

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

MISCELLANEOUS PROCEEDINGS

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 4 APRIL 2012**

Members

**Hon Giz Watson (Chair)
Hon Philip Gardiner (Deputy Chair)
Hon Liz Behjat
Hon Ken Travers
Hon Ljiljanna Ravlich**

Hearing commenced at 4.24 pm

MURPHY, MR COLIN

Auditor General, sworn and examined:

CLARKE, MR GLEN

Deputy Auditor General, sworn and examined:

The CHAIR: On behalf of the committee, I welcome you to this meeting. Before we begin, I am required to administer an oath or an affirmation.

[Witnesses took the oath or affirmation.]

The CHAIR: You will have signed a document entitled “Information for Witnesses”. Have you read and understood that document?

The Witnesses: Yes.

The CHAIR: These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you may refer to during the course of this hearing for the record. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today’s proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that premature publication or disclosure of the uncorrected transcript may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege.

Thank you for your correspondence. Just before we proceed to your opening comments, would you like the correspondence we received from you to remain confidential?

Mr Murphy: Thank you, Chair. Both the correspondence we sent through and the agenda are structured with a differentiation between that which I am happy to become public and that which is confidential. The discussion on audit projects around topics that are under consideration at this stage would be confidential because we have not had the opportunity to discuss those with the agencies. Beyond that, I am quite happy for the other matters to be made public. Similarly, I do not believe there is any reason that the correspondence that we sent you relating to the review of the office and the legislation should not be made public.

The CHAIR: Thank you very much.

Mr Murphy: I am happy to lead off and potentially work through the document that we have provided. It has been structured in a way that lends itself to dealing with some of the matters that perhaps can be dealt with relatively quickly, allowing time at the back end of the meeting to have a more considered discussion or to have some feedback on those projects that are under consideration. If you are happy with that, I will proceed directly with the points under issue.

I will not spend much time on the first item, but I appreciate the support that this committee has given my office with respect to its budget, particularly given the legislative opportunity that is there for the committee to be able to have input into making recommendations about our budget. I am pleased to note in the document, and in reporting to the committee, that we have not made a budget bid this year; we are quite satisfied that the resources that we have are adequate. I would not say

“generous”, but certainly they are adequate for us to do our role. We are not seeking any additional funding in 2012–13. That is not likely to be the case in 2013–14, but we will deal with that later. I think that matter is fine.

Moving on to item 2 on my paper, which is the review of the Auditor General Act and the Auditor General’s functions —

Hon KEN TRAVERS: Sorry; can I ask a question? I want to clarify that when you say you are not asking for any additional money, you were given an additional \$250 000 last year. I thought \$1 million was being phased in by \$250 000 every year. When you say that you are not asking for additional money, is that including the money that was phased in?

Mr Murphy: We did have a plan that would result in us phasing in \$1 million over a four-year period. That is only being reflected in the budget for this year and last year. The \$250 000 is reflected in the 2011–12 and 2012–13 budgets. It has not been reflected in the forward years.

Hon KEN TRAVERS: Was the 2010–11 budget the base budget?

Mr Murphy: Yes.

Hon KEN TRAVERS: So in 2011–12 you got an additional \$250 000, and in 2012–13 will you have had \$250 000 or \$500 000 off the base amount?

Mr Murphy: That funding is continued; the \$250 000 is there. We have a modest increase which is not quite \$250 000 but which is adequate to continue our growth. A modest growth in the area of performance audit is reflected in our budget for last year and the coming year, but in the future there is no increase at all.

Hon KEN TRAVERS: Does that mean you are going back to your 2010 base, or in the forward estimates will it continue at the 2012–13 level?

Mr Murphy: It will continue at the 2012–13 level. If we want a future increase, we will have to go back to the budget process and seek some additional funding. I thank you for the opportunity to clarify that.

I have spoken to the committee in the past about the review of the Auditor General Act and the Auditor General’s functions. This is a matter that hinges somewhat on the formation of the joint standing committee on audit, which, as we are aware, has not been formed.

The CHAIR: It is languishing.

