

PUBLIC SECTOR — AUDITOR GENERAL'S REPORT

Standing Orders Suspension — Motion

MS M.J. DAVIES (Central Wheatbelt — Leader of the Opposition) [3.03 pm] — without notice: I move —

That so much of standing orders be suspended as is necessary to enable the following motion to be debated forthwith —

That this house condemns the Premier; Treasurer for his arrogant dismissal of the serious findings contained in the *Audit results report—Annual 2020–21 financial audits of state government entities* and his refusal to take responsibility for his government accruing the highest number of qualified audit opinions ever reported by the Office of the Auditor General.

Standing Orders Suspension — Amendment to Motion

MR D.A. TEMPLEMAN (Mandurah — Leader of the House) [3.04 pm]: I move —

To insert after “forthwith” —

, subject to the debate being limited to 10 minutes for government members and 10 minutes for non-government members

Amendment put and passed.

Standing Orders Suspension — Motion, as Amended

The SPEAKER: As this is a motion to suspend standing orders, it will require an absolute majority in order to succeed. If I hear a dissentient voice, I will require the Assembly to divide.

Question put and passed with an absolute majority.

Motion

MS M.J. DAVIES (Central Wheatbelt — Leader of the Opposition) [3.05 pm]: I move the motion. The motion that we have just moved is very serious. It specifically condemns the Premier; Treasurer for his arrogant dismissal of the serious findings contained in the *Audit results report—Annual 2020–21 financial audits of state government entities* and his refusal to take responsibility for his government accruing the highest number of qualified audit opinions ever reported by the Office of the Auditor General. The report tabled by the Auditor General —

Mr S.A. Millman interjected.

Ms M.J. DAVIES: I am not taking interjections; we have 10 minutes.

The report tabled by the Auditor General yesterday is damning. It contains the highest number of qualified audit opinions ever reported by the Office of the Auditor General. A new record has been set by this Premier in leading a government that has been handed a report card that is covered in red ink. It has red ink all over it.

Members, last night I had dinner with a couple of teachers. They are in the midst of writing reports. Anyone who has been a teacher knows how stressful this period is. If members have lived with a teacher or have been a teacher, they know that report time is stressful. Teachers agonise over the words they use to assess the progress of their students over the course of the year and they provide points for improvement. Students and their families take those reports and use them as a basis for where to direct their energy and attention the following year—areas that need attention. Red flags indicate that a plan needs to be in place to ensure that there is no repeat of that mark.

This Premier and his cabinet got a report card last year that was full of red flags and they ignored them. That is what the Auditor General's report says. They ignored the red flags and the deficiencies in system controls, the management of finances and many other areas—and things got worse. If we were at school, this report would be sitting on the principal's desk! But we do not have a principal; we have the Premier. The Premier made himself the Treasurer. The Premier absolutely has to take responsibility for what is in this report. His ministers and his government have failed to make sure that the departments are following up on issues that the independent Auditor General has put in black and white in this report. The buck stops with the Premier.

I have never seen a report with an overview from an Auditor General quite so frank in its assessment of the failings of government—never. Paragraph 3 of the Auditor General's overview states —

Of great concern in this year's results is the number of entities with serious deficiencies requiring —
Several members interjected.

Point of Order

Ms Mia Davies; Mr David Templeman; Speaker; Mr Shane Love; Acting Speaker; Dr David Honey; Mr Mark McGowan

Mr R.S. LOVE: I understood that the Leader of the Opposition had indicated she was not seeking interjections. I ask that you ask those members to stop interjecting upon her because that is unruly behaviour.

The ACTING SPEAKER (Mrs L.A. Munday): That is not a point of order. Could we just let the Leader of the Opposition be heard for eight minutes.

Debate Resumed

Ms M.J. DAVIES: Thank you, Acting Speaker. I was reading the comments from the Auditor General's overview. It states —

Of great concern in this year's results is the number of entities with serious deficiencies requiring a qualified opinion on financial statements, controls or key performance indicators, increasing from 7 entities last year to 17 this year, with 31 separate qualification matters. This is the highest number of qualified audit opinions ever reported by my Office. Too many qualifications related to significant deficiencies in payroll and procurement controls, and information system security.

