



Report 21: 2022-23 | 3 May 2023

FINANCIAL AUDIT RESULTS

State Government 2021-22 – Part 2: COVID-19 Impacts



Office of the Auditor General Western Australia

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Financial Audit Results – State Government 2021-22 – Part 2: COVID-19 Impacts

Report 21: 2022-23
3 May 2023

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**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

**FINANCIAL AUDIT RESULTS – STATE GOVERNMENT 2021-22 – PART 2: COVID-19
IMPACTS**

This report has been prepared for submission to Parliament under the provisions of section 24 of the *Auditor General Act 2006*.

It contains selected findings and observations noted by our audit teams during our annual financial and key performance indicator audits of State government entities for 2021-22, relating to the continuing impacts of COVID-19 on entities and the community.

I wish to acknowledge the assistance provided by the boards of accountable authorities, directors general, chief executive officers, chief finance officers and others during the conduct of the annual financial audit program and in finalising this report.

CAROLINE SPENCER
AUDITOR GENERAL
3 May 2023

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Auditor General's overview

This report shares findings and observations by my financial audit teams during our 2022 State audit cycle, and follows on from our *Financial Audit Results – State Government 2021-22* report, tabled in December 2022.

The snapshots in this report relate to various impacts arising from actions taken by the public sector during the COVID-19 pandemic for the year ended 30 June 2022. I note that the status of some matters has changed since then. Furthermore, as I have previously stated, I recognise the many continuing impacts on the public sector and our community as a result of the shift in focus and operations during the pandemic years. This includes evident fatigue as well as diversion from various foundational public administration practices. Through our audits, my Office has found such diversion resulted in weaker financial management and information system controls in a record number of public entities in recent years. This increases the risk of error, fraud, data breaches and disruption in public services to the community.



This report is intended to provide a level of transparency and a public record of some of the irregular decisions, transactions and impacts that occurred during the COVID-19 pandemic response and reflects on some of the lessons that may be learned from the period.

In particular, the report presents more detail about the increase in health spending during the 2022 financial year and the procurement and management of rapid antigen tests (RATs).

The Department of Health's spending increased significantly in 2021-22 without a commensurate increase in activity levels, due to a large increase in indirect spending. This relates to an increase in staffing costs (including for the vaccination program), hotel quarantine expenditure and the purchase of RATs.

The State's expenditure of \$580 million on RATs has received significant attention both in Parliament and the wider community. An initial intention by Health entities to spend \$3 million on RATs for health workers and returning travellers rapidly evolved to purchasing \$440 million worth of RATs – around twice the cost of the Bunbury Hospital redevelopment. Along with the \$140 million spent by the Department of Finance on RATs, public entities spent the equivalent of 10% of the State's 2022 operating surplus on diagnostic plastics without demonstrable evidence of clear, considered and coordinated planning or ongoing advice as to the necessity of the expenditure.

I acknowledge the uncertainty that the pandemic created, and that many public servants, particularly in Health Support Services, worked extremely hard over an extended period to implement directives. However, I have never before witnessed such escalation in the cost of a program over such a short timeframe, occurring with a lack of due consideration of the impacts, or without a record of anyone pausing to ask what level of procurement was sufficient and whether this had been achieved.

Beyond the health sector, the impacts from COVID-19 are still being felt in a variety of other ways – for example, more electricity customers have overdue bills with Synergy than in 2021, international tourism is yet to return to pre-pandemic levels, many children had their school camps postponed or cancelled, and time to trial for District Court cases increased by 20%, from 54 to 66 weeks.

It is fair to say that the decisions and actions taken by governments around the world during the pandemic were extreme and unprecedented in peace time. The consequences of those policy decisions have been widespread on an individual, household, organisational and community scale, and will have a long tail. The willingness to critically examine public governance approaches, and our collective understanding of the importance of checks and

balances in both good times and bad, are key strengths in our system of democracy, underpinning our almost unparalleled high standard of living here in Australia. In any analysis, the impacts of the health ravages of the virus should be weighed with the impacts of the policy decisions, so that as a community we can determine whether response measures were appropriate and proportionate.

As such, it is important that the right lessons are learned from this period. This is my Office's 11th report¹ specifically examining aspects of public administration during the COVID-19 period, and while important principles and breakdowns in due process have been identified, none of these provide a systematic and comprehensive review of the necessity, appropriateness, and effectiveness of policy decisions and implementation. In this regard, I am pleased that a broad-based review of Western Australia's pandemic response is currently underway by the State Government.

¹ Office of the Auditor General, '[Auditing the State's COVID-19 response](#)', OAG website, accessed 2 May 2023.

Introduction

This report is the second part of our *Financial Audit Results – State Government 2021-22* report. It contains selected findings and observations noted by our audit teams during our annual financial and key performance indicator (KPI) audits of State government entities for 2021-22, relating to the continuing impacts of COVID-19 on entities and the community.

