recommendations with the assistance of a steering committee, and drew on consultation, input and findings from various authorities and publications, including the Auditor General's 2007 report. The Review delivered 41 recommendations to improve the CEO Performance Agreement and Assessment System, and in doing so DPC claimed to have addressed the Auditor General's recommendations. The main changes include:

- Revising the purpose and scope of the CEO Performance Agreement and Assessment System. The purpose is now 'to provide a formal tool for recording the CEO's accountability to their responsible authority for agency performance on agreed priorities'¹¹⁴, and its scope now includes acting CEOs.
- The revised CEO Performance Agreement and Assessment System will align with budget and annual reporting cycles.
- New support will be provided to CEOs and their Ministers and Board Chairs. This will include a forum on the revised CEO Performance Agreement and Assessment System, an annual forum for CEOs to exchange views on the system, a briefing for Ministers and

¹¹⁴ Mr Mal Wauchope, Director General, Department of the Premier and Cabinet, letter, 25 June 2007, attachment p2.

Board Chairs, and advice to be available to Ministers and Board Chairs on request regarding maximising the benefits of the system and conducting performance assessments.

- Agreement and assessment content will now include targets, and compare actual with targeted performance using evidence. An area for commentary by both Ministers/Board Chairs and CEOs is now provided, and each number in the performance rating system is accompanied by a clear definition. Agreements now include criteria relating to the functions of a CEO.
- DPC will monitor the content of agreements and assessments, and provide advice to ensure documents are consistent with the guidelines. Feedback on trends across the public sector will be provided to the Minister for Public Sector Management from October 2008.

DPC further noted that all CEOs, including acting CEOs, have been informed of changes to the CEO Performance Agreement and Assessment System, and 43 CEOs and their delegates attended a forum on 11 June 2007 regarding the changes.¹¹⁵

Committee Action/ Comment

The Committee considered the initial response from DPC, and resolved to forward a copy to the Auditor General for comment. As further information is anticipated from DPC in 2008, the Committee will report on the outcome of this investigation in its next review.

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Ibid.

CHAPTER 4 REVIEWS TO BE COMPLETED IN 2008

4.1 Introduction

Agencies subject to examination by the Auditor General are given 12 months to respond to the Committee's request for details on the implementation or otherwise of the recommendations contained within the Auditor General's Reports. There were a number of reports tabled in Parliament between 1 July 2006 and 30 June 2007 which have not yet reached the stage of agency reporting. This chapter provides some detail on these reports, the follow-up of which will be included in the Committee's 2008 review.

4.2 Room to Move: Improving the Cost Efficiency of Government Office Space - Report 11 (22 November 2006)

Background

About 90% of office space leased by the state government is in the Perth metropolitan area, and the cost of this space is due to rise by \$10million per annum as a result of increased rent. The Auditor General analysed how office space is being provided and used across government to determine whether greater efficiency could be achieved.

Auditor General's Findings and Recommendations

The Auditor General found that most government office space was not being used efficiently. The average space per person in the policy standard is 15 square metres, but in practice the average space per person is 21 square metres. Reducing this use of space using open plan layouts could free up 80,000 square metres of space, the equivalent to four buildings the size of Dumas House, resulting in savings of about \$20million. While accommodation policy is in place, there is no monitoring of compliance, and there is no policy in place to cover the cost per square metre, which is the other key driver of cost efficiency. The Auditor General noted that the Department of Housing and Works is implementing a strategic planning process, but this has not occurred across government agencies. In addition, the extent of open plan offices in the public sector is not known.

The Auditor General recommended that DHW should:

- analyse data on accommodation cost efficiency, and identify where there are opportunities for efficiency improvements;
- ensure that Government office space achieves the occupancy density ratio put forward in the policy; and
- ensure its strategic planning includes: a comprehensive long-term definition of requirements across government; consideration of all government office space assets;

details regarding the balance of leased and owned space; and risk identification and management.

As well as this, DHW should communicate the benefits of moving to open plan layouts and provide agencies with advice on how to achieve this.

4.3 Having Your Say: Public Participation in Government Decision-Making - Report 1 (28 February 2007)

Background

The public increasingly expects to be able to have input into decisions and policies that affect it. The Auditor General looked at how six agencies¹¹⁶ engaged the public, as well as conducting a general overview of the extent to which government agencies invite public participation, and the challenges involved in doing so.

