



PUBLIC ACCOUNTS COMMITTEE

**REVIEW OF AUDITOR
GENERAL'S REPORTS
NOS 6–9 OF 1999**

Report No. 46

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PUBLIC ACCOUNTS COMMITTEE

**REVIEW OF AUDITOR
GENERAL'S REPORTS
Nos 6 – 9 OF 1999**

Report No. 46

Presented by:
Mr Max Trenorden, MLA
Laid on the Table of the Legislative Assembly
on 19 October 2000

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COMMITTEE'S FUNCTIONS AND POWERS

The Committee obtains its powers and functions from the Standing Orders of the Legislative Assembly.¹ Standing Order 299 states that the functions of the Committee are:

. . . to inquire into and report to the Assembly on any proposal, matter or thing it considers necessary, connected with the receipt and expenditure of public moneys, including moneys allocated under the annual Appropriation bills and Loan Fund.

Moreover the Committee is empowered by Standing Order 300 to:

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

The Committee is also empowered by Standing Order 264, which states that:

A committee has power to send for persons, papers and records.

¹ On 7 September 1999, the Legislative Assembly agreed to Trial Standing Orders which replaced the former Public Accounts and Expenditure Review Committee with the Public Accounts Committee and redefined the Committee's powers and functions. On 21 December 1999, the Trial Standing Orders were adopted as amended and became effective on 1 January 2000.

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CHAIRMAN'S PREFACE

Mr Speaker,

I have for tabling the Public Accounts Committee's Report No.46, *Review of Auditor General's Reports Nos 6-9 of 1999*.

In line with the Committee's system of review of Auditor General's Reports which commenced during 1999, the Committee has examined and followed up on a number of issues arising from the following four reports tabled in the Legislative Assembly between July and December 1999:

- | | |
|--------------|---|
| Report No. 6 | <i>Fish for the Future? Fisheries Management in Western Australia - Performance Examination</i> |
| Report No. 7 | <i>Public Sector Performance Report 1999</i> |
| Report No. 8 | <i>A Stitch in Time. Surgical Services in Western Australia - Performance Examination</i> |
| Report No. 9 | <i>Report on Ministerial Portfolios to November 5, 1999</i> |

The Committee makes five recommendations, two of which relate to the public health sector - Metropolitan Health Services Board (Report No. 7), one relating to justice - breach of bail offences (Report No. 7), one relating to aboriginal affairs - Aboriginal Affairs Planning Authority (Report No. 9) and one relating to local government - Cemeteries Board (Report No. 9).

In addition, as part of the review process, the Committee has examined the results of the Auditor General's audits of control systems associated with payroll transactions at the Education Department of Western Australia (EDWA) and the procurement by the Department of a new Human Resource Management Information System (HRMIS). These issues were raised in the Auditor General's Report No. 7, *Public Sector Performance Report 1999*. As a result of the Auditor General's serious concerns over the management of the purchase and implementation of the HRMIS, the Committee conducted a formal evidence hearing with senior officials from EDWA.

Consequently, the Committee has decided to conduct a separate inquiry into the procurement of the HRMIS by EDWA.

In summary, I would like to thank the Members of the Committee for their contribution to the Report and the Committee's staff, in particular Senior Research Officer, Dr Janet Preuss and Mrs Patricia Roach for her secretarial assistance.

MAX TRENORDEN, MLA
CHAIRMAN

ABBREVIATIONS & ACRONYMS

AAD	Aboriginal Affairs Department
AAPA	Aboriginal Affairs Planning Authority
AGWEST	Agriculture Western Australia
ALT	Aboriginal Lands Trust
AMA	Australian Medical Association
CAMS	Department of Contract and Management Services
CCA	Controls, Compliance and Accountability
CWLB	Central Wait List Bureau
DOLA	Department of Land Administration
EDWA	Education Department of Western Australia
FAAA	<i>Financial Administration and Audit Act 1985</i>
FPE	Follow-up Performance Examination
GP	General Practitioner
GPR	Government Property Register
HDWA	Health Department of Western Australia
HMDS	Hospital Morbidity Data System
HRMIS	Human Resource Management Information System
IP	Intellectual Property
KPIWP	Key Performance Indicator Working Party
MHS	Metropolitan Health Service
MHSB	Metropolitan Health Service Board
MRRA	Mining Rents and Royalties Account
PAC	Public Accounts Committee
SSC	State Supply Commission

USA	United States of America
VGO	Valuer General's Office
VMP	Visiting Medical Practitioners
VMS	Vessel Monitoring System
WA	Western Australia

SUMMARY OF RECOMMENDATIONS

Recommendation 1

That the Metropolitan Health Service Board (MHSB) implement procedures for the accurate determination of the amount of the Metropolitan Health Service's (MHS's) budget spent on research and development for matters of accountability of public funds.

Recommendation 2

That the Metropolitan Health Service Board (MHSB) implement policies for the uniform identification, protection and management of IP as a matter of priority.

