



PARLIAMENT OF WESTERN AUSTRALIA

**THIRD REPORT**

**OF THE**

**STANDING COMMITTEE ON ESTIMATES  
AND FINANCIAL OPERATIONS**

**IN RELATION TO THE**

**LEASING OF COMPUTER EQUIPMENT FOR THE  
LEGISLATIVE COUNCIL**

**Presented by the Hon E J Charlton (Chairman)**

**3**  
**FEBRUARY 1992**

**The Standing Committee was established on December 21 1989 with the following terms of reference:**

1. There is hereby appointed a Standing Committee to be known as the *Estimates and Financial Operations Committee*.
2. The Committee consists of 5 members.
3. The functions of the Committee are to consider and report on -
  - (a) the estimates of expenditure laid before the Council each year; and
  - (b) any matter relating to the financial administration of the State.
4. The Committee shall report on the estimates referred under clause 3 by or within one sitting day of the day on which the second reading of the *Appropriation (Consolidated Revenue Fund) Bill* is moved.
5. For the purposes of clause 3(a), the House may appoint not more than 6 members at any stage of its examination.
6. A reference in clause 3 to "estimates of expenditure" includes continuing appropriations, however expressed, that do not require annual appropriations.
7. The Committee may initiate investigations under clause 3(b) without prejudice to the right of the Council to refer any such matter.

**Members of the Committee:**

- . Hon Eric Charlton (Chairman)
- . Hon Sam Piantadosi (Deputy Chairman)
- . Hon Reg Davies (resigned from the Committee on October 22 1991)
- . Hon Max Evans
- . Hon Bob Thomas
- . Hon Muriel Patterson (appointed to the Committee on November 13 1991)

**Staff of the Committee:**

- . Mr Phil Knight (Advisory/Research Officer)
- . Ms Margaret Griffin (Clerk)

**Previous Reports of the Committee:**

- . First Report: 1990-91 Budget Estimates: November 1990
- . Second Report: 1991-92 Budget Estimates: November 1991

**Address:**

- . Parliament House, Perth WA 6000, Telephone 222 7222

**Parliament of Western Australia**

**Legislative Council**

**Third Report**

**of the**

**Standing Committee**

**on**

**Estimates and Financial Operations**

**in relation to the**

**Leasing of Computer Equipment for the  
Legislative Council**

**Presented by the Hon E J Charlton (Chairman)**

**3  
February 1992**

# CONTENTS

<b><u>SUBJECT</u></b>	<b><u>PAGE</u></b>
<b>Part 1: Introduction</b>	<b>1</b>
<b>Part 2: Background</b>	<b>1, 2</b>
<b>Part 3: Submissions</b>	<b>3</b>
<b>Part 4: Consideration by the Committee</b>	<b>3</b>
<b>Part 5: Findings and Comments</b>	<b>3, 4</b>
<b>Part 6: Recommendations and Comments</b>	<b>4</b>
<b>Part 7: Conclusions</b>	<b>4</b>

## **PART 1: INTRODUCTION**

The Standing Committee on Estimates and Financial Operations undertook to investigate certain aspects and procedures involved in the purchase/rental of computer equipment for the Legislative Council, as a result of a Report prepared for both Houses of Parliament in July 1991 by the Office of the Auditor General titled ***"The Rental of Information Technology Equipment for the Administration of the Legislative Council"***.

## **PART 2: BACKGROUND**

The following extract taken from the Auditor General's Report outlines the historical perspective of the investigation conducted by the Committee and essentially provided the "terms of reference" -

***"During the latter part of 1990 the Clerk of the Legislative Council entered into an arrangement with a merchant bank operating out of Sydney to rent computing equipment for the Administration of the Legislative Council.***

***The Clerk took this action in order to provide computing facilities for the newly established Committees of the Legislative Council and at the same time to convert from existing equipment which used the CTOS operating system to equipment which uses the now more appropriate DOS operating system. This has involved the development of a local and wide area networked PC system, something which was not technically possible to achieve as recently as 5 years ago. The equipment previously operated in the Administration of the Legislative Council has been made available for the other departments of Parliament."***