Auditor General's Findings and Recommendations

The Auditor General found that while there were several examples of excellent and innovative practice in public participation, many government agencies needed to be clearer about the purpose and desired extent of public participation. The Auditor General also found that there was a great deal of variation in the practices of different agencies, allowing for lessons and good practice to be identified. However, inadequate record keeping meant that it was difficult to identify if and to what extent public participation and the decisions resulting from it were representative of community views. It also meant that corporate knowledge about the effectiveness of different modes of participation was lost, and costings for public participation were not comprehensive.

The Auditor General recommended that government agencies should:

- use best-practice models and techniques to include the public in decision-making;
- be clear about the purpose and possible influence of public participation, and select approaches consistent with this;
- act on the results of public participation;
- work out strategies for engaging people who may be affected by a decision but who do not typically get involved in public participation forums;
- give timely feedback; and
- ensure good record keeping practices are followed, including a consideration of costs.

¹¹⁶ The Department of Education and Training; the Department of Environment and Conservation; the Department for Planning and Infrastructure; the Department of the Premier and Cabinet; the Department of Sport and Recreation; and Main Roads Western Australia.

4.4 Public Sector Performance Report 2007 - Report 2 (28 March 2007)

(b) Management of Consumer Protection Investigation

Background

The Department of Consumer and Employment Protection is responsible for investigating possible breaches of consumer protection legislation, as well as investigating complaints into unfair or unreasonable trading practices. In 2005-2006, DOCEP completed more than 3,000 investigations in relation to the consumer protection legislation it administers, as well as conciliating more than 5,000 complaints about trading practices. The Auditor General's report focused solely on the investigations into possible breaches of consumer protection legislation.

Auditor General's Findings and Recommendations

The Auditor General found that while DOCEP has a comprehensive system for conducting consumer protection legislation, there are some areas needing improvement. The Auditor General noted, however, that the shortcomings did not amount to fundamental flaws.

The Auditor General recommended that DOCEP should:

- communicate more effectively with complainants, ensuring that they are informed about the status of investigations to maintain transparency;
- conduct independent reviews of consumer protection investigations to ensure their quality; and
- review its timeliness target of completing 80% of investigations within six months. The Auditor General felt that this single timeliness target is of questionable value, and there is variation in industry groups, with investigations taking between one and 11 months.

4.5 Second Public Sector Performance Report 2007 - Report 3 (4 April 2007)

(a) Major Information and Communication Technology (ICT) Projects - Performance Examination

Background

Information and Communication Technology can enable government to communicate and provide services to the public in a timely, efficient, and convenient way. However, there are major challenges for government agencies in delivering major ICT projects on time, on budget, and to plan. International research indicates that these challenges are characteristic of many large ICT projects.

Auditor General's Findings and Recommendations

The Auditor General found that while Western Australian government agencies are intending to spend more than \$1.5 billion over the next ten years on 150 major ICT projects, an analysis of projects underway shows that cost and time are consistently underestimated, while benefits are overestimated. Some agencies are working to improve delivery of major ICT projects through changes to project management and governance, and the Department of Treasury and Finance and the Office of e-Government are assisting through their review and approval processes.

The Auditor General recommended that public sector agencies should:

- assess the risk to their own projects resulting from persistent difficulties in delivering projects;
- adopt strategies to address these risks, including building better business cases, requiring executive governance, and maintaining focus on business benefits; and
- increase accountability for problems in project delivery, as well as reporting on project results, including total cost, timeliness, and benefits.

As well, the Departments of the Premier and Cabinet, and Treasury and Finance should create strategies to assist public sector agencies to share and learn from their experiences, including identifying common difficulties and their remedies, and maximising intended project benefits when they are achieved.

4.6 Shared Services Reform: A Work in Progress - Report 5 (13 June 2007)

Background

Corporate services include human resources, procurement and finance services, and cost the Western Australian public sector about \$315 million annually. In December 2003, the state government endorsed reforming corporate services across the public sector by bringing them together into three shared services centres, which was expected to generate significant cost savings by consolidating staff and services, and by automating, standardising and simplifying business systems. Health and education have separate shared services centres, the Health Corporate Network (HCN) and the Education and Training Shared Services Centre (ETSSC), and the Office of Shared Services (OSS) in Cannington serves a further 90 agencies.

