



Public Accounts Committee

Review of Auditor General Reports No.2

Selected Reports 2011 and 2012

**Report No. 4
December 2013**

Legislative Assembly
Parliament of Western Australia

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Selected Reports of 2011 and 2012

Report No. 4

Presented by

Mr D.C. Nalder, MLA

Laid on the Table of the Legislative Assembly on 5 December 2013

Chairman's Foreword

As Chairman, I have the pleasure of presenting to Parliament the Committee's follow-up of agency responses to nine Auditor General's performance audit reports.

I am grateful to the members of the Committee and the research officers for the extensive efforts shown to catch up on all outstanding work from the 38th Parliament.

At the formation of this committee, 14 audits were outstanding from 2011 and 2012.

For the most part, agencies continue to acquit themselves quite well when it comes to implementing the recommendations made by the Auditor General in his audit reports.

The Auditor General provides a valuable service in identifying shortcomings with respect to agency performance. However, his important work would be undermined if agencies failed to respond adequately to the issues the Auditor General identifies.

This highlights the importance of the Public Accounts Committee's role in examining agency responses to ensure that actions are being taken that are both achievable and worthwhile.

In this review, the Committee has drawn attention to the Department of Education's inability to track and articulate the costs of its staffing processes, three years post the implementation of its new recruitment program.

The Committee has also drawn attention to the fact it was unable to elicit a response to the Auditor General's recommendation that the Government should consider options for providing regular and enhanced reporting to Parliament on the status of major capital projects, and we therefore encourage the Treasurer and Minister for Finance to consider ways in which such reporting might be done.

Finally, I would once again like to note the work of the Public Accounts Committee and its research officers for the work undertaken this year.

MR D.C. NALDER, MLA
CHAIRMAN

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Executive Summary

In its [1st Report](#) to the 39th Parliament, the Public Accounts Committee (“the Committee”) advised that it would continue to seek and examine agency responses to recommendations from a series of performance audit reports that were tabled by the Auditor General during 2011 and 2012.

This process has been adopted in various forms by the Committee’s predecessors in the 37th and 38th Parliaments and plays an important role in ensuring that public sector agencies give proper consideration to the Auditor General’s views on how to improve the effectiveness and efficiency of programs that use public funds.

The administrative logistics of this process has challenged committees past and present. When this Committee was established on 9 May 2013, there was a total of 14 Auditor General’s reports from 2011 and 2012, for which the follow-ups had not been concluded and reported to the Parliament.

This report goes a long way to clearing this backlog. It concludes the follow-up of six “broad scope” performance audits, and three “limited scope” audits.¹ As part of its work, the Committee has corresponded with 26 agencies concerning responses on at least 36 matters.

The benefit of this process is that agencies are aware that the actions they take in response to Auditor General’s reports will be scrutinised by the Committee and reported to Parliament. The shortcoming is that the level of scrutiny is not always as robust as the Committee would like, given the time it has to acquaint itself with a disparate range of topics.

Hence, this report represents the Committee’s view as to the general adequacy of the initial actions taken by agencies in response to Auditor General’s recommendations. It is pleasing to observe that the response by the overwhelming majority of agencies was positive.

Twice the Committee has made recommendations encouraging the consideration of ways to improve the level of reporting to Parliament on the status of both major non-residential building projects and national partnership agreements. While in the most critical part of the report, the Department of Education is called on to establish measureable objectives and an accurate cost base for its Independent Public Schools and School Select programs so that the effectiveness and efficiency of these programs can be accurately assessed.

¹ Refer to paragraph 4.1 below for an explanation of the difference between broad scope and limited scope audits.

The Committee is at various stages of follow-up with agencies in relation to a series of other performance audits and intends to report on these throughout 2014. These performance audits are listed in [Table 1](#) on the following page.

With the Auditor General likely to table at least another ten performance audits in 2014, and the Committee now in the midst of its Inquiry into Amendments to the *Public Sector Management Act (1994)*, consideration is being given to the way in which the workload for the year ahead can be managed effectively.

In this respect, changes may be made to the manner in which the Auditor General follow-up process is conducted. The aim of the Committee is to streamline its processes, while keeping agencies appropriately accountable. Consultations will continue with the Auditor General regarding this matter and the Parliament will be advised accordingly.

Table 1 - Outstanding Committee Follow-Ups²

Report No and Year	Performance Audit Report Title
7 of 2012	Pharmaceuticals: Purchase and Management of Pharmaceuticals in Public Hospitals
9 of 2012	Public Sector Performance Report 2012: (Part 2 – Department of Commerce Support to the Plumbers Licensing Board)
11 of 2012	Second Public Sector Performance Report 2012: (Part 3 – Housing’s Implementation of the Head Contractor Maintenance Model)
1 of 2013	Management of the Rail Freight Network Lease
2 of 2013	Follow-on Performance Audit to ‘Room to Move: Improving the Cost Efficiency of Government Office Space’
3 of 2013	Management of Injured Workers in the Public Sector
5 of 2013	Delivering Western Australia’s Ambulance Services
6 of 2013	Records Management in the Public Sector
7 of 2013	Fraud Prevention and Detection in the Public Sector
8 of 2013	Follow-up Performance Audit of Behind the Evidence: Forensic Services
9 of 2013	Administration of the Patient Assisted Travel Scheme
10 of 2013	Supply and Sale of Western Australia’s Native Forest Products
11 of 2013	Information Systems Audit Report
12 of 2013	The Banksia Hill Detention Centre Redevelopment Project
13 of 2013	Sustainable Funding and Contracting with the Not-For-Profit Sector – Component I
14 of 2013	Public Trustee: Administration of the Financial Affairs of Vulnerable People
17 of 2013	Western Power’s Management of its Wood Pole Assets

² Gaps in the report numbering sequence denote either completed follow-ups or publications from the Auditor General other than the performance audits followed up by the Committee.

Ministerial Response

In accordance with Standing Order 277(1) of the Standing Orders of the Legislative Assembly, the Public Accounts Committee directs that the Minister for Education; the Minister for Finance; the Parliamentary Secretary representing the Minister for Child Protection; and the Treasurer report to the Assembly as to the action, if any, proposed to be taken by the Government with respect to the recommendations of the Committee.

Findings and Recommendations

Report No. 6 of 2011: Teacher Placement in Public Schools

Finding 1

Page 10

The Department of Education has responded appropriately in three of the four areas where the Auditor General targeted recommendations in his report into teacher recruitment processes (improving risk management; supporting teachers; and supporting schools).

Finding 2

Page 11

The Committee is not convinced that the Department of Education has adequate processes in place to determine whether current teacher recruitment processes are efficient and effective.

Finding 3

Page 11

In the absence of more directly quantifiable performance indicators, the Department of Education may struggle to accurately assess the effectiveness and efficiency of its teacher placement processes during a critical transition period.

Finding 4

Page 13

Two years after the Auditor General's report, it appears that the Department of Education remains unable to identify and regularly track the costs of its staffing processes.

Recommendation 1

Page 13

The Department of Education should further refine its objectives and establish an accurate cost base for the Independent Public Schools and School Select programs so that the effectiveness and efficiency of these programs can be accurately assessed.

Report No. 3 of 2012: Reporting and Managing KPIs in the Public Sector

Finding 5

Page 23

Each of the ten agencies whose KPI framework was examined by the Auditor General has responded positively to the recommendations in Report No. 3 of 2012: *Beyond Compliance: Reporting and Managing KPIs in the Public Sector*.

Finding 6

Page 24

The Department of Treasury did not provide sufficient detail for the Committee to determine the appropriateness of the actions being taken by the Department in response to the first two recommendations of the Auditor General's Report No. 3 of 2012: *Beyond Compliance: Reporting and Managing KPIs in the Public Sector*.

Recommendation 2**Page 24**

The Department of Treasury should provide specific details to Parliament as to the actions it has taken in response to the first two recommendations of the Auditor General's Report No. 3 of 2012: *Beyond Compliance: Reporting and Managing KPIs in the Public Sector*. The Department should also provide detail on the outcomes of these actions.

Report No. 8 of 2012: New Recruits in the WA Police**Finding 7****Page 33**

The Committee was satisfied with the actions WA Police has taken thus far in response to what were some justifiably critical findings in the Auditor General's 2012 report into Police recruitment.

Report No. 9 of 2012: Public Sector Performance Report - Procurement Practices of Agencies in Rural Areas**Finding 8****Page 42**

The Committee is satisfied with the actions taken to date by all audited agencies to improve procurement practices in regional areas following the Auditor General's first Public Sector Performance Report of 2012. The agencies examined were: the Department of Agriculture and Food; Department of Fisheries; Department of Health; Kimberley Development Commission; Main Roads WA; and the Pilbara Institute.

Report No. 11 of 2012: Second Public Sector Performance Report - Business Continuity Management by Port Authorities**Finding 9****Page 48**

The actions being taken by the port authorities of Esperance, Fremantle, Geraldton, and Port Hedland appear to be appropriate to the respective levels of maturity in their business continuity management frameworks

Report No. 11 of 2012: Second Public Sector Performance Report - Western Australian Natural Disaster Relief and Recovery Arrangements**Finding 10****Page 54**

The Committee is satisfied with the initial efforts of the Department of Fire and Emergency Services and its partner agencies (Department for Child Protection; Department of Agriculture and Food; Main Roads WA) to improve the administration of relief claims that are sought under Western Australian Natural Disaster Relief and Recovery Arrangements (WANDRRA).

Report No. 12 of 2012: Major Capital Projects

Finding 11

Page 63

The Committee was unable to elicit a response to the Auditor General's recommendation that the Government should consider options to provide regular and enhanced reporting to Parliament on the status of major capital projects.

Recommendation 3

Page 63

The Treasurer and the Minister for Finance should consider ways in which the status of major capital projects can be reported to the Parliament.

Finding 12

Page 66

The Committee is generally satisfied with the actions taken by Treasury and Finance in response to Auditor General's Report No. 12 of 2012: *Major Capital Projects*. However, the Committee encourages further development of accountability and transparency measures, particularly when significant changes are made to the scope of major projects.

Report No. 13 of 2012: Implementation of the National Partnership Agreement on Homelessness in Western Australia

Finding 13

Page 74

While the National Partnership Agreement on Homelessness requires Western Australia to provide a detailed annual report to the Commonwealth Government against outputs, performance indicators, and timelines, there is no such requirement to report this data to the State Parliament.

Recommendation 4

Page 74

The Minister for Child Protection should take steps to enable the state's performance under the National Partnership Agreement on Homelessness to be reported to the Western Australian Parliament.

Other Ministers should also consider the ways in which reporting can be similarly structured under National Partnership Agreements within their portfolio remit.

Finding 14

Page 75

The Committee was generally satisfied with the actions that the Department of Treasury, the Department for Child Protection, and the Department of Premier and Cabinet have taken following the Auditor General's Report No. 13 of 2012: *Implementation of the National Partnership Agreement on Homelessness*.

Report No. 15 of 2012: Managing the Road Trauma Trust Account

Finding 15

Page 85

The Office of Road Safety and the Road Safety Council have responded diligently to recommendations made by the Auditor General regarding the management of the Road Trauma Trust Account. While it is still too early to determine the effectiveness of the actions undertaken by these agencies, there appears to be a clear commitment to improving practices in a manner consistent with the audit report.

Chapter 1

Report 6 of 2011: Teacher Placement in Public Schools

Background

- 1.1 The Western Australian public education system caters for over 250,000 students across more than 750 primary and secondary schools. In his 6th report of 2011, the Auditor General examined the programs the Department of Education (DoE) was using to place approximately 22,000 teachers across this system.³
- 1.2 The task of ensuring that all schools are appropriately staffed is particularly challenging in Western Australia (WA), given the size of the state and the remoteness of some of its classrooms. A little over one-third of the state's teachers work in non-metropolitan areas, with a quarter (5 498) in schools that are deemed 'hard to staff'.⁴
- 1.3 Traditionally, DoE had operated a rules-based centralised approach to teacher placement. This process was administered by the Department and matched available teachers to school vacancies using a series of incentives to increase the appeal of remote postings. This "Central Placement" system largely solved the problem of filling vacancies in hard to staff schools, but it had 'not always delivered ideal outcomes for the remaining three quarters of schools.'⁵ Significantly, it had not 'provide[d] assurance that schools consistently have the right teacher in the right place at the right time.'⁶
- 1.4 Central Placement came under criticism in five reviews over a ten-year period up until 2010. These included two reports from the Auditor General in 2000 and 2004. While recognising these criticisms, DoE was nonetheless adopting a 'gradual approach to change', as it has been wary of risks involved in abruptly transitioning to a new process.⁷
- 1.5 In recent years, DoE has introduced two staffing programs: the Independent Public Schools (IPS) initiative and the School Selection of Teaching Staff (School

³ Auditor General Western Australia, [Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools](#), Report 6 - August 2011, pp. 4-5.

⁴ *ibid.*, p. 5.

⁵ *ibid.*, p. 6.

⁶ *ibid.*, p. 15.

⁷ *ibid.*, p. 20.

Select) policy. These programs represent a shift towards a devolved recruitment process that is merit-based and is managed by the individual school.

- 1.6 Schools that successfully apply to become an IPS have the greatest degree of autonomy in teacher recruitment. An IPS can determine its own staffing structure and can recruit from outside the central employment pool. At the time of the Auditor General's report, schools that were not classified as IPS could opt for the School Select Policy, which also allows recruitment to be managed locally. However, these schools do not control their staffing structure and they still use the central pool as the source of their recruitment.⁸
- 1.7 The IPS and School Select programs have quickly gained popularity among school principals. In 2011, within two years of the program starting, there were 98 schools with IPS status. This number rose to 255 in 2013.⁹ Since the inception of School Select in 2011, all schools without IPS classification have had the option of selecting their own staff under this alternative program.¹⁰ While the Auditor General noted that School Select was not yet widely used, he still saw 2012 as a possible 'tipping point' in DoE's recruitment practices whereby the majority of teacher placements would likely occur under these new devolved processes.¹¹ (As it eventuated, the Central Placement system was dismantled in 2012, leaving all schools operating under either the IPS or School Select recruiting models (see 1.18 below)).
- 1.8 It is in this environment, with the shift away from centralised employment practices evident, that the Auditor General looked at 'whether DoE's placement of teachers in public schools is efficient and effective.'¹² The audit's focus was on two primary lines of inquiry:
- Are DoE's processes for filling teacher vacancies meeting its objectives?
 - Has DoE identified and developed strategies for managing risks associated with all its processes for filling teacher vacancies?¹³

⁸ For more information, see Auditor General Western Australia, [Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools](#), Report 6 - August 2011, pp. 12-13.

⁹ *ibid.*, p. 12. The first cohort of 34 IPS commenced in 2010. For the 2013 figure, see Department of Education, 'From the Director General', 2013. Available at: <http://www.det.wa.edu.au/independentpublicschools/detcms/portal/>. Accessed 15 February 2013.

¹⁰ Hon. Peter Collier, Minister for Energy representing the Minister for Education, *Parliamentary Debates* (Hansard), 10 November 2011, p. 9331.

¹¹ Auditor General Western Australia, [Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools](#), Report 6 - August 2011, p. 14.

¹² *ibid.*

¹³ *ibid.*

Auditor General’s Findings and Recommendations

- 1.9 The Auditor General found that the shift to devolved recruitment should allow schools to better match their needs ‘to the skills and capabilities of available teachers.’¹⁴ However, DoE had not undertaken ‘a structured and comprehensive risk analysis of the implications’¹⁵ of adopting this new recruitment model. While some risks had been informally identified, the Department had not yet put in place measures to address these risks. Without adequate risk management measures in place, it was possible ‘that the needs of some teachers and schools may not be fully addressed.’¹⁶
- 1.10 Nor had DoE determined the cost of its new programs—or measured their cost effectiveness—against the central placement system. More broadly, the Auditor General found that DoE would not be able to ascertain whether it was deriving benefits from the new recruiting processes until it established clear objectives and performance measures.¹⁷
- 1.11 The Auditor General made eleven recommendations targeting four policy goals:

Table 2 - Recommendations from the Auditor General¹⁸

Policy Goal	Auditor General’s Recommendations to DoE
Target Area One: To improve risk management...	<ol style="list-style-type: none"> 1. Identify scenarios that might lead to unfilled vacancies as a direct result of increased devolution and plan possible responses to new areas of ‘market failure’. 2. Monitor which schools can still be considered hard to staff schools through regular reporting on vacancy management and develop plans for staffing shortages when they occur. 3. Develop plans to assist schools and staff that are negatively affected or need additional support during the transition to more devolved processes.

¹⁴ Auditor General Western Australia, [Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools](#), Report 6 - August 2011, p.7.

¹⁵ *ibid.*, p. 8

¹⁶ *ibid.*

¹⁷ *ibid.*

¹⁸ *ibid.*, pp. 8-9.

<p>Target Area Two: To demonstrate that staffing processes are efficient and effective...</p>	<ol style="list-style-type: none"> 4. Develop detailed and clear objectives that link to high level strategies and operational plans. 5. Develop regular reports to provide performance data on achievement against objectives. This should reflect the need to understand performance across a range of factors such as location, school type, teacher type and timeframes. 6. Identify and regularly track the costs of staffing processes. 7. Fix a time for a complete review of the efficiency, effectiveness and cost effectiveness of various staffing processes.
<p>Target Area Three: To support schools...</p>	<ol style="list-style-type: none"> 8. Extend strategies to build school administrative staff capabilities in workforce planning, recruitment and selection. 9. Track workforce profiles and turnover by school to determine if some schools need additional support.
<p>Target Area Four: To support teachers...</p>	<ol style="list-style-type: none"> 10. Ensure adequate communication of the new staffing processes. 11. Survey teachers for feedback on recruitment and placement processes and to identify where additional support is needed.

Committee Follow-up

- 1.12 DoE responded to the Auditor General’s report stressing that some form of central support and targeted recruitment strategies would still be required to support those schools and specialty teaching areas where shortfalls would always be evident. However, DoE acknowledged that the findings were ‘in general congruent’ with the Department’s own research and that the report provided ‘good indicators for moving forward.’¹⁹
- 1.13 DoE had advised the previous Committee that it was developing and would deploy:

¹⁹ Auditor General Western Australia, [Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools](#), Report 6 - August 2011, p. 9.

... [an] automated reporting matrix linked to the recruitment advertising management system²⁰, candidate management system and human resources information system.²¹

1.14 This will allow the Department to:

... report vacancy, recruitment, appointment, appointment timeframe, applicant and appointment, demographic, redeployee²², redeployee referral and placement data.²³

1.15 Such data has not been available previously, but will now be maintained and monitored 'to ensure that anticipated, and unanticipated, variables impacting on the capacity to staff schools can be assessed and responded to in an appropriate and timely way.'²⁴ This system was developed 'in acknowledgement and acceptance of a range of recommendations'²⁵ within the Auditor General's report and was put forward as a key element of the responses to Recommendations 1,2,4, and 9 listed above.

1.16 DoE has since confirmed that the matrix has been rolled out and provided its first quarterly School Staffing Highlight Report covering the period of July-September 2012 in October of that same year. The matrix takes data from the Recruitment Advertisement Management System (RAMS), used by IPS and School Select Schools for recruiting, and the Department's Human Resource Management Information System (HRMIS), and reports on a variety of areas. These include the identification of risks under the new devolved model and unexpected variables that impact staffing, both of which enable the Department to take prompt corrective action. With time, it is envisaged that the matrix will provide 'performance data relating to the effectiveness of school staffing processes and turnover.'²⁶

²⁰ The Recruitment and Management System (RAMS) is the portal through which IPS and School Select teacher placements are processed. The Teacher Establishment System (TES) had been the portal under the Central Placement system.

²¹ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 December 2011, p. 3.

²² A redeployee is 'a permanent teacher who is surplus to requirements because of decreased enrolments or school closures'. Auditor General Western Australia, [Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools](#), Report 6 - August 2011, p. 9.

²³ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 December 2011, p. 3.

²⁴ *ibid.*

²⁵ *ibid.*

²⁶ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 July 2013, p. 3.

