

Western Australian Auditor General's Report



Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities

Part 2: COVID-19 Impacts



Report 14: 2021-22

9 May 2022

**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.

**Audit Results Report – Annual 2020-21
Financial Audits of State Government Entities**

Part 2: COVID-19 Impacts

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**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

**AUDIT RESULTS REPORT – ANNUAL 2020-21 FINANCIAL AUDITS OF STATE
GOVERNMENT ENTITIES PART 2: COVID-19 IMPACTS**

This report under section 24 of the *Auditor General Act 2006* covers 2020-21 financial audit activity and is a summary of the financial and operational effects of the COVID-19 pandemic on State government entities during 2020-21.

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.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
9 May 2022

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Auditor General's overview

In my report on the 2020-21 financial audits of State government entities, tabled on 24 November 2021, I advised I would issue a separate report on insights gained from this body of work about the impacts of COVID-19 on the Western Australian public sector.

This report contains selected findings and observations from the 2020-21 financial audit season, which reflect just some of the impacts on our sector and our community.



The impacts are particularly notable in the economic and social spheres and are often externalised from the government. For example, the tourism sector has witnessed a decrease in visitor spending from \$11 billion to \$7.6 billion during 2020-21, with Tourism WA grants expenditure only increasing from \$5.9 million to \$19.1 million. Total Health spending increased by 3.4% in 2019-20 and by 8.6% in 2020-21, compared with 1.5% in pre-pandemic 2018-19 with additional costs coming from demands for personal protective equipment, extra staff, COVID-19 testing and vaccines, and the hotel quarantine and security program. Racing and Wagering processed 23% more bets than in 2019-20, which was also 22% more than pre-pandemic 2018-19.

Impacts on the social fabric of our community are evident with rates of family assault or threatening behaviour 24% higher than the 3 year average prior to the pandemic. Conversely, we have witnessed a decline in offences against property of 25%, with less opportunities for burglary and theft due to people spending more time in their homes.

Children have also experienced a disruption to their normal learning environment arising from COVID-19 health directives. This is one of several areas where the impacts will not be properly known without further monitoring and assessment over time.

The COVID-19 pandemic has significantly affected staff in both public and private sectors, providing distractions from day-to-day tasks and extra work at a time when it is difficult to find additional staff; that issue exacerbated by border closures for most of the last two years. As I noted in the November 2021 report to Parliament¹, when entities take on additional functions or responsibilities over shortened timeframes, focus on strong foundations in financial management and governance foundations can inadvertently slip. This is a concern as they are essential for supporting long-term confidence and capability in our public institutions. This increases the risk that other critical areas of public administration, including accountability and audit responsibilities, may not receive the level of focus or priority they would usually warrant. Undoubtedly, the various disruptions of the pandemic contributed to the large increase in the number of entities with serious deficiencies requiring a qualified opinion on financial statements, controls or key performance indicators in 2021. Many qualified audit opinions related to significant deficiencies in payroll and procurement controls, and information system security that require urgent attention.

It is important to acknowledge the extent to which public service personnel have gone above and beyond their normal duties, as well as the significant levels of co-operation between entities, in responding to the pandemic.

While recognising that further challenges have arisen and significant financial expenditure incurred since 30 June 2021, I trust this report will give Parliament a concise snapshot of some of the achievements, challenges and impacts, both financial and operational from the 2020-21 financial year arising from the pandemic.

¹ Western Australian Auditor General's Report, [Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities](#), 24 November 2021, p 5.

I should stress that to provide a comprehensive report on the management of the pandemic and impacts across the whole community would require a separate large-scale examination, which this was not. However, there would be significant future benefit from a systematic impartial examination of the response to this pandemic by both the State and the Federal governments, and its impact on the WA community. This would capture learnings in preparation for future pandemics and other emerging crises and assist in setting transparent criteria and thresholds for proportionate, risk-based and consequential responses. It would also permit an explicit understanding of the various costs and benefits, including trade-offs over different timeframes and for segments of our community, which would help frame deliberations around any future allocation of resources and the use of emergency powers.

From an audit perspective going forward, as COVID-19 continues to impact well beyond the period covered by this report, I encourage staff and management of all WA government entities to be watchful for gaps where normal financial and operational controls may cease to operate effectively, and to understand the costs of their decisions and actions on their core services as well as on other parts of our community.

Introduction

This report is the second part of our *Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities*. It contains selected findings and observations from the annual financial and KPI audits of State government entities for 2020-21, relating to the impacts of COVID-19 on entities and the community.

All entities continued to apply a variety of generic measures to safeguard the physical and mental wellbeing of staff, contractors and sections of the public they serve. However, this report mostly does not address those COVID-19 generic measures.

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

- impact on the community and disruption of services
- entities' expenses for directly managing the impact of COVID-19
- stimulus funding distributed or initiatives administered by entities
- hotel quarantine.