Recommendation 3

That the Ministry of Justice:

- (a) Review the procedures put in place to ensure that the appropriate information regarding breach of bail offences is made available to Magistrates.
- (b) Implement more stringent procedures to provide information to Magistrates regarding breach of bail offences and to ensure that fines for breach of bail do not go unpaid.

Recommendation 4

That the Minister for Aboriginal Affairs introduce measures to amend the legislation relating to the Aboriginal Affairs Planning Authority (AAPA) in order to prevent the operation of accounts without the prior approval of the Treasurer.

Recommendation 5

That the Minister for Local Government introduce measures to amend the legislation relating to the Cemeteries Board to include a due date for reporting.

MINISTERIAL RESPONSE

Standing Order 277 (1) of the Standing Orders of the Legislative Assembly states that:

A report may include a direction that a Minister in the Assembly is required within not more than three months, or at the earliest opportunity after that time if the Assembly is adjourned or in recess, to report to the Assembly as to the action, if any, proposed to be taken by the Government with respect to the recommendations of the committee.

Accordingly, the Public Accounts Committee directs that the Minister for Health, the Parliamentary Secretary to the Minister for Justice, the Minister for Local Government and the Minister for Aboriginal Affairs respond to the Committee's recommendations.

CHAPTER ONE

INTRODUCTION

BACKGROUND

It has been the recent practice of the Public Accounts Committee (the Committee) to meet on a biannual basis with the Auditor General and his senior management in order to discuss issues raised in his reports. As part of this process, the Committee takes the opportunity to examine progress by the relevant agencies on the recommendations made by the Auditor General in his reports.

The commitment by the Committee to formally review reports tabled by the Auditor General evolved as a direct result of the signing in October 1996 of a Statement of Understanding between the Committee Chairman, Mr Max Trenorden, MLA and the Auditor General, Mr Des Pearson.² The aim of this Statement was to enhance the accountability mechanisms of the Parliament by improving communication and coordination between the Auditor General and the Committee.

PROCESS OF REVIEW

The Committee meets with the Auditor General to consider the reports tabled by the Auditor General in the first and second halves of the calendar year.

The process undertaken is as follows:

1. Committee staff review the Auditor General's reports and summarise the key points and issues raised.
2. The Committee meets informally with the Auditor General to discuss the issues.
3. A formal evidence hearing is conducted with the Auditor General relating to the issues raised in his reports.
4. The Committee conducts its follow-up activities by writing to the relevant agencies seeking written clarification of actions taken in response to either findings, recommendations or qualified audit opinions made by the Auditor General.
5. Formal evidence hearings, if required, are conducted with agencies from which the Committee seeks to obtain further clarification of issues raised in the Auditor General's reports.
6. The Committee tables a report of its follow-up activities and the transcripts of evidence in Parliament.

² Public Accounts and Expenditure Review Committee, Report No. 32, *Report on Statement of Understanding between the Auditor General and the Public Accounts and Expenditure Review Committee*, October 1996.

CURRENT REVIEW

This report examines the four reports tabled by the Auditor General in the period July 1999 to December 1999. The reports examined were:

- Report No. 6 – October 1999: *Fish for the Future? Fisheries Management in Western Australia – Performance Examination.*
- Report No. 7 – November 1999: *Public Sector Performance Report 1999.*
- Report No. 8 – November 1999: *A Stitch in Time. Surgical Services in Western Australia – Performance Examination.*
- Report No. 9 – November 1999: *Report on Ministerial Portfolios to November 5, 1999.*

In line with the process of review described on page 1, the Committee held both an informal meeting and a formal evidence hearing with the Auditor General and senior members of his staff on 5 April 2000. The formal evidence hearing was open and reportable.

Following the meetings with the Auditor General, the Committee wrote to several of the agencies concerned, seeking further information. In addition, formal evidence hearings were held with the Education Department of Western Australia on 4 July 2000 and with the Health Department of Western Australia on 6 July 2000 (see Appendix 1). These evidence hearings were open and reportable and were conducted in order to investigate some issues raised by the Auditor General in his reports to a greater depth than would have been possible through written correspondence.

CHAPTER TWO

FISH FOR THE FUTURE? FISHERIES MANAGEMENT IN WESTERN AUSTRALIA (REPORT NO. 6)

BACKGROUND

This performance examination mainly concentrated on the management of commercial and recreational fishing by Fisheries Western Australia (Fisheries WA).

Fishing, both commercial and recreational, is one of Western Australia's major industries and leisure pastimes. Fisheries WA has the principal objective to 'conserve, develop and share the fish resources of the State for the benefit of present and future generations'.³ The agency administers the *Fish Resources Management Act 1994* and the *Pearling Act 1990*.

The objectives of the examination were to:

- report on the approaches that have been adopted for managing fisheries and their success in ensuring 'fish for the future'; and
- identify opportunities for improving current management and administrative practices.⁴

The principle methods of the examination were:

- a review of fisheries management principles and the approaches taken by Fisheries WA;
- a review of the statistical evidence relating to Fisheries WA and the fishing industry; and
- interviews and visits with Fisheries WA staff, the fishing industry and other interest groups.⁵

³ Auditor General Western Australia, *Fish for the Future? Fisheries Management in Western Australia*, Report No. 6, October 1999, p. 7.