The report focuses on various significant, unique impacts on, and transactions of entities. While all entities continued to apply a variety of generic measures, such as providing hand sanitiser and generally increased cleaning arrangements, to safeguard the physical and mental wellbeing of staff, contractors, and sections of the public they serve, the report does not focus on these measures.

Our COVID-19 audit findings and observations are reported, for selected entities, under the headings:

- financial and community impacts of COVID-19
- WA Health spending on COVID-19
- procurement and management of rapid antigen tests (RATs).

While some of the information below also appears in each entity's tabled annual report, we have summarised the key aspects here for the convenience of Parliament and the community. Where information is not from the audited financial statements or KPIs but is relevant in our view to the matter discussed, this is indicated by footnote.

Financial and community impacts of COVID-19

Three years into the COVID-19 pandemic, we continue to see impacts on the community and services as a result of government responses to the pandemic, ranging from financial impacts, including loss of income for certain areas, to impacts on government service delivery including District Court wait times and disruptions to schools.

The following section highlights some of the effects that COVID-19 had on the community and on the services of State government entities during 2021-22 that were specifically noted by our financial audit teams as relevant to operations and performance during the most recent audit season.

Electricity Generation and Retail Corporation (Synergy)

Expected credit losses increased for Synergy during 2021-22 due to a higher number of customer accounts with billed debt at 30 June 2022.² Approximately 528,000 customer accounts have debt, an increase of 104,000 compared to June 2021, which is largely as a result of State Government funded financial support provided to customers in 2021 that was not provided in 2022. In addition, approximately 108,000 customer accounts are classified as having some kind of financial difficulty which is an increase of 16,000 compared to June 2021.

During 2021, Synergy received \$647 million from the State Government in COVID-19 stimulus payments to be applied towards customer accounts. The stimulus included \$614 million for residential customer's household electricity credit and \$33 million offset for eligible small business and charity customers. By 30 June 2022, the majority of this stimulus had been applied to customer accounts.

Department of Communities (Communities)

Under the State Emergency Management Framework³, Communities is responsible for providing and coordinating emergency welfare services. The six functional welfare areas include emergency accommodation, emergency food provision, emergency clothing and personal requisites, personal support services, registration and reunification, and financial assistance.

In 2021-22, State Government funding was received for a number of different COVID-19 related initiatives including:

- \$2.5 million for COVID-19 family and domestic violence response
- \$7.5 million for the National Partnership Agreement for Family, Domestic and Sexual Violence Response which relates to ongoing impacts of the pandemic on women's safety
- \$1.2 million for COVID-19 Small Business Financial Counselling Services
- \$11.3 million for food, accommodation, and other support costs for individuals whose usual accommodation was deemed unsuitable for the purpose of isolation.

² Electricity Generation and Retail Corporation, *Synergy 2022 Annual Report*, Synergy, Perth, 2022, p 82.

³ Western Australian Government, '[State Emergency Management Framework](#)', *WA Government website*, 23 January 2023, accessed 20 April 2023.

Department of Education

There are 826 schools across Western Australia (WA).⁴ In 2021-22, the Department received RATs free of charge to distribute to critical workers and families at public and non-government schools. The number of RATs provided amounted to \$57.68 million received from the Department of Finance and the Department of Health.

To reduce the airborne transmission of COVID-19, the Department also committed to optimising ventilation in schools using national and international guidelines. The strategy included the purchase of 12,000 air purifiers fitted with high efficiency particle absorbing (HEPA) filters to be provided to schools that did not have adequate ventilation. The cost of the program was approximately \$8 million in 2021-22 with the Department purchasing the purifiers and distributing them to the relevant schools.

Capital expenditure commitments included \$213 million as part of the COVID-19 WA Recovery Plan (stimulus) for major additions to growing secondary schools, new sports halls, classrooms, specialist facilities and refurbishments.

In addition, based on the Chief Health Officer's advice, school camps were postponed or cancelled between 7 February and 6 May 2022 as a health measure to keep schools operating effectively. In 2021-22, the Department assessed applications for compensation for 320 school camps, provided financial support for 28 of the applications and returned deposits for eligible school camps to 126 schools.

Overall, for the 2021 calendar year, secondary school retention and 15-17 year old participation rates dropped on pre-COVID (2019) levels (by 1.2 and 1.5 percentage points respectively), as did NAPLAN Year 7 reading (by a margin of 3 percentage points). Conversely, Year 9 NAPLAN numeracy and WACE achievement levels increased during the COVID-19 period (by 2.3% and 1%).

Department of Finance

Expenditure increased significantly in 2021-22 with the majority relating to \$138 million spent on purchasing RATs for distribution to the WA community. The cost of the RATs was slightly higher than what was paid by WA Health but the amount was not significant. This accounted for approximately 25 million tests. These were distributed throughout 2022 and remaining tests were transferred to WA Health at year-end.