In November 2006, the Government reported that the cost of implementing the shared services centres has increased from \$122 million to \$178 million, and the expected benefits delayed from July 2007 to July 2009. The Auditor General's report examined the implementation of the shared services project to April 2007, the challenges that remain for successful implementation and the potential for the eventual realisation of benefits.

Auditor General's Findings

The Auditor General found that shared services reform is more than two years behind schedule, with only two of the three components of the integrated corporate services system established – finance and procurement. Technical and management issues with the human resources area are jeopardising the success of the reform, which relies on the integration of all three components. As well as this, the implementation of an electronic document management system has failed at HCN, but is continuing to be implemented at OSS. The implementation problems across all aspects of shared services reform are creating immediate inefficiencies, estimated to be costing \$400,000 per month at OSS alone. Inefficiencies resulting from implementation problems include:

- Agencies rolling in to OSS on just the two delivered components, requiring OSS to operate separate human resource systems for each agency, using the agencies' existing systems;
- HCN running multiple instances of its human resource system, and manually handling large volumes of paperwork due to the lack of an electronic records management system; and
- ETSSC proposing to make changes its existing financial and human resource systems, thus incurring additional costs that a functional shared services system would prevent.

The implementation problems were caused by a number of factors, including weaknesses in project management, which led to uncertainty for agencies, increasingly complex software development requirements, plus high turnover of key contractor staff and skill shortages within agencies.

The Auditor General is concerned that the temporary solutions may become permanent, thereby reducing the intended benefits of reform, and also that these solutions have not been based on benefit analysis, nor has their cost to the shared services reform been calculated.

There has been, however, successful implementation of some aspects of shared services reform. For example, HCN and ETSSC have met the implementation schedules in their own business plans to a large degree.

The Auditor General identified governance inadequacies, including a lack of active oversight and project management weaknesses, which were particularly problematic given that the shared services model was ambitious and high risk. In January 2007, new governance arrangements were established, allocating responsibility for the whole-of-government reform to the Under Treasurer in order to improve performance and accountability.

At the time the report was tabled, there were a range of outstanding issues in addition to those listed above, including little coordination between the three shared services centres and a lack of transparency of performance information.

In relation to expenditure, the government allocated \$198million for shared services reform to 2008-09, \$20million more than reported to Parliament in November 2006. However, the project

budget does not include the substantial, additional contributions made by individual agencies, further reducing returns from the shared services project if they are sourced from supplementary government funding.

DTF intends to provide a revised business case to the Expenditure Review Committee in October 2007, which will include a revised project budget and forecast returns. DTF has refunded \$19million of the \$34million harvested savings in 2006-07 to agencies.

The Auditor General made a number of recommendations to assist DTF, DOH and DET with moving forward with shared services, including monitoring and reporting of financial and performance information about shared services centres, ongoing coordination between the three shared services, and ongoing shared responsibility for the progress and operations of shared services centres as a whole-of-government initiative.

4.7 A Helping Hand: Home-based Services in Western Australia - Report 6 (20 June 2007)

Background

The ageing of the population and the increasing incidence of chronic disease means that more people are requiring assistance with the tasks of daily living in order to remain independent. The Auditor General reviewed services available to people in their homes to examine the quality, value for money and availability of home-based services in Western Australia, focusing on five home-based services provided through the Disability Services Commission (DSC) and the Department of Health.

Auditor General's Findings and Recommendations

The Auditor General found that there was a great deal of information about home-based services in the community, but the different application systems in different agencies was confusing for people. Furthermore, there are fewer home-based service options for people who acquire a disability after 60 years of age.

Four out of five services had open and accountable assessment processes. However, only two had mechanisms focusing on quality of service, although developments were underway to focus more on this aspect of care. All services had adequate cost and demand information, but needed better effectiveness measures.

DSC was trialling a new assessment process for its Supported Community Living service. The Auditor General felt that if this were introduced, it would provide consistency in assessment and greater accountability for the funding decisions. However, it will continue to lack the transparency about decision-making normally provided by government assistance programs. Accordingly, the agency agreed to consider other feedback mechanisms to reduce the frustration existing amongst applicants.