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

Impact on the community and disruption of services

The following section highlights some of the effects that COVID-19 had on the community and on the services of State government entities:

Botanic Gardens and Parks Authority

Various restrictions and lockdowns resulted in temporary closures of venues, such as the restaurant, a gymnasium and 2 cafes. A number of regular events were cancelled or operated in a much-reduced capacity, including summer concerts and the outdoor cinema. User charges and fees decreased by \$538,869 (35%) as a result of cancellations of bookings by the public, corporate entities and schools, while sales at Aspects of Kings Park Gallery shop decreased by \$593,944 (24%) from the previous period due to generally challenging retail conditions.

Chemistry Centre (WA)

A decline of 11% or \$465,000 in other expenses reflects lower levels of professional services and external research costs incurred due to COVID-19 related deferrals of research project activities.

Department of Communities (Communities)

Under the State Emergency Management arrangements, Communities is responsible for providing and coordinating emergency welfare services. The 6 functional welfare areas include emergency accommodation, emergency food provision, emergency clothing and personal requisites, personal support services, registration and reunification, and financial assistance.

Communities' State Welfare Incident Coordination Centre responded to 17,890 calls² for assistance and managed 5,963 hotel quarantine fee exemption applications during 2020-21. Communities assessed hardship applications for individuals and families entering hotel quarantine and made recommendations to the Department of Health whether fee waivers or partial fee-waivers should apply.

In 2020-21, Communities also assisted in providing emergency accommodation for individuals whose usual accommodation was deemed unsuitable for the purpose of isolation.

Commonwealth grants received for COVID-19 domestic violence support increased from \$3.6 million to \$10.6 million in 2020-21. Expenditure of these funds contributed to an increase in grants and subsidies expenditure.

COVID-19 resulted in various disruptions to services and increased costs in some areas. The average cost per domestic violence case increased from \$3,387 to \$4,614 in 2020-21. Although total costs in this area increased by 31% to \$69.8 million, there were delays implementing the Commonwealth funded National Partnership Agreement COVID-19 Domestic and Family Violence Response. This resulted in the number of cases declining slightly from 15,702 to 15,127 in 2020-21.

The *Average cost per licensed child care service for regulation and support* KPI reduced by 9%, attributed to lower staffing levels and travel restrictions.

Department of Education

The impact on children's physical and emotional well-being and educational attainment from COVID-19 policy responses has not been assessed. However, in reporting against its KPIs,

² Department of Communities Annual Report 2020-21, p 8

the State's results for public school participation, retention and WACE qualifications have shown overall positive improvements between 2016 and 2020. NAPLAN tests, however, were cancelled nationally in 2020 due to COVID-19 and that aspect of achievement has not been measured. The disruption to learning arising from COVID-19 health directives, ongoing in Western Australia in 2022, may have impacts on our students and will need to be monitored and assessed in time.

In other COVID-19 impacts, capital commitments increased by 65% to \$714 million, mainly due to State recovery COVID-19 planned major additions and refurbishments.

The Department continued with extra cleaning services during 2020-21 to reduce COVID-19 transmission risks at schools.

More resources to support public school teachers deliver learning remotely, were developed and published on the Connected Learning Hub. This was in addition to the Learning at Home website, which provided resources, activities and information to support schools and parents with children and young people learning at home.³

Department of Finance

Transfer duty increased by \$672 million, 56% higher than 2019-20 and 70% above pre-pandemic 2018-19, reflecting a strong increase in the number of residential property transactions and house prices over the year, which was partly related to impacts of the pandemic and economic stimulus measures.

Department of Jobs, Tourism, Science and Innovation

The *Growth in key industries for economic diversification* KPI showed a contraction of 1.5% in 2019-20 because the pandemic led to a decline in output in accommodation, food services, agriculture, forestry and fishing industries. This KPI is based on ABS data that has a time lag, and 2020-21 outcomes are expected to be reported in the Department's 2021-22 annual report.

The Department played a significant role in distributing grants under the WA Recovery Plan programs as part of the State's COVID-19 Response. Part of the \$183 million increase in Service Appropriation relates to this role.

Grants and Subsidies expense increased 115% to \$95 million (excluding grant funding provided to Tourism WA and a large grant for the Perth City Deal which was not COVID-19 related). Refer to the section 'Stimulus funding distributed, or initiatives administered by entities' below.

Department of Transport

Various services were impacted. However, a backlog of more than 40,000⁴ practical driving assessments caused by COVID-19 restrictions in the previous year, was cleared during 2020-21. This also contributed to a 7% increase in drivers licence application fees. The Department answered 590,000⁵ calls to the State Priority Incident COVID-19 hotline between April 2020 and June 2021, providing information and advice on various COVID-19 requirements, including travel restrictions and the vaccine roll-out.

The rate of reported accidents on the water increased 16% from 10.2 to 11.8 per 10,000 recreational vessels. This correlated to more vessel registrations and increased usage during COVID-19, causing more congestion on WA waters.