The Auditor General's Report also highlighted the following Conclusions which were addressed by the Committee -

- 2.1 ***"The agreement under which the purchase of the computing equipment, cabling, software, programming and training etc. has been funded is of the nature of a finance lease (even though described as a rental agreement) and accordingly constitutes a borrowing of a nature to be met from within the State's Global Borrowing Limit.***
- 2.2 ***As a consequence of the authorisation process adopted by the Clerk of the Legislative Council, moneys have been paid to the computer consultant prior to the goods and services having been provided to the Administration of the Legislative Council. At April 24 1991 the computer consultant held a balance of \$75 214 being moneys received from the merchant bank but not yet applied to expenditures for this computer system. I consider it to have been imprudent of the Clerk to have signed acknowledgments of receipt before the goods had been physically received from, or the services supplied by, the computer consultant and satisfactorily tested as fully operational in their intended environment within the Administration of the Legislative Council.***

***The State is incurring additional costs as a result of drawings having been made against the rental agreement prior to the equipment and services having been provided by the computer consultant.***

**Arrangements need to be put in place to ensure that the unexpended amounts now held by the consultant are held in a proper manner and are properly applied.**

- 2.3 **In addition to the \$100 000 in rental repayments in 1990-91, the financing agreement imposes future commitments of some \$600 000 to be paid over the next four years. In the absence of any guidance on this matter by way of Treasurer's Instructions it is my view these payments constitute a major future commitment against the Legislative Council's annual budget. Its 1990-91 budget was \$1.4 million. In these circumstances I consider that the Clerk of the Legislative Council should have obtained explicit written clearance before entering into the financing agreement.**
- 2.4 **The Planning Process for the New IT System - The "Strategic Concepts" element of the initial planning stages was well documented. However, notwithstanding the considerable time devoted by the Clerk of the Legislative Council and the computer consultant to planning meetings, the planning of the subsequent system was poorly documented for a development of this nature. This element of the planning process appears to have been largely informal and to have become progressively less structured as the implementation progressed.**
- 2.5 **Costs of Equipment, Software and Other Services - The Clerk of the Legislative Council did not call tenders before authorising the external computer consultant to proceed with the acquisition and installation of the equipment, cabling, software, programming and training etc. In the absence of tenders having been called it is not possible to establish conclusively that the external computer consultant is establishing the system as least cost to the Administration of the Legislative Council. The available evidence suggests that in some areas the outlays for the system and services may be higher than necessary, or immediately necessary, in that:**
- . **the equipment, networks and software could have been acquired from other sources for prices in the order of \$25 000 to \$40 000 less than paid;**
  - . **multiple levels of back-up have been built into the system, though part of this equipment will permit further growth in the system;**
  - . **there is a limited immediate use for some of the software acquisitions but this usage is expected to increase as more users become familiar with the features of the system; and**
  - . **the first year service contract charges are higher than would be expected for this type of equipment and software.**
- Various of the above expenditures have been made earlier than otherwise necessary.**

- 2.6 **Suitability of Hardware and Software Purchased - The new DOS system provides the Administration of the Legislative Council with better potential to meet apparent user needs than the previous CTOS system and, subject to capacity considerations, the new system appears appropriate for the purposes intended. There is password security to the system and virus protection software has been installed. However, other information security issues appropriate to a dial-in environment do not appear to have been fully addressed at this stage."**

### **PART 3: SUBMISSIONS**

During the course of the investigation, the Committee heard and/or received written evidence from the following -

Mr Des Pearson, Auditor General, Office of the Auditor General;  
Mr Geoff Hamilton, Director of Audit, Office of the Auditor General;  
Mr John Paolini, Principal Auditor, Office of the Auditor General;

Mr Laurie Marquet, Clerk of the Legislative Council, Parliament of WA;  
Mr Neil Burrell, Chairman, Parliamentary Computer Committee, Parliament of WA;  
Mr Morris Davids, former Information Systems Manager, Parliament of WA; and

Dr Dennis Tannenbaum, Managing Director, Corporate Health Consultants.