Transfer duty increased to \$477 million in 2021-22, which is 26% higher than 2020-21 and 97% higher than 2019-20. The increase is primarily due to a strong lift in the number of residential property transactions and a rise in median house prices, which was partly related to impacts of the pandemic and economic stimulus measures.

Department of Justice

The median time to trial for District Court cases increased during the 2021-22 year to 66 weeks (up from 54 weeks in 2020-21), attributed to some trials being postponed due to COVID-19 restrictions. In addition, the average cost for the Public Trustee to prepare a will increased in 2021-22 by \$30 per will (4% increase from the prior year and 26% above target) "due to a reallocation of resources to meet other priorities in response to COVID-19"⁵.

⁴ Department of Education, *Annual Report 2021-22*, DoE, Perth, p. 16.

⁵ Department of Justice, *Annual Report 2021-2022*, DoJ, Perth, p. 96.

Department of Local Government, Sport and Cultural Industries

On 24 February 2022, the State Government announced a new COVID-19 Business Assistance Package which included \$3.5 million for waiving of liquor licensing fees for 2022. As a result, \$2,777,965 of liquor licence fees were refunded.

Lotteries Commission (Lotterywest)

Disruptions from COVID-19 had a positive effect on Lotto sales as other entertainment was restricted. Sales revenue in 2021-22 was \$1,201 million, a 14% increase from the prior year and 25% increase from 2019. Some of this is also due to the increase in the size of jackpotting events for the major games. Revenue from retailers was also \$3.2 million higher than the previous year due to the reintroduction of terminal and service fees that were suspended during the previous two years.

Forfeited prizes were down by \$3.3 million due to a temporary extension of the prize claim period in response to COVID-19. This extension program expired in March 2022.

Public Transport Authority

User charges and fees were lower than estimated by \$31.5 million due to a slower than expected recovery of patronage from COVID-19, the implementation of the maximum two fare zone structure, and other disruptions to the network, in particular the Mandurah line shutdown in January 2022. This was offset by a \$13.1 million disbursement from the Department of Treasury in support of the Authority's efforts to handle COVID-19.

Lower than expected patronage was noted in the second half of 2021-22 which was attributed to COVID-19 in the community. Bus patronage was down 12.87% and train patronage was down 24.68% compared with the prior year.

Western Australian Sports Centre Trust (VenuesWest)

VenuesWest was impacted by venues shutting down, capacity restrictions, mask mandates, social distancing, and compliance monitoring. For premium venues it was challenging to attract national and international teams and artists, mainly due to the border closures, but also due to the uncertainty of when COVID-19 restrictions might be re-introduced.

Western Australian Police Force

In August 2021, the Commissioner of Police was appointed the COVID-19 Vaccine Commander to lead the State's COVID-19 Vaccine Program. In January 2022, the Deputy Commissioner of Police was appointed to this role to drive the next phase of the program. In May 2022, the function returned to the Department of Health.⁶

There has been a continued focus on reducing incidences of family violence which increased during the pandemic. A number of programs have been put in place aimed to improve the safety of child and adult victims of family violence. The number of reported family violence incidents has decreased slightly (approximately 2%) in 2021-22 but is not yet back to pre-COVID-19 levels.

⁶ Western Australian Police Force, *Annual Report 2022*, WA Police, Perth, p. 30.

Western Australian Tourism Commission (Tourism WA)

While there were some economic gains made in the second half of the year, much of 2021-22 was still significantly impacted by COVID-19 policy decisions around border closures.⁷ Interstate overnight visitor spend was \$1.1 billion, a decline of 57% on pre-COVID-19 levels. International visitor spend was only \$0.3 billion which is a decline of 87% from pre-COVID-19 levels.

The total number of persons employed directly or indirectly by tourism in WA continued to decline in 2021-22 dropping from 94,200 to 78,400. This is a decline of 21% from pre-pandemic levels.

Despite this, there are recent signs of recovery for the sector. There were 120,000 interstate visitors in December 2022, compared to 132,000 in December 2019. In terms of overseas visitors, WA welcomed 66,000 in December 2022 and although this is 40% lower than pre-pandemic levels, the gap has continued to narrow after borders reopened in March 2022.

Racing and Wagering Western Australia

Racing and Wagering has seen an impact from COVID-19 on racing, with increases in wagering activity being sustained since the onset of COVID-19. TAB turnover is up 13.7% from pre-COVID-19 levels and Racing Bets Levy revenue reached a record level of \$129.6 million in 2021-22.⁸

Rottneest Island Authority

Accommodation revenue continued to increase in 2021-22 to \$23.7 million which is an increase of 57.8% from 2020 levels. Visitor numbers are still lower than pre-pandemic levels, however with the borders reopening in March 2022, the number of national and international visitors has started to increase.

⁷ Western Australian Tourism Commission, *Tourism Western Australia Annual Report 2021-22*, WATC, Perth, p. 30.