⁴ *ibid.*, p. 7.

⁵ *ibid.*, p. 8.

AUDITOR GENERAL'S KEY FINDINGS AND CONCLUSIONS

The key findings and conclusions made by the Auditor General were:

- Fishing needs to be managed.
- WA fisheries management has been forward-looking.
- WA's major commercial fisheries have been successfully managed.
- Information about WA's fisheries remains incomplete.
- Major new challenges for fisheries management are emerging.
- The role of Fisheries WA is expanding.
- Some difficult issues and potentially unpopular decisions must be faced.
- Some current Fisheries WA practices need to be improved.
- Fisheries must be managed for the future.

AUDITOR GENERAL'S KEY RECOMMENDATIONS

The Auditor General made a number of recommendations relating to research, consultation, management plans, compliance, recreational fishing, funding, objections and services. Some of the key recommendations made in the Auditor General's report included:

That Fisheries WA should:

- make clear agreements about formal consultative arrangements with each managed fishery and ensure that the executive support to Management Advisory Committees meets the specified quality of service guidelines;
- augment management plans with statements of aims and objectives, performance indicators and consultative arrangements;
- ensure that up-to-date management plans are readily accessible and that all licence holders are notified of any changes;
- seek further improvements in the effectiveness and efficiency of its compliance activities for managed fisheries;
- review the case for further controls on recreational fishing effort; and
- seek to simplify and reduce the administrative burdens presently associated with cost recovery arrangements.

ISSUES

The Committee, in its follow-up enquiries, determined that Fisheries WA has implemented a number of measures to address the issues raised by the Auditor General in his report. In particular, Fisheries WA:

- have given increased attention to the publication of research findings in peer-reviews scientific journals and related publications;
- have completed (January 2000) a formal review of the rock lobster research logbook system;
- are developing a series of "Fishery Overviews" to incorporate management objectives;
- are amending management plans to formally specify the required consultation group;

- are developing a Ministerial Policy Guideline to facilitate application of the “Fishery Overviews”;
- have begun (15 August 2000) risk assessment studies for the abalone fishery and are scheduled to begin risk assessment studies on the Pearling and Lobster programs in September and October of 2000 respectively;
- are testing a compliance data collection form;
- have appointed a senior monitoring officer for the Vessel Monitoring System (VMS) to assist in the development of the VMS project;
- have implemented a number of surveys in a number of coastal regions in the State;
- have commenced the development of management and policy approaches for integrating the management of commercial and recreational sectors;
- have released (March 2000) an integrated resource management discussion paper and established a Review Committee;
- are developing a strategic plan to incorporate the use of volunteers in research projects and other activities; and
- are developing policies relating to the placement of middle ranked policy staff in Regional Offices.⁶

COMMITTEE COMMENT

The Committee considers that Fisheries WA have made good progress towards implementing measures to address the issues raised by the Auditor General and makes no further comment.

⁶ Correspondence from Mr P. Rogers, Executive Director, Fisheries WA, to the Chairman, PAC, Mr Max Trenorden, MLA, 29 August 2000.

CHAPTER THREE

PUBLIC SECTOR PERFORMANCE REPORT 1999 (REPORT NO. 7)

INTRODUCTION

This report examines a number of issues relating to:

1. Controls, Compliance and Accountability Audits:
 - Controls over revenue collection.
 - Control of agency expenditure.
 - Management of assets.
 - Reporting of performance.
2. Follow-up performance examinations.

For the purposes of the Auditor General's report, seven Controls, Compliance and Accountability Audits and two follow-up performance examinations were conducted.

CONTROLS, COMPLIANCE AND ACCOUNTABILITY AUDITS

Controls, Compliance and Accountability (CCA) Audits are conducted by the Office of the Auditor General to inform Parliament about aspects of financial control and public administration that would not normally be covered in the annual audit of agencies' financial statements and performance indicators. Designed to complement the more in-depth attest audits, the CCA audits are directed towards:

- internal control systems;
- compliance with applicable legislative and policy requirements;
- accountability; and
- probity.⁷

⁷ Auditor General Western Australia, *Public Sector Performance Report 1999*, Report No. 7, November 1999, pp. 4-5.

CONTROLS OVER REVENUE COLLECTION

Management of Government Social Concessions

Background

Approximately \$317 million in concessions on government goods and services are provided by 21 government agencies to disadvantaged groups each year. Eligibility for concessions is determined on the basis of low-income, age, service to country or community and/or special needs or disadvantage.

A 1992 audit found that there was a lack of a 'coordinated whole of government approach to targeting, monitoring and evaluating concessions provided by government agencies'.⁸ A follow-up review in 1996 however, found that these concerns were being addressed through:

- the development of a government-wide concessions data-base; and
- a whole of government review of concessions.

In the conduct of the CCA audits, the Auditor General reviewed the outcome of the whole of government review of concessions and examined the use of controls over the eligibility of concession recipients at five agencies: Department of Transport; Homeswest; Water Corporation; Western Power; and the State Revenue Department.