The Auditor General recommended that DSC and DoH should:

- better monitor the quality of home-based services;
- work collaboratively to increase coordination between the aged care and disability sectors;
- adopt effectiveness measures linked to improvement of wellbeing and quality of life;
- monitor the timeliness of service delivery; and
- engage in joint planning.

In addition, the Auditor General found that DSC should consultatively develop mechanisms to provide feedback to unsuccessful applicants for Supported Community Living services.

4.8 Third Public Sector Performance Report 2007 - Report 6 (27 June 2007)

(a) Management of Land Tax and Metropolitan Region Improvement Tax

Background

The Land Tax and Metropolitan Region Improvement Tax (MRIT) accounted for 16% of the property taxes collected in 2005-2006, and will form about 8% of total estimated taxation revenue in 2006-2007. MRIT is a special tax payable on any land in the metropolitan region that is also subject to land tax, and is used to finance the cost of purchasing land for roads, open spaces, parks and similar public facilities. The Office of State Revenue (OSR), which is part of the Department of Treasury and Finance, administers these taxes.

Auditor General's Findings and Recommendations

The Auditor General found that there are problems with the accuracy of land tax assessments as a result of the Revenue Collection Information System (RCIS) database used to generate assessments. In 2006-2007, for example, about 10% of land tax assessments had to be re-examined. During the same period, OSR sent out 2,159 adjusted assessments for previous tax years, reducing \$1.7million of the tax raised. In 2005-2006 OSR sent out 6,109 adjusted assessments for previous tax years, increasing the tax raised by \$1.2million. Errors in both cases were caused by data inaccuracies in RCIS. Furthermore, correcting these inaccuracies is time consuming, with an 18 month backlog at the time the report was written. The Auditor General recommended that OSR seek ways to clear the backlog at a rate faster than the anticipated 18 months.

The Auditor General also identified a 3% error rate in the granting of exemptions from land tax, which, while low, suggests the likely loss of significant revenue as a result of un-issued land tax assessments. However, the OSR has implemented a Land Data Integrity Project, expected to be completed in 2007-2008, to address the underlying cause of the data inaccuracies. The Auditor

General is satisfied that the MRIT is being used for the purposes intended in the *Planning and Development Act 2005*, and that both land tax and the MRIT are being collected in a timely manner, with less than 0.1% of revenue written off.

(b) Legal Aid in Western Australia

Background

The Legal Aid Commission of Western Australia (the Commission) provides a range of services including information and advice to the general community, a duty lawyer service in various courts, and legal representation for socially or economically disadvantaged people. In 2005-2006, 170,000 individual services were provided at a cost of \$37million, with legal representation using slightly less than half the budget.

Auditor General's Findings and Recommendations

The Auditor General found that grants of aid for legal representation are made by the Commission in a timely manner, and generally comply with the relevant legislation and guidelines. The Auditor General recommended some improvements to administrative services, including:

- properly verifying applicants' eligibility under income and asset tests;
- ensuring appropriate decisions are made by assessors by undertaking regular quality reviews of decisions to grant aid for legal representation; and
- requiring grant managers to regularly review case progress and continued eligibility for funding.

The Auditor General also found that the Commission has a satisfactory understanding of the demand placed on its services, but lacks information as to whether this 'expressed demand' represents the total need for legal assistance. However, the Auditor General noted that all Legal Aid Commissions lack information in this regard.

(c) The Administration of Grants

Background

Western Australian public sector agencies issue grants worth hundreds of millions of dollars annually for a variety of purposes. In 2005-2006, the Department of Culture and the Arts (DCA) provided funding totalling \$19million to not-for-profit organisations, individuals and groups for cultural and artistic activity. The Pilbara Development Commission (PDC) administers two components of the State's Regional Investment Fund to support projects aimed at improving sustainable social and economic development in the region: the Pilbara Priority Partnership Fund and the Pilbara Regional Development Scheme. In 2005-2006 \$5.8million was distributed from the Pilbara Priority Partnership Fund and almost \$400,000 from the Pilbara Regional Development Scheme.