- 1.17 While the matrix is operational, it is yet to become fully automated. The Department advised that it 'is continuing to progress computer enhancements with the service provider.'²⁷
- 1.18 To support schools and staff negatively affected by the transition in recruitment processes (as per Recommendation 3), DoE is continuing to provide its head office School Staffing Services to any school in need. In correspondence to the previous Committee, the Department advised that the Central Placement system had been dismantled in 2012. This means that all non-IPS schools are now subject to the recruitment process under the School Select system. At the time of that correspondence (October 2012), the Department confirmed that all schools were fully staffed, but that teacher supply shortages were evident in certain locations and in some specialist secondary teaching areas (e.g. maths, design and technology). It was also noted that all IPS schools 'have had no difficulty in generating sufficient applications from appropriate teachers to fill vacant teaching positions.'²⁸ While no requests had yet been made for additional staffing support, it was expected that some requests would be made as the implementation period progressed.²⁹
- 1.19 School Staffing Services are also available for teachers struggling to adapt to the new processes. Since 2012, teachers have had online training resources available to assist in preparing applications under the IPS and School Select programs. For redeployed teachers, or those who have been unsuccessful with their applications over an extended period, dedicated case managers have been made available to assist in the process of gaining an 'appropriate placement.'³⁰
- 1.20 DoE's Corporate Communication and Marketing Team has established numerous avenues by which teachers can receive additional information regarding the new processes (Recommendation 10).³¹ All participants in the new recruitment processes will have an opportunity to provide feedback via an online survey tool that is being developed (Recommendation 11). This was implemented in 2012 and the Department has since confirmed that it has identified areas for improvement. These include:
- 'establishing clearer communication points for principals and teachers in terms of school staffing generally;

²⁷ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 July 2013, p. 3.

²⁸ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 22 October 2012, p. 2.

²⁹ *ibid.*

³⁰ *ibid.*, p. 3.

³¹ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 December 2011, p. 6.

- greater assistance in the accessing of central pools for all principals seeking to do so;
- simplification of business rules;
- potential computer program enhancements; and
- streamlining referral processes.³²

- 1.21 To further assist school administrative staff with the transition process (Recommendation 8), the Department is providing a variety of training material, as well as individualised consultancy in the areas of workforce planning, profiling and recruitment. These services were fully operational from 2012, and will continue to be subject to review by the Department.³³
- 1.22 Four recommendations (4 through 7) were directed at demonstrating that staffing processes were efficient and effective. Here, the Auditor General maintained a line of argument raised in his earlier reports around the importance of DoE establishing clear performance objectives to evaluate its recruitment programs. Such objectives needed to be 'specific, measurable, achievable, responsive and time based.'³⁴ In addition, the cost effectiveness of these programs needed to be measurable.
- 1.23 In its correspondence to the previous Committee, DoE advised that confirmation of objectives was expected to be provided to the Corporate Executive in the first quarter of 2012. This was to coincide with the production of monthly reports that addressed the Auditor General's recommendation (No. 5) for the delivery of performance data on achievement against objectives.³⁵
- 1.24 This Committee has followed-up with DoE asking it what specific objectives had been developed in response to Recommendations 4 and 5. The Department confirmed that it had developed eight objectives that were linked to three of its four high level strategic priorities. These are listed in [Table 3](#) below.

³² Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 July 2013, p. 3.

³³ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 22 October 2012, p. 4.

³⁴ Auditor General Western Australia, [Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools](#), August 2011, Report 6 - August 2011, p. 27.

³⁵ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 December 2011, p. 5.

Table 3 - Department of Education's Objectives for Teacher Placement Programs³⁶

High Level Strategy	Objective linked to strategy
<i>Success for all students</i>	
<i>Distinctive Schools</i>	<ol style="list-style-type: none"> 1. Delegate appropriate authority to principals. 2. Provide opportunities to schools staff to develop skills to match delegated authority. 3. Encourage groups of schools to work together to improve student access to high quality education.
<i>High quality teaching and leadership</i>	<ol style="list-style-type: none"> 4. Attract, retain, and develop high quality teachers and leaders, including the use of new incentives. 5. Ensure sound workforce planning for future needs. 6. Provide principals with greater authority to develop staffing profiles, and select and appoint staff. 7. Introduce workforce reform that benefits students and learning.
<i>A capable and responsive organisation</i>	<ol style="list-style-type: none"> 8. Provide greater equity, transparency, and flexibility on school resourcing.

1.25 The Department has an annual publication called *Focus*. Each year, this publication lists a series of initiatives designed to 'contextualise' one of the strategic priorities against which these objectives are linked. *Focus 2013* lists ten initiatives that are being implemented to support the strategic priority of "high quality teaching and leadership". These initiatives include:

- The launch of a program called "Switch", which provides development opportunities to teachers including those seeking a move from primary to secondary.
- An audit of 240 schools (including 56 IPS) monitoring compliance and recommending improvements in governance processes where required.³⁷

1.26 In response to Recommendation 6, which looked to address the accurate identification and tracking of costs, DoE said it would implement an internal link to the recruitment advertisement management system (RAMS) that facilitates the IPS and School Select programs. From this link, interview panel

³⁶ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 July 2013, p. 1.

³⁷ *ibid.*, p. 2

members will be able to continually assess the costs of the recruitment process.³⁸

- 1.27 The Department has subsequently advised that it was reviewing the effectiveness of this methodology.³⁹ Consideration was instead being given to having schools outline the cost of the staffing processes as part of their annual reporting requirements. The first batch of data was expected to be available by the end of Semester One in 2013. In response to the current Committee's request for the most recent estimate of these costs, the Department could not provide a firm figure:

Reforms in school staffing processes and systems commenced in 2011 and have continued throughout 2013, with further change underway.

Accurate tracking of costs in this dynamic environment is difficult to achieve. However, work in this area has commenced, with the best basis for the determining of costs a current consideration in the context of data availability and form.⁴⁰

- 1.28 Finally, DoE had originally advised that it would 'consider' a review of its general staffing processes (Recommendation 7) during 2012.⁴¹ This was subsequently deferred for consideration in 2013 following the dismantling of the Central Placement system.⁴² In its most recent correspondence, the Department has advised that the time for a complete review 'has yet to be determined.'⁴³ Delays are attributed to the shift to School Select for all non-IPS and further work being undertaken both to fully automate the reporting matrix and to resolve cost-tracking capacities.⁴⁴

Committee Conclusion

- 1.29 As noted at 1.18 above, DoE has now moved to a fully devolved staff recruitment process. According to latest estimates, 255 of the state's 792 public schools now operate as IPS with another 120 joining these ranks during the next intake due in 2015. The balance will continue to operate under the School Select system.⁴⁵

³⁸ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 December 2011, p. 5.

³⁹ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 22 October 2012, p. 3.

⁴⁰ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 July 2013, p. 3.

⁴¹ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 December 2011, p. 6.

⁴² Ms Sharyn O'Neill, Director General, Department of Education, Letter, 22 October 2012, p. 3.

⁴³ Ms Sharyn O'Neill, Director General, Department of Education, Letter, 16 July 2013, p. 3.

⁴⁴ *ibid.*

⁴⁵ Department of Education, [Annual Report 2012-13](#), 16 September 2013, Perth WA, p. 2; Ms Angela Kyme, Executive Officer, Office of the Under Treasurer, Email, 14 August 2013.

- 1.30 The purpose of the Committee’s follow-up is not to critique the merit of the devolved recruitment programs, but to consider the degree to which the Department has followed the recommendations provided by the Auditor General to improve outcomes in four key areas.
- 1.31 In three of these areas, the Committee believes that the Department has responded appropriately. The strategies implemented to support schools and teachers in the transition process appear to be reasonable responses. Similarly, the actions to improve risk identification and management look to be encouraging; notwithstanding the difficulties the Department is having with automating its reporting matrix (see 1.17 above).

Finding 1

The Department of Education has responded appropriately in three of the four areas where the Auditor General targeted recommendations in his report into teacher recruitment processes (improving risk management; supporting teachers; and supporting schools).

- 1.32 However, the Committee is not convinced that the Department has adequate processes in place to determine whether its current teacher recruitment processes are efficient and effective (Recommendations 4 through 7).
- 1.33 The Committee supports the view of the Auditor General that ‘DoE will not know if the changes to staffing processes are delivering benefits until it establishes clear objectives and performance measures’.⁴⁶
- 1.34 In its follow-up, the Committee asked the Department what specific objectives had been developed in response to Auditor General’s recommendations 4 and 5. DoE responded with the objectives listed in [Table 3](#) above, which it said were to be delivered ‘relevant to the Auditor General’s Report’.⁴⁷
- 1.35 These objectives are consistent with the recommendations in that they are linked to broad strategic plans. However, as noted at 1.22 above, the Auditor General had stressed the importance of documenting effective objectives that were ‘specific, measurable, achievable, responsive, and time based’.⁴⁸ The audit report included some examples of measures that could be used to satisfy these criteria. These are included in Figure 1 on the page below.

⁴⁶ Auditor General Western Australia, [Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools](#), Report 6 - August 2011, p. 8.

⁴⁷ Ms Sharyn O’Neill, Director General, Department of Education, Letter, 16 July 2013, p. 2.

⁴⁸ Auditor General Western Australia, [Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools](#), Report 6 - August 2011, p. 27.

Figure 1 Examples of Performance Measures for Staffing – Auditor General Report No 6 of 2011⁴⁹

Inputs	⇒	Activities	⇒	Outputs	⇒	Outcomes	⇒	Impact
<ul style="list-style-type: none"> • Cost • Number of staff involved in recruitment 		<ul style="list-style-type: none"> • Number of policies updated • Number of staff trained • Level of compliance with awards and agreements 		<ul style="list-style-type: none"> • Total number of vacancies advertised • Number of unfilled vacancies by month by type of school • Average time to fill a vacancy • Workforce diversity profiles 		<ul style="list-style-type: none"> • Level of principal satisfaction with match of teacher to school needs • Level of community satisfaction with the teacher quality • Level of teacher satisfaction with the location and timing 		<ul style="list-style-type: none"> • Improvements in educational outcomes by school • Turnover and retention rates by school

1.36 The objectives offered by the Department are generally high-level and particularly lacking in regards to input (cost) and output (deliverables and timeliness) indicators for staffing processes. Such indicators were cited by the Auditor General as key to measuring effectiveness and efficiency.⁵⁰ The Committee acknowledges that the Department includes a total cost per student full-time equivalent efficiency indicator in its Annual Report, but this does not break down the figure to reflect the stand alone cost of recruitment under IPS or School Select.⁵¹ In the absence of more directly quantifiable indicators, DoE may struggle to accurately assess the performance of its teacher placement processes during a critical transition period.

Finding 2

The Committee is not convinced that the Department of Education has adequate processes in place to determine whether current teacher recruitment processes are efficient and effective.

Finding 3

In the absence of more directly quantifiable performance indicators, the Department of Education may struggle to accurately assess the effectiveness and efficiency of its teacher placement processes during a critical transition period.

1.37 The Committee is also concerned about DoE's inability to quantify the cost of its new staffing processes after the Auditor General had found that 'DoE has

⁴⁹ Auditor General Western Australia, *Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools*, Report 6 - August 2011, p. 27.

⁵⁰ *ibid.*, pp. 27-28.

⁵¹ Department of Education, *Annual Report 2012-13*, 16 September 2013, Perth WA, p. 79.

not estimated the cost of implementing changes to staffing processes at a system or individual school level.⁵²

- 1.38 The audit report stressed the importance of understanding the ‘potential administrative cost to schools, as well as the potential impact this might have on the assistance required from a central recruitment bureau.’⁵³ However, the Department has confirmed that it is yet to decide upon a method for tracking costs and was unable to answer the Committee’s request for the most recent cost estimate for both IPS and School Select (see 1.26 and 1.27 above).
- 1.39 What is known from information provided to Parliament is that DoE provides two streams of funding for an IPS: a one-off transition payment; and an annual payment for “administration support” relating to the program. In 2010, the band of funding for transition payments ranged from \$20k to \$40k and the administrative support band was \$25k to \$50k. This latter band was increased slightly to \$25.7k to \$51.5k in 2011, but appears to have reverted back to its original band in the 2013-14 Budget. Funding for both streams is determined by the number of students enrolled.⁵⁴
- 1.40 Notably, \$18.2 million has been allocated in the 2013-14 Budget over the forward estimates period to go towards the next intake of 120 IPS due in 2015.⁵⁵ The most recent Budget also refers to:
- an additional \$1.2 billion across the forward estimates for the Department of Education to accommodate record growth in student enrolments arising from local demographics, interstate and international migration, **and additional funding for the expansion of Independent Public Schools** [emphasis added].⁵⁶*
- 1.41 The provisions that have been outlined in the Budget for IPS (although not for School Select) indicate that the Department has made some estimate as to the cost of running this particular program. The Committee is surprised that just under a month before the Budget, the Department could not provide it with

⁵² Auditor General Western Australia, [Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools](#), Report 6 - August 2011, p. 28.

⁵³ *ibid.*

⁵⁴ Hon. Liz Constable, Minister for Education, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), 20 April 2010, p. 1700; Hon. Liz Constable, Minister for Education, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), 17 May 2011, p. 3312; Hon. John Day, Minister representing the Minister for Education, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), 22 August 2013, p. 539.

⁵⁵ Public Accounts Committee, [Budget Briefing 2013-14 \(Report No. 2\)](#), 31 October 2013, p. 31.

⁵⁶ Department of Treasury, [Economic and Fiscal Outlook – Budget Paper No. 3](#), 8 August 2013, p. 125.

some estimate for the cost of establishing and operating an IPS and Select School recruitment model.⁵⁷

- 1.42 Under these circumstances, the Committee is left to conclude that, two years on from the Auditor General's report, DoE is still unable to accurately identify and track the costs of its staffing process.

Finding 4

Two years after the Auditor General's report, it appears that the Department of Education remains unable to identify and regularly track the costs of its staffing processes.

- 1.43 The final issue of concern to the Committee is the Department's failure to fix a time for the review of the efficiency, effectiveness and cost effectiveness of its staffing processes. Admittedly, the Department has commissioned an initial review of the IPS by the University of Melbourne. This review included input from 13 of the first cohort of IPS and was generally positive:

*In general, the initiative has been well conceived and implemented, with generally positive feedback regarding the support during transition and after.*⁵⁸

- 1.44 However, stakeholder feedback also highlighted '[t]he need for continued review of central policy and processes'.⁵⁹
- 1.45 The Committee notes the reasons cited by DoE for the delay in setting a date to review its devolved recruitment programs as per the Auditor General's recommendation (see 1.28 above) and understands that the value of such a process may currently be limited in the absence of more accurate cost data and more measurable objectives. Still, it is imperative that the Department, as a matter of urgency, refine its objectives and establish an accurate cost base for IPS and School Select so that the overall performance of these programs can be accurately assessed on an ongoing basis.

Recommendation 1

The Department of Education should further refine its objectives and establish an accurate cost base for the Independent Public Schools and School Select programs so that the effectiveness and efficiency of these programs can be accurately assessed.

⁵⁷ The Department's letter to the Committee was dated 16 July 2013.

⁵⁸ Melbourne Graduate School of Education, [Evaluation of the Independent Public Schools Initiative: Final Report](#), May 2013, University of Melbourne, p. 65.

⁵⁹ *ibid.*, p. 9.

Chapter 2

Report 3 of 2012 – Reporting and Managing KPIs in the Public Sector

Background

*Regular reporting of good performance information makes for strong public sector accountability. It tells Parliament and the public about the work agencies do. It should also help agencies make decisions and track how they are performing...*⁶⁰

- 2.1 For almost 20 years, the state’s public sector agencies have been operating under a framework for performance reporting that requires the use of Key Performance Indicators (KPIs or KPI for singular) linked to effectiveness and efficiency measurements. In a process unique to Western Australia (WA), 155 agencies must include in their annual reports to Parliament an opinion of their KPIs provided by the Office of the Auditor General (OAG).⁶¹
- 2.2 While the OAG has argued that these annual audits have improved the focus of agencies (and the quality of information provided to the Parliament and the public), it decided to review ‘the broader maturity’ of the KPI reporting process in the WA public sector.⁶²
- 2.3 Ten agencies were audited and their KPI reporting processes were measured against six attributes of better practice derived from the OAG’s auditing experience and a review of relevant international literature. Table 4 lists the agencies audited and Table 5 shows the attributes used by the OAG for measuring performance.

Table 4 Agencies Included in the Audit of KPI Reporting and Management

Child Protection	Premier and Cabinet	Sport and Recreation
Corrective Services	Water	Economic Regulation Authority
Fisheries	Swan River Trust	
Local Government	Main Roads WA	

⁶⁰ Auditor General Western Australia, [Beyond Compliance: Reporting and managing KPIs in the public sector](#), Report 3 - April 2012, p. 5.

⁶¹ *ibid.*, pp. 4-5.

⁶² *ibid.*, p. 4.

Table 5 Six Attributes Against Which Agencies Were Measured⁶³

Attribute	Supporting criteria
<i>Annual reports are transparent</i>	<p>KPIs are approved and linked to government goals</p> <p>Effectiveness and efficiency KPIs logically connect to agency outcomes and services</p> <p>The annual report provides clear context for KPIs. This includes how KPIs show performance against desired outcomes and services. All changes to KPIs are explained</p> <p>Audited KPIs are clearly identified and/or separated from other performance information</p> <p>Each KPI provides trend data of three to five years, or explains why this cannot be provided</p>
<i>KPIs are integrated into management</i>	<p>KPIs clearly relate to key planning documents</p> <p>Most KPIs are supported by other performance indicators</p> <p>KPIs and performance indicators are routinely used to manage agency performance</p> <p>Specific staff are responsible and authorised to monitor and report on KPIs</p> <p>There is a system in place to report performance across the agency</p>
<i>KPIs are measurable and under reasonable control of the agency</i>	<p>KPIs are specific to the function and activities of the agency</p> <p>KPIs are logically measurable</p> <p>The agency has reasonable control or influence over the characteristics measured by the KPIs. (Some factors might be too important not to report, no matter the level of control, but most KPI results should be the responsibility of the agency)</p>
<i>KPIs are comprehensive and well designed</i>	<p>All relevant parts of the agency are involved in developing KPIs</p> <p>Relevant parts of the community are consulted when developing and reviewing KPIs</p> <p>KPIs are based on independent standards, such as industry related research methodology or national indicators, where possible</p> <p>Agencies routinely review the relevance and appropriateness of KPIs</p> <p>Agencies assess potential for unintended consequences resulting from their KPIs</p> <p>KPIs cover all major areas of agency activity</p>
<i>Data collection is robust and consistent</i>	<p>The agency has a comprehensive KPI manual or guide</p> <p>There are effective controls for all workflow processes for KPIs</p> <p>Survey outcomes and methods are controlled and reviewed</p>
<i>KPIs include reasonable targets</i>	<p>There is a documented rationale for KPI targets</p> <p>The targets support and reflect the objectives in key planning documents</p>

⁶³ Auditor General Western Australia, [Beyond Compliance: Reporting and managing KPIs in the public sector](#), Report 3 - April 2012, p. 28.

Auditor General's Findings and Recommendations

- 2.4 The Auditor General was pleased with the general level of performance and noted that some of the better performing agencies had moved beyond basic compliance into a standard of 'mature performance reporting'.⁶⁴ These agencies presented clear and easily understood KPI information in their annual reports and used their KPIs to 'guide and inform management decisions'.⁶⁵ Moreover, core business functions could be easily linked to KPI outcomes.
- 2.5 However, while all agencies 'generally met the specific legislative and other requirements', there were several areas where agencies 'had difficulties in managing KPIs'.⁶⁶ Among the challenges facing these agencies were:
- 'making annual reporting about KPIs easily understood by non-specialist readers
 - having a sound basis for setting targets against which performance will be measured
 - ensuring that the suite of KPIs covered the most important parts of agency activity, and that they were the best way to measure performance
 - documenting processes and guidance for managing and reporting KPIs.⁶⁷
- 2.6 The Auditor General acknowledged that some of these difficulties reflected the "one-size-fits-all" performance management and reporting framework that is applied across all public sector agencies, which 'vary considerably in role, size and capacity'.⁶⁸ This framework requires the use of compulsory outcomes-based KPIs that, depending on the size of the agency and the nature of its activities, are not always easy to identify or measure.⁶⁹
- 2.7 The audit contained six recommendations, two directed to the Government and four directed to agencies generally:

⁶⁴ Auditor General Western Australia, [*Beyond Compliance: Reporting and managing KPIs in the public sector*](#), Report 3 - April 2012, p. 4.