### **PART 4: CONSIDERATION BY THE COMMITTEE**

Throughout the investigation, the Committee was cognisant of pending legal proceedings involving several of the parties who had provided submissions. It is important to note that the Committee did not become involved in rumour or innuendo that surrounded aspects of this investigation or the personalities involved and accordingly based its findings solely on the finance leasing details, the acquisition of the computer equipment and software, and compliance to the Financial Administration and Audit Act 1985 (FAAA). The details supplied by all relevant parties were treated as **STRICTLY CONFIDENTIAL** and as such, are not published or referred to verbatim in the text of this Report.

The Committee met on a number of occasions to consider the evidence presented by all parties and agreed that the following comments were appropriate.

### **PART 5: FINDINGS AND COMMENTS**

- 5.1 The agreement is essentially a finance lease (as reported by the Auditor General) and as such has definite ramifications for the State's Global Borrowing Levels.
- 5.2 Evidence was established of failure by the Clerk of the Legislative Council to observe FAAA guidelines and procedures. The Clerk is the accountable officer for the administration of the Legislative Council.
- 5.3 As no tenders were called, no true comparisons could be established regarding the overall cost of the computer system.
- 5.4 Payment was made to the computer consultant, Corporate Health Consultants, prior to the goods and services being delivered. Whilst this practice is not appropriate, it is noted that there was no loss to Parliament as all equipment was received.
- 5.5 The prepayment of \$75 000 was retained as a training component for members and staff on an ongoing basis. The Committee did not consider it appropriate to implement a training program for members until after this investigation was resolved.

**Note:** Committee members were to be the first members of Parliament to be trained on the new system.

- 5.6 The Committee recognises that this payment was made because had the Clerk of the Legislative Council taken the funds onto his accounts under the present system he would not have been able to carry forward any amounts which were for the following financial years.
- 5.7 The computer system will form the basis for future expansion, integration and access to the facilities of the following -
- (i) Crown Law Department (for statutes);
  - (ii) Department of State Services (State Print);
  - (iii) Treasury Department;
  - (iv) Hansard; and
  - (v) "Questions on Notice" and other departments of Parliament including the Legislative Assembly.
- 5.8 The Committee understands there are significant benefits in the form of increased efficiencies and improvement of computer operations within the Legislative Council. The staff of the Council using the system have acknowledged its enhanced performance over the previous CTOS system.

## **PART 6: RECOMMENDATIONS AND COMMENTS**

- 6.1 The need to recognise and observe the guidelines of the FAAA and/or the Treasurer's Instructions in regard to the acquisition of similar goods and services ie. the need to call tenders and not sign for acceptance of goods before receipt of the equipment.
- 6.2 Similarly, as reported by the Auditor General, there is a need for greater consultation with Treasury and other appropriate public service instrumentalities, as the agreement is of the nature of a finance lease and not an operating lease and therefore constitutes a borrowing of a nature to be met from within the State's Global Borrowing Limit.
- Note:**
- (i) The Auditor General has drawn this matter to the attention of Treasury and Treasury has taken the \$500 000 to account as a charge against the Global Borrowing Limit.
  - (ii) The Auditor General has taken a similar position in regard to the State Energy Commission of Western Australia (SECWA).
- 6.3 The need for greater general accountability by all parties involved in this matter (particularly by way of documentation) as the Committee was unable to establish on a number of occasions, the sequence of events that transpired from the conceptual stage of the initial planning process for the new computer system, to that of current operation.

## **PART 7: CONCLUSIONS**

After due consideration of the evidence presented, the Committee concluded that no further action was warranted in respect to this matter.

However as a consequence of any new evidence and/or the outcome of pending legal proceedings, the Committee may re-examine or initiate further investigations.