Mr Murphy: The issue which perhaps concerns me the most and which I have discussed before with the committee is the required review of my office. As I have explained in the past, we go through extensive reviews of our own operations, and I certainly have engaged auditors from other offices in other jurisdictions to do an external review of us and provide me with feedback. However, I determine the terms of reference of those reviews and choose who the reviewer is. What the legislation requires is an externally conducted review. That is one thing that I cannot do myself. I need someone external to the office to conduct an external review. I am really seeking assistance from this committee and the Public Accounts Committee to see whether we can find a way to have that review conducted in the absence of the joint standing committee that is yet to be established. We have provided separately what the terms of reference might look like and what some of the attributes of the reviewer might be and also we have provided some examples of reviews that have been conducted in other jurisdictions, which vary markedly from jurisdiction to jurisdiction. I just wanted to put all that information before the committee and seek your assistance in allowing a review to go forward. It certainly would help me if I could get some endorsement for a set of terms of reference and potentially some assistance in selecting a reviewer so that we can have an external review of the office conducted this year, because that is when it is due.

The CHAIR: Perhaps I might respond because the committee is mindful of the requirements under the act. We had a conversation about this matter just before we started the hearing. As you are aware, the Council has sent a message back to the Assembly not accepting the terms of the establishment of the committee. We are still in a stalemate in terms of the processes of the house to establish the committee. Conversations are happening to try to resolve the issue, but at the moment it has not been resolved, obviously. I have also had an informal conversation with John Kobelke, who is the Chair of PAC, so that we can both be on the same page in terms of understanding the requirement to review the act. We certainly are pleased to get your additional advice. Even if we cannot establish that joint committee, there will be a way that we can progress the review, and I reassure you that we are working on it and that this input will be of use. I do not know whether anyone else wants to comment on where we are at.

Hon PHILIP GARDINER: I would be interested in having a broad discussion on this. What are some of the options for a review if we cannot get parliamentary agreement about how it should occur? Have the reports and reviews in the other jurisdictions been done by a private sector group that was especially established for that purpose?

Mr Murphy: It varies considerably. I think that the Victorian one was conducted by a private sector firm.

Hon PHILIP GARDINER: Is that the one Bob Sent —

Mr Murphy: That was the ACT. Bob Sent is a former Auditor General from New South Wales. Certainly, the use of former Auditors General is another option that is listed, and that has been done. I believe that the Queensland review was headed by a former Treasury officer. There is some variety in the approach that can be taken. The advantage of a firm is that it can be contracted fairly easily, they are used to doing this sort of work and it is quite easy for them to do. The advantage of someone with a Treasury or Auditor General background is that they have a better understanding of the public sector context and public sector audits. There are pros and cons and different approaches in different jurisdictions.

Hon PHILIP GARDINER: So you could almost have a subcommittee comprising three people with the skills to cover what we are talking about and hire an independent firm by tender.

Mr Murphy: That certainly is possible, or a reviewer could be appointed who would be required to determine whether any additional resources were needed or whether their own skills and abilities needed to be supplemented with a broader team.

Hon PHILIP GARDINER: Because it is fairly broad, in a sense you have the audit function, which is a financial audit. You have the performance audit function, which I think is the most crucial function; the financial function is very important, but that is more of a bread-and-butter issue. The performance audit is where we have a gap in government because Parliament can do a fair bit, but it gets involved in party politics and so on, whereas I believe we need to have performance audits across a whole number of areas in government to try to improve it. We also need to have an evaluation into whether the audit function has already improved the public service in some areas. Therefore, you need almost a financial person—in a sense, a broader financial planning audit person—as well as a person who has had experience in government processes and what can happen. That is why I was thinking of the three and then having someone do the report based on the terms of reference and reporting to those three and then they can emphasise and focus on which areas need a particular focus.

Mr Murphy: Typically, whoever is engaged to do the review would be very conscious of the skill base needed to do it. If it was a firm that felt that it did not have enough specialist knowledge in public sector performance auditing, for example, they would seek to supplement their resources and find out what was available around the place. There are a lot of people around who have that skill

base and who could complement a team that had other skills. If you were to look at the reviewers in the different jurisdictions, typically they are a composite.