⁶⁵ *ibid.*, p. 6.

⁶⁶ *ibid.*, pp. 7. See also, p. 6.

⁶⁷ *ibid.*, p. 6.

⁶⁸ *ibid.*, p. 4.

⁶⁹ *ibid.*, pp. 6,12.

Table 6 Recommendations from the Auditor General⁷⁰

Target	Recommendation
Government should:	<ol style="list-style-type: none"> 1. Consider if the outcomes-based KPI approach should be reviewed to improve suitability for all agencies. 2. Ensure agencies are provided with sufficient practical guidance and advice to assist them develop, report and improve their KPIs.
Agencies should ensure that:	<ol style="list-style-type: none"> 3. Annual reporting includes all KPIs approved by the Under Treasurer and makes clear what information has been audited 4. Annual reporting of KPIs provides sufficient information in plain English to allow Parliament and the general public to readily understand agency performance 5. KPIs provide comprehensive coverage of all their core business activities 6. Targets are based on sound and well documented reasoning.

Committee Follow-up

2.8 Recommendations 3 through 6 listed above were directed at agencies generally and were not meant to suggest that all agencies audited had shortcomings in each area. In their responses to the Committee, most agencies provided comment around the individual recommendations that were relevant to the “challenges” facing their operations. The Committee was generally satisfied with the adequacy of these responses, several of which are highlighted below.

Department for Child Protection

2.9 The Department for Child Protection (DCP) accepted the broad recommendations of the report and said that it had revised the information it includes in its performance reporting to better explain how it links its KPIs to stated outcomes and nationally published child protection sector performance benchmarks. The Department has also documented the rationale for each of its KPI targets and included these in its annual report. DCP anticipates that

⁷⁰ Auditor General Western Australia, [Beyond Compliance: Reporting and managing KPIs in the public sector](#), Report 3 - April 2012, p. 8.

these measures will enhance Parliament's and the wider public's capacity to understand the Department's performance.

- 2.10 In response to the finding that it did not have effectiveness KPIs in place for its Working with Children checks, the DCP responded that this was not a core area of business for reporting purposes given it represents less than two per cent of the total cost of services.⁷¹

Department of Fisheries

- 2.11 The Department of Fisheries (Fisheries) accepted recommendations 3 through 6 in full and has met with the OAG to discuss the actions it is taking in response. Fisheries included a list of approved and audited KPIs in its 2011/12 Annual Report. In consultation with the OAG, Fisheries undertook a further review of its KPIs that were to be submitted to the Under Treasurer for approval. The revised KPIs would aim to provide comprehensive coverage of the Department's core business and were to be introduced in the 2013/14 Budget Papers and Annual Report. Fisheries has also undertaken to ensure that the rationale for these KPI targets will be 'sound and well documented.'⁷²

Department of Local Government

- 2.12 The Department of Local Government (DLG) accepted the four public sector-wide recommendations and has put in place a KPI Development and Improvement Program to ensure that these recommendations are addressed. Included in this new program is the development of new KPIs to be approved by Treasury under a broad review of the DLG's Outcome Based Management framework. This is due for completion by December 2013.
- 2.13 To demonstrate actions already undertaken, the Department provided an opinion from the OAG confirming that the 2011/2012 KPIs 'are relevant and appropriate to assist users to assess the Department's performance.'⁷³
- 2.14 Further explanations of the basis for DLG's Effectiveness Indicators were framed in "plain English" for the 2011/2012 Annual Report and the Department may expand the commentary on its Efficiency Indicators pending an internal examination of this data set. The Department stated that the 2011/2012 Annual Report presents its KPIs in a manner that clearly demonstrates the linkages with DLG's core business services (and government

⁷¹ Ms Kay Benham, A/Director General, Department for Child Protection, Letter, 21 September 2012.

⁷² Mr Stuart Smith, Director General, Department of Fisheries, Letter, 21 September 2012.

⁷³ Ms Jennifer Mathews, Director General, Department of Local Government, Letter, 14 September 2012.

goals). For the first time, this information has been presented diagrammatically for ease of explanation.⁷⁴

Department of Sport and Recreation

- 2.15 The Department of Sport and Recreation (DSR) provided a table of actions it has taken in response to the public sector-wide recommendations. The Department reviewed the wording and format of its KPIs in consultation with Treasury and the OAG throughout 2012. The review was intended to produce KPIs that were consistent with the current Outcome Based Management framework while providing sufficient clarity for readers. The format and wording that emanated from the review were approved by the OAG for incorporation into DSR's Annual Report documentation by August 2012.
- 2.16 DSR was still considering the extent to which its KPIs can cover all of its core business activities, noting that its 'policy, planning and research functions cannot be effectively assessed under the current outcome based system' it must operate under.⁷⁵

Department of Premier and Cabinet

- 2.17 Similar to Sport and Recreation, the Department of Premier and Cabinet (DPC) accepted the recommendations of the Auditor General while acknowledging the limitations of some aspects of performance reporting under the "one-size-fits-all" framework. Nonetheless, DPC conducted a review of its KPI processes that considered the recommendations. The review was scheduled for completion, with appropriate changes made, in time for the 2013-2014 financial year.⁷⁶

Department of Water

- 2.18 The Department of Water (DoW) accepted the recommendations in full and, following a workshop attended by the Executive, drafted an alternative set of KPIs. Further work was to be undertaken with Treasury to ensure that these KPI are in alignment with the Department's Strategic Plan. The layout of the Annual Report will also be revised to improve the transparency and clarity of performance information. In addition, new management processes will be implemented to make sure that KPI targets are 'both consistent and robust.'⁷⁷

⁷⁴ Ms Jennifer Mathews, Director General, Department of Local Government, Letter, 14 September 2012.

⁷⁵ Mr Ron Alexander, Director General, Department of Sport and Recreation, Letter, 24 September 2012.

⁷⁶ Mr Peter Conran, Director General, Department of the Premier and Cabinet, Letter, 17 September 2012.

⁷⁷ Mr Greg Davis, A/Director General, Department of Water, Letter, 5 September 2012.

- 2.19 DoW originally offered June 2013 as the date for the completion of its implementation program so the current Committee followed up the Department seeking confirmation that all deadlines were met. The Department advised that while it had developed a new performance indicator structure, this would now not be finalised until December 2013. The delay was attributable to the need to consider the KPI framework in light of the machinery of government changes that took effect from 1 July 2013 and may see the DoW assume some of the functions of the former Department of Environment and Conversation.⁷⁸

Economic Regulation Authority

- 2.20 The Economic Regulation Authority (ERA) explained to the Committee that the scope of its performance indicators is limited to its management functions, as per Section 23 of the *Economic Regulation Authority Act 2003*.⁷⁹ As such, the ERA will not be able to fully comply with the recommendation urging KPIs to cover all core business activities. Notwithstanding this point, the ERA does have an internal set of KPIs 'aimed at delivering strategies within the ERA Strategic Plan, which cover all of the activities and functions of the ERA.'⁸⁰
- 2.21 Of the KPIs it does report, ERA has corrected the wording used in its annual reports to maintain consistency with the wording approved by Treasury. The ERA has also committed to including additional information in its future annual reports to provide clearer explanation of how its KPIs are derived and measured.⁸¹

Swan River Trust

- 2.22 For the past several years, the Swan River Trust has been developing a draft River Protection Strategy, as per the requirements of the *Swan and Canning Rivers Management Act 2006*. A key element of this strategy is the development of a Monitoring, Evaluation and Reporting (MER) Framework that will be used 'to overhaul the suite of KPIs used by the Trust for annual reporting purposes.'⁸² Discussions around this overhaul have been conducted

⁷⁸ Ms Maree De Lacey, Director General, Department of Water, Letter, 18 July 2013.

⁷⁹ This was acknowledged by the Auditor General. See, Auditor General Western Australia, [Beyond Compliance: Reporting and managing KPIs in the public sector](#), Report 3 - April 2012, p. 24

⁸⁰ Mr Lyndon Rowe, Chairman, Economic Regulation Authority, Letter, 24 September 2012.

⁸¹ *ibid.*

⁸² Hon. Bill Marmion, MLA, Minister for Environment, Letter, 19 September 2012. The draft [River Protection Strategy for the Swan Canning River Park](#) has been implemented and includes a section (Chapter 7) outlining the MER Framework and KPIs.

with Treasury and the OAG and both offices will be asked to approve any new indicators that are developed.⁸³

Department of Treasury

- 2.23 The Department of Treasury (Treasury) has an important oversight role with public sector KPIs. As it stands, Treasurer's Instruction 903 guides agencies in the establishment and reporting of performance indicators, while 904 requires agencies to submit any proposed changes in KPIs to the Under Treasurer for approval.
- 2.24 Significantly, Treasury (or Treasury and Finance as the Department was then known) was also given responsibility for implementing a key recommendation relating to public sector KPIs that came from the Economic Audit Committee's 2009 report, *Putting the Public First: Partnering with the Community and Business to Deliver Outcomes*. That report called for a more flexible system of performance monitoring and reporting that took into account the 'varied roles of agencies'.⁸⁴
- 2.25 The Economic Audit Committee recommended that Treasury (and Finance) consider ways of 'modifying the existing performance reporting regime'.⁸⁵ Treasury responded, as part of its broader review of the *Financial Management Act 2006* (WA), by inviting submissions on the topic from a select group of stakeholders, including the previous Public Accounts Committee. That Committee responded by way of a small report, *Key Performance Indicators*, tabled in October 2012.
- 2.26 In that report, the Committee shared the concerns around the limitations of the one-size-fits-all framework. Ultimately, it recommended '...that the government retain the mandatory requirement for KPIs for central and other non-service agencies and that support systems be established to assist with making KPIs more relevant and meaningful'.⁸⁶
- 2.27 Given the role Treasury has developing and overseeing the state's performance management framework, the new Committee wrote to the Under Treasurer seeking a response on behalf of the Government to the first two recommendations of the Auditor General's report. The Committee also asked Treasury for an update on the outcomes of the review of KPI's

⁸³ Hon. Bill Marmion, MLA, Minister for Environment, Letter, 19 September 2012.

⁸⁴ Economic Audit Committee, [Putting the Public First: Partnering with the Community and Business to Deliver Outcomes](#), October 2009, pp. 40-42.

⁸⁵ *ibid.*

⁸⁶ Public Accounts Committee, [Key Performance Indicators](#), Report No. 17, 23 October 2012, p. 4.

undertaken following the Economic Audit Committee report and any changes that were envisaged as a result.

2.28 The Under Treasurer's response is quoted below:

Thank you for your letter of 20 June 2013 in which you requested advice on a number of matters relating to the performance reporting regime and more specifically Key Performance Indicators within the public sector.

The Department of Treasury has completed a review of the Financial Management Act 2006 as required by section 85 of that Act. I am able to advise that the views expressed by the Office of the Auditor General and Public Accounts Committee of the previous Parliament were given due consideration in the deliberations of the review.

Recommendations arising from the review will be presented to the Government in due course.⁸⁷

Committee Conclusion

2.29 The Under Treasurer is often called upon by the Committee to respond to recommendations made by the Auditor General and usually provides summaries that are succinct and informative. However, on this occasion, the response did not provide enough detail for the Committee.

2.30 Given the generally positive response by the other agencies to this audit, the Committee thought it better to conclude this follow-up rather than extend the process to seek further information from the Under Treasurer.

2.31 Instead, the Committee recommends that the Under Treasurer provide further detail directly to the Parliament as to the actions his department has taken in response to the first two recommendations in the Auditor General's report. The Under Treasurer is also asked to provide details on the outcomes of these actions.

Finding 5

Each of the ten agencies whose KPI framework was examined by the Auditor General has responded positively to the recommendations in Report No. 3 of 2012: *Beyond Compliance: Reporting and Managing KPIs in the Public Sector*.

⁸⁷ Mr Timothy Marney, Under Treasurer, Letter, 21 August 2013.

Finding 6

The Department of Treasury did not provide sufficient detail for the Committee to determine the appropriateness of the actions being taken by the Department in response to the first two recommendations of the Auditor General's Report No. 3 of 2012: *Beyond Compliance: Reporting and Managing KPIs in the Public Sector*.

Recommendation 2

The Department of Treasury should provide specific details to Parliament as to the actions it has taken in response to the first two recommendations of the Auditor General's Report No. 3 of 2012: *Beyond Compliance: Reporting and Managing KPIs in the Public Sector*. The Department should also provide detail on the outcomes of these actions.

Chapter 3

Report 8 of 2012: New Recruits in the WA Police

Background

- 3.1 The Western Australian Police (WA Police) patrols the largest single jurisdiction in the world and has 5,866 sworn officers on its staff (2011 figures). It remains an ongoing challenge in a tightening labour market to recruit a sufficient number of new officers to counter attrition rates and to meet the targets set by the Government to increase the size of the force. Notwithstanding these challenges, it is critical that WA Police meet its recruitment needs without compromising the standard of its graduates or the training they receive.⁸⁸
- 3.2 As it stands, candidates must go through a three-step process to become a sworn police officer. The initial recruitment stage includes: a written application; integrity checks; an entrance exam; a physical evaluation; psychometric testing; and interviews.⁸⁹ Successful applicants are then placed into a recruitment pool from which squads of approximately 30 will enter the Police Academy at Joondalup for six months training. Graduates from the Academy then spend a 12 to 18 month probationary period receiving on-the-job training before becoming a fully qualified officer. At the end of this period, officers will have completed a Diploma in Public Safety (Policing) and are qualified to work unsupervised.⁹⁰
- 3.3 WA Police spends \$240 000 to put a recruit through training and probation. In the five years to 2011, a total of 2,140 officers were recruited and trained through the Academy. In this performance audit, the Auditor General examined all aspects of police recruitment and training to determine whether the current processes were efficient and effective.⁹¹ The audit focused on three questions:
1. Are WA Police's recruitment and selection processes effective?
 2. Are new recruits adequately trained and supported?

⁸⁸ Auditor General Western Australia, [New Recruits in the Western Australia Police](#), Report 8 - June 2012, pp. 4-5.

⁸⁹ *ibid.*, pp.6,32.

⁹⁰ *ibid.*, p. 6.

⁹¹ *ibid.*, pp. 8-9.

3. Is WA Police using its resources to deliver police officers into the force efficiently and effectively?⁹²
- 3.4 The audit concentrated on new sworn general duties constables, including police officers who had arrived in WA from other jurisdictions and had completed the local Academy's training and subsequent probation. Over 1000 current serving officers were surveyed and the audit team also analysed information from one squad of Academy recruits for each year between 2007 and 2011 (148 recruits in total).⁹³

Auditor General's Findings and Recommendations

- 3.5 The Auditor General identified three key controls that WA Police has at its disposal to ensure that the 'right people' are chosen to serve as sworn officers. These are: the **recruitment phase** to ensure that the best applicants are selected; the **training phase** at the Academy to ensure that only capable officers may graduate; and the **probation phase** to confirm a recruit's aptitude for general policing work. The Auditor General concluded that WA Police 'is not making full use of these controls to identify those who may be struggling to meet the demands of being a police officer and to minimise the risk of inadequately trained recruits becoming operational.'⁹⁴ More specific findings were noted around these three controls:

Recruitment

- 3.6 WA Police is currently receiving half the number of applications it needs each month to counter rising attrition rates and meet the target set by the Government in 2009 of recruiting 500 extra police personnel by 2014. The Department is considering other recruitment methods to increase its pool of applicants, including consideration of another overseas recruitment drive.⁹⁵
- 3.7 A similar shortfall is evident in the diversity targets that WA Police has set itself for female officers and officers from indigenous and culturally diverse backgrounds. While the recruitment rate for females has increased from 13 per cent of the force in 2001 through to 21 per cent in 2010, it still sits below the WA Police target of 30 per cent. By contrast, indigenous representation in WA Police continues to fall further away from the target of 3 per cent set in 2007. The figure at the end of 2011 was 1.7 per cent, having declined from 2.4 per cent four years earlier. Notably, WA Police did not have

⁹² Auditor General Western Australia, [New Recruits in the Western Australia Police](#), Report 8 - June 2012, p. 12.

⁹³ *ibid.*

⁹⁴ *ibid.*, p. 7.

⁹⁵ *ibid.*, pp. 8,13.

‘specific pathways’ to encourage indigenous recruits although it was ‘now developing strategies to attract more indigenous and culturally diverse applicants.’⁹⁶

- 3.8 In addition to concerns around the general recruitment rates, the Auditor General questioned other elements of WA Police’s recruitment practices. It was noted that WA Police bases its initial assessment on the suitability of applicants against 22 broad-based criteria, which have not been reviewed or updated since 1987 despite the changing nature and demands of policing since that time.⁹⁷
- 3.9 Moreover, the WA Police recruitment panel often places applicants in the pool for Academy training despite the applicants failing to acquire a rating of ‘acceptable’ or ‘recommended’ in testing performed by the organisational psychologist (OP). Since 2006, 32 per cent of applicants who had received psychological test ratings of ‘marginal’ or ‘not yet acceptable’ were selected for a squad in the Academy after having their applications reviewed by the Recruitment Review Panel. While not articulated in a finding, the Auditor General ‘expected there would have been a closer alignment between the OP’s recommendation and the Recruitment Review Panel’s decision.’⁹⁸

Training

- 3.10 The importance of the recruitment process for selecting suitable applicants was underlined by the fact that ‘almost no one is removed from [WA Police] once chosen for Academy training.’⁹⁹ Only 12 of 2,140 recruits or probationary constables had been removed in the five years to 2011. Of this small total, just one was dismissed ‘on the grounds of poor performance in training.’¹⁰⁰
- 3.11 The Academy adopts a competency-based training model under which WA Police invests ‘significant resources’ on continuous remedial training to help ‘weaker performers’ reach the required level of competency across a range of policing skills.¹⁰¹ The sample examined by the Auditor General showed a decline in the number of recruits who achieved competency in all areas of their training at the first attempt (an average of 47 per cent over the five years 2007-2011). For each attempt, a recruit is permitted three tries at demonstrating competence. In the Auditor General’s sample, 21 of 148

⁹⁶ Auditor General Western Australia, [New Recruits in the Western Australia Police](#), Report 8 - June 2012, p. 15. See also p. 8.

⁹⁷ *ibid.*, pp. 8,14.

⁹⁸ *ibid.*, p. 17. See also p. 8.

⁹⁹ *ibid.*, p. 8.

¹⁰⁰ *ibid.*

¹⁰¹ *ibid.*

recruits required three or more attempts (at least nine tries) to gain competency in areas including weapons training and physical fitness. Notably, while WA Police has processes in place for dismissing recruits during Academy training, 'it is currently not used for recruits who do not gain competency after repeated attempts.'¹⁰²

- 3.12 The report recognised that the quality of training provided at the Academy is adequate for most recruits. However, some graduating constables commence probation requiring further development of the skills, knowledge and attitudes required for their position. These "non-operational" graduates may have some limitations placed on the duties they can perform. Approximately four per cent of 2011 Academy graduates were classified as non-operational.¹⁰³
- 3.13 Significantly, the Auditor General's examination of its five squads of recruits from 2007-2011 revealed that 'many' officers graduating as "operational" 'still have gaps in their competency and areas for development which can affect their capacity to perform all the baseline duties of a police officer.'¹⁰⁴ The data indicated that the proportion of officers in this category had increased from zero in the 2007 squad to 30 per cent (8 of 27) of the 2011 squad.¹⁰⁵

Probation

- 3.14 A key conclusion on the probation process was that it 'is not consistently structured'.¹⁰⁶ Concerns were raised regarding the time spent on probation and the inconsistent approach to supervision.
- 3.15 The examination of the data on the 2007-2011 squads indicated that the average period of time spent on probation had decreased since 2007 from 17.5 months down to 16 months. This was mainly attributable to the introduction of an "early-off probation" (EOP) scheme that was designed to reward high performing officers by reducing their probationary period by up to six months. Based on the audited sample, the Auditor General concluded that EOP had 'become the norm, not the exception'¹⁰⁷, with over 60 per cent of squad members from the 2008-2011 cohorts coming off probation early. While not commenting on the merit of all EOP grants, it was suggested that the incentive was awarded prematurely 'in some instances'.¹⁰⁸ The audit identified six

¹⁰² Auditor General Western Australia, [New Recruits in the Western Australia Police](#), Report 8 - June 2012, p. 8. See also p. 19.