⁸ Racing and Wagering Western Australia, *2022 Annual Report*, RWWA, Perth, p. 3.

WA Health spending on COVID-19

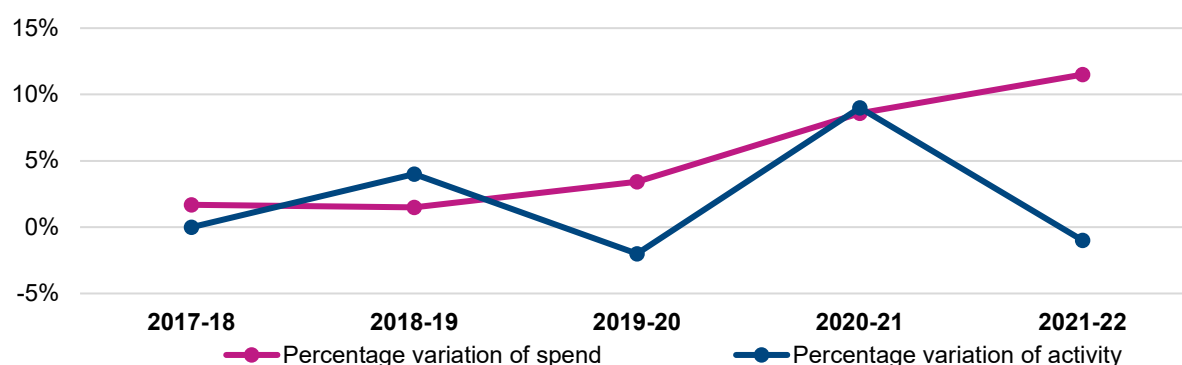
The impact of COVID-19 on the health sector continued to be significant throughout 2021-22, including both financially and on staff wellbeing.

There was a significant uplift in staff numbers across the health sector from 44,000 to 52,000 individuals (not Full Time Equivalent (FTE)) in 2021-22 to support the COVID-19 response, including at vaccination clinics. The FTE uplift was approximately 10% when taking into account part time and casual staff. This subsequently led to a 12% increase in employee costs across WA Health from the prior year, with employee costs for 2021-22 at over \$5.6 billion (up from \$5.1 billion in 2020-21 and \$4.8 billion in 2019-20). This sharp growth in WA Health staff numbers had a direct impact on the operations of Health Support Services (HSS), with a large increase in activity and the number of employees required to deliver back-office support services including payroll, IT support, and transaction processing across the public health sector.

Despite the hotel quarantine program winding down throughout 2021-22, closing in July 2022, spending on hotel quarantine was \$226.5 million in 2021-22 (an increase from the prior year). This was because hotels and security services were maintained until the State Government was sure that the hotels were no longer required. A hotel quarantine transparency report is due to be tabled by our Office during 2023, which will go into more details about the program and related outcomes.

Figure 1 shows the total WA Health spending and hospital activity change⁹ for the last five financial years. Figure 2 and Table 1 shows WA Health spending and activity year-on-year change for the past five financial years. Since 2017-18, WA Health spending has increased by 27.07% and \$2.4 billion (from \$8.97 billion in 2018 to \$11.4 billion in 2022) whereas activity has only increased by 10%, with dips and troughs throughout the five-year period. Costs have been increasing over the years with a large increase in 2021-22 with a subsequent drop in hospital activity levels (admitted, non-admitted and emergency) within WA Health. Activity dropped across both admitted patients and presentations to emergency departments.