Auditor General's Key Findings

Whole of Government Reporting and Review

The government-wide social concessions database was established by the Treasury Department and provides details for the year ended 30 June 1998 on each State Government social concession offered.

The whole of government review of social concessions (chaired by the Ministry of Premier and Cabinet) examined the equity in the access to concessions and the efficiency, effectiveness and accountability in the provision of social concessions. This review was completed and submitted to Cabinet in March 1999 but was referred back to the Ministry of the Premier and Cabinet for further investigation.

Eligibility of Concession Recipients

The Auditor General's report noted that:

Agencies which provide concessions should implement cost-effective control procedures to ensure that concession recipients remain eligible. These procedures include inspection of concession cards, data matching and verification of income and assets where eligibility is based on capacity to pay.⁹

⁸ Auditor General, Report No. 7, op. cit., p. 7.

⁹ *ibid.*, p. 8.

The audit of the five agencies examined revealed that lack of proper controls over the verification of the eligibility of recipients to concessions may result (and does result) in concessions being claimed by recipients who are no longer entitled to the concessions.¹⁰

The Water Corporation and the Department of Transport provide concessions totalling \$38 million that could be, but were not, verified by data-matching. In addition, the Water Corporation had not reviewed concession eligibility by 1998 as required by the *Rates and Charges Act 1992*.

The CCA audit also noted that as the review into the equity and effectiveness of concessions had still not been finalised by the Ministry of the Premier and Cabinet, 'the current approach may not be effectively targeting those in need and could result in inconsistencies as to whom can access concessions'.¹¹

Auditor General's Key Recommendations

The Auditor General recommended that:

- The Ministry of the Premier and Cabinet should ensure the whole of government review of social concessions is finalised in a timely manner; and
- Adequate controls should be implemented by all agencies providing social concessions to ensure eligibility criteria are met. In particular:
 - ♦ the Water Corporation should regularly review concession eligibility in accordance with the requirements of the *Rates and Charges (Rebates and Deferments) Act*; and
 - ♦ the Department of Transport should conduct regular reviews of the continued entitlement of motor vehicle and drivers licence concession recipients by accessing databases such as those of Centrelink, Department of Veterans Affairs and the Office of Seniors Interests.

Issues

In his report, the Auditor General stated that the Ministry of the Premier and Cabinet had advised that the recommendations of the Review were the subject of ongoing consideration and that the information obtained by Treasury was awaiting analysis.¹²

The Committee sought comment on this issue from the Director General, Ministry of the Premier and Cabinet, Mr Mal Wauchope, who stated that the information gathered by Treasury from the concessions survey had been entered into the database and a preliminary analysis had been completed. Further analysis of the information was continuing.¹³

The Auditor General also stated in his report that the Water Corporation had reviewed those of its customers registered as pensioners and seniors in accordance with the *Rates and Charges (Rebates and Deferments) Act* in order to confirm their eligibility for concessions.

¹⁰ Auditor General, Report No. 7, op. cit., p. 9.

¹¹ *ibid.*, p.11.

¹² *ibid.*, p.12.

¹³ Correspondence from the Director General, Mr Mal Wauchope, to the Chairman of the PAC, Mr Max Trenorden, MLA, 30 June 2000.

The Department of Transport advised the Auditor General that a review of concessions and eligibility criteria for motor vehicle and drivers licence concessions was scheduled to commence later in 1999.¹⁴

In its follow-up review, the Committee has determined from the Department of Transport that the first stage of the review of concessions has been completed and that it has commissioned a report on the most cost-effective means of satisfying the Government's social and economic outcomes with respect to vehicle and driver licensing concessions. This report, entitled *Motor Vehicle and Driver License Concession Review*, was completed in April 2000.¹⁵

As a result of the Auditor General's report, the Department of Transport has developed a draft plan focusing on three key areas:

1. Clarifying, consolidating and organising the current range of concessions into a cohesive and logical framework, making them easier to manage.
2. Reducing the time and cost of administrative processes as well as providing reliable data matching processes to verify the eligibility of concession recipients.
3. Examination of the eligibility criteria for concessions to determine if change is required.

With respect to accessing the databases of other Government agencies in order to improve the effectiveness and accuracy of concessions granted, the Department of Transport indicated that informal discussions have already taken place with Centrelink. Further, the Acting Director General of Transport has indicated to the Committee that data matching arrangements will be negotiated and implemented this year.¹⁶

COMMITTEE COMMENT

The Committee is satisfied with the steps taken by the respective agencies to address the problems of eligibility for concessions and makes no further comment.

CONTROL OF AGENCY EXPENDITURE

This section of the report looks at the control of agency expenditure by examining:

- the consequences of the introduction of the Human Resource Management Information System for payroll at the Education Department of Western Australia; and
- the private practice arrangement for Specialist Medical Practitioners employed by the Metropolitan Health Service Board in the four public teaching hospitals.

¹⁴ Auditor General, Report No. 7, op. cit, p. 12.