¹⁰³ *ibid.*, p. 8.

¹⁰⁴ *ibid.*, p. 21.

¹⁰⁵ *ibid.*, p. 22.

¹⁰⁶ *ibid.*, p. 7.

¹⁰⁷ *ibid.*, p. 24.

¹⁰⁸ *ibid.*, p. 9.

probationary constables from its five squad sample who received a grant despite displaying 'serious issues on probation, including two who were not considered ready by their supervisors.'¹⁰⁹

- 3.16 It was further observed that the experience gained by probationary constables varied depending on where they were placed and the quality of supervision they received. With a shortage of experienced supervising officers, some probationers were placed with recently appointed constables. The level of assurance about the quality and consistency of supervision and training was questioned due to the 'lack of training and guidelines for supervisors.'¹¹⁰
- 3.17 The Auditor General made twelve recommendations, most of which were directed at generating improvements in the three key areas of recruitment, Academy training, and probation.

Table 7 Recommendations from the Auditor General to WA Police¹¹¹

Objective	Auditor General's Recommendations to WA Police
<i>To improve the effectiveness of its recruitment:</i>	<ol style="list-style-type: none"> 1. Consider strategies to increase its application rates in order to meet future recruitment targets. 2. Give equal levels of review to the organisational psychologist's recommendation for all applicants being considered for training in the Academy. 3. Review whether its 22 dimensions are still the most relevant criteria for selecting police officers and whether they should be equally balanced. 4. Review its diversity strategies and consider initiatives that are working in other policing jurisdictions to improve its performance in this area.

¹⁰⁹ Auditor General Western Australia, [New Recruits in the Western Australia Police](#), Report 8 - June 2012, p. 9.

¹¹⁰ *ibid.*

¹¹¹ *ibid.*

<p><i>To improve the effectiveness and efficiency of recruit training in the Academy:</i></p>	<p>5. Review its approach to managing its weaker performers, including how it uses its removal (505A) process.</p> <p>6. Use the data and information currently collected to establish benchmarking for competency.</p> <p>7. Consider introducing additional assessments for recruits who have difficulty attaining competency in critical skills, to be confident that all recruits graduate with the expected level of competency.</p>
<p><i>To improve the effectiveness and efficiency of probationary training:</i></p>	<p>8. Review its probationary placements to ensure all probationary constables are receiving an appropriate exposure to all required areas of training.</p> <p>9. Consider introducing training and guidance materials for supervisors of probationary constables so that they are better supported and equipped to perform this role and supervision is consistently applied.</p> <p>10. Review how it applies its 'early-off probation' policy to ensure the policy intention is adhered to.</p> <p>11. Implement formal information sharing between the Academy and police stations about the performance and behaviours of recruits to better tailor probationary training.</p>
<p><i>General recommendation:</i></p>	<p>12. WA Police should make greater use of its information to evaluate whether its current training approach and investment is effective and to identify further areas for improvement.</p>

Committee Follow-up

3.18 In its initial response to the Auditor General's report, WA Police noted that it had 'successfully recruited and trained' 2,140 officers during a period (2007-2011) of 'historically high employee attrition and some of the most challenging labour market conditions ever seen in Western Australia.'¹¹² It added that WA Police had received the 2008 *National Employer of the Year Award*¹¹³ in part for its delivery of international best practice training in the areas of use of force, investigative practices, and driver training. WA Police said it had and would continue to implement the recommendations made by the Auditor General, but stressed that these recommendations and the accompanying

¹¹² Auditor General Western Australia, [New Recruits in the Western Australia Police](#), Report 8 - June 2012, p. 11.

¹¹³ Confirmed by Hon. Peter Collier, MLC, Minister for Training, Western Australia, Legislative Council, *Parliamentary Debates*, (Hansard), 27 November 2008, p. 562.

findings 'should not diminish the outstanding achievement of WA Police'¹¹⁴ in recruitment and training over the past five years.

- 3.19 The WA Police response to the Committee focused on the actions the Department has taken to address the issues raised in the Auditor General's report.

Recruitment (Recommendations 1-4)

- 3.20 Following the audit report, WA Police seconded a member of the Office of the Auditor General (OAG) to assist in an internal review of recruitment process. Changes that have emanated from this review are currently being implemented and are due for completion in January 2014.
- 3.21 WA Police has conducted periodic advertising campaigns in order to attract new recruits. These advertising campaigns cost approximately \$250 000 per month, but in the May-June 2013 period¹¹⁵ resulted in a doubling of applications. WA Police stressed its ability to continue such advertising is contingent upon the availability of funds. There is also healthy demand continuing to be expressed from officers in the United Kingdom, whom WA Police can source via formal arrangements with the UK Department of Immigration and Citizenship. Finally, the Police Cadet Program for 16-18 year-olds is being expanded from an intake of 40 to 90 over the next three years. This may provide another source of recruitment from youth who may wish to take the skills learned as cadets into the world of professional policing.
- 3.22 WA Police has amended its processes to ensure that all recommendations of the Organisational Psychologist during the recruitment stage are reviewed and the 22 broad-based selection criteria are being updated with a streamlined version due in 2014.
- 3.23 Several new strategies are being developed to improve diversity targets after the Department conducted a review in 2012 of recruitment practices in other jurisdictions that target female and indigenous officers. This process has led to the trial of a new entrance pathway for indigenous peoples in the Kimberley to be conducted in the latter part of 2013.¹¹⁶

¹¹⁴ Auditor General Western Australia, [New Recruits in the Western Australia Police](#), Report 8 - June 2012, p. 11, p. 11.

¹¹⁵ The most recent campaign as at the date of WA Police's letter to the Committee.

¹¹⁶ Dr Karl O'Callaghan, Commissioner of Police, Letter, 9 August 2013, pp. 1-2.

Academy Training (Recommendations 5-7)

- 3.24 WA Police has amended its approach to Academy Training in the wake of the Auditor General’s report. The previous culture of ‘pastoral support’ for recruits during training has shifted to one of ‘clinical assessment based on the understanding that recruits are employees not students’.¹¹⁷ Procedures have now been changed so that the removal of recruits [and probationary constables] is ‘based on issues of competence and capability using the powers conferred by the legislation.’¹¹⁸
- 3.25 Since the introduction of the new regime in 2012, 26 recruits and probationers have been removed (including 11 under the Department’s “505A” process).¹¹⁹
- 3.26 A three-attempt limit for each area of competency during Academy training has been introduced after WA Police conducted an assessment of benchmarking processes for recruit training used across Australian and New Zealand jurisdictions. Failure to reach competency after three attempts will now lead to a review of a candidate’s performance by ‘subject matter experts’ at the Academy who will determine whether remedial training will enable the individual to progress further. Any remedial training that is agreed to is then implemented and monitored. Under this new regime, no recruit will be allowed to graduate without achieving all required operational skills.¹²⁰

Probationary Training (Recommendations 8-11)

- 3.27 The probationary policy of the Department was reviewed and amended ‘to better focus on the developmental needs of probationers.’¹²¹ This includes an increased focus on service in regional parts of the state. Responsibility for the developmental requirements of probationers is now vested clearly with the Principal of the Probationer and Cadet Development Unit.
- 3.28 Instructional guides on the requirements for probationary training have been placed on the Academy webpage and lessons plans and delivery modules for probation were created and incorporated into in-service training courses for likely supervising officers (e.g. First Class and Senior Constables, Sergeants, and Senior Sergeants).
- 3.29 The Principal of the Probationer and Cadet Development Unit and the Student Services Area of the Academy have worked together to produce a ‘handover

¹¹⁷ Dr Karl O’Callaghan, Commissioner of Police, Letter, 9 August 2013, pp. 2-3.

¹¹⁸ *ibid.*, p. 3.

¹¹⁹ *ibid.*, p. 3.

¹²⁰ *ibid.*, p. 4.

¹²¹ *ibid.*

tool'. This tool is consistent with the 'existing transfer appraisal processes' between the Academy and the officers supervising new recruits and should provide supervisors/managers with awareness of any areas requiring monitoring or attention for each probationer.

- 3.30 Finally, the Early-off Probation policy was phased out in 2012 with a two-year probation (inclusive of the Academy Training Course) now mandatory. This equates to a post-Academy probationary period of 17 months.¹²²

Committee Conclusion

- 3.31 The Committee was satisfied with the actions WA Police has taken thus far in response to what were some justifiably critical findings in the Auditor General's report and resolved to conclude this follow-up.

Finding 7

The Committee was satisfied with the actions WA Police has taken thus far in response to what were some justifiably critical findings in the Auditor General's 2012 report into Police recruitment.

¹²² Dr Karl O'Callaghan, Commissioner of Police, Letter, 9 August 2013, pp. 4-5.

Chapter 4

Report 9 of 2012: First Public Sector Performance Report

Introduction

- 4.1 The Auditor General conducts two forms of performance audit: “broad scope”, which represent the majority of reports followed up by the Committee; and “limited scope”, which are tabled anywhere between two and four times a year in *Public Sector Performance Reports* (PSPRs). PSPRs can feature several completed limited scope audits. Whereas broad scope audits examine the effectiveness and efficiency of public sector agencies, limited scope audits consider a range of matters including agencies’ compliance with legislation and policy and ‘instances of inefficiency, waste or extravagance.’¹²³
- 4.2 In the first PSPR for 2012, the Auditor General reported on two limited scope audits:
- Procurement practices of agencies in rural areas
 - The Department of Commerce’s support for the Plumbers Licensing Board (PLB)
- 4.3 This chapter deals with the follow-up of regional procurement practices. The examination of the relationship between the Department of Commerce and the PLB will be included in one of the Committee’s following reports.

Procurement Practices of Agencies in Rural Areas

- 4.4 This was the fifth in a series of audits into agency procurement practices conducted by the Auditor General since 2010.¹²⁴ This is an important area of investigation given in 2010-2011 alone, Government agencies spent about \$9.25 billion procuring goods and services.¹²⁵

¹²³ Auditor General Western Australia, [Audit Practice Statement](#), October 2012, p. 5.

¹²⁴ See also, Auditor General Western Australia, [ICT Procurement in Health and Training](#), Report 9 - October 2010; [Public Sector Performance Report 2011 - Agency compliance with procurement requirements; Managing the Priority Start - building policy](#), Report 5 - June 2011; [Second Public Sector Performance Report 2011 - Use of ICT contractors in government - Acceptance of gifts and benefits by public officers in the Department of Health](#), Report 7 - September 2011; [Pharmaceuticals: Purchase and Management of Pharmaceuticals in Public Hospitals](#), Report 7 - June 2012.

¹²⁵ Auditor General Western Australia, [Public Sector Performance Report](#), Report 9 - June 2012, p. 5.

4.5 The objective of this audit was to determine whether procurement processes in regional areas complied with Government policy and good practice. The overarching policies and guidelines are published by the State Supply Commission (SSC) and the Department of Finance (Finance) in its *Procurement Practice Guide for Public Authorities*.¹²⁶ These various publications are designed to promote open and effective competition, value for money, probity and accountability, and transparency. The Auditor General investigated the extent to which these principles were evident in the practices of six agencies across five regional locations:

- Department of Agriculture and Food (DAFWA) – Kununurra and Geraldton
- Department of Fisheries (Fisheries) – Albany and Geraldton
- Department of Health – WA Country Health Service (WACHS) West Pilbara and Hedland Campus, Kalgoorlie Hospital
- Main Roads WA (Main Roads) – Kalgoorlie and Albany
- Kimberley Development Commission (KDC)
- Pilbara Institute – South Hedland campus.¹²⁷

Auditor General’s Findings and Recommendations

4.6 The Auditor General concluded that none of the agencies examined had ‘fully complied’ with the available policies and guidelines. A series of ‘common weaknesses’ was identified. These included, but were not restricted to:¹²⁸

- Failing to sufficiently test the market to ensure value for money.
- Some agencies splitting orders into lower value parcels, rather than procuring based on the total cost of the good or service delivered over time. This allowed these agencies to apply less competitive market testing processes.
- Not adequately documenting procurement decisions in order to allow independent scrutiny of purchases. The report later described the practice

¹²⁶ Respective documents available from State Supply Commission at: <http://www.ssc.wa.gov.au/publications.asp>. Accessed on 15 November 2013; Department of Finance, *Procurement Practice Guide: A Guide to Products and Services Contracting, for Public Authorities*, January 2013. Available at: http://www.finance.wa.gov.au/cms/uploadedFiles/Government_Procurement/Guidelines_and_templates/Goods_and_service_procurement_practice_guide.pdf. Accessed on 18 November 2013.

¹²⁷ Auditor General Western Australia, [Public Sector Performance Report](#), Report 9 - June 2012, p. 8.

¹²⁸ *ibid*, pp. 5-6 unless otherwise indicated.

of not documenting the evaluation of suppliers' quotes as a 'key failure common to most agencies'.¹²⁹

- Not publishing awarded contracts on the *Tenders WA* website when required (for contracts exceeding \$20,000).
- All agencies examined failing to fully demonstrate good practice in the identification and management of potential conflicts of interest.
- Agencies not always involving the services of Finance's procurement office for purchases over \$20,000 thereby limiting access to independent specialist advice and increasing procurement risk.
- Inadequate guidance for regional staff on how and when to apply *Buy Local*¹³⁰ and *Value for Money* policies.

4.7 The Auditor General provided suggested actions across ten areas to improve procurement practices:

Table 8 Suggested Actions from the Auditor General¹³¹

Objective	What Should be Done?
<p>To ensure appropriate market testing and greater accountability and transparency in procurement decision-making, agencies should:</p>	<ol style="list-style-type: none"> 1. Ensure they adequately test the market by obtaining sufficient quotes based on the estimated value of the purchase. 2. Procure in accordance with government procurement policies when choosing not to buy from mandatory CUAs.¹³² 3. In exceptional circumstances obtain approval for, and document, exemptions from competitive requirements. 4. Apply the <i>Buy Local</i> policy to support competitive local businesses.

¹²⁹ Auditor General Western Australia, [Public Sector Performance Report](#), Report 9 - June 2012, p. 14.

¹³⁰ The *Buy Local Policy* was established in 2002. It aims to 'maximise supply opportunities for competitive local Western Australian businesses when bidding for State government contracts. See Government of Western Australia, [Buy Local Policy](#), July 2002, foreword. Available at: <http://www.ssc.wa.gov.au/files/guidelines/Buy%20Local%20Policy%20Web%20version.pdf>. Accessed on 18 November 2013.

¹³¹ Auditor General Western Australia, [Public Sector Performance Report](#), Report 9 - June 2012, pp. 6-7.

¹³² Common use arrangements (CUAs) are 'whole-of-government standing offers, awarded to a single or panel of suppliers to provide goods or services commonly used by government agencies Each contracted supplier has been pre-qualified and has agreed to provide goods and services under specified terms and conditions'. Most CUAs are mandatory, but this is not always the case in regional areas. See Department of Finance, [Your guide to Common Use Arrangements](#), April 2013, pp. 2-3.

<p><i>To ensure appropriate market testing and greater accountability and transparency in procurement decision-making, agencies should:</i></p>	<ol style="list-style-type: none"> 5. Have adequate controls to ensure procurements are accountable, including: <ol style="list-style-type: none"> a. appropriate authorisation for awarding contracts or approving purchase orders; b. segregated decision-making; c. documenting procurement evaluations and recommendations; d. maintaining an up-to-date awarded contracts database; and e. policies and procedures for receiving, managing and recording supplier complaints. 6. Have comprehensive strategies to manage potential conflicts of interest during procurement. 7. Record all contracts valued at over \$20,000 on <i>Tenders WA</i>. 8. Maintain sufficient decision-making processes during procurement to allow independent scrutiny. 9. Use Department of Finance templates and have agency policies and procedures to help staff apply State Supply [Commission] policies, including <i>Value for Money</i> and <i>Buy Local</i>. 10. Involve the Department of Finance procurement office in procurements over \$20,000.
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Committee Follow-up

Department of Agriculture and Food

- 4.8 DAFWA was among the better performing agencies throughout the initial audit. Consequently, the Committee has sought a detailed response from the Department in regards to four areas of the audit where the findings were more critical (Suggested Action 2, 4, 6, and 9).
- 4.9 In response to Suggested Action 2, DAFWA confirmed it has an interactive website guiding its officers through a range of procurement scenarios on the departmental intranet. A detailed example was provided that relates to the use of Common User Agreements (CUAs).
- 4.10 DAFWA confirmed that CUAs are mandatory in the Perth region, while only some are mandatory in regional areas. Since the Auditor General's report, DAFWA has changed its practices relating to bookings for travel services in

regional offices, where the use of CUAs is not mandated. Booking Officers have now been advised to seek a quote from a CUA-listed travel provider to ensure that local entities are providing value for money.

- 4.11 For actions 4 and 9, DAFWA appears to have implemented processes that are consistent with the intent of the Auditor General's suggestions. For purchases under \$20,000, officers using DAFWA's Contract and Procurement intranet site are asked whether a regional price preference applies to the quote. A 'hot link' to the SSC *Buy Local Policy* guidelines is provided to allow the local officer to determine whether the policy should be applied to the purchase.
- 4.12 All DAFWA purchases over \$20,000 are referred to the Contracts and Procurement Services (CAPS) section within the Department. The CAPS team then liaises with a Department of Finance Government Procurement (GP) Officer, based at DAFWA's head office, who facilitates the procurement process with DAFWA staff to ensure compliance with SSC policies.
- 4.13 Regarding Suggested Action 6, DAFWA now has various strategies in place to manage potential conflicts of interest during procurement for amounts over \$20,000. For such purchases, staff must complete a 'Declaration of Interest and Confidentiality' form. These declarations are reviewed periodically. If a potential or actual conflict is identified, action is taken to replace the officer from the purchase process or to mitigate the risk. Strategies used to mitigate the risk of potential conflicts are recorded in the Department's Conflict of Interest Register.¹³³

Department of Health

- 4.14 The Committee sought a response from Department of Health on behalf of the WA Country Health Service (WACHS). The response confirmed that WACHS had accepted all the findings made by the Auditor General and offered 30 June 2014 as the date by which all the suggested measures would be actioned.
- 4.15 In many instances¹³⁴, appropriate policies were already in place and WACHS had committed to reminding its staff of the importance of adhering to all State Supply Commission directives, Department of Finance regulations, and internal procedures.
- 4.16 In addition, the Department was due to appoint a full-time Project Officer by August 2013 to 'review the organisation's procurement framework, governance, policies, and procedures to further address the recommendations

¹³³ Mr Rob Delane, Director General, Department of Agriculture and Food, Letter, 21 October 2013.

¹³⁴ Suggested Actions 2, 4, 7, 8, and 9. Professor Bryant Stokes, A/Director General, Department of Health, Letter, 16 August 2013, pp. 3-7.

in the report.¹³⁵ WACHS is also currently assessing the purchase of a Contract Management System as part of its overall view to moving towards a more centralised purchasing model.

4.17 Other notable developments include:

- Redesigning procurement processes to facilitate a greater degree of compliance with processes where requests for exemptions are applicable (Suggested Action 3).
- Establishing a WACHS Contracts register to assist in monitoring compliance with the *Buy Local* policy and to provide a central repository for all procurement information (4 and 8).
- Plans to develop an on-line Conflicts of Interest Register in conjunction with the Department's On Line Gift Declaration Register (6).
- Refresher training for relevant staff on how to upload contract information on the *Tenders WA* website for purchases over \$20,000 (7).¹³⁶

Department of Fisheries

4.18 Fisheries accepted the findings of the audit and has worked with Finance to establish an implementation program for each of the suggested actions. The program was fully implemented by the end of May 2013. Included in this program was an advice to all senior managers, including those in regional areas, to comply with all the actions suggested by the Auditor General.