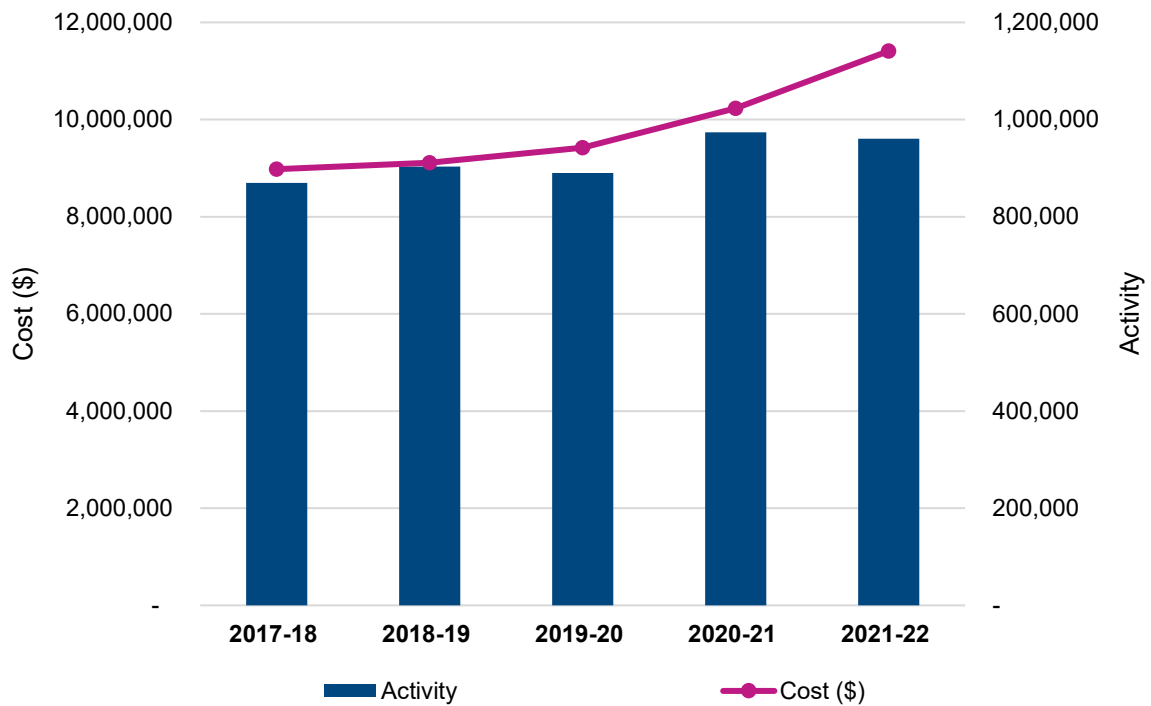
The reason for the increased cost without corresponding increase in activity levels is attributed to spending on hotel quarantine and staffing costs as discussed above, and RATs as discussed in the next section of this report. The Department of Health also provided \$10.9 million to the Department of the Premier and Cabinet in 2021-22 for advertising campaigns for the COVID-19 vaccine program.



Source: OAG based on Annual Report on State Finances and Department of Health data

Figure 1: WA Health spending and hospital activity year-on-year change for the past five financial years

⁹ Western Australian Government, 'Agency Recurrent Spending Outcomes', *2021-22 Annual Report on State Finances*, WA Gov, Perth, p. 25.



Source: OAG based on Annual Report on State Finances and Department of Health data

Figure 2: WA Health spending and total hospital activity levels for the past five financial years

	2017-18	2018-19	2019-20	2020-21	2021-22
Total WA Health spending	\$8,979,000	\$9,113,000	\$9,424,000	\$10,233,000	\$11,410,000
Total activity units	869,340	903,320	889,838	974,045	960,847
Admitted	617,228	637,156	622,976	670,061	655,101
Emergency	120,676	130,023	128,714	138,503	135,830
Non-admitted	131,436	136,141	138,148	165,481	169,916

Source: OAG based on Annual Report on State Finances and Department of Health data

Table 1: Breakdown of hospital activity levels for the last five financial years

Procurement and management of rapid antigen tests

This section presents our findings from our financial audits and confirms some information directly on public record from media and Parliamentary questions. The purpose of this report is not to analyse value for money or probity in the procurement process.

Procurement of RATs and decisions made












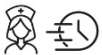





With COVID-19 starting to spread within the community, a decision was made by the State Government to start buying RATs from November 2021. PathWest was tasked with identifying and contracting with suppliers on behalf of the State due to their knowledge of diagnostics with medical devices used in diagnosis of disease or infection, with HSS executing the relevant purchase orders to facilitate the supply.

With both national and global demand high for the tests and shortages occurring, a decision was made by WA Health that the RATs would be procured from the open market, rather than going through the usual procurement (i.e. tender) process. PathWest purchased from suppliers that met a set of criteria, including:

- Are they TGA approved?
- Can they commit to delivery timeframes?
- Do the costs quoted include freight and delivery costs?
- Does the company have local support (given most suppliers are based overseas)?
- Is there internal/scientific validation that they work?
- Do they have user friendly analysis?
- Are the costs comparatively reasonable?

There were no formal contracts set up for procurement and instead purchase orders were approved under Emergency Purchasing Guidelines. We reviewed the suppliers chosen and confirmed that they complied with the criteria above.

Figure 3 below shows the five suppliers that were assessed including the advantages and disadvantages and recommendations made for purchase. All five suppliers were used.

						
	A	B	C	D	E	
Format/use	 Professional	 Professional	 Professional	 Self-test	 Professional	 Self-test
Advantages	<ul style="list-style-type: none">✓ Automated read (requires readers)✓ Cost efficient	<ul style="list-style-type: none">✓ Manual read✓ Reputable brand	<ul style="list-style-type: none">✓ Manual read✓ Home/self-testing option✓ Reputable brand	<ul style="list-style-type: none">✓ Manual read✓ Home/self-testing option✓ Cost efficient	<ul style="list-style-type: none">✓ Manual read✓ Home/self-testing option	
Disadvantages	<ul style="list-style-type: none">⊖ Not suitable for home/self-testing⊖ Requires additional consumables (readers)	<ul style="list-style-type: none">⊖ Not automated - interpretation risk⊖ Cost premium⊖ Professional use only	<ul style="list-style-type: none">⊖ Not automated - interpretation risk⊖ Cost premium	<ul style="list-style-type: none">⊖ Not automated - interpretation risk⊖ Cost premium	<ul style="list-style-type: none">⊖ Not automated - interpretation risk⊖ Cost premium	
Recommendation	 Use in hospital settings due to automation and tracking Short expiry (less than 12 months)	 For professional use Moderate expiry (12-16 months)	 For professional use Moderate expiry (12-16 months)	 Use in home setting/ self-testing (WACHS) Moderate expiry (12-16 months)	 For professional use Long expiry (over 16 months)	 Use in home setting/ self-testing Long expiry (over 16 months)