Hon PHILIP GARDINER: That might be helpful. The only other thing is how much of their work would be in the areas of confidence.

Mr Murphy: They would absolutely need to sign off on confidentiality, but that is quite normal. The subject matter that they are looking at—for example, our working papers and all of those sorts of things—would not be revealed and they would have to sign a confidentiality agreement with respect to those. At the end of the day, that would not prevent them from reporting on the subject matter, which is the performance of our office. They could report on that without necessarily disclosing any of the confidential information relating to our audits and our clients.

Hon PHILIP GARDINER: Maybe that is the way we need to go.

The CHAIR: I have not yet had time to consider this or look up any of the references, but I think this is good additional information.

Mr Murphy: I appreciate the willingness of the committee to assist us with this. We are able to talk with the committee or staff because there will be a need for dialogue, and we are happy for that to be ongoing, in addition to our appearances before the committee.

Hon PHILIP GARDINER: Do we have a time line for this?

The CHAIR: Apart from the biggest time line, which is as soon as practicable after February 2012, which has clicked over, so I guess soon. Do we have time?

Hon PHILIP GARDINER: Should we not put a time line on it to have this sorted out by—because it is beyond the parliamentary agreement —

The CHAIR: I would like to resolve it within a month so that we have terms of reference and a recommendation as to —

Hon PHILIP GARDINER: Say 15 May? Why do we not try to work to that time line?

The CHAIR: We should work to something along those lines.

Mr Murphy: That sort of timing would suit me. From my point of view, it has been five years and I would like to see the review take place this calendar year. There is a practical issue for the office in that the months of August and early September are quite frenetic and it would be an inappropriate time to review any aspect of our operation then, so the window will close to get it done.

The CHAIR: So it has to be either soon or after September?

Mr Murphy: That is exactly right. They are some of the constraints. I am pretty keen for it to move along. I do not think there was any expectation that this thing would kick off immediately in February, but I am keen to move it along.

The CHAIR: We can indicate that we would like to try to have terms of reference and a recommendation about a review within a month.

[4.45 pm]

Mr Murphy: I will move on to the next item. I really just want to make the committee aware of this issue. I am not seeking any assistance or any action. Members would be aware of the public administration committee report 14, “Unassisted Failure”, which was largely about Western Power’s management and maintenance of its wooden poles. Members would be aware that the committee was highly critical of Western Power’s maintenance of its wooden poles. I did appear before the committee. They wanted to know why our audits of Western Power had not highlighted the fact that the wooden poles were deteriorating and in need of maintenance and replacement. I explained to them in person and in writing the difference between a financial audit and condition-based maintenance, which are two very, very different things, and that a financial audit, which

really is, in the auditing standards, an audit of historical financial information, would not identify any deficiencies in the maintenance program of the wooden poles and, in fact, it would be necessary to conduct a performance audit in that area to identify what was going on. Despite that, the committee's report is highly critical of my office in a number of places and suggests that we should have in fact qualified the accounts of Western Power. I was very disappointed that they did that. I believe there are inaccuracies in the report. I rang the chair of the committee. I have written to the chair saying that I think the report has misunderstandings and inaccuracies in it. We have been asked to document those. We have put them in writing, we have sent them through to the committee and I am awaiting their response. I have that information available. If the committee would like, I can certainly provide you with a summary of what our concerns are. I can send that through to you if you would like to see those, because when I reported similarly to PAC, they certainly asked for that information.

The CHAIR: I think that would be useful. We have some particular interest in that report because it also relates to some of the questions that were asked by this committee. So any additional information on that would be useful, I think, because we are considering how we are progressing that.

Hon KEN TRAVERS: I was going to say—I was just confirming it was public—that that report also suggested that this committee had been misled in some of its previous answers.

Hon PHILIP GARDINER: Not by yourselves.

Hon KEN TRAVERS: No, not by yourselves, but by answers of Western Power to this committee. I do not know whether you would be able to maybe assist us in having a look at whether or not, in light of those issues—obviously it is a report that you might be well aware of —

Mr Murphy: We have spent some time on all 277 pages of it, so we are somewhat familiar with it.