4.19 To facilitate compliance, Fisheries again worked in conjunction with Finance to make its intranet site 'more user friendly in terms of locating the most recent, advice, policy and templates.'¹³⁷ Control mechanisms have also been put in place whereby senior officials from Finance will now review Fisheries' procurement proposals before the relevant Executive Director within Fisheries endorses a relevant purchase as compliant.

4.20 Finally, a comprehensive training program was conducted across the Department where relevant administration and finance staff were updated on the suggested actions from the audit. Particular attention was given to: the practice of splitting orders; exempted orders; documentation of decisions; and accountability practices.¹³⁸

¹³⁵ Professor Bryant Stokes, A/Director General, Department of Health, Letter, 16 August 2013, p. 1.

¹³⁶ *ibid.*, pp. 2-7.

¹³⁷ Mr Stuart Smith, Director General, Department of Fisheries, Letter 13 June 2013.

¹³⁸ *ibid.*

Kimberley Development Commission

- 4.21 KDC provided a response indicating that it was now complaint with all the suggested actions and demonstrating that it had addressed specific areas of weakness noted against it in the audit. A sufficient number of quotes is now being obtained for purchases up to \$20,000 and the Department of Finance's Northern Region Office has been engaged to ensure practices are consistent with relevant policies. Staff from this office have also provided procurement training to key Commission staff and the office now records contract details for KDC purchases exceeding \$20,000 on the *Tenders WA* website.¹³⁹

Main Roads Western Australia

- 4.22 Main Roads indicated that it was taking appropriate action in response to the areas of the audit where its processes were identified as below best practice. Following the audit, Main Roads commenced a transition of all its purchases to a centralised branch to enable more effective monitoring of procurements from its regional offices. This process was completed in September 2013¹⁴⁰ and aims to address the low levels of compliance around market testing policies and instances of failure to document decision-making processes for purchases over \$20,000.
- 4.23 Main Roads has also introduced a reporting process that will enable it to monitor and correct any purchases over \$20,000 not published on *Tenders WA*. Finally, the agency has amended its *Acceptance of Gifts and Benefits Policy* to incorporate guidelines on 'Procurement Conflict of Interest' and has established a corporate register to review and monitor any purchases where such conflicts arise.¹⁴¹

Pilbara Institute

- 4.24 Pilbara Institute provided a detailed response acknowledging that its processes were not consistent with available policies and guidelines in many of the areas covered by the audit. It is encouraging to note that the Institute has since employed a Contracts and Procurement Leader to assist in addressing all the suggested actions with a series of remedial actions now implemented.¹⁴²

¹³⁹ Mr Jeff Gooding, Chief Executive, Kimberley Development Commission, Letter, 29 August 2013.

¹⁴⁰ Mr Scott Spicer, Manager Supply and Transport, Main Roads WA, Email, 18 November 2013.

¹⁴¹ Mr Stephen Troughton, Managing Director of Main Roads, Letter, 23 August 2013.

¹⁴² Mr Norman Baker, Managing Director, Pilbara Institute, Letter, 20 August 2013.

Committee Conclusion

4.25 The Committee was satisfied with the actions that agencies had taken thus far in response to the audit and resolved to conclude this follow-up.

Finding 8

The Committee is satisfied with the actions taken to date by all audited agencies to improve procurement practices in regional areas following the Auditor General's first Public Sector Performance Report of 2012. The agencies examined were: the Department of Agriculture and Food; Department of Fisheries; Department of Health; Kimberley Development Commission; Main Roads WA; and the Pilbara Institute.

Chapter 5

Report 11 of 2012: Second Public Sector Performance Report

Introduction

- 5.1 In his second PSPR for 2012, the Auditor General conducted three limited scope performance audits:
- Business Continuity Management by Port Authorities;
 - Western Australian Natural Disaster Relief and Recovery Funding; and
 - Housing's Implementation of the Head Contractor Maintenance Model.
- 5.2 This chapter deals separately with the Committee's follow-up of the first two audits. The follow-up of the Head Contractor Maintenance Model is ongoing and will be presented in a later report.

Business Continuity Management by Port Authorities

- 5.3 The first audit looked at the maturity of business continuity management (BCM) planning in four of the primary port authorities in WA (Fremantle, Esperance, Geraldton, and Port Hedland). The audit found maturity ranged from high to basic or none across the four ports.
- 5.4 Business continuity planning and management at WA's ports is important because nearly 50 per cent of the nation's trade is exported from these facilities (up from 26 per cent over the last 10 years). [Table 9](#) below illustrates the increases in trade through the four selected ports. Disruptions to these port operations, therefore, have 'potentially significant economic, social and environmental costs'.¹⁴³

¹⁴³ Auditor General Western Australia, [Second Public Sector Performance Report 2012](#), Report 11 - September 2012, p. 7.

Table 9 Trade (m tonnes) Through Ports in the Last Five Years¹⁴⁴

Trade statistics (m tonnes) (2007 to 2012)					
Port Authority	2007-08	2008-09	2009-10	2010-11	2011-12
Esperance	9.9	9.9	11.3	11.1	11.8
Port Hedland	130.7	159.4	178.6	199.0	246.7
Geraldton	6.7	7.7	9.0	10.0	10.4
Fremantle	26.1	26.6	26.2	26.1	28.2

5.5 Some of the common risks to business that have been identified in a port environment include:

- Harbour closure due to an oil spill or ship grounding;
- Infrastructure damage through storm, fire or chemical explosion;
- Workers' disputes; and
- Information and telecommunication system breakdowns.

5.6 BCM 'aims to minimise the impact of an emergency or other event on the critical business activities of an organisation.'¹⁴⁵ The audit used RiskCover's *Business Continuity Management Guidelines* (2009) for its assessment of each authority's performance.¹⁴⁶

Auditor General's Findings and Recommendations

5.7 The audit found that:

*Fremantle Port Authority's business continuity management was the most advanced of the four ports and had reached a high level of maturity. Geraldton Port Authority was assessed as mature despite only recently engaging with the process. Port Hedland and Esperance Port Authority have yet to develop mature business continuity management. Port Hedland has taken some preliminary steps towards managing their business continuity, while Esperance has not yet started.*¹⁴⁷

5.8 The audit noted several serious incidents that have disrupted business in Western Australian ports over last five years. These included a ship grounding

¹⁴⁴ Auditor General Western Australia, [Second Public Sector Performance Report 2012](#), Report 11 - September 2012, p. 11.

¹⁴⁵ *ibid.*, p. 7.

¹⁴⁶ Riskcover, (Insurance Commission of Western Australia), [Business Continuity Management Guidelines \(2nd ed.\)](#), July 2009. Available at: http://www.riskcover.wa.gov.au/forms/pdf/bcm_guidelines.pdf. Accessed on 11 November 2013.

¹⁴⁷ Auditor General Western Australia, [Second Public Sector Performance Report 2012](#), Report 11 - September 2012, p. 7.

in Port Hedland in 2008, and the lead contamination ‘disaster’ in Esperance, which was first detected in 2006 and has continued to impact the operational effectiveness of the port.¹⁴⁸

- 5.9 The report made a range of broad findings, including that a port authority (PA) was demonstrably more mature in its business continuity management when the Board and executive were engaged and committed to the process.
- 5.10 Notably, the port authorities that were less mature in their management of business continuity had been going through substantial structural and executive change over the last few years. The report provided a summary of the status of each port, which is quoted immediately below:
- **‘Fremantle PA’s** business continuity management is at an advanced stage. It began business continuity planning in 2007, and there is clear board and executive commitment to the process. The Port has identified critical business activities and maximum allowable outage times. It has developed response plans and tested them for most critical areas. Key responsibilities have been identified and responsible staff have been trained.
 - **Geraldton PA** met the minimum requirements for a mature business continuity process. Since February 2012 it has initiated, drafted, and approved its business continuity policy. However, it is yet to fully implement or test response plans to determine if they appropriately address identified scenarios.
 - **Port Hedland PA** has taken some preliminary steps towards updating its business continuity management. It is progressing plans to update a 2007 business continuity plan and develop its business continuity program. A new position of General Manager Risk and Governance was added to its organisational structure last year. It has also integrated new software to identify and manage risk, including risks to business continuity.
 - **Esperance PA** has not commenced its business continuity planning. The lead contamination incident in 2006 has had a significant ongoing financial impact on the Port and has affected nearly all aspects of its operations. The Port has experienced eight changes of CEO and a significant number of changes in all senior executive positions. The risk manager left in 2011 and has not been replaced.¹⁴⁹

¹⁴⁸ Auditor General Western Australia, [Second Public Sector Performance Report 2012](#), Report 11 - September 2012, p. 11.

¹⁴⁹ *ibid.*, p. 8.

- 5.11 The Auditor General did not make recommendations in this section of the report, opting instead to provide list of things that ports, and government agencies more generally, should do to ensure the continuity of critical business activities:

Table 10 Suggested Actions for Business Continuity Management from the Auditor General¹⁵⁰

What should be done?
1. Embed a business continuity culture within their risk management program, guided by a policy and a plan approved by an executive overtly committed to business continuity management.
2. Undertake a thorough assessment of the resources required to sustain business continuity.
3. Develop plans for business continuity with enough detail for them to be accurately and fully activated.
4. Prepare staff by training them to ensure they are aware of their business continuity responsibilities.
5. Test the plans to make sure they work before they are required.
6. Review plans to incorporate any lessons learnt from testing, and keep them up to date.

Committee Follow-up

- 5.12 The Committee wrote to the Port Hedland, Esperance and Geraldton Port Authorities seeking a response to the suggested actions outlined in the audit report. The Committee did not pursue Fremantle PA, given the positive assessment the port received from the Auditor General.

Port Hedland Port Authority

- 5.13 The Port Hedland PA accepted the suggested actions of the Auditor General and recognised the need to 'review and mature' its processes. In December 2012, the Authority engaged the services of Truscott, Crisis and Emergency Management Leaders to assist it to develop its BCM framework. An implementation program had been developed, and 2013 would be spent reviewing and testing its new system.
- 5.14 At the time of its response to the Committee, Port Hedland PA had completed:
- A draft Crisis, Emergency and Business Continuity Management Policy;

¹⁵⁰ Auditor General Western Australia, [Second Public Sector Performance Report 2012](#), Report 11 - September 2012, p. 8.

- An assessment of all critical business functions with the relevant process owners within the Authority; and
 - A draft Business Continuity Plan, including individual plans for each identified critical business function.
- 5.15 Desktop and scenario testing of these plans were yet to be completed. If the new systems and functions proved 'robust and effective', the entire BCM framework would be taken to the Executive and Board for approval by the end of 2013.¹⁵¹

Esperance Ports Sea and Land (EPSL)

- 5.16 EPSL accepted the Auditor General's suggested actions in full. The Authority has developed a five-stage implementation program that includes:
- Drafting a Crisis and BCM Policy;
 - Undertaking a Business Impact Analysis and a Vulnerability Assessment;
 - Identifying and evaluating business continuity strategies;
 - Implementing approved strategies, documenting crisis management and BCM policies, and creating crisis management and BCM teams; and
 - Developing a training, exercise, and maintenance schedule for staff to build knowledge of the new policies and practices.
- 5.17 Like Port Hedland, EPSL has retained a specialist consultant, Riskwest, to assist in the development of its BCM policies and expects to have all actions implemented by 30 June 2014. As EPSL no longer has a dedicated Risk Manager, the port's Chief Financial Officer has taken charge of the project.¹⁵²
- 5.18 On the basis of the information provided, the EPSL appears to have made significant progress after being rated the least developed PA in the audit.¹⁵³

Geraldton Port Authority

- 5.19 Geraldton PA also indicated its support for the suggested actions in the audit report. However, the response provided to the Committee described actions the port had taken in response to specific issues (two moderate, four minor) that the Auditor General had identified during the audit. Still, this information

¹⁵¹ Ms Raechel Paris, General Manager Risk and Governance, Port Hedland Port Authority, Letter, 20 August 2013.

¹⁵² Mr Shayne Flanagan, Chief Executive Officer, Esperance Ports Sea and Land, Letter, 13 August 2013.

¹⁵³ Auditor General Western Australia, [Second Public Sector Performance Report 2012](#), Report 11 - September 2012, p. 13.

did indicate that Geraldton PA was either adopting or amending practices where necessary in a manner consistent with the intent of the Auditor General's sector-wide suggested actions.

Committee Conclusion

- 5.20 The Committee thought the actions being taken by each port authority were appropriate to the respective levels of maturity applicable to their BCM practices. Accordingly, the Committee resolved to conclude its follow-up.

Finding 9

The actions being taken by the port authorities of Esperance, Fremantle, Geraldton, and Port Hedland appear to be appropriate to the respective levels of maturity in their business continuity management frameworks

Western Australian Natural Disaster Relief and Recovery Arrangements (WANDRRA)

- 5.21 In WA, the Fire and Emergency Services Authority (FESA)¹⁵⁴ is responsible for administering funds available to assist communities to recover after a natural disaster. These funds are provided by the state and federal governments and are available under the Western Australian Natural Disaster Relief and Recovery Arrangements (WANDRRA). The criteria for eligibility for the funding are set by the Commonwealth through the Natural Disaster Relief and Recovery Arrangements (NDRRA).
- 5.22 When a natural disaster occurs, FESA assesses it against the NDRRA criteria, and if it is eligible, recommends that the State Government declare a natural disaster. Eligible disasters are: bushfire; cyclone; earthquake; flood; landslide; meteorite strike; storm; storm surge; tornado; tsunami; or a combination of these; and the total estimated damage to essential public assets must exceed \$240,000.
- 5.23 Depending on the type of disaster, WANDRRA funds can be accessed by individuals and families; primary producers and small businesses; and state government agencies and local governments.
- 5.24 In 2011, WA experienced a large number of natural disasters. As a result, just under \$61 million was spent on disaster relief through WANDRRA. The funds were used to:

¹⁵⁴ Now Department of Fire and Emergency Services (DFES).

- ‘Provide temporary accommodation (\$27.6 million);
 - Restore or replace essential public assets (\$18.6 million); [and]
 - Assist the general public and individuals, repair housing, and replace essential household items (\$12.3 million).¹⁵⁵
- 5.25 There are three partner agencies that assist FESA in distributing WANDRRA funds. These are the Department for Child Protection (DCP), the Department of Agriculture and Food (DAFWA) and Main Roads WA (MRWA or Main Roads).
- 5.26 The audit examined the following questions in relation to WANDRRA:
- Do agencies ensure funding is provided to eligible recipients?
 - Do agencies ensure funds are distributed for eligible items?
 - Is funding provided within a reasonable timeframe?
 - Are improvements in funding arrangements made following experiences in Western Australia and other states?

Auditor General’s Findings and Recommendations

- 5.27 The audit concluded that WANDRRA payments are ‘generally made in a timely manner to eligible recipients and for eligible purposes [but] there were a small number of assistance payments where this was not the case.’¹⁵⁶ There are some weaknesses in FESA’s administration of WANDRRA:

*The absence of formal arrangements with partner agencies means there is a lack of clarity over roles and responsibilities. This has resulted in varying rigour in ensuring eligibility for funding, and differences in interpretation of funding guidelines.*¹⁵⁷

- 5.28 The audit also found weaknesses in the systems and controls at some of the partner agencies.
- 5.29 The report made a series of key findings, which are quoted below:
- FESA promptly assesses disasters to determine whether WANDRRA funding applies. It then activates the process to provide funding support to those affected. However, in the sample we [the OAG] reviewed, FESA’s documentation failed to adequately show how the WANDRRA criteria had

¹⁵⁵ Auditor General Western Australia, [Second Public Sector Performance Report 2012](#), Report 11 - September 2012, p. 18.

¹⁵⁶ *ibid.*, p. 19.

¹⁵⁷ *ibid.*

been met. As a result FESA cannot readily support its decision to activate disaster relief funding.

- FESA has a good working relationship with the three partner agencies, but its administration of WANDRRA is ad hoc and coordination of funding arrangements with partner agencies is not proactive. It lacks formal arrangements with partner agencies regarding roles and responsibilities, fraud prevention controls and oversight and monitoring of the WANDRRA program.
- FESA, DCP and DAFWA paid most claims within 15 days after receiving all the supporting information from claimants. Main Roads took an average of 49 days, partly because of the level of technical assessment required. Nevertheless, this was longer than expected. None of the agencies have established timeframes for processing and payment of claims which means there is no basis to monitor progress.
- FESA, DAFWA and MRWA independently scrutinise and document claims from local governments, primary producers and small businesses. However, they do not systematically check with partner agencies for duplicate claims even though there is a known risk that some types of claims could be made to more than one agency. Also, there is no formal arrangement with relevant federal agencies and insurance bodies to assist checks of claimants' eligibility and their insurance status.
- DAFWA's dedicated database for managing primary producers' claims showed better practice. It allows the agency to internally check for duplicates, monitor the claims process and support its decisions.
- DCP's disaster relief funding processes were not sufficiently robust across the disasters. Suitable eligibility checks were not always applied and payments were not consistent with the result that ineligible payments and overpayments have occurred. The extent that this has occurred is not known, although DCP believes it would be limited to very few instances.
- FESA is currently reviewing WANDRRA administration to streamline its processes. But both FESA and its partner agencies could do more to improve their funding support processes by better analysing and learning from experiences in WA and other states.¹⁵⁸

5.30 Once again, the Auditor General provided a list of suggested actions for the relevant agencies to adopt. These are included in [Table 11](#) below.

¹⁵⁸ Auditor General Western Australia, [Second Public Sector Performance Report 2012](#), Report 11 - September 2012, p. 19.

Table 11 Suggested Actions from the Auditor General¹⁵⁹

Target Agency	What should be done?
<i>To improve overall WANDRRA administration and coordination, FESA should:</i>	<ol style="list-style-type: none"> 1. Formalise arrangements with partner agencies and develop an agreed process to oversight and review fund distribution. 2. Develop policies and procedures and establish timeframes for managing WANDRRA activation and claims.
<i>FESA and partner agencies should:</i>	<ol style="list-style-type: none"> 3. Agree a consistent basis for recording and sharing recipients' data to facilitate checks for eligibility and duplicates. 4. Ensure applicants understand their responsibilities in applying for funds and ask them to certify they have not made duplicate claims. 5. Regularly review fund management and cross check recipients' details to identify non-compliance, duplicate payments and misuse. 6. Develop a fraud prevention, detection and response policy for claims and conduct awareness training for staff. 7. Investigate and formalise arrangements with other entities such as relevant federal agencies and insurance bodies to improve checks on eligibility of fund recipients. 8. Conduct regular post-disaster reviews and consult with disaster management agencies in other states to learn from their experience and improve funding processes. 9. Establish and monitor timeframes to pay claims.
<i>When providing financial assistance to individuals and families, DCP should:</i>	<ol style="list-style-type: none"> 10. Assess their eligibility and ensure recipients receive assistance that is consistent with policy. 11. Further improve its processes for providing financial assistance including better and more timely cross checking for eligibility and duplicate payments.

Committee Follow-up

Department of Fire and Emergency Services

5.31 The Committee wrote to FESA's successor, the Department of Fire and Emergency Services (DFES), and its partner agencies, seeking their responses to the Auditor General's report.

¹⁵⁹ Auditor General Western Australia, [Second Public Sector Performance Report 2012](#), Report 11 - September 2012, p. 20.