Source: OAG based on PathWest information

Figure 3: Suppliers (deidentified) used to purchase RAT tests

Given the constantly changing policy environment, PathWest considered it had to move fast in terms of procurement. The original brief was to procure \$3 million of RATs, but this constantly increased and by 30 June 2022 WA Health had spent approximately \$440 million on RATs.

The Department of Finance also purchased RATs for the State at a cost of approximately \$140 million, which is a combined total of approximately \$580 million spent by the State Government on RATs. WA Health and the Department of Finance did not collaborate on the procurement of RATs and each conducted their own processes.

There was an issue with one supplier being unable to meet the agreed delivery timeframe. WA Health reserved the right to cancel orders if timeframes could not be met, and these orders with the supplier were cancelled. To assist the supplier with delivering some (at least 2.5 million) of the 20 million tests ordered, approval was given for charter flights at a cost of USD \$2 million (approximately \$2.9 million AUD) to transport the kits from South Korea to WA. This was approved under the Emergency Purchasing Guidelines.

Warehousing arrangements and reconciling of systems

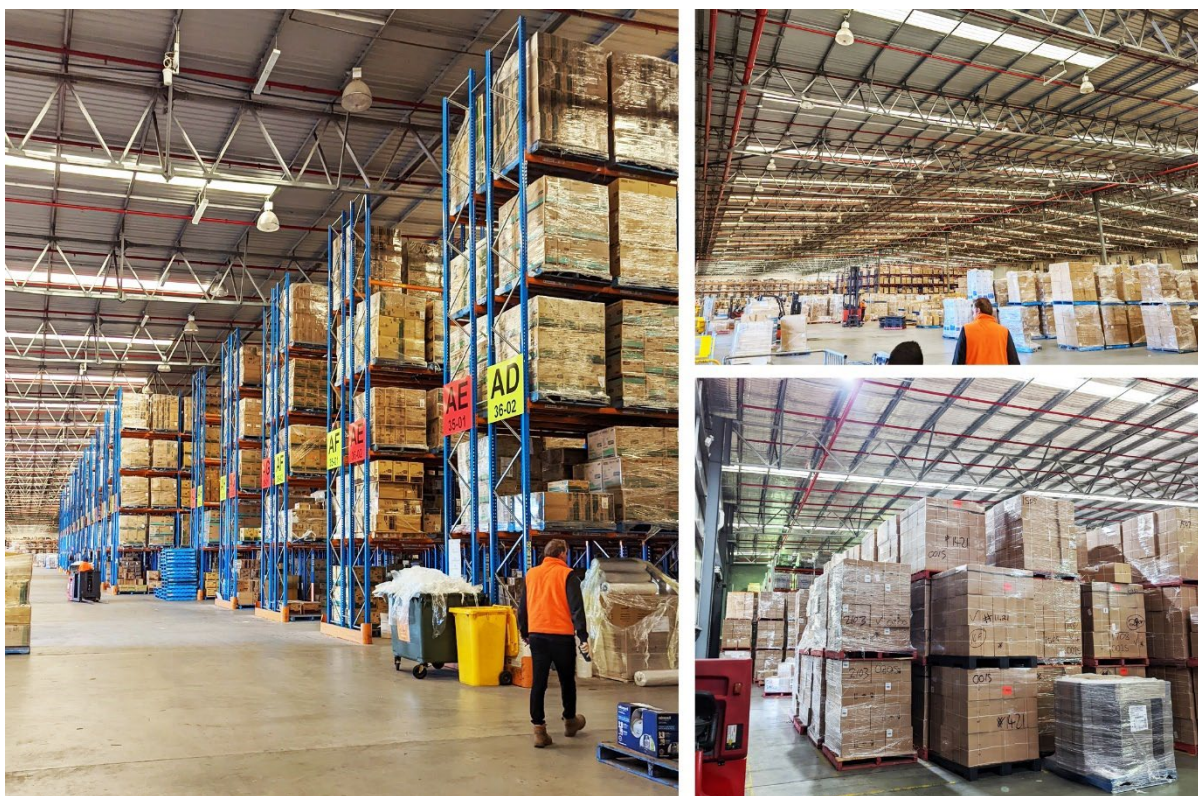
After the procurement process, HSS was responsible for storing and distributing the RATs due to its extensive knowledge and experience in dealing with inventory for the health system (including for small value items, such as personal protective equipment and other consumables). Once procurement of the RATs was complete, WA had purchased approximately 110.7 million tests, 85.7 million of which were purchased by Health and which represented an extremely large increase in the amount of inventory to be held. HSS warehouses increased from two warehouses to 10 to deal with the additional inventory items.