Hon KEN TRAVERS: I think it might be useful—not necessarily here in the hearing—if that is something that we could arrange for our staff and yourselves to have a conversation about to see whether or not you can assist us. Obviously, if we have been misled, that is a matter that would be referred to the privileges committee, but before we do that, we need to establish it.

Mr Murphy: We would certainly be happy to assist the committee with that.

Hon KEN TRAVERS: I think that might be something we can talk about later as a committee.

Mr Murphy: I am just looking forward to the opportunity to clarify and to put on the record our view about what has been reflected in that report.

Hon KEN TRAVERS: Were you ever asked by anyone to do a performance audit on Western Power?

Mr Murphy: In fact, that is part of the issue. We were aware of the concerns. We were aware of the office of EnergySafety's reports and their concerns and had in fact put a performance audit on our program. In fact, unfortunately—I was disappointed—we actually had started going down the path of doing a performance audit. We had actually written to Western Power saying that we were doing it when my staff realised that the public administration committee's review was underway. Once I realised that, I wrote back to Western Power and said we would put the audit on hold, because it is not my practice to be performing an audit in an area that is under review, particularly by a parliamentary committee or by somebody such as the CCC, or any other review. So we put the performance audit on hold. The committee's report took a very dim view of that; they were not pleased that we did that. They remain very, very keen for us to do a performance audit in that area. My concern is that their report at this stage recommends that government undertake a review of Western Power. Again, I would like to see the government's response to that report before I start weighing into the area. I think it is appropriate for us to do a performance audit into Western Power's maintenance of its wooden poles. The issue for me is timing, and that timing may well be

waiting to see what the government's response to the report is. It may be that Western Power be given some time to respond to the criticism that has been directed at it. Typically, that would give them the opportunity of, say, some six or 12 months to address some of the deficiencies that have been identified. I think we could then do a very useful audit at that point to give the public some confidence or otherwise that things had changed. So the issue is really around timing.

Hon KEN TRAVERS: Just to go back so I can get clear in my head the timing, in terms of when you appeared before the committee, was that early on in the piece of the inquiry?

Mr Murphy: No; it was late in the piece—towards the end. The committee has been examining this matter for more than two years, I believe.

Hon KEN TRAVERS: Did the committee talk to you early on?

Mr Murphy: No.

Hon KEN TRAVERS: I know it has changed at various times because it used to have the estimates attached to it. My recollection is that that committee still has the ability to consult a whole range of officers, including yourself.

Mr Murphy: Absolutely.

Hon KEN TRAVERS: I think you are formally named as one that we are required to consult with. Did they ever talk to you early on in the piece about what they were doing?

Mr Murphy: No; it was only late in the piece and the focus was very much on the fact that our financial audits had not identified deficiencies in Western Power's maintenance of its wooden poles.

Hon KEN TRAVERS: I am not sure how they would, which I guess is your point.

The CHAIR: Additional information is useful; thank you.

Mr Murphy: Moving on to current audit matters, we have just finished the December audit results. They are really quite pleasing results. That report will be tabled in the next month. It really lists all the audits of the universities and the TAFE colleges. All have received clear opinions, which is good to see. We will be tabling that shortly.

Hon KEN TRAVERS: What was the one we got the other day, then?

Mr Murphy: The recently tabled reports are listed there. There are a large number of reports about to be tabled, but not a lot in recent times.

Hon KEN TRAVERS: I must be going mad then! We had the one on universities the other day.

The CHAIR: Deja vu.

Hon KEN TRAVERS: I must be going mad!

Mr Murphy: The current performance examination program is listed there. They are audits that are underway. Did you have some notes on those?

Mr Clarke: I have some notes on these.

Mr Murphy: Do you want to talk about those? I would certainly like to talk about homelessness. Maybe if I talk about homelessness and hand over to you.

Mr Clarke: Okay.