Five entities under this government received three or more qualified audit opinions. The Auditor General also said that there has been a notable increase over the last two years in the number of audit findings unresolved from the prior year—an increase from 20 per cent reported unresolved in 2019 to 28 per cent in 2021. This Premier and his government are too busy re-engineering the Legislative Council to rip regional representation from the Parliament, they are too busy running sham surveys from the Minister for Environment's office to shut down native forestry, and they are too busy plotting ways to manipulate and abuse the processes of this Parliament to concentrate on the serious business of overseeing government departments. It is important. This is not an academic exercise. It is not something to be dismissed or deflected, as the Premier did during question time yesterday and today. The Auditor General has put it very succinctly —

An effective control environment provides assurance that an entity is achieving its objectives and can help to prevent and detect fraud, error and service interruption.

If I think about the issues that the opposition has been raising in Parliament over the last nine months about the Department of Health, the Department of Communities and the Department of Education, there are issues that clearly demonstrate that cracks are appearing. I want to know which of the ministers opposite have failed to take notice of the report card that was handed to them last year. When I was a minister and qualified opinions or reports were handed down by the independent Auditor General, ministers had to make sure that they were reporting against that so that when they stood in this house, they could answer the opposition's questions. Ministers put it on the agenda with their directors general and they asked the directors general and the departments to report back. The Premier is not responsible for running these departments, but he is responsible for overseeing them and making sure that they are being held to account. I do not think that his ministers are doing that to any degree, and that is clear in the report that has been handed down. This is the highest number of qualified opinions ever handed down by the Office of the Auditor General.

It just goes to show that the Premier persists with spin and bluff, instead of asking those hard questions that need to be asked and admitting that this report on the government's atrocious performance needs to be taken very, very seriously. Yesterday, the Premier said that improvements had been made to financial controls in government and talked about the Paul Whyte corruption scandal. No-one endorses that. Everyone believes that there needs to be improvements. It is a significant issue. But there are issues that have been highlighted in this report that go to exactly the issues that the Premier referred to yesterday.

At the Building and Construction Industry Training Board, there is an inappropriate IT systems configuration that reduces the ability to appropriately segregate duties for finance and payroll functions, a lack of adequate operational processes and policies relating to key processes, and no independent review of general journals and monthly bank reconciliations. Three qualified opinions were issued for the Department of Communities and no evidence could be provided that goods and services were received by someone independent of the incurring officer. Five qualified opinions were issued for the Department of Local Government, Sport and Cultural Industries. Seven qualified opinions were issued for the Department of Health and those health services that we ask questions about during question time. Four qualified opinions were issued for the Department of Primary Industries and Regional Development. These are all mega-departments that have been smashed together by this government through its machinery-of-government changes and then put under further pressure as a result of the COVID pandemic and they are not being held to account by the ministers that sit in cabinet.

There is so much more in this report. The Premier responded yesterday by glossing over these serious and significant findings. Whatever the Premier is doing, or whatever he thinks he is doing, it is falling short, because this report card is dripping in red ink. There has been a 400 per cent increase in the number of qualified opinions under his watch. I will give some numbers just for the record, in case there is any issue with the fact that things have been put in place and that the Premier is responding to the challenges that have been appropriately raised by the Auditor General.

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There were 135 expenditure control weaknesses reported across all these entities, with 17 rated as significant. Go and read what “significant” means in Auditor General terms. There were 31 unresolved weaknesses from last year, eight of which were rated as significant and unresolved in the previous year. There were 59 accounting procedure issues at 36 entities, and there were also payroll and human resources, governance, assets and revenue issues. They are laid out in black and white. These issues that were raised last year, and are significant in the eyes of the Auditor General, affect the government’s ability to run its organisations efficiently and to make sure that taxpayers’ dollars are spent appropriately, yet the Premier has ignored them. As a result, the Auditor General has handed down what she says is the worst report card that the Office of the Auditor General—not the current Auditor General—has ever handed down. That is a damning statement. I refer to questions that went to the Minister for Health about health services. There are issues that the Auditor General would not specifically lay out in this report, because it would put that department at further risk. That was what was in the briefing on Wednesday. It is time this government focused more on governing and less on spin. Yesterday, I talked about Gareth Parker’s observation in August. He said —

... spin might get you through the daily news cycle, but the work of governing catches up with you in the end.

It is time the Premier did better, because this report says that he needs to do better—less on the spin, more on the governing.

Several members interjected.

The ACTING SPEAKER: Members! Member for Morley!

Ms M.J. DAVIES: These are serious, serious issues and if you refuse to address them —

Several members interjected.

Point of Order

Dr D.J. HONEY: I refer to standing order 95. I literally cannot hear the excellent contribution from the Leader of the Opposition over the cacophony of sound.