The eight new warehouses were managed by third (and in some cases fourth) party contractors. The third-party warehouse provider was contracted to provide warehousing and distribution services given that they had the correct temperature-controlled warehouses.

HSS struggled with the large increase in inventory. We found their controls over inventory, including receiving, recording and distribution were poor and we issued them a qualified audit opinion on controls for 2021-22. Regular stocktakes were not being performed at the warehouses and records of stock moving in and out of the warehouse were not well maintained, meaning that HSS was not able to reliably determine the quantity of stock at each warehouse at any point in time, or the precise stock distributed.

System records were not able to be properly reconciled throughout the period, as HSS did not have access to the systems used by the third and fourth-party contractors. Although weekly stock-on-hand reports were issued to HSS, it was difficult to identify and investigate discrepancies due to it being a highly manual process.

At 30 June 2022, full stocktakes were performed across all 10 sites. These were attended by both HSS staff and our auditors to ensure that the final balance and existence of inventory to be recorded at 30 June 2022 was verified. The year-end stocktake procedures revealed significant inaccuracies in stock records that required extensive, mutually agreed additional procedures by our auditors and HSS staff to determine the balance date figures for the financial statements. A qualified opinion on this aspect of HSS' controls was issued as part of our annual financial audit. HSS has committed to ensuring that regular stocktakes are performed at all warehouses as required by the accounting standards when the value of the inventory is high. The Department of Finance also received a qualified audit opinion in 2021-22 in relation to their controls over inventory for the RATs, however the audit did not identify any instances of misappropriation or material misstatement.



Source: OAG

Figure 4: Photos from inside some of the warehouses holding RATs

Distribution of RATs

Initially, RATs were purchased for use by health services, within hospitals, at the airport for returning travellers, and at State-run COVID-19 vaccination clinics. However, given the State had purchased such a large number of RATs (approximately 85 million by WA Health and 25 million by Department of Finance), in February 2022 it was announced that it would start to distribute them to the general public.

Throughout 2022, RATs were distributed to the public in a variety of ways, including being handed out at train stations, shopping centres and at events throughout the city, as well as at electorate offices. Department of Finance stock was provided to public sector entities for staff use and was distributed to the Department of Education for free distribution to staff and families. Any remaining Department of Finance stock was transferred to HSS shortly after year-end. At 30 June 2022, there were approximately 68 million RATs still on hand, some of which are due to expire within the next 12 months.

A committee chaired by the Department of Health and including members from the Department of the Premier and Cabinet, Department of Finance and other areas of WA Health is tasked with determining where RATs are to be allocated and when, to ensure that all stock is used before its expiry date. WA Health states that WA is the only state that is distributing the tests for free to the general public.

Plans at 30 June 2022 indicated that all stock would be distributed. However, given the expected COVID-19 waves had not occurred and community use of RATs has not been as expected, 2.7 million tests had expired at the end of March 2023. This does not account for the number of tests close to expiring that are held by private and non-government organisations or the general public in their homes and which may never be used.

Decisions will need to be made as to what to do with the expired stock centrally held, along with all other tests to ensure that they are appropriately recycled or disposed of, or used in some way by the community or community-based organisations.

Lessons learnt

While it is accepted that being in a pandemic environment creates uncertainty and pressure on government to ensure they are providing what is required, there needs to be a point where we take a step back and assess if the ongoing decisions being made are sound, in the public interest and represent value for money. And if they are indeed necessary in the circumstances.

At the time, there was a global shortage of tests, so it was a more panicked environment for procurement as the Government wanted to ensure that the State had sufficient tests for Western Australians given the anticipation around the impending border reopening. However, there was no methodology behind what was considered enough tests and therefore the situation now is that the State has arguably purchased too many tests, at great public cost.

In any emergency response, including during a flood or fire, it is recognised that decisions and actions may need to be taken quickly, and therefore some purchases may not have the same level of deliberation, scrutiny or pathway that other large procurements would ordinarily have. However, in the spending of public money, and in making decisions that will have impacts on the community, it remains ever important to ensure that an appropriate balance is struck between timely action and adequate consideration of the costs and benefits, risks and opportunities, and across multiple timeframes and policy objectives. Every public dollar spent is money that could alternately be allocated elsewhere in servicing the community or public debt obligations.

In the case of the purchase of RATs, more consideration should have been given towards determining a realistic number of tests to buy based on the current environment, as well as community behaviour in jurisdictions that had been living with COVID-19 circulating in the community. For ongoing purchases, reversion to standard procurement processes should have occurred at the earliest opportunity.