Auditor General's Findings and Recommendations

The Auditor General found that while DCA and the PDC are in general administering their grant programs adequately, there are some weaknesses in aspects of the administration process, including errors and inconsistencies in funding agreements, lack of documentation to show whether applicants' eligibility for funding were assessed, and inadequate review of acquittal reports or follow-up of late reports. The Auditor General recommended that both agencies should ensure documentary proof that an applicant's eligibility for funding has been assessed, and improve the administration of acquittal reports.

APPENDIX ONE

AUDITOR GENERAL REPORTS REVIEWED

Reports carried over from the previous review period (1 July 2005 - 30 June 2006)

- Regulation of Heavy Vehicles - Report 4, 2005 (29 June 2005)
- Protection of Critical Infrastructure Control Systems - Report 5, 2005 (24 August 2005)
- Administration of Protection of Old Growth Forest Policy Funding Programs - Report 6, 2005 (24 August 2005)
- Contract Management of the City Rail Project - Report 7, 2005 (31 August 2005)
- Second Public Sector Performance Report - Report 8, 2005 (19 October 2005):
 - Production, Transport and Disposal of Controlled Waste
 - Regulation of Child Care Services
 - The Personnel and Payroll Processing Function at the Department of Education and Training
 - Follow-up Performance Examination on 2001 Report *Life Matters: Management of Deliberate Self-Harm in Young People*
- Third Public Sector Performance Report - Report 9, 2005 (16 November 2005):
 - Unauthorised Driving - Unlicensed Drivers and Unregistered Vehicles in Western Australia
 - The Management of the Light Vehicle Fleet
 - Follow-up Performance Examination on the 2002 Report *Level Pegging: Managing Mineral Titles in Western Australia Report*
- Making the Grade? Financial Management of Schools - Report 10, 2005 (16 November 2005)
- Progress with Implementing the Response to the Gordon Inquiry - Report 11, 2005 (23 November 2005)
- Management of the TRELIS Project - Report 1, 2006 (12 April 2006)

- Public Sector Performance Report 2006 - Report 3, 2006 (17 May 2006)
 - Management of the Waterwise Rebate Program - Water Cycle Project
 - Regulation of animal feedstuffs, hormonal growth promotants and veterinary chemicals
- Behind the Evidence: Forensic Services - Report 4, 2006 (31 May 2006)
- Help Wanted: Public Service Workforce Management - Report 6, 2006 (21 June 2006)
- Procurement Reform: Beyond Compliance to Customer-Focus - Report 7, 2006 (28 June 2006)

Reports from the current review period (1 July 2006 - 30 June 2007)

- Second Public Sector Performance Report 2006 - Report 8, 2006 (30 August 2006):
 - Informing the Public: Providing Information on the Timeliness of Services
 - Setting Fees - Extent of Cost Recovery - Follow-up
- Management of Ramsar Wetlands in Western Australia - Report 9, 2006 (13 September 2006)
- Room to Move: Improving the Cost Efficiency of Government Office Space - Report 11, 2006 (22 November 2006)
- Having Your Say: Public Participation in Government Decision-Making - Report 1, 2007 (28 February 2007)
- Public Sector Performance Report 2007 - Report 2, 2007 (28 March 2007):
 - Arrangements for Managing the Performance of Chief Executive Officers
 - Management of Consumer Protection Investigation
- Second Public Sector Performance Report 2007 - Report 3, 2007 (4 April 2007):
 - Major Information and Communication Technology (ICT) Projects - Performance Examination
- Shared Services Reform: A Work in Progress - Report 5, 2007 (13 June 2007)
- A Helping Hand: Home-based Services in Western Australia - Report 6, 2007 (27 June 2007)
- Third Public Sector Performance Report 2007 - Report 7, 2007 (27 June 2007):

- Management of Land Tax and Metropolitan Region Improvement Tax
- Legal Aid in Western Australia
- The Administration of Grants

APPENDIX TWO

BRIEFINGS HELD

Date	Name	Position	Organisation
9 May 2007	Mr Richard Mann	Director - City Project	Public Transport Authority

APPENDIX THREE***WITNESSES TO HEARINGS HELD***

Date	Name	Position	Organisation
16 May 2007	Mr Peter Viney	Deputy Director General	Department of Industry and Resources
	Ms Janet Want	Project Officer, Program Management Branch	Department of Industry and Resources
	Mr Christopher Williams	Manager Regional Assistance Unit, Program Management Branch	Department of Industry and Resources