Several members interjected.

The ACTING SPEAKER (Mrs L.A. Munday): Members! Let us listen to the last minute of the Leader of the Opposition’s speech in silence, please.

Debate Resumed

Ms M.J. DAVIES: The broader question to the Premier; Treasurer, who has inserted himself into every single thing this government has done, standing next to every department, is: what questions has he asked of his ministers to make sure they are accountable to the people of Western Australia?

MR M. McGOWAN (Rockingham — Premier) [3.15 pm]: The government will not support this motion moved by the Leader of the Opposition, but I will make a few points. Firstly, we take the findings of the Auditor General’s report very seriously, and we expect agencies to rectify and repair any deficiencies that are existent. I had a meeting with the Auditor General about her report last week or the week before, and we discussed the reasons behind any qualified opinions. The principal reason is the massive additional workload the public sector has been under to respond to COVID-19. In her overview of the report she said —

The 2020–21 financial year was an extraordinary one for Western Australia. In the second year of the pandemic, —

The first full financial year, I might add —

COVID-19 continued to cause disruption for our community. State government entities continued to provide the usual wide range of public services, along with additional stimulus and recovery initiatives, while reconfiguring operating arrangements around lockdowns and social distancing measures, and implementing contingencies for business continuity. As in the community, a level of fatigue is evident in the public sector.

Our additional \$9 billion of COVID recovery measures have obviously put in place a significant workload across the public sector. I would like to thank everyone across the public sector for their work over this period. Obviously, it has been a difficult time, and a great many people have had to work very hard in all sorts of agencies, sometimes unexpectedly, to cope with what has occurred over the course of the last two years. The Office of the Auditor General noted that despite the work pressures faced by the public sector, 78 per cent of government sector entities were audit-ready within 20 days of the end of the financial year, the best performance in the last 10 years. That is what the Auditor General indicated.

We have increased funding to the Auditor General, just so everyone knows. In the last two years, the Auditor General's budget has gone up by 20 per cent. When we arrived in office, the Auditor General's budget was \$24 million, and we have increased the budget since that point in time to \$38 million. As members can see, there is significant additional funding for the Auditor General to improve governance and accountability across the public sector. We have provided far more resourcing for the Auditor General to undertake those roles because we want to see public sector agencies perform more efficiently and uncover things like the Paul Whyte affair. That went along unchallenged for years under the last government. A man stealing millions of dollars from us every year went along unchallenged under the last government, so obviously measures we have put in place have improved that situation. As I outlined before, a whole range of additional improvements have been put in place, in particular in relation to payment practices across the public sector, including segregation of the duties of those issuing the invoice from those paying the invoice. As members know, in the case of Mr Whyte that segregation of duties was not present. We have the regular rotation of accounting firms conducting audits and the mandating of independently chaired audit committees by persons external to the agencies for agencies across the public sector. We also gave the Auditor General additional money to undertake targeted forensic audits of agencies' contract management and systems.

Obviously, when additional resources are provided to an agency, it will find more things. That is just the fact of it. When we provide additional resources to the Auditor General to uncover things, we will find more things. We are basically being criticised because we are finding things that the former Liberal-National government did not resource the Auditor General to find. When an agency is actually doing investigative work, as indeed when the government provides more resources to the Western Australia Police Force, it uncovers more crime. If we had fewer police officers, we would probably have less crime uncovered. That is the way these things work when agencies are better resourced to uncover these sorts of things. That is exactly what has occurred here. Those are the measures we put in place.

The Minister for Health outlined during question time one of the other initiatives we have put in place. We established the Office of Digital Government. We knew there were a lot of issues with information technology across the public sector, so we established the Office of Digital Government, and, in the state budget a few months ago, the digital capability fund. That fund will improve all the systems across government. It will be a competitive process so those agencies with the greatest need will get funded first. There will be a proper process around funding upgrades to IT across government. As we do that, it will actually improve the accountability and performance of agencies. The fund has been put in place to ensure that that occurs. The fund is another thing the government has done that has not been done before to improve accountability and improve performance outcomes across government. It was put in place as part of the last budget. All those things are occurring and, as I said before, the Public Sector Commissioner has a very strong expectation that agencies will improve when there are any qualified audits across the public sector.