³ Department of Education Annual Report 2020-21, p 17

⁴ Department of Transport Annual Report 2020-21, p 13

⁵ Department of Transport Annual Report 2020-21, p 16

WA Health

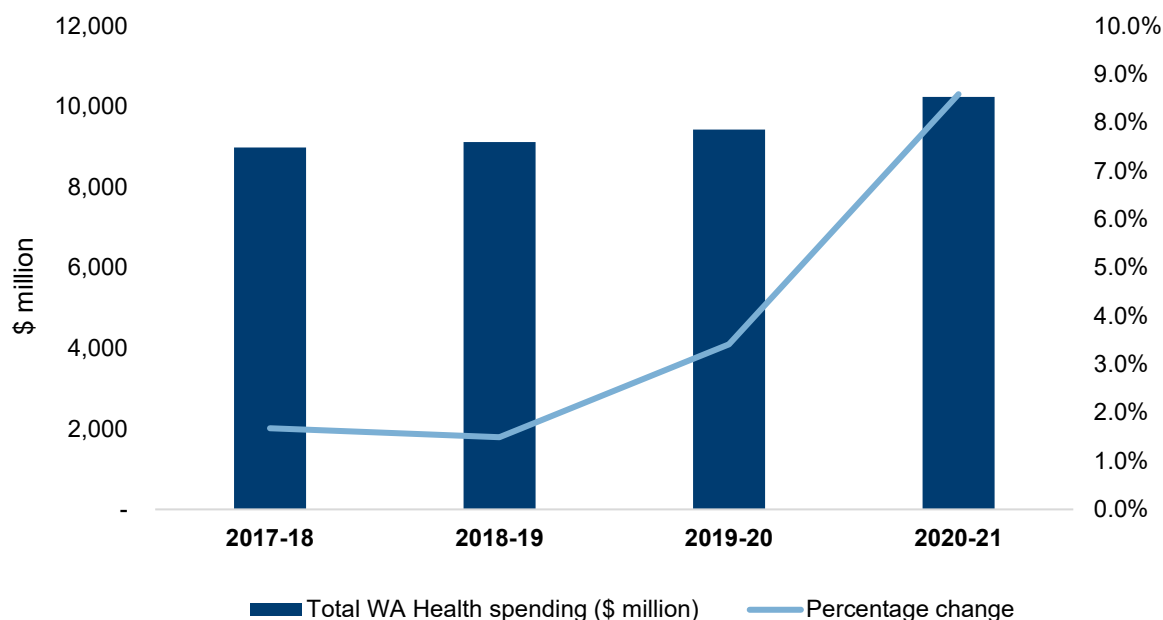
Disruption of services, and ongoing advice, actions and response efforts of the health sector have been widely reported, including aspects covered in reports by the OAG.⁶ We have attempted to avoid repeating information in this report that is well known. However, selected financial outcomes not widely reported for these entities, including those for hotel quarantine, are included on subsequent pages.

For 2019-20 and 2020-21, the Commonwealth Government committed that the annual funding to states under the Health National Partnership would not be reduced if, due to restrictions on elective surgery and other treatment, health service activity was below that estimated when setting funding levels.

In addition, under the *National Partnership on COVID-19 Response* agreement, the Commonwealth Government undertook to compensate private health providers for reducing elective surgery to maintain capacity to combat COVID-19 workloads. Although the need for this extra capacity did not eventuate as initially expected, an amount of \$2.4 million was provided to private health providers for this purpose in respect of 2020-21.

Figure 1 is one brief depiction of high-level financial outcomes in the pre-pandemic year 2018-19 and 2 pandemic periods, 2019-20 and 2020-21. WA Health expenditure was collated from the Agency Recurrent Spending Outcomes included in the Annual Report on State Finances.

Total spending increased by 3.4% in 2019-20 and by 8.6% in 2020-21, compared with 1.5% in pre-pandemic 2018-19. As shown in Table 1, additional costs included personal protective equipment (PPE), additional staff (medical, administrative and contact tracer staff), COVID-19 testing and vaccines, and the hotel quarantine and security program.



Source: OAG and Annual Report on State Finances

Figure 1: WA Health total expenditure and year on year percentage change

⁶ Western Australian Auditor General's Report, *WA's COVID-19 Vaccine Roll-out*, 18 November 2021; Western Australian Auditor General's Report, *SafeWA – Applications Audit*, 2 August 2021; Western Australian Auditor General's Report, *Temporary Abbreviated State Procurement Control Requirements*, 30 June 2021; Western Australian Auditor General's Report, *COVID-19: Status of WA Public Testing Systems*, 9 December 2020; Western Australian Auditor General's Report, *Transparency Report: Current status of WA Health's COVID-19 Response Preparedness*, 24 September 2020.

Health Support Services

HSS provided COVID-19 support to the health sector and general public by providing additional ICT systems support, including for the hotel quarantine and vaccination programs, and the SafeWA application to assist contact tracing. By 30 June 2021, there were more than 1.96 million individual registrations and 78,000 business registrations for SafeWA.⁷

HSS also procured and maintained a reserve of personal protective equipment and other medical products, including pharmaceuticals. Inventories at the State Distribution Centre increased from \$31.7 million to \$54.5 million in 2020-21 mainly due to COVID-19 supplies.

Employee expenses increased by \$15.6 million (13.6%) and supplies and services by \$30.6 million (37%), mainly to supply the extra COVID-19 support.

Library Board of Western Australia

COVID-19 restrictions continued to impact the number of accesses to State Library facilities, services and programs, with 42% less visitors to the building than in the previous year. However, the expected increase in online engagement materialised – for example the Library's Facebook content reached 9.7 million⁸ unique users, up from 5.7 million in 2019-20 and 1 million pre-pandemic.