Mr Murphy: The committee may be aware that I have mentioned before the growing concern, if you like, that Auditors General operate very much on a jurisdictional basis in Australia. The growing impact of COAG funding arrangements and national partnership agreements means that there are an increasing number of issues that are implemented across jurisdictions. Some are federally funded with delivery in the states. The Building the Education Revolution was a good case in point, where there was a lot of criticism. Audits were done at a federal level looking at federal

administration and saying that was fine and at the state level saying the problems were all caused by the commonwealth and the like. Auditors General around Australia have recognised that there is a need for us to take a more collaborative approach. Some issues will require legislative amendment because we have strong confidentiality agreements that prevent us from exchanging information, so there might be a need for us to just make an exception for collaborating with other Auditors General. The other point is that the opportunity exists for us to do a parallel audit, if you like. All the Auditors General have chosen the homelessness national partnership agreement to conduct an audit on. That is one that will be conducted in the majority of states that do conduct performance audits. At the end of that process, the federal Auditor General, Ian McPhee, will conduct an audit of the federal administration so that we will have a complete end-to-end view across all the states, as well as at the commonwealth level. I am hopeful that that will be a precursor, if you like, to an ongoing series of more collaborative audits around Australia. That is of note. Beyond that, I will ask my deputy to talk through briefly the current ones.

Mr Clarke: What I was intending to do—but if you would rather something different—is just to note that these are the projects we currently have underway. I was actually going to spend more time on the projects that we are planning to undertake in six to nine months and then spend some time with you just seeing your interest in some of the other projects that we currently have under consideration. I was going to suggest that if there is any particular project you would like to discuss about our current projects, I can possibly have a little bit of a talk about that.

Hon KEN TRAVERS: I have one quick question. Item 4 is the freight rail network.

Hon PHILIP GARDINER: We have a vested interest in that, though!

Hon KEN TRAVERS: I am very glad to see it, in fact. I assume that by “follow-the-dollar powers”, you mean you are going to those organisations funded outside of the public sector that have received public sector money to see how they are spending it. Is that what you are talking about?

Mr Murphy: The network has been outsourced to Brookfield. The legislation enables us to go and talk to Brookfield to have a look at what they are doing and how they are doing things. That is something that we would not have been able to do under the previous legislation.

Hon PHILIP GARDINER: That is terrific.

Hon KEN TRAVERS: I assumed that is what you meant by it; I just wanted to double-check.

Mr Murphy: That is exactly right.

The CHAIR: This is also an area that I have had conversations with yourselves about outside of the committee. Does this also deal with the Avon-Albany part of the rail line?

Mr Clarke: Yes; it will be picking up some of the issues that were raised with us in other discussions.

The CHAIR: In terms of the use of substandard sleepers and things.

Mr Clarke: Yes.

The CHAIR: Good; I look forward to that.

Mr Clarke: I hope we can satisfy your curiosity!

The CHAIR: Never, I think! I was interested in the regional procurement one.

Mr Murphy: Procurement has turned out to be an area that needs attention. I think central government, with the supply commission, formally had more of an oversight role than it currently has. I think the changes to government procurement have really been targeted at improving how we do it—helping people to do procure rather than checking up on them to see if they are doing the right thing. Our procurement audits have identified weaknesses in every case in the metro area in

specific areas like procurement of information technology. As a result, we thought we should extend it to the regional areas. If they are not doing it well in the metro area, the prospects for regional are probably similar, if not worse. I think procurement will be an area of ongoing focus for us.

Hon KEN TRAVERS: As a result of the abolition of the State Supply Commission, it has got worse—is that what you are saying?

Mr Murphy: It is in part that, but the other issue is simply the fact that we are identifying a range of issues around procurement. Our collaboration with the CCC has also identified issues. You would be aware of their reports into things like toner cartridges. As they have identified matters that are misconduct, they are also observing at the same time some poor practices which are more audit in nature. So we will continue to look at procurement while it continues to highlight issues that need to be resolved.

Hon KEN TRAVERS: But has it increased?

Mr Murphy: I believe the results of the last report we did on general procurement in the metropolitan area were not good at all.