I will go back to my central point. It has been an extraordinary year, or two years, and the Auditor General has outlined that agencies are doing more work. The government has provided the Auditor General with more resourcing to uncover things and so more things are being uncovered, particularly because of those two reasons. Despite all of that, we still have the strongest budget position of any government in Australia and the biggest surplus of any state government in history, which means that Western Australia can respond more strongly and more effectively to whatever is thrown at it than any other government in Australia. That is what we have managed to achieve over these two tumultuous years, and it is because we put in place the foundations in our first three years in office.

I can compare this government to other people in office. The Auditor General brought down a report in 2015 about the Perth Stadium contracts. The then Auditor General, Colin Murphy, had a number of things to say about the stadium contracts. I quote the report —

The Minister for Sport and Recreation made these decisions not to provide information to Parliament about the arrangements to design, build, finance and maintain the new Perth Stadium. The Minister refused to provide Parliament with some information from the State's agreement with the Westadium consortium and refused to provide an unredacted copy of the contract

I have been unable to obtain sufficient appropriate evidence on the Minister's decisions not to provide information to Parliament. Accordingly, I am unable to form an opinion whether those decisions were reasonable and appropriate.

Who was that? It was the Leader of the Opposition. In addition, the Auditor General said —

Ms M.J. Davies interjected.

Mr M. McGOWAN: I did not interject on the Leader of the Opposition. The opposition takes points of order on interjections. I listened to the Leader of the Opposition in silence. The report continues —

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The inability of an auditor to access the information they need to meet their obligation is a serious matter for the auditor and for those who rely on their opinion ... this is the first time I have been unable to fulfil my legislative obligations.

Several members interjected.

Mr M. McGOWAN: That was about you! That was about you when you were in office. It was a shameful performance never seen before in the history of Western Australia undertaken by the now Leader of the Opposition.

What about what the Langoulant report says about her performance? Mr Langoulant was damning about the Leader of the Opposition's lack of understanding of business cases and her performance. She can read the Langoulant report.

Several members interjected.

The ACTING SPEAKER: Order! Can we just hear the last minute in peace, everyone?

Mr M. McGOWAN: It is page after page of damning analysis of the Leader of the Opposition's undertaking —

Ms M.J. Davies: From a hand-picked person.

Mr M. McGOWAN: So now she is attacking the integrity of John Langoulant, former Under Treasurer appointed by Richard Court.

Then there was the Water for Food program. I again quote the Auditor General's comments on the now Leader of the Opposition —

The decisions by the Minister not to provide the information requested by Parliament were not reasonable and therefore not appropriate, as a significant amount of the information was already publicly available.

The Leader of the Opposition did not provide information to Parliament, even though she did not know it was already publicly available. That says it all. Report after report—two Auditor General reports and the Langoulant report—say you were a disaster in office. You left a debt of \$44 billion. You had red ink as far as the eye could see. You are shameful and hopeless!

Division

Question put and a division taken, the Acting Speaker (Mrs L.A. Munday) casting her vote with the noes, with the following result —

Ayes (6)

Mr V.A. Catania
Ms M.J. Davies

Dr D.J. Honey
Mr R.S. Love

Ms L. Mettam
Mr P.J. Rundle (*Teller*)

Noes (47)

Mr S.N. Aubrey
Mr G. Baker
Dr A.D. Buti
Mr J.N. Carey
Mrs R.M.J. Clarke
Ms C.M. Collins
Mr R.H. Cook
Ms L. Dalton
Ms D.G. D'Anna
Mr M.J. Folkard
Ms K.E. Giddens
Ms E.L. Hamilton

Ms M.J. Hammat
Ms J.L. Hanns
Mr T.J. Healy
Mr M. Hughes
Mr W.J. Johnston
Mr H.T. Jones
Mr D.J. Kelly
Ms E.J. Kelsbie
Ms A.E. Kent
Dr J. Krishnan
Mr P. Lilburne
Mr M. McGowan

Ms S.F. McGurk
Mr D.R. Michael
Mr K.J.J. Michel
Mr S.A. Millman
Mr Y. Mubarakai
Ms L.A. Munday
Mrs L.M. O'Malley
Mr P. Papalia
Mr S.J. Price
Mr J.R. Quigley
Ms M.M. Quirk
Ms R. Saffioti

Ms A. Sanderson
Mr D.A.E. Scaife
Ms R.S. Stephens
Mrs J.M.C. Stojkovski
Mr C.J. Tallentire
Mr D.A. Templeman
Mr P.C. Tinley
Ms C.M. Tonkin
Mr R.R. Whitby
Ms S.E. Winton
Ms C.M. Rowe (*Teller*)

Question thus negatived.