- 5.32 DFES offered its full support to the report and advised that it had established a “corporate project” to review current procedures and to implement the suggested actions. The establishment of the project was slightly delayed to consider any impact from the new determination of the Commonwealth’s Natural Disaster Relief and Recovery Arrangements that took effect on 18 December 2012.
- 5.33 At the end of the corporate project’s review process, DFES was planning to finalise a Memorandum of Understanding (MoU) with relevant stakeholder organisations and develop a manual for local governments. Both initiatives were aimed at improving consistency in the administration and coordination of WANDRRA.
- 5.34 Each specific MoU that is created through this process will emanate from the project’s review of current procedures and discussions with each stakeholder organisation. The discussions with stakeholders will look to ensure that each MoU takes into account the items raised in the second component of the Auditor General’s suggested actions (numbers 3-9).
- 5.35 DFES had originally offered an October 2013 deadline for completing its work. However, while DFES’ internal procedures and reviews have been formalised, the work on finalising the MoUs has taken longer than originally forecast. DFES has recently advised that the draft MoUs are now being reviewed by the Department’s legal team. Following sign-off, each will be forwarded to the relevant stakeholder for final comment by the end of November 2013. It is now expected that all MoUs will be completed by March 2014.¹⁶⁰

Department for Child Protection

- 5.36 DCP confirmed that it already has processes in place consistent with several of the suggested actions directed to DFES’ partner agencies (numbers 6, 8, and 9).
- 5.37 In other areas, DCP has introduced new practices, or amended existing ones, in response to the strategies offered in the audit report. For example, DCP has now developed an updated filing system and new processes to improve checking processes for duplicate claims before assistance is provided.
- 5.38 In addition, revised guidelines now require staff to ask whether an applicant has previously applied for funding for relief against the disaster in question. New application forms contain current information relating to fraudulent

¹⁶⁰ Mr Wayne Gregson, Commissioner, Department of Fire and Emergency Services, Letter, 13 August 2013; Mr Graham Capper, Principal Coordinator, Grants and WANDRRA, Department of Fire and Emergency Services, Email, 11 November 2013.

claims, and amended policies now articulate the maximum amount an individual or family can apply for. Departmental staff are instructed to assess the eligibility of an applicant for payment against these revised policy criteria.

- 5.39 Payment review processes have also been enhanced. DCP now receives reports from the Commonwealth Bank in order to monitor whether financial assistance provided via debit cards to applicants is being expended appropriately. As there were no allocations of disaster funding in the 2012-13 year, this process had not yet been activated.
- 5.40 Finally, the Department was 'continuing to progress arrangements with insurance bodies to ensure funding is provided only to eligible recipients.'¹⁶¹

Department of Agriculture and Food

- 5.41 DAFWA's processes were viewed favourably throughout the majority of the audit. DAFWA advised the Committee that its existing policies and procedures complemented most of the suggested actions in the report. The Department added that it would assist DFES, where requested, in the latter's role as WANDRRA's lead agency in addressing matters raised by the Auditor General.¹⁶²

Main Roads Western Australia

- 5.42 MRWA assured the Committee that all issues identified in the audit report had been addressed. However, the letter to the Committee did not directly address the seven suggested actions directed to partner agencies. Like Geraldton Port Authority in the previous audit (see 5.19 above), MRWA instead outlined the actions it had taken in response to a series of specific issues (three moderate, four minor) that were identified during the audit. Notwithstanding this oversight, the actions MRWA has taken appear consistent with what the audit report is suggesting.
- 5.43 Most significantly, MRWA's Management Review and Audit branch conducted an audit of WANDRRA processes and payments in November 2012. Responses to this internal audit are currently being undertaken and are due for completion by the end of 2013. The audit 'identified some additional training and internal guideline improvements to assist ... regional staff with the assessment and processing of WANDRRA claims.' Regular internal audits will continue and will be used to mitigate fraud risk.¹⁶³

¹⁶¹ Mr Terry Murphy, Director General, Department for Child Protection, Letter, 12 July 2013.

¹⁶² Mr Rob Delane, Director General, Department of Agriculture and Food, Letter, 12 August 2013.

¹⁶³ Mr Stephen Troughton, Managing Director of Main Roads, Main Roads WA, Letter, 23 August 2013.

Committee Conclusion

5.44 The Committee was satisfied with the initial efforts made by DFES and its partner agencies to improve the manner in which WANDRRA claims are administered and resolved to conclude this follow-up.

Finding 10

The Committee is satisfied with the initial efforts of the Department of Fire and Emergency Services and its partner agencies (Department for Child Protection; Department of Agriculture and Food; Main Roads WA) to improve the administration of relief claims that are sought under Western Australian Natural Disaster Relief and Recovery Arrangements (WANDRRA).

Chapter 6

Report 12 of 2012 – Major Capital Projects

Background

- 6.1 Major capital works programs in Western Australia (WA) represent both a major investment and financial risk for the state. Nearly \$8 billion is invested in major non-residential building projects (defined as projects valued over \$10 million).
- 6.2 The Auditor General selected a sample of these projects to audit, looking at the 20 highest value non-residential building projects. The combined budget for these 20 projects is currently \$6.157 billion.
- 6.3 Major projects in WA are managed by the office of Strategic Projects within the Department of Treasury (Treasury), and Building Management and Works (BMW) within the Department of Finance (Finance).
- 6.4 Strategic Projects is responsible for ‘oversight of the planning and delivery of complex, major non-residential building projects assigned to it by Government (typically with an estimated cost greater than \$100 million). It also works with other agencies in managing and reporting on large scale government projects.’¹⁶⁴ The Economic and Expenditure Review Committee (EERC) of the Cabinet is responsible for assigning major works to the Strategic Projects unit.
- 6.5 BMW provides ‘a range of services and acts as the delivery agent for the government’s remaining non-residential building program (as a general rule, projects valued below \$100 million).’¹⁶⁵
- 6.6 Both agencies implement the ‘Works Reform Program’ (initiated in 2009), to improve agencies’ compliance with the Government’s Strategic Asset Management Framework (SAMF). The SAMF was first published in 2005 and is aimed at achieving effective and efficient asset management and capital investment in the public sector. It aims to ‘improve the early corporate management, planning, needs assessment, evaluation and definition phases of the project lifecycle.’¹⁶⁶ It requires that ‘recommendations to invest in an asset should have a clear strategic justification in terms of meeting the

¹⁶⁴ Auditor General Western Australia, [Major Capital Projects](#), Report 12 - October 2012, p. 14.

¹⁶⁵ *ibid.*

¹⁶⁶ *ibid.*, p. 15.

government's objectives, and demonstrate that the recommended option offers strong value for money.'¹⁶⁷

- 6.7 The purpose of the audit was to 'inform Parliament as to the current status of the 20 highest value non-residential building projects, and to show if they are meeting cost and time targets and if not, the reported reasons.'¹⁶⁸ The methodology for measuring performance against cost and time baseline estimates was explained as follows:

*We have used the variance between the original approved budget and the expected total cost to measure cost performance. Because [Strategic Planning] does not report the project start date (the date the project team is established) we have used the year that the project was first included in agency budget papers as the project start date to calculate time variance.'*¹⁶⁹

- 6.8 The audit recognises that for some projects, such significant changes were made during the project process that they 'could be considered to be completely different projects.'¹⁷⁰ The auditors acknowledged that in these circumstances, 'defining meaningful baselines for measuring project performance can be difficult,'¹⁷¹ and the original plans and approvals may not be very relevant for measuring the performance of the agencies running the projects. 'However, in broader accountability terms, being able to show all the changes, the reasons for them and their approval is important.'¹⁷²

Auditor General's Findings and Recommendations

- 6.9 The overview of the audit highlighted two significant issues in relation to major capital projects. The first was the importance of transparency and accountability in decision making and reporting. The second was the importance of improved early planning for major projects:

Given the significance of major capital projects, a clear audit trail of key decisions and approvals should be maintained so that accountability for those decisions is clear. For many projects this was not the case, and needs to be addressed. The publicly available information on major projects is disparate and inconsistent, making it difficult to get a full and accurate picture of progress and performance.

¹⁶⁷ Auditor General Western Australia, [Major Capital Projects](#), Report 12 - October 2012, p. 15.

¹⁶⁸ *ibid.*, p. 17.

¹⁶⁹ *ibid.*

¹⁷⁰ *ibid.*

¹⁷¹ *ibid.*

¹⁷² *ibid.*

Government needs to consider how it can improve this and deliver a higher level of transparency for Parliament and the community

It is critical to project performance to get the early stages right...Fixing projects gets harder as they progress and, as a number of projects in the report show, the impact of departing from good process at the start stays with them.¹⁷³

6.10 Key findings of the audit included:

- ‘Limited reporting on major capital projects means that Parliament and the public are restricted in their ability to assess the progress of each project against cost and timeline targets. This amounts to a major gap in the transparency and accountability framework of government given the cost and importance of these projects.’¹⁷⁴
- The expected cost of the sample’s 20 projects is \$6.157 billion, which is \$3.275 billion (114 per cent) more than the total original approved budget estimates:
 - 15 of the 20 projects are expected to exceed their original approved budgets, of which four are expected to exceed it by more than 200 per cent.
 - Six of those 15 projects expect to exceed their original approved budget by more than \$100 million.¹⁷⁵
- Approximately 90 per cent (\$2.953 billion) of the cost variance occurred during the evaluation phase of the project, ‘when the project business case was developed and project and project scope and costs were more accurately defined.’¹⁷⁶
- The overall cost variance after the evaluation phase is \$322 million or approximately 10 per cent, ‘indicating effective project management by [Strategic Projects] and BMW and the value of robust planning in project performance.’¹⁷⁷
- ‘Changes that have occurred to some projects are so significant that the revised projects are considerably different to that which was initially approved and announced. The resulting variance to budget and timelines

¹⁷³ Auditor General Western Australia, [Major Capital Projects](#), Report 12 - October 2012, p. 6.

¹⁷⁴ *ibid.*, p. 8.

¹⁷⁵ *ibid.*

¹⁷⁶ *ibid.* See also p. 7.

¹⁷⁷ *ibid.*, p. 8.

was often outside the control of the agencies tasked with delivering the assets and does not reflect project management performance.¹⁷⁸

- The estimated cost for four of the 20 projects includes Commonwealth funding, totalling \$430.5 million, which was provided after the initial project approval. This shows as a variance in the audit, even though it is at no extra capital cost to the state.¹⁷⁹
- Of the 20 sampled projects, three-quarters (15) are expected to be delivered past their original due date. Delays vary from one to 62 months, with 16 months the average delay period.¹⁸⁰
- Significant changes in scope and design during the project evaluation phase were the main reasons for cost and time variations. Other factors included:
 - Variations to the project scope after contracts had been awarded;
 - Issues relating to building quality prior to project completion; and
 - Weather conditions.¹⁸¹
- ‘Project budgets and timelines were, in some cases, announced before detailed evaluation had occurred and project business cases had been approved. This reflects the inconsistency with which robust project planning was applied to some of the projects. Making early announcements significantly increases the risk that budgets and timelines will be exceeded and public expectations will not be met.’¹⁸²
- The audit found that transparency and accountability for project decisions within relevant agencies was difficult to establish:
 - ‘It is difficult for project staff or those undertaking a review to establish a clear project history;
 - There was often a lack of evidence to show that the existing business case remained valid following changes in project scope; and
 - The point at which projects are reported to have started is inconsistent, with different projects reporting different baselines such as Expenditure Review Committee (ERC) approval or

¹⁷⁸ Auditor General Western Australia, [Major Capital Projects](#), Report 12 - October 2012, p. 8.

¹⁷⁹ *ibid.*

¹⁸⁰ *ibid.*, p. 9.

¹⁸¹ *ibid.*

¹⁸² *ibid.*

Ministerial statement. This makes it difficult to conduct trend analysis, measure project performance and determine the full capital cost of a project.¹⁸³

6.11 The Auditor General made five recommendations:

Table 12 Recommendations from the Auditor General¹⁸⁴

Target Agency	Recommendation
General	1. Major investment decisions need to be well informed and soundly based. Full project budgets and timelines should only be set when project evaluation is complete and a project business case has been considered.
Government	2. Government should consider options to provide regular and enhanced reporting to Parliament on the status of major capital projects. These options might include a consolidated report or coordinated reporting by the individual accountable authorities. Regardless, project performance should be reported against the original approved timeline and budget rather than the current practice of inconsistent and disparate information provided on individual agency websites or annual reports.
Department of Treasury	3. The Department of Treasury should retain copies of key submissions and approvals [sic] project documents so that it is able to effectively track project development and oversee agency compliance with the SAMF.
Department of Treasury, Department of Finance, and client agencies	4. Department of Treasury, Department of Finance, and client agencies should ensure that where there are changes to project scope, costs and/or schedules, project definition plans should include sufficient evidence to confirm that the chosen investment option, as detailed in the business case, remains valid. If the original investment option is no longer valid because of major scope change, then a new business case should be written as a matter of urgency.

¹⁸³ Auditor General Western Australia, [Major Capital Projects](#), Report 12 - October 2012, p. 9.

¹⁸⁴ *ibid.*, pp. 9-10.

<p><i>The Department of Treasury and the Department of Finance</i></p>	<p>5. The Department of Treasury and the Department of Finance should seek to facilitate trend analysis, improve strategic project evaluation and the accuracy of performance reporting by:</p> <ul style="list-style-type: none"> a) Establishing a standard baseline for reporting original approved budgets, original estimated completion dates and project start dates. b) Ensuring that there is consistent reporting of estimated total costs (these should include all project specific planning, evaluation, definition, delivery, project close-out and review costs). c) Reporting project related land purchases and sales as part of the project [sic] estimated total cost. d) Updating SAMF policies and guidelines which are soon to be submitted for Cabinet, to ensure consistency in reporting cost and time performance.
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Committee Follow-up

6.12 The Committee sought responses from Finance and Treasury as part of its standard follow-up process, while an additional letter was sent to the Department of Premier and Cabinet (DPC) regarding the recommendation to the Government. The responses of these agencies are summarised below.

General Observations

6.13 Treasury and Finance both acknowledged the Auditor General's recommendations as being soundly-based, but were concerned about the methodology used for measuring cost and time performance.

6.14 Consistent with its original response to the Auditor General, Treasury felt that the methodologies used by the Auditor General (see 6.7 above) did not adequately recognise a government's right to cancel, or significantly change the scope of, major capital projects. In such circumstances, original cost and time parameters 'are of little if any relevance to the measurement of project management performance by the responsible agency.'¹⁸⁵

¹⁸⁵ Mr Tim Marney, Under Treasurer, Letter, 5 August 2013, p. 3. See also, Auditor General Western Australia, [Major Capital Projects](#), Report 12 - October 2012, p. 10.

- 6.15 Mr Marney cited the Auditor General’s analysis of the Albany Health Campus (AHC) project as a case in point:
- The “original” project parameters for AHC applied to a part refurbishment of an existing hospital. This project was cancelled. It was replaced by a new project to build a completely new, expanded health campus, subject to a separate and distinct Government investment decision. The comparison in the report is of little value.*¹⁸⁶
- 6.16 Treasury argued that the Auditor General’s methodology ‘has given rise to findings and conclusions that do not properly reflect project time and cost performance, particularly for uninformed readers.’¹⁸⁷
- 6.17 Finance expressed similar concerns, arguing that the Auditor General’s methodology was ‘inconsistent with the role of the Department to deliver projects to the **latest approved** time and cost parameters [emphasis added].’¹⁸⁸
- 6.18 Both departments referred to their concerns around the audit methodology on several occasions when explaining their responses to the recommendations in the audit report. Treasury added that its response should be considered in the context of these concerns.¹⁸⁹

Response to Recommendations

- 6.19 The first recommendation called for major investment decisions to be well informed and soundly based and for budgets and timelines to be set only when the project evaluation was complete and the business case had been considered.
- 6.20 Treasury and Finance both supported this recommendation and indicated that it was consistent with what is articulated in the policies and guidelines of the Government’s Strategic Asset Management Framework (see 6.6 above). Treasury noted that since Strategic Projects and BMW had assumed the lead role in developing business cases for non-residential building projects in 2009 (see 6.3 above)—as part of the Works Reform Program—‘the quality of the

¹⁸⁶ Mr Tim Marney, Under Treasurer, Letter, 5 August 2013, p. 3

¹⁸⁷ Auditor General Western Australia, [Major Capital Projects](#), Report 12 - October 2012, p. 10. The Auditor General’s report does acknowledge that major scope changes were often outside the control of agencies and did not reflect project management performance. See the fifth key finding at 6.10 above.

¹⁸⁸ Ms Anne Nolan, Director General, Department of Finance, Letter, 20 August 2013, p. 2.

¹⁸⁹ Mr Tim Marney, Under Treasurer, Letter, 5 August 2013, p. 1.

business cases that inform investment decisions by Government' had improved¹⁹⁰

- 6.21 Finance added that it works with agencies to improve compliance with the procedures articulated in the Strategic Asset Management Framework. The Department also assists agencies to develop their business cases in accordance with the SAMF, prepares project definition plans¹⁹¹ for projects greater than \$5 million, and encourages agencies to review major building projects.¹⁹²
- 6.22 It is feasible that the greater control given to Treasury and Finance since 2009 will improve the quality of business cases (and therefore project delivery performance). However, the Committee is not in a position to determine whether this move will satisfy the intent of the Auditor General's recommendation over the life of the projects that have commenced since the change in practice was implemented.
- 6.23 The second recommendation asked the Government to consider options to provide regular and enhanced reporting to Parliament on the status of major capital projects, using original approved timeframes and budgets as the performance reporting benchmark.
- 6.24 Treasury and Finance both advised that the issue of reporting to Parliament on the status of major capital projects was not a matter for them to decide, but was a decision for the Government. While both departments agreed on the intent behind the second part of the recommendation (as it related to consistent reporting processes), they reiterated their opposition to reporting against original timelines and budgets (as referred to at 6.14 through 6.17 above).¹⁹³
- 6.25 Treasury referred to the process it has in place for reporting to the Government via the Major Government Projects Report (MGPR), which forms part of a quarterly submission to the EERC. The MGPR is a consolidated report that provides an update on the progress of approximately 50 major projects valued in excess of \$50 million. This report records the original approved

¹⁹⁰ Mr Tim Marney, Under Treasurer, Letter, 5 August 2013, p. 2.

¹⁹¹ A project definition plan refines the scope, cost, schedule and risk information for an approved building project within the parameters set by the previously-approved business case. For more information see, Department of Treasury (Strategic Asset Management Framework), *Project Definition Plan*, Exposure Draft, September 2011, p. 1. Available at: http://www.treasury.wa.gov.au/cms/uploadedFiles/Treasury/Publications/06_samf_project_definition_plan_sept2011.pdf. Accessed on 20 November 2013

¹⁹² Ms Anne Nolan, Director General, Department of Finance, Letter, 20 August 2013, pp. 1-2.

¹⁹³ *ibid*; Mr Tim Marney, Under Treasurer, Letter, 5 August 2013, pp. 2-3.

budget and timeline, but measures performance against currently approved parameters.¹⁹⁴

- 6.26 Having suspected that Treasury and Finance might not be able to address the issue of reporting to Parliament, the Committee wrote to DPC seeking a response on behalf of Government for Recommendation 2. DPC advised that it had nothing to add to the reports provided by Treasury and Finance.¹⁹⁵ While rare, these instances demonstrate the difficulties that the Committee faces when the Auditor General makes a recommendation to “government” without indicating which agency he feels has the appropriate authority or expertise to respond.
- 6.27 Notwithstanding this point, the Committee sees merit in the Auditor General’s intention of trying to improve the reporting regime to Parliament and believes that a considered response from the Government in this area is warranted.

Finding 11

The Committee was unable to elicit a response to the Auditor General’s recommendation that the Government should consider options to provide regular and enhanced reporting to Parliament on the status of major capital projects.

Recommendation 3

The Treasurer and the Minister for Finance should consider ways in which the status of major capital projects can be reported to the Parliament.

- 6.28 The Auditor General’s third recommendation called on Treasury to retain key documents so that projects can be effectively tracked and monitored for compliance with the Strategic Asset Management Framework.
- 6.29 Treasury accepted this recommendation to the extent it ‘has access to the documents in question.’¹⁹⁶ In February 2013, Strategic Projects created and implemented a template to document chronological business decisions on projects for incorporation into all business cases and project definition plans. Each template file is to be updated at least annually.¹⁹⁷
- 6.30 Recommendation 4 from the Auditor General called for project definition plans to be updated as appropriate when scope change occurred and new business

¹⁹⁴ Mr Tim Marney, Under Treasurer, Letter, 5 August 2013, pp. 2-3.

¹⁹⁵ Mr Peter Conran, Director General, Department of Premier and Cabinet, Letter, 1 October 2013.

¹⁹⁶ Mr Tim Marney, Under Treasurer, Letter, 5 August 2013, p. 3.

¹⁹⁷ *ibid*, and Attachment 1, p. 1.

cases to be developed when the magnitude of change to a project was considered major.