Lotteries Commission (Lotterywest)

Total sales of \$1.056 billion were 10% higher than the previous year, which was partially attributed to a temporary reduction in alternative gaming options for players.

Direct Grants (non-statutory) of \$120.6 million were approved, of which \$106 million were COVID-19 Relief Fund grants. Direct grants were 18% higher than pre-pandemic 2018-19.

Mental Health Commission

The Commission provided \$590,000 for additional support to psychiatric hostel residents during the pandemic and allocated more than \$376,000 for the Mental Health Assessment and Brief Intervention Team (MHABIT), to assist people required to quarantine in hotels. During 2020-21, there were over 100 contacts with MHABIT, and the team supported more than 65 people through hotel quarantine.⁹

Funding was also provided to support services at isolation facilities for individuals residing in Mental Health Commission funded accommodation who were unable to self-isolate in-situ. The Commission's response also included continuation of the Mobile Clinical Outreach Team, which is a street present team that provides services to rough sleepers.¹⁰

PathWest

Total expenses increased approximately 14% from \$333 to \$379 million, with a large portion relating to supplies and services.

PathWest performed 638,613 COVID-19 tests¹¹, the vast majority of PCR testing in WA.¹² Of these, 65,843 were in regional WA, 125,214 for hotel quarantine and 447,556 metropolitan,

⁷ Health Support Services Annual Report 2020-21, p 15

⁸ Library Board Annual Report 2020-21, p 34

⁹ Mental Health Commission Annual Report 2020-21, p 26

¹⁰ Mental Health Commission Annual Report 2020-21, p 26

¹¹ Pathwest Annual Report 2020-21, P 25

¹² For further information on the State's COVID-19 pathology testing capacity, see OAG Report 10: 2020-21 COVID-19: Status of WA Public Testing Systems, 9 December 2020

including the airport. It also expanded operations to perform wastewater testing to aid early detection of COVID-19 in communities.

Perth Theatre Trust

Cancellation of events at the Trust's venues, including His Majesty's Theatre, the State Theatre Centre, Perth Concert Hall and regional centres, resulted in a decrease in attendance figures and a 23%, or \$1.3 million reduction in user fees and charges. The Perth Theatre Trust typically satisfies its performance obligations in relation to these user fees and charges when services have been provided i.e. when the event is held. If the event is cancelled, the Trust is obligated to refund all cash collected from customers.

WA Police Force

The rolling State of Emergency and the Police Commissioner's State Emergency Coordinator role means that the WA Police Force continued to have significant additional functions during the year, most notably around issuing directions and enforcing COVID-19 laws across the State, including border controls using new technology (G2G Pass and G2G Now).

Supplies and Services expenditure increased by 11% to \$259 million, mainly due to COVID-19 related costs including cleaning, G2G applications, and advertising and other costs related to recruitment of additional police officers.

Offences against the person (other than family violence) increased by 5.3%, which was attributed to increased assaults when lockdowns were eased. Offences against property declined significantly by 25%, mainly due to less burglaries and theft during the pandemic. This may have been due to less homes being unattended due to travel restrictions and more people quarantining and working from home, or with interrupted employment.

Family related assaults increased by 11.7%¹³ between 2019-20 and 2020-21. In 2020-21, family assault or threatening behaviour was 24% higher than the 3 year average prior to the pandemic.

Reports of family violence related assaults and threatening behaviour were 19.3%¹⁴ above the 5 year average.

Police issued 383 infringements for COVID-19 breaches and 315 people were prosecuted.¹⁵

In 2020-21, community satisfaction with their most recent contact with police, remained constant compared to the previous 2 years. Frontline police officer hours and overtime increased due to the pandemic, but total police hours increased more, resulting in a further small decline in the percentage of sworn officer hours on frontline duties.

The average cost of specialist policing services per person in WA increased by 13% from \$200 to \$226, because of extra duties such as policing checkpoints and G2G passes.

The percentage of Road Safety Commission projects completed on budget declined from 100% to 86%, which was attributed to COVID-19.

Public Transport Authority

While total cost of services increased by 8% in 2021, the use of public transport services decreased further in 2020-21. User fees and charges were lower than the previous year by \$29 million (17%) due to a decrease in use of public transport. Other income also decreased

¹³ Police incident management system

¹⁴ WA Police Force Annual Report 2020-21, p 38

¹⁵ WA Police Force Annual Report 2020-21, p 24

from the previous year by \$5.1 million (15%) mainly due to free parking provided to passengers at train stations.

Metropolitan bus passengers per service kilometre declined by 26% between 2018-19 pre-pandemic and 2020-21 and metropolitan train passengers by 28%. Over those 2 years, country road coach usage declined by 22% and train usage by 19%.

Notifiable rail safety incidents reported to the Office of the National Rail Safety Regulator were higher than the previous 3 years, despite lower passenger numbers. There were 36 category A incidents, (those resulting in serious injury, death, or significant damage) in 2020-21 compared to 20 the previous year. Category B incidents, with the potential to cause a serious injury, death, or significant damage, were also higher.