¹⁵ Correspondence from the Acting Director General of Transport, Mr Mike Harris, to the Chairman of the PAC, Mr Max Trenorden, MLA, 21 June 2000.

¹⁶ *ibid.*

Education Department of Western Australia – Payroll System Controls

Background

The Education Department of Western Australia (EDWA) incurs payroll-related expenditure of over \$1 billion per annum and processes 35 000 payroll-related transactions per fortnight.¹⁷

In 1995, EDWA commenced a project, Personnel 2000 (P2000), which involved policy development, business process re-engineering and the replacement of the existing personnel/payroll system with a Human Resource Management Information System (HRMIS). One of the planned benefits of the introduction of the HRMIS, at a cost of \$13 million, was to be a reduction in overpayments.

In March and August 1999, audits were conducted to assess the adequacy of controls over payroll transactions at EDWA, including procedures to prevent and detect payroll errors. Other issues relating to the implementation costs of the new system and issues relating to system performance were also addressed.

Auditor General's Key Findings

Payroll Errors

To date, the number of payroll errors has increased, contributing to gross errors and overpayments totalling \$4.9 million in 1998-99 as compared to \$835 000 in 1997-98. The increase in payroll errors was found by the Auditor General to be due to:

- a lack of checking and monitoring procedures that would assist in identifying payroll errors;
- deficiencies with the new system such as calculation errors for the tax component of termination payments and incorrect payment of pro-rata long-service leave; and
- inadequate staff training.

The Auditor General's report noted that:

It is likely that 'avoidable' overpayments will continue to occur until EDWA has fully analysed error rates and causes to identify areas requiring improved controls, further training or system modifications.¹⁸

HRMIS Costs

In January 1996, the estimated cost of the new payroll system was anticipated to be \$3.5 - \$4 million and the State Supply Commission gave authority for EDWA to arrange its own purchasing up to the value of \$5 million. EDWA exceeded its approved purchasing level of \$5 million and entered into a contract with the successful tenderer for \$7.6 million, without obtaining approval from the State Supply Commission as required by the *State Supply Commission Act 1991*.¹⁹

¹⁷ Auditor General, Report No. 7, op. cit., p. 13.

¹⁸ *ibid.*, p. 17.

¹⁹ *ibid.*, pp. 18-19.

The Auditor General stated in his report that the reasons for the increase in cost to \$7.6 million were that:

- original figures were based on estimates of resource costs and time without receiving input from the companies involved; and
- the original intention of using commercial software required reconsideration to allow for the public sector-specific requirements and EDWA's award conditions.²⁰

By August 1998, the cost of HRMIS had increased to \$13 million following reviews of the scope and approach of the project and related specifically to the level of customisation of the system required by EDWA to meet its needs.

As a result of the loss of adequate controls and lack of training of users of the new payroll system, there have been:

- avoidable payroll errors;
- significant disruption to operations; and
- an escalation of costs associated with additional resources to address deficiencies.²¹

Auditor General's Key Recommendations

In his report, the Auditor General recommended that EDWA should:

- provide adequate training to users of the system;
- develop mechanisms (such as warning messages) to highlight potential payroll errors;
- analyse causes and rates of errors to further improve controls;
- ensure timely identification and correction of all overpayments; and
- record the date of the overpayment to improve monitoring.²²

Issues

Committee discussions held with the Auditor General raised serious concerns over the management of the purchase and implementation of the HRMIS. Consequently, the Committee held a formal evidence hearing with senior officers of the Education Department on 4 July 2000 to ascertain the reasons behind the apparent blow-out in costs in purchasing and the present status of the effectiveness of the system.

Payroll Errors

Information supplied to the Committee by the Education Department²³ suggests that the levels of overpayments decreased in the final quarter of the 1999-2000 financial year compared with previous quarters. In the period 1 April 2000 to 30 June 2000, debit notes worth \$479 562.39 were issued, compared with \$2 160 356.01 for the same period in 1999. Overpayments averaged \$36 631 per week in the first half of 2000, whereas for the same period in 1999, the

²⁰ Auditor General, Report No. 7, op. cit., p. 19.

²¹ *ibid.*

²² *ibid.*, p. 20.

²³ Supplementary information provided to the PAC by Mr Peter Browne, Acting Director General, Education Department of Western Australia, 26 July 2000.

weekly average was \$219 763. For the 1999-2000 financial year, approximately \$1 600 000 in overpayments, representing 0.15% of the total payroll, were made and detected.

The Executive Director, Human Resources, EDWA, informed the Committee that in the early stages, there was a combination of human error and some system-related problems, which caused most of the overpayments. The errors in the system have now been rectified and the human errors are being decreased through training and experience in using the system. The majority of errors that occur now are due to delays in communication from the schools about changes to rosters and changed circumstances.²⁴

HRMIS Project

The objectives of the project were to:

- eliminate outmoded personnel and human resource practices;
- replace the existing payroll system with a modern, flexible payroll and human resource management system;
- provide essential information for managing EDWA's workforce;
- reduce the degree of centralisation to allow schools access to basic human resource process information.²⁵

EDWA believes that all of these objectives have been met by the implementation of the HRMIS.