- 6.31 Treasury offered its full support to this recommendation and argued again that it is reflected in the updated arrangements around ensuring compliance with the SAMF (see 6.20 above). Treasury has undertaken to ‘continue to work collaboratively with agencies to develop robust business cases and project definition plans.’¹⁹⁸
- 6.32 In its original response to the Auditor General, Finance indicated that it was not necessary to maintain the proposal for business cases for the life of an investment. However, project changes ‘should be monitored against the approved business case.’¹⁹⁹ When responding to the Committee, Finance stated that when significant changes were proposed that were inconsistent with what was originally approved, business cases may need to be reviewed or rewritten. Finance added that the identification of any changes ‘rests with the appropriate agency.’²⁰⁰
- 6.33 Finance confirmed that the project definition plans it develops ‘investigate and document project parameters in more detail than in the business case as the project progresses.’²⁰¹ The Department works with agencies to review its business cases when misalignment emerges with the project definition plan in relation to scope, cost, or time.
- 6.34 The Committee strongly supports the intent of this recommendation and the ongoing accountability measures it promotes. The Committee also sees value in promoting transparency in this area through the reporting of approved scope changes. Notably, Treasury’s Major Government Projects Report (referred to at 6.25 above) provides a reporting mechanism to Government, via the EERC, when there is variance to approved project parameters and when significant scope change necessitates the development of a new business case.²⁰²
- 6.35 The Committee urges Treasury, Finance, and all relevant client agencies to examine how the MGPR process for reporting to Government could be replicated for projects overseen by Finance’s BMW team.
- 6.36 In keeping with the intent of the Committee’s Recommendation earlier in this chapter (following 6.27 above), the Treasurer and Minister for Finance might

¹⁹⁸ Auditor General Western Australia, [Major Capital Projects](#), Report 12 - October 2012, p. 5.

¹⁹⁹ *ibid.*, p. 11.

²⁰⁰ Ms Anne Nolan, Director General, Department of Finance, Letter, 20 August 2013, p. 2.

²⁰¹ *ibid.*, p. 3.

²⁰² Ms Angela Kyme, Executive Officer, Office of the Under Treasurer, Email, 15 November 2013.

also consider means by which information on scope change could be made available to the Parliament by way of status reports.

- 6.37 The final recommendation from the Auditor General suggested four ways that Treasury and Finance could facilitate trend analysis, improve strategic project evaluation and the accuracy of performance reporting.
- 6.38 Treasury's and Finance's responses to 5(a) were couched in terms of their opposition to the baseline methodologies adopted by the Auditor General. Treasury records its original project start date in its MGRP, but stresses that this milestone 'is often difficult to accurately define'.²⁰³ The use of first reference in the Budget Papers, as adopted by the Auditor General might not have any relation to the commencement of formal activities. As such, Treasury considers the completion date to be a more reliable performance measurement indicator.²⁰⁴
- 6.39 As noted at 6.17 above, Finance aims to deliver its projects in accordance with the most recent parameters approved by the Government. New guides to both project cost and schedule management are in the process of being finalised. These will guide staff in the establishment of baseline parameters based on the latest approved cost and timeline estimates and are aimed at promoting greater consistency in reporting.²⁰⁵
- 6.40 Treasury indicated that recommendation 5(b) is consistent with the definition of Estimated Total Cost used by Strategic Projects, which will be maintained. Finance advised that it will continue to work with agencies to promote effective cost reporting, but cautioned that it can only accurately report on costs that it manages directly (e.g. design and construction, equipment and ICT costs). It remains reliant on the client agencies for the receipt of information relating to other costs (e.g. land assembly, planning, and internal management costs).²⁰⁶
- 6.41 Treasury accepted the part of Recommendation 5 (c) as it related to the treatment of project-related land purchases, advising that this reflects current practice. However, the process relating to land disposal is governed by the Strategic Asset Management Framework, which prohibits the inclusion of land sale proceeds within estimated project costs. Treasury confirmed that it will

²⁰³ Mr Tim Marney, Under Treasurer, Letter, 5 August 2013, p. 4.

²⁰⁴ *ibid.*, p. 4.

²⁰⁵ Ms Anne Nolan, Director General, Department of Finance, Letter, 20 August 2013, p. 3.

²⁰⁶ *ibid.*; Mr Tim Marney, Under Treasurer, Letter, 5 August 2013, p. 4.

continue to comply with the Strategic Asset Management Framework requirements for asset disposal.²⁰⁷

- 6.42 Finance is not usually advised of agency purchases or sales of land and as such does not include this information in its project cost reporting. Finance made the reasonable point that land used for development may have been part of an agency's asset register for a significant period of time. In these instances, funding for a development may not include the purchase price of land or the 'benefit of returns from land sales.'²⁰⁸
- 6.43 Updating Strategic Asset Management Framework policies and guidelines (Recommendation 5 (d)) is Treasury's responsibility, with Finance providing support as and when requested. Treasury confirmed that its suite of policies has been under continual review since 2011. It added that draft versions of proposed updates have been posted on the Department's website and have been successfully trialled by several agencies. A Cabinet submission seeking approval of the final updated versions is awaiting consideration.²⁰⁹

Committee Conclusion

- 6.44 Given the number of performance audits it is currently following-up, the Committee has not been able to examine the nuances of this topic in great depth. The Committee acknowledges the concerns expressed by Finance and Treasury regarding the baseline methodologies used in the audit to measure performance, but notes that the Auditor General made concessions regarding the limitations of this approach (see 6.8 above).
- 6.45 Generally speaking, the Committee is satisfied with the adequacy of the actions taken by Treasury and Finance in response to this report. However, it reiterates its support for the further development of accountability and transparency measures when significant changes are made to the scope of major projects.

Finding 12

The Committee is generally satisfied with the actions taken by Treasury and Finance in response to Auditor General's Report No. 12 of 2012: *Major Capital Projects*. However, the Committee encourages further development of accountability and transparency measures, particularly when significant changes are made to the scope of major projects.

²⁰⁷ Mr Tim Marney, Under Treasurer, Letter, 5 August 2013, p. 5.

²⁰⁸ Ms Anne Nolan, Director General, Department of Finance, Letter, 20 August 2013, p. 3.

²⁰⁹ *ibid*; Mr Tim Marney, Under Treasurer, Letter, 5 August 2013, p. 5.

Chapter 7

Report 13 of 2012 – Implementation of the National Partnership Agreement on Homelessness in Western Australia

Background

- 7.1 In 2009, Western Australia (WA), the Federal Government, and other states and territories signed the National Partnership Agreement on Homelessness (the Agreement or NPAH), under which WA and the Federal Government jointly committed \$135.1 million over four years (2009-10 to 2012-13) to address homelessness. At the start of the Agreement, data available from the Australian Bureau of Statistics (ABS) suggested that there were approximately 13,000 homeless people in Western Australia.
- 7.2 People who are homeless or at risk of being homeless are those who are: living on the street; in overcrowded situations with family and friends because they have no house of their own; in emergency accommodation; or in boarding houses for short or long durations. Estimates suggest that 11 per cent of the homeless people in WA are Aboriginal.²¹⁰
- 7.3 The causes of homelessness are recognised to be complex, and many people have more than one factor which leads to homelessness. Causes are frequently linked to people's personal, social and financial circumstances, as well as issues such as domestic and family violence, mental and general health conditions, alcohol and substance abuse and financial problems.²¹¹
- 7.4 The Auditor General's report also notes that:

*Broader economic circumstances such as the availability of jobs and houses, prices of essential goods and services, and natural disasters also contribute to homelessness. For WA, the strength of the resources sector and the associated population growth has had a significant impact. There are notable shortages in affordable accommodation, prices for residential rentals are high, and waiting times for social housing are long.*²¹²

²¹⁰ Auditor General Western Australia, [Implementation of the National Partnership Agreement on Homelessness in Western Australia](#), Report 13 - October 2012, p. 13.

²¹¹ *ibid.*

²¹² *ibid.*

- 7.5 The Agreement provides for \$135.1 million over four years. Funding from the first three years of the program represents approximately 40 per cent of \$234 million total amount spent on homelessness in this state. The Department for Child Protection (DCP or Child Protection) is responsible for WA's implementation plan, which involves 20 programs delivered by 71 not-for-profit organisations.
- 7.6 The following targets for WA were developed based on 2006 Census information:
- Reduce the number of homeless people by seven per cent (937 people) from 13,391 to 12,455;
 - Reduce the number of people who live on the street by 25 per cent (598 people) from 2,392 people to 1,794; and
 - Reduce the number of homeless Aboriginal people by one-third (499 people) from 1,496 to 997.
- 7.7 As the Auditor General's report explains, these targets were set in September 2010. Since then, the ABS changed the way it counted homeless people, and released revised figures based on the 2006 Census. 'As a result, the homelessness count for WA was reduced from 13,391 to 8,277.'²¹³ New data based on the 2011 Census was due to become available in November 2012.
- 7.8 The audit focused on three questions:
- a. Is WA meeting its funding and reporting commitments as agreed in the Agreement?
 - b. Are programs being delivered as agreed in WA's Implementation Plan?
 - c. Are programs making a positive difference for homeless people in WA?²¹⁴

Auditor General's Findings and Recommendations

- 7.9 Key findings of the audit included²¹⁵:
- Child Protection effectively engaged not-for-profit organisations and other government agencies to develop and deliver WA's implementation of the partnership agreement.

²¹³ Auditor General Western Australia, [Implementation of the National Partnership Agreement on Homelessness in Western Australia](#), Report 13 - October 2012, p. 15.

²¹⁴ *ibid.*, p. 7.

²¹⁵ Taken from *ibid.*, pp. 8-9.

- The state has met its funding obligation under the Agreement, committing \$68.4 million (51%) of the total \$135.1 million federal/state joint funding. At 30 June 2012, 71 per cent of the project's total funds had been expended.
- The state has satisfied its obligations under the Agreement to report annually to the Commonwealth on the performance of programs (including achievement against targets and program expenditure). Interestingly, the WA Parliament has not been privy to the same reporting requirements.²¹⁶ Consequently, 'there is limited visibility at state level on results of WA's investment in the Agreement'.²¹⁷
- The Agreement's main objective of reducing homelessness by seven per cent cannot be demonstrated, 'as it is not possible to isolate its specific impact from other initiatives and broader economic circumstances.'²¹⁸ The ABS' measure of homelessness has also been recalculated, changing the numbers involved significantly (estimates for homelessness in 2006 revised down from 13,391 to 8,277, a 38 per cent reduction).
- Child Protection does not have data to enable it to show if the 20 programs under the Agreement reduced homelessness for clients assisted by them. The Department's systems monitor the number of clients assisted and report this against project targets. It has acknowledged problems with its data collection and is working to improve this.
- Twelve of the 16 programs that had targets for the number of clients assisted met or exceeded their targets in 2010-11. The other four failed to meet their targets due to delays in starting the program. Child Protection estimates that 'if primary clients' family members and dependents are included, approximately 6,000 people benefited from the 16 programs in 2010-11.'²¹⁹
- Twenty-eight per cent of all clients assisted in 2010-2011 (681) were Aboriginal people (681). This figure was well in excess of the overall 11 per cent target for this client group.
- Client feedback suggested that programs have made a positive difference for the majority of people who used them.

²¹⁶ Auditor General Western Australia, [Implementation of the National Partnership Agreement on Homelessness in Western Australia](#), Report 13 - October 2012, p. 8.

²¹⁷ *ibid.*

²¹⁸ *ibid.*

²¹⁹ *ibid.*, p. 9.

- ‘The [s]tate had six months to set up \$135.1 million worth of programs and capital projects. This was an unrealistic timeframe and was not met. The delays resulted in some programs not meeting targets for 2009-10 and 2010-11’.²²⁰

- Access to suitable housing for clients was critical to program success. However, planning for the provision of housing was not robust:

*Although the Housing Authority allocated 1,940 dwellings for programs over the four years of the Plan, it could not guarantee these would be available where and when clients needed them. Private rental and other options such as return to family, house sharing and boarding houses were expected to provide half of the housing. But affordable rentals are scarce due to broader housing market conditions. The lack of suitable housing means that clients cannot be housed, so programs are at risk of not meeting their objectives.*²²¹

Lack of available housing is a well-known problem in the north-west of this state, yet the programs being run in the Pilbara and the Kimberley require the availability of more than 140 private rental homes.

- ‘The agreement has improved relationships between government agencies and non-government organisations delivering programs for homeless people’.²²²

7.10 The Auditor General made seven recommendations in this report. Three are directed at all agencies involved, and four are directed at the Department for Child Protection:

Table 13 Recommendations from the Auditor General²²³

Aim and Target Agency	Recommendation
<p><i>To improve implementation and monitoring of national partnership agreements, the Department of the Premier and Cabinet, the Department of Treasury and lead agencies should seek to ensure that:</i></p>	<ol style="list-style-type: none"> 1. Timeframes are reasonable for implementing programs and projects. 2. Adequate planning has been done. 3. Appropriate measures and monitoring systems are in place.

²²⁰ Auditor General Western Australia, [Implementation of the National Partnership Agreement on Homelessness in Western Australia](#), Report 13 - October 2012, p. 9.

²²¹ *ibid.*

²²² *ibid.*

²²³ *ibid.*, p. 10.

<p><i>To monitor the effectiveness and efficiency of its services to homeless people, DCP should:</i></p>	<ol style="list-style-type: none"> 4. Develop and report on agency level performance indicators for homelessness service delivery. 5. Report to the WA Parliament on the state's performance under the National Partnership Agreement on Homelessness. 6. Develop the ability to count unique individuals that use different state funded homelessness services to avoid double counting of clients. This will also assist with future planning and budgeting for services. 7. Work toward better information and data sharing with other state agencies that also provide services to homeless people or people at risk of homelessness.
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Committee Follow-up

7.11 The Committee wrote to the Departments of Treasury, Finance, and Child Protection, seeking their response to the audit and recommendations. The Committee did not write to the Department of Housing, as there were no recommendations directed to it in the audit.

7.12 On 31 May 2013, one week after the Committee's letters were sent, the WA and Commonwealth governments agreed to an extension of the Agreement for the 2013-2014 year. Both governments will invest an additional \$14.54 million (\$29 million in total) 'towards specialist services for people who are homeless or at risk of homelessness.'²²⁴

Department of Premier and Cabinet

7.13 DPC stated that it accepted and supported the intent of the Auditor General's recommendations, but argued that Recommendations 1 and 2, regarding timeframes and planning, were problematic. Similar to the sentiment

²²⁴ Hon. Helen Morton, Minister for Child Protection, 'New Funding to Support State's Homeless', Ministerial Media Statements, 29 May 2013.

expressed in its original response to the Auditor General²²⁵, the Department advised that:

*The Commonwealth sets all timelines relating to National Partnership Agreements. Whilst the DPC seeks to negotiate reasonable timeframes for implementing programs and projects, the decision is generally made by the Commonwealth Government.*²²⁶

7.14 DPC added that while it will continue to ensure that adequate planning is done in the lead up to national partnership agreements (NPAs) being established, the imposition of tight timeframes as a result of decisions from the Commonwealth Government meant that an appropriate window for planning was not always available. In these circumstances, DPC has ‘little influence in rectifying th[e] situation.’²²⁷

7.15 Notwithstanding these limitations, the Department is working closely with Treasury to make sure that appropriate measures and monitoring systems are in place (Recommendation 3):

*It is now a requirement that all new National Partnership funding arrangements be submitted to the Economic and Expenditure Review Committee (EERC) for approval prior to a commitment by the State Government this rigorous process scrutinises policy merit, financial implications and service delivery implications, which in turn reduces risks to the State.*²²⁸

Department of Treasury

7.16 Treasury echoed the sentiments of DPC on the relative lack of influence that the state agencies had over negotiating timeframes and outcomes linked to NPAs. Treasury stated that ‘although the Auditor General’s recommendations have significant merit, the capacity of State agencies (both central and service delivery agencies) to implement them is limited.’²²⁹

7.17 Still, Treasury reported two initiatives it hoped will ameliorate these issues. The first was the introduction of the new pre-agreement approval process referred to by DPC at 7.15 above. This process was established in October 2012

²²⁵ Auditor General Western Australia, [Implementation of the National Partnership Agreement on Homelessness in Western Australia](#), Report 13 - October 2012, p. 11.

²²⁶ Mr Peter Conran, Director General, Department of the Premier and Cabinet, Letter, 21 August 2013, p. 1.

²²⁷ *ibid.*, p. 2.

²²⁸ *ibid.*

²²⁹ Mr Tim Marney, Under Treasurer, Letter, 13 August 2013, p. 1.

and will ‘allow for greater scrutiny’ of NPAs and their accompanying implementation plans.²³⁰

- 7.18 The second initiative was the creation of a new ‘Evaluation Unit’ within the Department in 2013-14. This unit is designed to increase Treasury’s focus on the evaluation of government programs (including NPAs).²³¹

Department for Child Protection

- 7.19 In the Auditor General’s report, DCP stated its commitment to assisting vulnerable Western Australians at risk of or experiencing homelessness. The Department advised that an independent review of the Agreement was being conducted and that findings from the audit report ‘will inform decisions regarding the future design of programs.’²³² In its response to the Committee, the Department reported that it had taken steps to address all of the issues raised by the Auditor General, and provided an outline of its actions.
- 7.20 DCP supported the first three recommendations and concurred with the views of Treasury and DPC around the limitations imposed by the Commonwealth Government’s influence over the decision-making process on NPAs.²³³ However, DCP confirmed that it had ‘strong’ systems in place for measuring and monitoring (Recommendation 3), including its participation in the national Specialist Homelessness Services Collection (SHSC).²³⁴
- 7.21 In response to Recommendation 4, which called on the DCP specifically to develop and report on agency level performance indicators for homelessness service delivery, the Department said that performance indicators were set in both the National Affordable Housing agreement (NAHA) and the National Partnership Agreement on Homelessness (NPAH). Each service agreement at the state level contained outcome objectives and performance measures. DCP added that it ‘will continue to review and refine performance indicators and measures,’ in partnership with commonwealth, other state and not-for profit agencies.²³⁵
- 7.22 With regard to the Recommendation 5, DCP stated that ‘(t)he NPAH requires Western Australia to provide a detailed report on an annual basis to the Commonwealth Government against outputs, performance indicators and timelines as detailed in the Western Australian NPAH Implementation Plan.

²³⁰ Mr Tim Marney, Under Treasurer, Letter, 13 August 2013, p. 2

²³¹ *ibid.*

²³² Auditor General Western Australia, [Implementation of the National Partnership Agreement on Homelessness in Western Australia](#), Report 13 - October 2012, p. 10.

²³³ Mr Terry Murphy, Director General, Department for Child Protection, Letter, 6 August 2013, p. 2.

²³⁴ *ibid.* For more information on SHSC, visit: <http://www.aihw.gov.au/shsc/>.

²³⁵ Mr Terry Murphy, Director General, Department for Child Protection, Letter, 6 August 2013, p. 2.

This report is provided to the Minister for forwarding to the Commonwealth Minister and could be provided to the Western Australian Parliament.²³⁶

- 7.23 The recommendation for regular reporting to the WA State Parliament on activities undertaken as part of a national partnership agreement is important and should be implemented. Given public money is spent on activities agreed to under the Agreement, the public (via the Parliament) should be kept informed of the Agreement's progress. Under such joint-funding arrangements it should be expected that the WA Parliament is kept informed to the same degree as its commonwealth counterpart. The Committee therefore recommends that the Minister for Child Protection take action to ensure that the state's performance under the Agreement is reported to Parliament.
- 7.24 The Committee also calls on the relevant government ministers to examine similarly structured NPAs²³⁷ to ensure that the level of reporting to the State Parliament is consistent with that provided to the Commonwealth Parliament.

Finding 13

While the National Partnership Agreement on Homelessness requires Western Australia to provide a detailed annual report to the Commonwealth Government against outputs, performance indicators, and timelines, there is no such requirement to report this data to the State Parliament.

Recommendation 4

The Minister for Child Protection should take steps to enable the state's performance under the National Partnership Agreement on Homelessness to be reported to the Western Australian Parliament.

Other Ministers should also consider the ways in which reporting can be similarly structured under National Partnership Agreements within their portfolio remit.