Mr Clarke: One of the things the State Supply Commission used to do was fairly high-level checklist-type audits with a sample of agencies each year. Given they no longer provide that sort of oversight, it is an opportunity for us to pick up a little bit of the control environment that is now missing and do a bit more work than we otherwise would have done if they were still in operation.

Hon KEN TRAVERS: It was interesting that there was commentary in the media this morning about a hearing of another committee of a similar nature to ours yesterday where the issue was raised about whether or not an agency had actually split contracts to come under the tendering guidelines, but the same company got all three of the contracts. Who currently monitors that to see whether or not agencies are doing that function? It was interesting.

Mr Murphy: It certainly is something that we look for in all of our procurement audits. We look for order splitting, orders that are very close to the threshold and those sorts of things. Beyond that, I am not sure of any central monitoring of that.

Hon KEN TRAVERS: My recollection is that the State Supply Commission did do those sorts of audit checks.

Mr Murphy: Yes, they did.

Hon KEN TRAVERS: Is there an agency other than yourselves somewhere in government that is doing that now, or is it purely a case of the agency themselves being responsible for complying and, other than when you come in, there is no-one else checking to make sure that they are complying?

[5.00 pm]

Mr Clarke: I am not absolutely certain, but my understanding is that complaints can be made to Treasury. They have picked up some elements that existed within the supply commission.

Mr Murphy: But certainly the changed arrangement involved far greater devolution and accountability back to individual agencies. Whereas in the past agencies would have to write to the supply commission if they wanted, for example, to use a sole supplier instead of going to tender, agency CEOs can now make that decision for themselves. There is a lot more power given to individual agencies to do these sorts of things.

Hon KEN TRAVERS: When something like that which came up yesterday is raised, is that something you would look at as part of your procurement audits?

Mr Murphy: It is indeed. Yes, it is. That is exactly the sort of thing we look for when we are doing our procurement audits.

Hon PHILIP GARDINER: When you are doing this, Colin, are you making your own assessment of where to go to look at it in an audit sense, or are you seeking people to come to you to say they have a concern about this or that and then you follow it through?

Mr Murphy: Both of those.

Hon PHILIP GARDINER: Do you invite that?

Mr Murphy: Yes, we certainly do.

Hon PHILIP GARDINER: How do we know that you are interested in people coming forward to say, “I’ve got some concerns possibly in this, that or the other area?” Where is that public?

Mr Murphy: It certainly is on our website that people can come to us. People do write to us. Quite often they write to us about things that are way beyond our mission and mandate. I think there is general awareness of our role and what we do. People do come to us quite regularly. I think people may be aware of a lot of discussion about housing maintenance in the media at the moment. Certainly those concerns were brought to our office so that we are aware of them and had the opportunity to include them in our program, if we see it as appropriate. There is a mix of us identifying areas that are of high risk, making sure that we get coverage of the sector, having a look at making sure we try to get a mix of different agencies, but also using intelligence that we get from our audit process and from people referring matters to us.

Hon PHILIP GARDINER: I am aware of a couple of instances. You would think they would be aware there is an avenue, especially when you have an audit going. They had no idea, and I had a look as well. I am wondering whether there is another process that can be reviewed out of this format, so that it somehow gets out so people can come forward. You do not want to have mad people coming forward; you want to have sensible concerns coming forward.

Mr Murphy: Yes. We do go out of our way to promote what we are doing and let people know. Typically, we are not very satisfying for people with complaints. We make our own decision about whether we are going to investigate something. When we report, we do not report back to the complainant, we report to the Parliament. Typically, they find somebody like the Ombudsman far more satisfying if they have a specific issue that they want followed up. But that does not mean people do not raise issues. They actually write to us and say, “This is an area in government you should be looking at.”

Hon PHILIP GARDINER: I want to know what “supporting Indigenous students in training” means. It is a concern of mine. In the country, TAFEs are trying to do a good job. They are ticking the boxes that they have put so many Indigenous students in, but from the Indigenous students’ point of view the training is totally out of whack with what their capability is—in other words, the training is too simplified. They say, “Why am I going to this course? I did this in year 11”, or the chap who has probably lost his licence and been in jail a couple of times is teaching them something about mechanics. He is the best brake mechanic in town and that kind of thing. He is experienced. I am suggesting there might be a mismatch there. Is that included in the scope of that project?