Racing and Wagering Western Australia

Although the retail network (ie TAB's) was disrupted by COVID-19, the availability of online betting enabled wagering activity to continue. Racing and Wagering processed 23% more bets than in 2019-20, which was also 22% more than pre-pandemic 2018-19. This was mainly attributed to the impact of COVID-19. This contributed to a 20% increase in the margin on turnover, to \$374 million.

Rottnest Island Authority

Accommodation revenue was 44% higher than the prior year and 16% more than pre-pandemic 2018-19. Average occupancy of accommodation was also significantly more than prior years. However, total visitors declined, with approximately 28% less ferry arrivals¹⁶ compared to 2018-19, mainly due to less day visitors.

Swan Bells Foundation

Trading was reduced from 7 to 4 days per week during 2020-21. Visitors to the Bell Tower declined by 44% during the reporting period due substantially to closed international and interstate borders.

Western Australian Electoral Commission

The Commission received an additional \$6.5 million appropriation to conduct the 2021 State election in a COVID-safe manner. This included additional casual staff employed in polling places, early voting and processing centres, increased use of postal voting and additional leasing costs for early voting centres.

Western Australian Sports Centre Trust (VenuesWest)

Patronage of 4.2 million was 3% higher than the previous year, but 8% below the 5 year average. Customer satisfaction remained relatively constant with prior years.

However, sales, including stadium memberships, and sale of food and merchandise, decreased by \$11 million (18%) and user charges and fees by \$18.7 million (42%).

Multiple lockdowns and other COVID-19 related restrictions reduced income from ticket sales, conference and facility fees, and other miscellaneous user charges such as car parking, ticketing rebates, room hire and stadium tours. Rent relief of approximately \$374,000 was also provided to tenants.

¹⁶ Rottnest Island Authority Annual Report 2020-21, p 6

Western Australian Tourism Commission (Tourism WA)

As has been widely reported, tourism has been significantly affected by COVID-19 and this is reflected in most of the KPIs and in the financial statements of Tourism WA. Event operation expenses decreased by \$15 million (61%) as several events had to be cancelled or postponed in 2020-21. These included high profile events such as WA Gourmet Escape, ATP Cup (tennis), ICC T20 Men's World Cup (cricket), Ultimate Fighting Championship, Perth Supercars, Ironman WA and CinefestOz.

During 2020-21, total spend by visitors in WA decreased from \$11 billion to \$7.6 billion, with many tourism operators and hospitality businesses foregoing the profit margin they would have received on this lost turnover. As reported below, Tourism WA grants expenditure increased from \$5.9 million to \$19.1 million mainly to provide support for tourism operators and travel agents due to COVID-19 impacts, and to airlines for regional aviation recovery. In addition, some Lotterywest and local government grants were made to the tourism industry. However, the tourism supply chain, including tourism operators, associated hospitality and suppliers, and their staff have been impacted by the gap between profit margins foregone and support from governments. Although this gap cannot be reliably estimated, it was significant.

The number of persons directly or indirectly employed by tourism in WA decreased from 100,900 to 94,800 during 2019-20. Data for 2020-21 was not yet available at the time this report was finalised.

Zoological Parks Authority (Perth Zoo)

Admissions revenue of \$9.5 million was an increase of 24% over the previous year when, for the first time in its history, the zoo was closed for a period. This revenue was similar to the pre-pandemic admissions income level of 2018-19. The 2020-21 visitor numbers of 744,812 were an all-time record. These increases were partially due to a significant increase in memberships, with membership revenue increasing by 36% in 2020-21.

The zoo received a Commonwealth grant of \$1.77 million. The grant was to provide financial support in meeting operational expenditure, due to the loss of tourism revenue.

Entities' expenses for directly managing the impact of COVID-19

In 2020-21, most entities incurred a wide variety of additional expenses relating to the services they normally provide and additional COVID-19 specific expenses. They also incurred additional expenses to maintain a clean and healthy work environment and equip staff to work from home. A few entities advised that some of their COVID-19 related expenditure was funded by internally re-directing existing funding. It is reasonable to conclude that doing so is likely to have had an adverse impact on that entity in one way or another. Because of the related effect on other services, in the table below we have not differentiated between internally funded and externally funded COVID-19 expenditure.

Table 1 includes some notable costs of managing the pandemic. These expenses were tested in our audits on a sample basis. While some of these activities and related costs continued into the 2021-22 financial year, the costs in this table relate to the period up to 30 June 2021 only. In addition to the costs reported below, some entities may have incurred other costs, including overheads, because many entities did not adequately record some COVID-19 related transactions separately.