The process to design and implement a HRMIS involved 3 stages:²⁶

- Stage 1:** Identifying an appropriate package.
- Stage 2:** Acquisition, customisation, implementation and rollout of the system.
Phase 1: Project establishment and design specification.
Phase 2: Customisation and implementation.
- Stage 3:** Outsourcing operations and support.

HRMIS Costs

On request, EDWA provided to the Committee an overview of the chronological process that was involved in implementing the HRMIS (Appendix 2).²⁷ Of particular concern to the Committee is the fact that EDWA negotiated a contract for \$7.6 million prior to receiving purchasing devolution approval above the already approved \$5 million from the State Supply Commission (SSC).²⁸ In the formal evidence hearing held with the Committee, EDWA maintained that it '... had approval from the State Supply Commission for every increase above the original tendered price, up to the final approval of \$13 million'.²⁹ In the submitted information provided however, EDWA acknowledges that negotiation of the contract over the

²⁴ Transcript of Evidence, 4 July 2000, p. 44.

²⁵ Supplementary information provided to the PAC by Mr Peter Browne, Acting Director General, Education Department of Western Australia, 26 July 2000.

²⁶ Education Department of Western Australia. Personnel 2000 Project, Review Report. Prepared by Auburna Consulting, September 1997.

²⁷ Supplementary information provided to the PAC by Mr Peter Browne, Acting Director General, Education Department of Western Australia, 26 July 2000.

²⁸ *ibid.*

²⁹ Transcript of Evidence, 4 July 2000, p. 50.

purchasing devolution amount was done in error and states that processes are now in place to prevent a repetition of this occurring.³⁰

The total costs for the implementation of the HRMIS are as follows³¹:

Personnel 2000 System (Prototype)	\$ 4 000 000
Business Process Re-engineering	\$ 2 000 000
HRMIS (Peoplesoft)	\$ 13 000 000
Software licences	\$ 400 000
Training	\$ 250 000
EDWA Salaries	\$ 3 000 000
Contingencies	\$ 150 000
TOTAL	\$ 22 800 000

COMMITTEE COMMENT

The Committee is concerned with the issues raised in the Auditor General's report and intends to conduct a separate inquiry into the procurement of the HRMIS by EDWA. Consequently, the Committee will not comment further in this report.

Specialist Medical Practitioners – Private Practice Arrangements

Background

The Metropolitan Health Service Board (MHSB) may grant rights of private practice to specialist medical practitioners in the four public teaching hospitals in Perth, namely Fremantle, King Edward Memorial and Princess Margaret, Royal Perth and Sir Charles Gairdner hospitals. The terms and conditions of private practice arrangements are set out in the *Western Australian Government Health Industry AMA Medical Practitioners Collective Workplace Agreement, Versions 3 & 4* (the Agreement). Practitioners may operate their private practice by one of two arrangements:

- receiving a salary increase with the hospital rendering accounts and receiving fees for private patients (*Arrangement A*); or
- the practitioner rendering accounts directly and receiving an equivalent of either 16 or 25 per cent of salary after deducting certain expenses. The balance of any fees is split between the hospital and practitioners (*Arrangement B*).

A total of 234 medical practitioners were granted these rights to private practice arrangements in 1997-98, with 101 opting for Arrangement A and 133 opting for Arrangement B.

³⁰ Supplementary information provided to the PAC by Mr Peter Browne, Acting Director General, Education Department of Western Australia, 26 July 2000.

³¹ Correspondence from Mr Peter Browne, Acting Director General, Education Department of Western Australia, to the Chairman, PAC, Mr Max Trenorden, MLA, 26 July 2000.

Auditor General's Key Findings

The CCA audit found that private practice arrangements are inadequately managed and are applied differently across the four hospitals. Problems included:

- lack of timeliness in the provision of annual returns;
- lack of consistency in requirement for audited annual returns;
- delays in collecting hospital revenue due to lateness of returns; and
- problems in the calculation of facilities fees and the possible non-billing of private patients.

Auditor General's Key Recommendations

The Auditor General recommended that the MHSB should:

- ensure that private practice arrangements comply with the Agreement;
- ensure that all patients of Arrangement A medical practitioners are identified and billed by the hospitals;
- ensure that facilities fees to be paid by medical practitioners are calculated in accordance with the Agreement by all hospitals; and
- require that annual returns by the medical practitioners are audited and submitted in a timely manner.

Issues

The Auditor General's report noted that the MHSB had indicated that the Agreement had been renegotiated and included changes which clearly specified that facilities fees were to be based on a percentage of net earnings and annual returns were to be prepared and certified by an accountant.

The MHSB also advised that it would develop a policy which would address the need for consistency across the four teaching hospitals and systems that would ensure all private patients of Arrangement A medical practitioners were identified and billed.