Mr Clarke: No, it is not. It is primarily focused on the support services that are made available to Indigenous people so they can address the entrenched disadvantage they suffer. It is support services. There is such a huge range of support services so that they are capable.

Hon PHILIP GARDINER: I can see where you are at. The thing I am talking about anyway, I should take it up with the actual TAFE. I was wondering whether that was within the scope.

Hon KEN TRAVERS: I wanted to jump back to the current audit matters in terms of previous audits—the results of the 2010–11 assurance audits. We probably skipped over it and did not raise the perennial problem of statement of corporate intents.

The CHAIR: How did that one slip past you, Ken! It did not, actually.

Hon KEN TRAVERS: I note you have made fairly harsh comments about that again. There seems to be a process of improvement on both sides of the political fence over time. There were some pick-ups with the new government when they first came in, and it slipped back, but then they started to make improvements. Since you have tabled that audit, my understanding is not a single port authority statement of corporate intent has been tabled. I guess my question to you is twofold: what do we do about it; and what do you see as the impact of that not happening?

Mr Murphy: There is a legislative requirement for the statement of corporate intent to be tabled. I see it as a very important document in the plan for government trading enterprises to report. As you know, they do not have the level of detail in the budget documents that government departments do. There is not much in there. The provision is that they report separately, through a statement of corporate intent, about key issues. I think it is an important issue, and we will continue to raise it. In looking at some of the statements of corporate intent that actually have been tabled, I would be hard pressed to say that they are absolutely fantastic documents that reveal an enormous amount of information. I think there is an opportunity to improve disclosures in those ones that are tabled as well, but certainly the solution is not to simply not table them. There was a committee within Treasury that was reviewing governance arrangements relating to government trading enterprises. They certainly knew about this issue. I had some hope that they might put some changed arrangements in place. I am not sure how far they got, but I know they had identified the issue and were working on potential solutions.

Hon KEN TRAVERS: Is there anything else that both of you, or we as a committee, can do? Correct me if I am wrong, but you are effectively saying this is the equivalent of their budget papers. It is not identical to a budget paper but in terms of keeping the public aware of what is going on, it is essentially the equivalent. Other than the capital works which appear in the budget papers, this is really the way in which the public can be aware of the operations of those organisations, as you would through a budget process for a general agency.

Mr Murphy: That is absolutely the intention of the legislation, in my view.

Hon KEN TRAVERS: This has almost become farcical. How do we bring it to a head? Do we get rid of it, if that is the view of the government, and do not even have it sitting in the act? It seems to be a ridiculous situation. We were making progress and now we have gone to the point where you bring down a report—I think it was about the sixth time you have reported on it—and we are now sitting there when we should be normally expecting next year's statements of corporate intent to be tabled certainly within the next three months. We still have not got the old ones. Is there something we can do as a committee?

Mr Murphy: I share the concerns. We have probably had a parallel conversation that was very much along those lines, saying, "Is there something we should do differently? We are reporting it year after year. The practice is not changing, there is not much point—do we stop reporting it? What steps should we take?" I was pretty much at the same point that you are currently at. My hope was really the fact that Treasury were reviewing the governance arrangements for the GTEs. They had the issue identified. They were going to look at the obstacles or how they could facilitate arrangements that would result in either an SCI or something like that it being a requirement they could actually meet more easily. I really had hopes that that was going to be the solution. I still do hold some hope that that will be the solution. Beyond that, my position would have to be, if there is a legislative requirement, then it needs to be complied with.

Hon KEN TRAVERS: Is it then a case of we should do an inquiry into it, or is it something that you could do a standalone report on, so that rather than having it as part of the assurance audits you actually have it as a completely separate standalone report on the noncompliance with the requirements of the Port Authorities Act?

Mr Murphy: It certainly is a matter that we could consider elevating and making more of an issue about. That is something I would be happy to take on board. I guess the only issue of concern I had

is some of the statements of corporate intent that I have looked at in recent times are not all that revealing. It really does make it difficult to argue that these are of major importance to the Parliament and the community if there is not a lot of rich content contained within them.