Name of entity	Cost 2020-21	Main reason for additional expenses (or redirection of appropriation funding)
Commissioner of Main Roads	\$1.3 million	Expenses related to regional border control assistance provided during the pandemic.
Child and Adolescent Health Service	\$11.94 million	In 2020-21, \$5 million was received for the storage and distribution of COVID-19 vaccines and costs incurred in setting up the COVID-19 vaccination clinics and personal protective equipment. An additional \$6.94 million was spent on operating costs for employees and patient support. This includes COVID-19 testing and screening, purchase of personal protective equipment, consumables and minor equipment.
Department of Communities	\$39.2 million	Supplies and services were \$17.8 million (33.5%) higher than the published budget due to information technology expenditure and related projects, and an increase in legal expenditure arising from the Department's response to COVID-19. Grants and subsidies were \$21.4 million (13.7%) higher than 2019-20 primarily due to an increase in children in care subsidies and COVID-19 grants related to family and domestic violence and homelessness.
Department of Education	\$81.1 million	The Department allocated \$81.1 million ¹⁷ to schools for additional cleaning services, cleaning products and the purchase of PPE to ensure the safety of staff and students.
Department of Finance	\$17.9 million	The Department incurred expenses on COVID-19 related to PPE, which was mainly for the purchase of reusable and disposable face masks.
Department of Health	\$209 million	Hotel quarantine expenses for 2020-21 included \$113.3 million in hotel costs and \$95.7 million in security costs (\$12.2 million and \$8.2 million respectively in 2020). The large increase was due to the ramping up of the use of hotel quarantine and the change to security requirements

¹⁷ Department of Education annual report 2020-21, p 17

Name of entity	Cost 2020-21	Main reason for additional expenses (or redirection of appropriation funding)
		<p>by the State Government. The Department also waived \$8.17 million of quarantine hotel fees.</p> <p>For 2020-21, an amount of \$2.4 million was paid to private health providers to compensate for reducing elective surgery to maintain capacity to combat COVID-19 workloads. Refer to page 7 above. Ultimately \$45.3 million of 2019-20 funding was either repurposed or returned to the Commonwealth Government.</p>
Department of the Premier and Cabinet	\$9.69 million	COVID-19 pandemic expenses related to communications, coordination and support and the Hotel Quarantine Review 2021.
Development WA	Approximately \$757,000	Waiver of rental for not-for-profit organisations and small businesses in government owned buildings. Development WA invoiced Treasury \$1.35 million in 2019-20 and \$757,000 in 2020-21 for rent waived, although the method of recording did not readily facilitate extracting precise cut-off between the years.
East Metropolitan Health Service	\$37.3 million	Expenses related to COVID-19 testing clinics, vaccination clinics, mask fit testing, hotel quarantine services, overseas junior medical quarantine, mobile testing clinics, the COVID-19 call centre and COVID-19 preparedness.
Electricity Generation and Retail Corporation (Synergy)	\$1.7 million	COVID-19 pandemic expenses related to temporary accommodation at generation sites, additional PPE and cleaning supplies and services.
Electricity Networks Corporation (Western Power)	\$1.3 million	Expenses related to additional PPE and cleaning supplies and services.
Health Support Services	\$39.6 million	Employee benefits expenses included \$13.4 million for additional employees in line with the COVID-19 response, including additional ICT support staff, recruitment and HR support staff and additional warehouse staff for the 2 warehouses running 24 hours to distribute PPE. Further, supplies and services costs of \$26.2 million also related to the COVID-19 response. This included a stock write down of \$11.2 million for PPE acquired or donated in the earlier stages of the pandemic when prices were higher. This was subsequently impaired at 30 June 2021 as prices decreased.
North Metropolitan Health Service	\$30.3m	Employee benefits expense increased by \$10.4 million as a result of an increase in FTE by 80. Additional COVID-19 costs of \$19.9 million mainly consist of testing and screening, purchase of PPE, consumables and minor equipment.
PathWest Laboratory Medicine WA	\$25.1 million	This expenditure consisted of medical supplies, consumables, salaries and wages, and PPE.
WA Police Force	\$26.1 million	Additional supply and services expense for COVID-19 response. This included cleaning services, G2G application and implementation of the Additional Police Officer Program.

Name of entity	Cost 2020-21	Main reason for additional expenses (or redirection of appropriation funding)
South Metropolitan Health Service	Approximately \$25.4 million	Management advised that \$25.4 million ¹⁸ COVID-19 expenses were reported to Department of Health in June 2021, including \$11.7 million employee benefits expense due to additional staff to address COVID-19 requirements, and \$12.4 million patient support costs.
WA Country Health Service	\$18.3 million	This included \$6.2 million related to additional costs for COVID-19 clinics and vaccination program, and \$12 million related to additional costs for general COVID-19 responses including additional payroll expenses, medical supplies and equipment, and transport.
Western Australian Sport Centre Trust (Venueswest)	Approximately \$1.5 million	Approximately \$1.2 million of COVID-19 related expenses was due to increases in property cleaning and supplies. This is in line with increased expectations and cleanliness requirements at venues as a responsive measure to COVID-19. In addition, Treasury paid Venueswest \$374,488 in 2020-21 in lieu of tenants' rentals waived by Venueswest. Venueswest did not invoice eligible tenancies for a 3-month period.

Source: OAG based on entities' financial reports/records

Table 1: Additional costs of COVID-19 pandemic reported by entities

¹⁸ South Metropolitan Health Service advice

Stimulus funding distributed or initiatives administered by entities

The Commonwealth and State governments both announced stimulus packages or initiatives to support a variety of sectors and assist those facing financial hardship as a consequence of the COVID-19 pandemic. Many entities continue to play a role in distributing this funding into 2021-22.