Recommendations

For 2022-23 annual reporting and beyond, for COVID-19 or any future such events, entities should:

1. apply a proportionate risk-based and consequential approach to core business activities and emerging risks, including emergency responses, being particularly watchful for gaps where normal financial and operational controls may have ceased to operate effectively because of the pandemic policy environment
2. ensure that appropriate risk assessments are performed when making decisions to make certain all aspects are considered when making large purchases
3. after initial purchases are made under emergency guidelines, consider if standard procurement processes can be implemented to ensure appropriate due process is given and that the State is getting the best value for money
4. WA Health needs to decide the best use for the remaining stock of RATs, including expired stock, to ensure that they are appropriately destroyed or used in some way by the community or community-based organisations
5. for any entity with large amounts of inventory, regular stocktakes need to be performed in line with the accounting standards and any discrepancies investigated in a timely manner.

Response from Health Support Services

HSS welcomes the OAG report and its recommendations.

In response to the audit findings, HSS provides the following information and context to assist readers with understanding why some activities and actions were undertaken.

Supply, demand and emergency procurement process

When the WA health system was first requested to procure RATs for the State, the demand significantly exceeded global supply. Time was of the essence to secure and purchase RATs for Western Australia, with our borders about to re-open. The purchase of RATs was considered an emergency procurement for a number of reasons including short lead times to secure supply, significant delivery logistics challenges, a highly competitive and time sensitive global market, and the risk to the WA community if RATs were not made available. These factors would not allow for formal contracts to be executed in line with the WA Procurement Rules and via an open tender process. The Purchase Orders used included sufficient terms and conditions, that provided similar protection to normal purchases of goods under the State Government General Conditions of Contract.

The procurement pathway used ensured that RATs were delivered to the WA health system ahead of other agencies purchasing RATs concurrently. No further RATs were purchased following the emergency procurement undertaken in February 2022.

If further RAT purchases had been required, normal procurement practices would have been undertaken.

RAT storage, management and distribution

At the time RATs were procured, there was very limited options within WA for temperature controlled facilities suitable for their storage. HSS was able to secure the limited cold storage space available utilising a 3rd party provider to coordinate with a number of 4th party providers. With large volumes of RATs arriving in a short period of time, there was insufficient time and not enough people to put in place more robust inventory management practices at these facilities. The RATs had only been in storage for approximately 6 weeks (since April 2022) when the OAG audit commenced, and the plan was to perform a year end stocktake process by 30 June (within a few weeks). Regular cycle and stock counts would then formally commence from 1 July 2022.

HSS has continued to work this year to improve its inventory management practices at the 3rd and 4th party warehouses. At the time this report was issued (April 2023), HSS continues to reduce the number external warehouses, as RAT stock levels have reduced. HSS continues to manage and distribute free RATs to the community on behalf of the State Government, and will also coordinate the disposal of expired RATs as required.

Auditor General's 2022-23 reports

Number	Title	Date tabled
20	Regulation of Air-handling and Water Systems	21 April 2023
19	Information Systems Audit – Local Government 2021-22	29 March 2023
18	Opinions on Ministerial Notifications – Tourism WA's Campaign Expenditure	27 March 2023
17	Information Systems Audit – State Government 2021-22	22 March 2023
16	Opinions on Ministerial Notifications – Triennial Reports for Griffin Coal and Premier Coal	22 March 2023
15	Opinion on Ministerial Notification – Stamp Duty on the Landgate Building, Midland	8 March 2023
14	Administration of the Perth Parking Levy	16 February 2023
13	Funding of Volunteer Emergency and Fire Services	22 December 2022
12	Financial Audit Results – State Government 2021-22	22 December 2022
11	Compliance with Mining Environmental Conditions	20 December 2022
10	Regulation of Commercial Fishing	7 December 2022
9	Management of Long Stay Patients in Public Hospitals	16 November 2022
8	Forensic Audit Results 2022	16 November 2022
7	Opinion on Ministerial Notification – Tom Price Hospital Redevelopment and Meekatharra Health Centre Business Cases	2 November 2022
6	Compliance Frameworks for Anti-Money Laundering and Counter-Terrorism Financing Obligations	19 October 2022
5	Financial Audit Results – Local Government 2020-21	17 August 2022
4	Payments to Subcontractors Working on State Government Construction Projects	11 August 2022
3	Public Trustee's Administration of Trusts and Deceased Estates	10 August 2022
2	Financial Audit Results – Universities and TAFEs 2021	21 July 2022
1	Opinion on Ministerial Notification – Wooroloo Bushfire Inquiry	18 July 2022

**Office of the Auditor General
Western Australia**

7th Floor Albert Facey House
469 Wellington Street, Perth

T: 08 6557 7500
E: info@audit.wa.gov.au

www.audit.wa.gov.au



@OAG_WA



Office of the Auditor General
for Western Australia