Hon KEN TRAVERS: Maybe the answer is for you to do an inquiry into the adequacy of the statements of corporate intent and maybe this committee does the inquiry into why they are not being tabled.

Mr Murphy: I am happy to take the issue on board. I need to have a discussion within my own office about where the Treasury review is at. It is certainly a matter that is not completely unrelated to the “unassisted failure” report, because that issue was about adequate disclosure by Western Power of deficiencies in funding or otherwise about maintenance programs for wooden poles.

Hon KEN TRAVERS: That is something that potentially should have been included in their SCIs—is that what you are saying? If they had been properly reporting, they would have been reporting —

Mr Murphy: The SCI is an ideal opportunity. If an agency has a maintenance backlog, for example, and is unable to fund that, then that is exactly the sort of issue that can be reported, and should be reported, in the SCI.

Hon PHILIP GARDINER: Yesterday afternoon, in relation to exactly that, I used the term “charter”. The public servant said “statement of corporate intent”, so maybe it needs to have a definition about what you expect it to say. Do you think that is understood? To me, a statement of corporate intent is something any board should have on its back walls whenever they make a decision. Can they push that into the statement of corporate intent without it being so wishy-washy and broad? It needs to be particularised. Is it well enough defined about what we mean by “statement of corporate intent”?

Mr Murphy: I do not think there is a good understanding of the terms, particularly given there is a strategic development plan that is an internal document that is mirrored in a statement of corporate intent, which is a public document. As you point out, a corporate intent document for many people would read as being a long-term strategy, whereas this is an annual requirement that really talks about what is happening currently and what are the plans for the coming year.

Hon KEN TRAVERS: The other interesting thing about that is effectively by not approving the statements of corporate intent, or those that were approved the previous year, it almost takes away the authority of the boards. It is putting it back to say, “You don’t have any authority from government to use any expenditure other than if you come to us to get it authorised on a case-by-case basis.” At which point one would ask: why do we have these boards and why are the boards themselves not screaming? Their autonomy is almost being removed from the process, I would have thought; particularly the last lot that were tabled, where they had an addendum saying, “These are the financial parameters that you are to operate within.” That was good in terms of giving a clear indication of the sort of information you are talking about, but, on the other hand, it was effectively removing any authority of the individual boards to make decisions. If the issue is the minister wants to be the board—there have been examples of that where the minister has appointed themselves as the board and you get rid of the board —

Mr Murphy: I think that is a very important point. In terms of the governance of these GTEs, in the absence of a specific direction from a minister, the board is the accountable authority and the board makes decisions, but the board makes decisions in an environment that is determined around issues like their borrowing limits and their dividend policy. They are operating within a series of financial constraints, and they certainly do have a major impact on what a GTE does. They are not trivial issues; they are very serious issues for the state.

Hon KEN TRAVERS: It makes you wonder how the boards are operating if they do not have a signed statement of corporate intent that has been agreed with the minister to set those borrowing parameters and everything else. How do they do it?

Mr Murphy: That certainly is the wider issue that could be the subject of an audit. That would be worth pursuing more broadly rather than just a simple noncompliance with legislation to table.

Hon PHILIP GARDINER: Given that you think Treasury is having an investigation into governance, are you making a submission to them? You say that is worrying you and your office —

Mr Murphy: It is a group that is working together with the GTEs on the governance arrangements. I have made one of my senior staff available to consult with that group. There is some ongoing liaison between that group and our office. I am comfortable with that. After we leave, I will certainly be consulting with that individual about where this issue is currently at.

Hon KEN TRAVERS: If you can maybe keep the committee informed, that would be fantastic.

Mr Murphy: Absolutely.

The CHAIR: Are we moving to your planned projects?

Mr Murphy: Yes.

The CHAIR: Do you want that to be heard in private?

Mr Murphy: Yes, we would prefer that.

The CHAIR: Is this a good time to make that transition?

Mr Murphy: Yes, it is.

[The committee took evidence in private session]