- 7.25 In response to the call for DCP to develop a better method of counting individuals accessing services (Recommendation 6), the Department referred to its participation in the SHSC (see 7.20 above), which commenced from 1 July 2011. This program 'has the ability to provide data on individual clients at the State level, program level (NPAH and NAHA) and service level, and avoids

²³⁶ Mr Terry Murphy, Director General, Department for Child Protection, Letter, 6 August 2013, p. 3.

²³⁷ Examples of National Partnership Agreements that appear to have similar reporting structures include: the NPA for More Support for Students with Disabilities; the NPA on Improving Literacy and Numeracy; the NPA on Youth Attainment and Transitions; and the NPA on Remote Service Delivery.

double counting of individuals who access more than one service, or more than one period of support.’²³⁸

- 7.26 Finally, DCP reported that the SHSC had potential for addressing Recommendation 7 as long as processes around client privacy, confidentiality, client consent were approved by an appropriate ethical body. The Department confirmed it was continuing to work with key agencies to establishing further data linkages.²³⁹

Committee Conclusion

- 7.27 The Committee felt that the responses from the three departments were satisfactory, and decided to conclude follow-up of this audit report.

Finding 14

The Committee was generally satisfied with the actions that the Department of Treasury, the Department for Child Protection, and the Department of Premier and Cabinet have taken following the Auditor General’s Report No. 13 of 2012: *Implementation of the National Partnership Agreement on Homelessness*.

²³⁸ Mr Terry Murphy, Director General, Department for Child Protection, Letter, 6 August 2013, p. 3.

²³⁹ *ibid.*

Chapter 8

Report 15 of 2012: Managing the Road Trauma Trust Account

Background

8.1 The **Road Trauma Trust Account (RTTA or the Account)** is a fund derived from all speed and red light camera fines paid in Western Australia (WA). Up until 2011, one-third of these fines was paid into the Account. Legislative changes passed that year saw the proportion of fine revenue credited to the Account increase from two-thirds of the total raised in 2011-2012 to the full amount for the years thereafter. As a result, the income from this source increased from \$12.5 million in 2009-10 to an estimated \$84 million in 2012-13.²⁴⁰ The Government has used the RTTA to pursue initiatives to improve road safety. Some of the projects that have been funded from the Account include:

- 'improving intersection geometry and lane allocation, installing mast arms, upgrading signals and improving pedestrian facilities at intersections;
- sealing shoulders, installing audible edge lines and clearing road side hazards at high risk locations on country roads;
- expanded drug and breath testing;
- a campaign to increase the uptake of safe vehicles in public and private fleets; and
- awareness, education and research programs.²⁴¹

8.2 Three entities have decision-making roles relating to the operation of, and disbursements from, the RTTA: the Road Safety Council; the Ministerial Council for Road Safety; and the Office of Road Safety.

8.3 The **Road Safety Council** (the Council) is an expert body, established in 1997, whose Chair is appointed by the Minister for Road Safety, and whose membership is determined by the *Road Safety Council Act 2002* to be: WA Police; Main Roads WA; the departments of Transport, Health, Planning, and Education; the Western Australian Local Government Association; the

²⁴⁰ Auditor General Western Australia, [Managing the Road Trauma Trust Account](#), Report 15 - November 2012, p.17.

²⁴¹ *ibid.*, p. 13.

Insurance Commission of Western Australia; the Royal Automobile Club of Western Australia (representing all road users); and the Office of Road Safety.

8.4 Under the Act, the Council's functions are to:

- 'Identify and recommend measures to improve the safety of the [s]tate's roads;
- Identify and recommend measures to reduce deaths and injuries resulting from road crashes;
- Evaluate and monitor the effectiveness of these measures;
- Evaluate and monitor the safety of roads in the State;
- Make recommendations to Government on the expenditure of monies allocated to the Road Trauma Trust Account.²⁴²

8.5 The **Ministerial Council for Road Safety** is chaired by the Minister for Road Safety and includes other ministers with portfolio responsibilities in the road safety area. According to the Auditor General, the Minister for Road Safety discusses the recommendations for expenditure from the RTTA with the Ministerial Council for Road Safety and with the Cabinet.²⁴³

8.6 The **Office of Road Safety (ORS)** is a business unit in Main Roads Western Australia. It has responsibility for assisting the Minister to administer the *Road Safety Council Act 2002*; providing administrative support to the Council; coordinating the road safety effort for WA; and administering the allocation of RTTA funding.²⁴⁴

8.7 The ORS estimates that road crashes cost the WA economy approximately \$2 billion each year.²⁴⁵ The road safety strategy for WA, known as *Towards Zero*, was endorsed by the Government in March 2009, to last until 2020. The strategy aims to prevent deaths and serious injuries through the 'Safe System' approach, which seeks to manage 'the interaction between road users, roads and roadsides, travel speeds and vehicles.'²⁴⁶ If fully implemented, the strategy would expect to prevent 11,000 deaths and serious injuries.²⁴⁷

8.8 In his final report of 2012, the Auditor General set out to assess whether the management of the RTTA is 'effective, transparent and accountable in

²⁴² Auditor General Western Australia, [Managing the Road Trauma Trust Account](#), Report 15 - November 2012, p. 15.

²⁴³ *ibid.*, p. 20.

²⁴⁴ *ibid.*, p. 15.

²⁴⁵ *ibid.*, p. 7.

²⁴⁶ *ibid.*

²⁴⁷ *ibid.*, p 13.

allocating funds collected from speed and red light camera infringements to improve road safety and reduce road trauma,²⁴⁸ by focusing on the following three questions:

- ‘Are all moneys collected through speed and red light camera infringements being transferred to the Road Trauma Trust Account and allocated in line with the [s]tate’s road safety strategy, *Towards Zero*?’
- Do governance and internal assessment processes ensure that an effective combination of road safety measures is recommended to the Minister for funding?
- Do the Road Safety Council and Office of Road Safety ensure allocations are acquitted, and that projects are monitored and evaluated to inform future recommendations?²⁴⁹

8.9 The audit concentrated on the roles of the Council and the ORS in managing the Road Trauma Trust Account, and did not extend to the other member agencies of the Council. It also did not examine the broader structure of the road safety system in Western Australia.

Auditor General’s Findings and Recommendations

8.10 The key findings of the audit are quoted below:

- All speed and red light camera fines are paid into an agency special purpose account held by Main Roads WA called the Road Trauma Trust Account (the Account).
- The Account is not a stand-alone account and can be accessed without the Road Safety Council’s or the Office of Road Safety’s approval or control. This creates a risk that Account funds could be applied to projects or activities other than those approved for funding. However, we found no evidence that funds had been accessed for unapproved projects or used inappropriately. While Main Roads WA’s management processes are designed to prevent this from happening, stronger controls are warranted given the increase in funds paid into the Account since 2011.
- A lack of policy and clear role definition for the Office of Road Safety as the Account administrator reduces its authority to require funding recipients to provide effective acquittal of project funding. One in five progress reports were not submitted despite the Office of Road Safety’s

²⁴⁸ Auditor General Western Australia, [Managing the Road Trauma Trust Account](#), Report 15 - November 2012, p. 16.

²⁴⁹ *ibid.*

attempts to gain compliance. Where these were submitted, most contained limited information about progress other than money spent.

- Eighty-three per cent of project files held by the Office of Road Safety did not include executed agreements. In all but one of these files, the Office of Road Safety itself or Main Roads WA were the fund recipients.
- The Road Safety Council cannot demonstrate that it has an effective process for making recommendations to maximise the chance of achieving the [s]tate's road safety goals. This is because the Council has no master action plan for the strategy as a whole, and no rigorous or transparent process for choosing the project proposals it recommends. Rigour and transparency are needed to manage the risk of real or perceived conflicts of interest among Council members who both recommend and receive funding from the Account.
- The Road Safety Council is not adequately addressing its legislative responsibility to monitor and evaluate the effectiveness of road safety measures. This is because project reporting is patchy and often contains too little information to enable the Council and Office of Road Safety to evaluate project performance and inform future recommendations.
- In August 2012, the Road Safety Council adopted a performance monitoring framework comprising measures for outcomes, outputs (activities), road system risk and changes in risk resulting from broader economic and social change. This could be used to assess the strategy's progress and inform planning priorities. While this is a step in the right direction, it is not a master action plan for implementing *Towards Zero*.²⁵⁰

8.11 The Auditor General made four recommendations which are listed in Table 14 below. Both the ORS and Council welcomed the report. The Council added that it would prioritise the implementation of the recommendations, while the ORS said that findings and recommendations would be used:

*... to enhance project monitoring, reporting and performance and to strengthen the transparency and objectivity of business planning and budgeting processes...*²⁵¹

²⁵⁰ Auditor General Western Australia, [Managing the Road Trauma Trust Account](#), Report 15 - November 2012, p.8.

²⁵¹ *ibid.*, p. 10.

Table 14 Recommendations from the Auditor General²⁵²

Recommendations to the Office of Road Safety and the Road Safety Council	
1.	The Road Safety Council and the Office of Road Safety should establish policy for the administration of the Road Trauma Trust Account. The policy should include a clear definition of the role of the Office of Road Safety.
2.	To demonstrate that all funding is distributed and acquitted under appropriate agreements: <ol style="list-style-type: none"> a) The Office of Road Safety should ensure that agreements for all Road Trauma Trust Account expenditure are executed and filed appropriately. b) The Road Safety Council and Office of Road Safety should take steps to improve compliance with funding agreements. c) The Road Safety Council should ensure that all payments from the Road Trauma Trust Account are authorised. d) The Office of Road Safety should vigorously pursue all funding recipients for acquittals in keeping with the terms of the agreements.
3.	To improve transparency and provide confidence in the quality of recommendations, the Road Safety Council should ensure that funding recommendations are supported by clearly articulated criteria and a master action plan for the strategy as a whole.
4.	The Office of Road Safety and Road Safety Council should take steps to improve the quality and consistency of project reporting from funding recipients. To better evaluate the impact of <i>Towards Zero</i> and make informed future funding decisions, the Road Safety Council should: <ol style="list-style-type: none"> a) Clearly articulate funding priorities, using the agreed Priority Result Areas and projected Road Trauma Trust Account income. b) Conduct systematic reviews of the contributions of funded projects to <i>Towards Zero</i>.

Committee Follow-up

- 8.12 While the Committee wrote to both the ORS and the Council seeking their responses, the ORS responded on behalf of both entities detailing an Action

²⁵² Auditor General Western Australia, [Managing the Road Trauma Trust Account](#), Report 15 - November 2012, p. 9.

Plan, endorsed by the Council, that had been jointly devised to address the recommendations from the Auditor General.²⁵³

- 8.13 In response to Recommendation 1, the ORS has developed and endorsed a 'role statement' that outlines its functions as: the Minister for Road Safety's nominee to the Council; the administrator of the RTTA on behalf of the Government; and the provider of road safety services to the Government and the Council.
- 8.14 The Council's Governance Charter and Terms of Reference have also been revised to incorporate information on the management of conflicts of interest for Council agencies that are the recipients of funds from the Account. Feedback was sought from a variety of entities, including the Council and Public Sector Commission, in the development of these documents and the ORS' role statement, all of which are awaiting Ministerial sign-off.²⁵⁴
- 8.15 The second recommendation was geared towards improving the distribution and acquittal of payments from the Account. In this respect, the ORS has drafted new policies and amended procedures to address the financial administration of the Account in the following areas:
- financial and grant record keeping requirements;
 - recipient compliance with terms of funding agreements; and
 - actions for non-compliance by fund recipients.
- 8.16 Following comment on these drafts from Main Roads' Internal Audit team, a revised set of operating procedures was put in place for the 2013/2014 financial year. This documentation is now subject to quarterly review by the ORS.
- 8.17 The ORS also engaged the Internal Audit team to examine the adequacy of its current controls and identify areas where improvements could be made. The audit team reported back on 9 July 2013 that 'controls are in place and are effective.'²⁵⁵ However, the ORS decided to document the roles and responsibilities of its relevant financial services staff, and those of Main Roads, to support ongoing operations and to assist the induction of new staff. The revised Financial Procedures that include this information are now with the Minister's Office awaiting review.²⁵⁶

²⁵³ Mr Iain Cameron, Executive Director, Office of Road Safety, Email, 23 September 2013.

²⁵⁴ *ibid.*, Attachment 1, pp. 1-2.

²⁵⁵ *ibid.*, Attachment 1, p. 3.

²⁵⁶ *ibid.*, Attachment 1, pp. 2-3.

- 8.18 The ORS has revised the tools it uses to assess funding submissions to ensure that criteria is more transparent and has a stronger evidence base supporting the effectiveness of each road safety initiative that is being proposed (Recommendation 3). The revised documentation supporting this assessment process is currently being applied against the submissions for the 2014-2015 round of disbursements.
- 8.19 The Budget Planning process for the 2014-2015 grants was informed by the recently introduced Conference of Results and Road Safety Council planning day. The Conference was used as a forum to analyse data on fatal crashes, examine the safety performance of the transport system, and assess the outcomes of previously funded projects. The results of the conference were then used to guide the Council's recommended priority areas for the following year's distribution of funds.²⁵⁷
- 8.20 The second part of this recommendation called for the establishment of a master action plan for the entire road safety strategy. In response, the ORS has drafted a document that 'links the *Towards Zero* strategy to the annual funding program and uses the results of funded programs to guide future budget planning.'²⁵⁸ It is intended that this document will be updated annually. The initial draft is currently being considered by the Council and the Minister.
- 8.21 The ORS also plans to develop and adopt a set of system-wide interim targets to contribute to the overall target of a 40 per cent reduction in 'Killed and Seriously Injured' by 2020. This figure equates to the total target number of 11,000 that was referred to at 8.7 above.²⁵⁹ Preliminary analysis of crash trends and future projections was conducted for the first time this year at the Conference of Results. Following this process, a set of system-wide performance indicators has been developed and is being trialled. The ORS will make recommendations for interim targets to Government once 'further rigour/confidence in [the] data and projections has been achieved.'²⁶⁰
- 8.22 To address Recommendation 4, the ORS appointed a Project Performance Manager on 6 May 2013 who is charged with improving the quality and consistency of project reporting from funding recipients.

²⁵⁷ Mr Iain Cameron, Executive Director, Office of Road Safety, Email, 23 September 2013, Attachment 1, p. 5.

²⁵⁸ *ibid.*

²⁵⁹ See, Office of Road Safety, *Towards Zero: Road Safety Strategy to Reduce Road Trauma in Western Australia 2008-2020*. March 2009, p. 8. Available at: <http://www.ors.wa.gov.au/Documents/Strategies/ors-towards-zero-strategy.aspx>. Accessed on 19 November 2013.

²⁶⁰ Mr Iain Cameron, Executive Director, Office of Road Safety, Email, 23 September 2013, Attachment 1, p. 5.

8.23 To improve its analytical capacity on the impact of *Towards Zero*, the ORS has revised its Project Assessment Template to improve the quality and relevance of its data capture. The revised template took effect at the start of the 2013-2014 financial year will inform budget planning processes from 2014-2015 onwards. In addition, a rolling plan to evaluate the larger programs for which funds are granted had been completed and was with the Executive Director for review before being tabled for consideration by the Council at its next meeting.²⁶¹

Committee Conclusion

8.24 The Committee notes that the administration of the RTTA and the process for deciding how its funds are spent has been the subject of ongoing comment following the Auditor General's report. Among the items of conjecture is the provision within the *Road Safety Council Act 2002* that gives the Minister for Road Safety ultimate authority over whether spending recommendations from the Council are adopted.²⁶²

8.25 It is not the intention of the Committee to provide comment on the issues that are the subject of this ongoing debate, given some of these issues were outside the scope of the Auditor General's investigation. Moreover, the Road Safety Minister has recently advised that a review will be conducted into the state's road safety agencies. The Minister confirmed that the review will look into 'the effectiveness of the existing road safety governance structure'²⁶³ as well as the effectiveness of the recommendations made by the Council to the Government regarding road safety strategies. The review will also examine the ORS' role as the administrator of the RTTA and the central coordinating agency for road safety in the state. Findings of this review are expected to be delivered to the Government in March 2014.²⁶⁴

²⁶¹ Mr Iain Cameron, Executive Director, Office of Road Safety, Email, 23 September 2013, Attachment 1, pp. 6-7.

²⁶² See, for example, Royal Automobile Club of Western Australia (RACWA), '[Road Safety Reform, RAC Discussion Paper 2012](http://rac.com.au/news-community/news-and-reports/reports)', 2012, pp. 2-5. Available at: <http://rac.com.au/news-community/news-and-reports/reports>. Accessed on 26 November 2013; D. Emerson, 'RAC hits out over use of speeding fines cash', *The West Australian*, 4 December 2012, p. 1; D. Emerson, 'RAC plea for road safety shake-up', *The West Australian*, 17 December 2012, p. 11; ABCNews Online, 'Opposition claims fines revenue not being spent on road safety,' 18 September 2013. Available at: <http://www.abc.net.au/news/2013-09-18/opposition-claims-fines-revenue-not-being-spent-on-road-safety/4965216>. Accessed on 19 November 2013.

²⁶³ Hon. Liza Harvey, Minister for Road Safety, "Review of road safety framework announced", Media Statement, 10 July 2013.

²⁶⁴ *ibid.*

- 8.26 Accordingly, the Committee will limit its comments to the adequacy of the actions that ORS and the Council have taken in response to the recommendations made by the Auditor General.
- 8.27 In this respect, the response from both agencies appears to have been quite thorough. While it is still too early to determine the effectiveness of the changes that have been implemented, the actions undertaken demonstrate a commitment to improve practices in a manner consistent with advice contained in the audit report.

Finding 15

The Office of Road Safety and the Road Safety Council have responded diligently to recommendations made by the Auditor General regarding the management of the Road Trauma Trust Account. While it is still too early to determine the effectiveness of the actions undertaken by these agencies, there appears to be a clear commitment to improving practices in a manner consistent with the audit report.

Mr D.C. NALDER, MLA
CHAIRMAN

Appendix One

Committee's Functions and Powers

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

The Committee may -

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

Appendix Two

Acronym List

Acronym	Title
ABS	Australian Bureau of Statistics
AHC	Albany Health Campus
BCM	business continuity management
BMW	Building Management and Works (Department of Finance)
CAPS	Contracts and Procurements Services (Department of Agriculture and Food)
CEO	Chief Executive Officer
CUA	common use arrangement
CUAs	Common User Arrangements
DAFWA	Department of Agriculture and Food
DCP	Department for Child Protection
DFES	Department of Fire and Emergency Services
DLG	Department of Local Government
DoE	Department of Education
DoW	Department of Water
DPC	Department of Premier and Cabinet
DSR	Department of Sport and Recreation
EERC	Economic and Expenditure Review Committee
EOP	early-off probation scheme (WA Police)
EPSL	Esperance Ports Sea and Land
ERA	Economic Regulation Authority
ERC	Expenditure Review Committee
FESA	Fire and Emergency Services Authority of Western Australia
GP	Government Procurement officer (Department of Finance)
HRMIS	Human Resource Management Information System (Department of Education)
ICT	Information and communications technology
IPS	Independent Public Schools
KDC	Kimberley Development Commission
KPI	Key Performance Indicator
KPIs	Key Performance Indicators

MER	Monitoring, Evaluation, and Reporting Framework (Swan River Trust)
MGPR	Major Government Projects Report (Department of Treasury)
MoU	Memorandum of Understanding
MRWA	Main Roads Western Australia
NAHA	National Affordable Housing agreement
NPA	national partnership agreement
NPAH	National Partnership Agreement on Homelessness
NPAs	national partnership agreements
NRDDA	Natural Disaster Relief and Recovery Arrangements (Commonwealth)
OAG	Office of the Auditor General
OP	organisational psychologist (WA Police)
ORS	Office of Road Safety
PA	port authority
PAC	Public Accounts Committee
PLB	Plumbers Licensing Board
PSPR	Public Sector Performance Report
RAMS	Recruitment Advertisement Management System (Department of Education)
RTTA	Road Trauma Trust Account
SAMF	Strategic Asset Management Framework
SHSC	Specialist Homelessness Services Collection
SSC	State Supply Commission
TES	Teacher Establishment System (Department of Education)
WA	Western Australia
WACHS	WA Country Health Service
WANDRRA	Western Australian Natural Disaster Relief and Recovery Arrangements