Annual Returns

The Committee sought an update on the actions taken by the MHSB in addressing the recommendations made by the Auditor General in his report. With respect to ensuring that annual returns are submitted in a timely manner, the four teaching hospitals agreed to courses of action with the Office of the Auditor General at the time of the audit. The MHSB has since insisted that the hospitals put this agreement into place and reports that the current position at each of the teaching hospitals is as follows:

Royal Perth Hospital

All Option B and D practitioners³² have been advised of the reporting deadlines and responses will be monitored.

³² Defined under the old workplace agreement. Refer to Appendix 2 for a complete definition and comparison with the definitions for the new workplace agreement.

Sir Charles Gairdner Hospital

All members of the clinical staff have been advised in writing of their requirement to comply with the timelines for their annual returns and the Chief Executive of the Hospital has met with the hospital's Clinical Staff Association to emphasize the importance of this issue. A follow-up/escalation procedure exists for staff that do not comply with this requirement.

King Edward Memorial and Princess Margaret Hospitals

These hospitals are conducting reviews to expedite the procedures and are preparing a draft return for the staff to use as a basis for their returns. It is anticipated that the return time should decrease from the existing 3 months.

Fremantle Hospital

Although the workplace agreement does not impose penalties on practitioners who do not submit an annual return within the prescribed time, the hospital instigates follow-up action in the form of reminder letters, which persist until the annual returns are submitted.

The MHSB is confident that adequate steps are being taken to ensure that annual returns are obtained.³³

Policy Development

With respect to developing a policy that addresses the need for consistency across the four teaching hospitals, the MHSB is currently evaluating the four policies applied by the hospitals and intends to formulate a single policy. The MHSB also expects this issue to be addressed in the negotiations for a new workplace agreement with full-time and sessionalist practitioners.

In order to ensure that private patients of Arrangement A medical practitioners are identified and billed, the MHSB intends to develop a policy in conjunction with the negotiations for a new workplace agreement with practitioners. In the interim, the individual hospitals have instigated actions to identify patients admitted under Arrangement A practitioners and the MHSB is confident that the systems in place ensure these patients are identified and billed.³⁴

Accounting

The same method of accounting is used by each of the hospitals and involves accrual-based monthly management accounts covering an operating statement and balance sheet. In addition, monthly cash flow analyses are also provided to the MHS. The annual financial statements are consolidated from the monthly accounts with necessary adjustments made. Whilst each of the hospitals uses the same accounting method, some variations may be present within each hospital, due to differences in organisational structure.³⁵

In order to address the weaknesses within the system used to allocate costs and record activity, the MHSB has initiated a new executive structure, which will involve the centralisation of accounting and finance activities.

³³ Correspondence from the Chairman, Metropolitan Health Service Board, the Hon. Ian McCall, to the Chairman of the PAC, Mr Max Trenorden, MLA, 27 June 2000.

³⁴ *ibid.*

³⁵ *ibid.*

A means for determining the amount of the MHS's budget spent on research and development as opposed to teaching and training have not yet been established. The MHSB reports that it engaged a consultancy to review this area, which resulted in some suggestions being made of how this might be undertaken. The MHSB has also employed an Executive Director, Clinical Services who will oversee teaching, training and research and development.

Recommendation 1

That the Metropolitan Health Service Board (MHSB) implement procedures for the accurate determination of the amount of the Metropolitan Health Services's (MHS's) budget spent on research and development for matters of accountability of public funds.

Intellectual Property

The MHSB has sought advice from the Department of Commerce and Trade regarding intellectual property (IP) issues arising from research and development but has still to develop a policy to address these issues.³⁶ Whilst each of the teaching hospitals has policies covering IP, the MHSB is developing a single policy in order to provide a consistent approach.

Recommendation 2

That the Metropolitan Health Service Board (MHSB) implement policies for the uniform identification, protection and management of IP as a matter of priority.

COMMITTEE COMMENT

The Committee notes the actions taken by the MHSB to address the issue of timeliness in submission of annual returns and policy development. Further, the Committee is of the opinion that issues relating to IP need to be addressed with some degree of urgency in order to protect this valuable resource. The Committee will continue to monitor the success of the measures taken through future reports of the Auditor General.

³⁶ Correspondence from the Chairman, Metropolitan Health Service Board, the Hon. Ian McCall, to the Chairman of the PAC, Mr Max Trenorden, MLA, 27 June 2000.

MANAGEMENT OF ASSETS

Management of Intellectual Property

Background

As government agencies spend at least \$96 million per year on research and development activities, the issue of safeguarding and managing the associated IP is of great importance.

Management of IP includes three key processes:

1. Identifying the existence of IP or the potential for its creation.
2. Taking steps to secure the ownership of, or protecting the IP, to ensure that its use and benefits can be accessed and controlled by the agency.
3. Where appropriate, commercialising IP to obtain a return.

The *Public Sector Intellectual Property Management Policy*, designed to provide guidance and assistance to agencies, was endorsed by Cabinet in June 1997. This resulted in the establishment of the Government Intellectual Property Policy Council to implement and monitor a consistent, whole-of-government approach to the management of public sector IP. In addition, the *Financial Administration and Audit Act 1985* (FAAA) assigns responsibility to accountable officers and authorities for properly managing assets, including IP.