Art Gallery of Western Australia

The Art Gallery paid \$787,000 in stimulus payments to professional artists for the acquisition of works of art and archival materials.

Department of Communities

The Department is one of the lead entities for social recovery initiatives under the Government's WA Recovery Plan. Some of the expenses incurred for recovery initiatives by the Department include:

- \$4.4 million – children in care
- \$8.2 million – family and domestic violence
- \$5.35 million – financial counselling.

Department of Finance

Revenue WA supported the recovery plan through the distribution of a variety of government grants. Administered grant expense in 2020-21 has increased by \$398 million and is linked to the following schemes:

- \$107 million – Small Business Payroll Tax Grant
- \$10 million – Household Electricity Scheme
- \$133 million – Building Bonus Homebuyer Grant
- \$118 million – National Partnership on homebuilders
- \$43 million – First Homebuyer Grant Scheme increase year on year.

Department of Jobs, Tourism, Science and Innovation

Grants made under the WA Recovery Plan programs allocated to the Department as part of the State's COVID-19 response included:

- \$4.9 million – COVID-19 university research grants
- \$10 million – Local Capability Fund grant pool, of which \$7.3 million was disbursed in 2020-21 on business recovery and personal protective equipment manufacturing grants. This included \$0.5 million for a market led proposal to fund development of prototype hand sanitiser dispensers for placement in public spaces.

Department of Local Government, Sport and Cultural Industries

The Department provided \$21.5 million by way of the following measures:

- \$6.9 million – Lotterywest COVID-19 Relief Fund – sport and recreation grants

- \$1.9 million – Land Tax Assistance for Landlord Program
- \$10 million – Small Business Lockdown Assistance Grant Program
- \$2.7 million – Refund of Occasional Liquor Licence – 2020 annual liquor licence fee refunded to small businesses
- \$80,000 – camps refund – bookings could be cancelled or transferred within 14 days of the start of an event without penalty.

Department of Planning, Lands and Heritage

Income from other public sector entities increased by \$4.6 million (11%) due to an increase in funding paid from the Western Australian Planning Commission for the assessment and administration of statutory planning applications. The volume of applications and associated fees increased during the year as a result of COVID-19 stimulus initiatives including the Commonwealth Government's HomeBuilder grant and the State's Building Bonus.

Department of Primary Industries and Regional Development

User charges and fees reduced from \$54.1 million in pre-COVID 2018-19 to \$42.5 million in 2020-21. This decrease is mainly due to COVID-19 stimulus initiatives relating to reductions in fishing licence and application fees and the deferral of access fees.

Department of Training and Workforce Development

The Department provided the following stimulus measures for the year ended 30 June 2021:

- \$26 million – expansion of the Lower Fees, Local Skills initiative introduced by the State Government
- \$8 million – incentive payments for employers in defence industry to boost trade workers and to re-engage displaced apprentices and trainees in other industries
- \$13 million – fee relief for displaced apprentices, critical COVID-19 recovery skillsets including aged and disability care. Subsidies have been provided by the Department to TAFEs and private training providers to provide qualified services free of charge.

Department of Transport

The Department's stimulus payments provided assistance to regional airlines (\$0.8 million) and included \$5.5 million for Regional Taxi Assistance payments funded from the On-Demand Passenger Transport levy.

In addition, revenue was foregone due to the waiver of the following fees and charges:

- \$3.6 million – small business tenants located at the Department's maritime facilities received a 6-month rent waiver
- \$1.25 million – tourism charters and commercial fishing vessels penned or moored at the Department's maritime facilities received a 12-month fee waiver
- \$1.3 million – vehicles authorised for the transport of passengers for hire or reward, including on-demand, tourism and regular transport passenger transport services received a fee waiver.

Electricity Generation and Retail Corporation (Synergy)

Synergy undertook a number of measures, including:

- households who experienced financial hardship due to COVID-19 would not have their power disconnected
- the \$600 WA Household Electricity Credit Offset, the WA Government's one-off Energy Assistance Payment Boost of \$305.25 and the \$2,500 Small Business and Charity Tariff Offset
- the State Government and Synergy froze any planned increases to regulated electricity prices for household electricity until July 2021. The 2020-21 budget estimated this would have a net debt impact of \$156.2 million. Although the impact of the freeze was effectively covered within the scope of our financial audit, Synergy was not required to report the actual value of the impact on net debt
- on 5 February 2021, the Government announced an additional one-off \$500 account offset for eligible businesses.

Government Employees Superannuation Board

GESB continued to administer the Commonwealth Government's Early Release of Superannuation (ERS) scheme for its members during 2020-21. GESB processed 10,842 ERS payments totalling approximately \$87 million.

Lotteries Commission (Lotterywest)

During 2020-21, Lotterywest reported \$106 million in direct grants from the COVID-19 Relief Fund to assist community organisations with crisis and emergency relief affected by the pandemic. This was 88% of all direct (discretionary) grants paid. The fund was extended to 15 March 2021 and ceased in June 2021.

Mental Health Commission

Grants and subsidies expense increased from \$3.4 million to \$12.4 million. This included \$697,665 for the COVID-19 pandemic service response, while grants for several other programs and initiatives included an allocation for addressing pandemic matters.

WA Police Force

The WA Police Force reported an increase in capital appropriation by \$48.7 million from the prior year partly due to new capital funding for refurbishment of police stations as part of the WA Recovery Plan. In addition, funding was carried over into 2020-21 due to project delays in 2019-20 due to impacts of COVID-19.

Racing and Wagering Western Australia

The entity paid out \$1.7 million to race clubs to compensate them for losses incurred during the COVID-19 impacted period.

Water Corporation

The Water Corporation undertook a range of measures to assist households and businesses financially impacted by COVID-19 including:

- a freeze on increases in household fees and charges (until 30 June 2021). An estimate of \$183.1 million was included in the 2020-21 budget. Although the impact of the freeze was effectively covered within the scope of our financial audit, Water Corporation was not required to report the actual value of the impact

- major fixtures waiver scheme for businesses impacted by COVID-19 (for the period 1 May to 31 August 2020)
- no households or small businesses experiencing financial hardship as a result of COVID-19 would have their water supply restricted.

Western Australian Tourism Commission (Tourism WA)

Grants and subsidies expense increased from \$5.9 million to \$19.1 million mainly due to additional COVID-19 support for tourism recovery, regional aviation recovery and travel agents support package. The Travel Agent Support Fund distributed \$3 million, and the Business Survival Grant distributed \$8.9 million to tourism businesses impacted by the lockdowns and border restrictions. Three million dollars was distributed to assist with regional aviation recovery across the State.

Western Australian Planning Commission

User charges and fees increased by \$5.7 million (49%) mainly due to more statutory planning applications and associated fees collected during the year as a result of the implementation of COVID-19 stimulus initiatives, including the Commonwealth Government's HomeBuilder grant and the State's Building Bonus.

Hotel quarantine

The State Government announced on 10 July 2020 that anyone arriving into WA and directed to enter a state quarantine facility (hotel quarantine) on or after the 17 July 2020, would be required to pay for their quarantine period. Those entering hotel quarantine included:

- international arrivals
- interstate arrivals who did not have an appropriate place to self-quarantine – as determined by WA Police
- anybody considered a high risk, as determined by WA Police.

The WA Government advised relevant hotels that, under section 182 of the *Public Health Act 2016*, it was taking control of, and would make use of the hotel premises for emergency management purposes. The Government worked with the hotel industry to ensure a range of suitable accommodation was available in the Perth metropolitan area for quarantine purposes and funded the costs of security, transport and logistics. These costs were not included in the costs payable by people entering hotel quarantine. Their fee contributed to the cost of the room, meals and cleaning.

Management of the hotel quarantine program, including the billing and collection of fees, was allocated to the Department of Health.

During the 2020-21 audit period, the process was initially not well established, and evolved during the year. This meant that billing for hotel quarantine was not as timely as would be expected and at the point of our interim audit, there was approximately \$25 million of unbilled hotel quarantine expenses. However, by the end of the financial year (30 June 2021), billing processes had improved, fees of \$76 million had been recorded as due and \$29.6 million was included in debtors at year-end.

Quarantine fee requirements during 2020-21 included:

- at the end of the quarantine period, an invoice for the fee was provided. Payment was required within 30 days of the invoice date
- payment plans were available.

To establish completeness for the financial statements, we reviewed flight manifests to compare to the listings of hotel quarantine guests to ensure that all relevant guests had been recorded. We then ensured that guests had either already paid, been billed for the service (i.e. recorded as a receivable), or had the debt waived. Hotel guests experiencing financial hardship and that were eligible for a full or partial waiver were required to apply to the Department of Communities. The Department then assessed the fee waiver against defined criteria and a recommendation was made to the State Incident Team at Department of Health. Final approval for full or partial waiving of fees was made by the Chief Health Officer.

Recommendations

For 2021-22 annual reporting and going forward, for COVID-19 or any future such events, entities should:

- a. 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 pressures of the pandemic
- b. clearly separate COVID-19 related costs in their internal accounting records, so that cost managers can better identify whether cost shifts are COVID-19 related or for another reason. This would also assist with explanatory statements in the financial statements
- c. more robustly explain performance variations in the KPIs.

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Auditor General's 2021-22 reports

Number	Title	Date tabled
13	Information Systems Audit Report 2022 – State Government Entities	31 March 2022
12	Viable Cycling in the Perth Area	9 December 2021
11	Forensic Audit Report – Establishment Phase	8 December 2021
10	Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities	24 November 2021
9	Cyber Security in Local Government	24 November 2021
8	WA's COVID-19 Vaccine Roll-out	18 November 2021
7	Water Corporation: Management of Water Pipes – Follow-Up	17 November 2021
6	Roll-out of State COVID-19 Stimulus Initiatives: July 2020 – March 2021	20 October 2021
5	Local Government COVID-19 Financial Hardship Support	15 October 2021
4	Public Building Maintenance	24 August 2021
3	Staff Exit Controls	5 August 2021
2	SafeWA – Application Audit	2 August 2021
1	Opinion on Ministerial Notification – FPC Arbitration Outcome	29 July 2021

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