The Auditor General examined the management of IP at Agriculture Western Australia (AGWEST) and at the MHSB. The audit involved reviewing controls and procedures over the:

- identification and recording of IP; and
- protection and commercialisation of IP.

Auditor General's Key Findings

The Auditor General found that the Government Intellectual Property Policy Council encountered difficulties in implementing the government-wide IP policy due to the fact that some sections of the policy were unworkable and the Council lacked the legislative authority to perform some of its intended functions.³⁷ The *State Trading Concerns Act 1916* was a contributing factor to this problem as it prohibits agencies from engaging in activities, including the commercialisation of IP, unless expressly authorised by Parliament or authorisation is obtained by regulation under the Act.

Among the findings made by the Auditor General in his audit of the MHSB and AGWEST were the following:

- The MHSB spends between 8% and 15% of its \$1 billion-plus budget on research, development, teaching and training activities. Some of these activities may result in the creation of commercially valuable IP.

³⁷ Auditor General, Report No. 7, op. cit., p. 27.

- AGWEST spends over \$40 million per annum on various research programs, some partly funded by external bodies, which may result in the creation of IP.
- The audit provided examples of cases where IP had not been adequately managed and protected, resulting in the failure to achieve the best possible returns for the commercialisation of IP. Examples given were the loss of a trademark in the USA for a particular type of apple developed by AGWEST and the loss of a patent for a catheter-holding device created by one of the hospitals under the control of the MHSB.
- MHSB had yet to develop a policy or implement procedures covering the identification, protection and management of IP.
- AGWEST had established an IP Committee to develop and promote its IP management system. However, the audit had identified areas for further improvement.

Auditor General's Key Recommendations

The Auditor General recommended that agencies should develop policies and/or practices for the management of IP in accordance with the Public Sector Intellectual Property Management Policy and should ensure:

- staff awareness of IP is raised;
- effective systems for identifying, protecting and managing IP assets are established;
- the costs and benefits of protecting and commercialising IP assets are evaluated; and
- a register of IP assets is maintained.

Issues

The Auditor General reported that amendments to the *State Trading Concerns Act 1916* were in the process of being ratified by Parliament. In addition, *The Government Intellectual Property Policy Council* had obtained Cabinet endorsement of interim amendments to its terms of reference and had reviewed the existing policy to address shortcomings.

The Committee has been informed that the revised policy was submitted to and approved by Cabinet at the end of January 2000, subject to the development of guidelines to complement the policy. The Committee also understands that the Office of the Auditor General has been consulted in the development of these guidelines and expects that they will be referred to Cabinet in the near future.

The Auditor General's report acknowledged that both AGWEST and the MHSB had taken action to implement the recommendations raised in the audit. More specifically, AGWEST has appointed dedicated IP managers, sought legal advice for the protection of IP and established a computerised IP register with audit and contract management functionality.

COMMITTEE COMMENT

The Committee is of the opinion that the protection of IP within all agencies should be a matter of priority. In addition, the Committee commends the substantial measures that have been put in place by AGWEST to address the issue of IP.

Matters Relating to Lease of Government Land in Welshpool***Background***

Since the mid 1950's, the Department of Contract and Management Services (CAMS) (and its predecessor agencies) have maintained a site of 4.86 hectares in Welshpool as a depot. Included in the site is an area of 1.17 hectares that contains office accommodation, workshops and some plant and equipment. In January 1999, this component of the site was leased and the plant and equipment thereon sold to a private training provider.³⁸

The recommended practice for sale of surplus government assets is for an open selling approach, whereby all interested parties have equal opportunity to purchase and assurance can be given that the best price was achieved in the circumstances. These principles are enshrined in the Treasury Department's *Guidelines for Managing Government Real Estate*. The State Supply Commission's July 1998 policy for *Disposal of Goods* also recognises the responsibility of public authorities to dispose of their surplus goods in an efficient, consistent, equitable and accountable manner. In addition, under the 1996 *Property Disposal Program*, surplus land may be disposed of with the assistance of the Department of Land Administration (DOLA).³⁹

The Office of the Auditor General undertook an examination of the circumstances surrounding the lease of the Welshpool site and the sale of the plant and equipment.

Auditor General's Key Findings

The Auditor General made a number of findings which are of concern to the Committee, including:

- The process for the lease/sale of the site was inconsistent with aspects of government guidelines, leading to a perception of preferred treatment:
 - the site was not put to open market sale;
 - the lease was at a concessional rate rather than at market value; and
 - normal DOLA lease conditions of occupation and payment of half the yearly lease payment on execution of the lease agreement did not occur.
- The DOLA 'real estate agent' role was not well understood by other agencies.
- An up-to-date valuation of the plant and equipment was not used as the basis of negotiation for the sale.

³⁸ Auditor General, Report No. 7, op. cit., p. 33.

³⁹ *ibid.*

- The Western Australian Department of Training and Employment's (Training and Employment) responsibility as the lead Government agency on training policy matters was not sufficiently recognised by CAMS and DOLA during consideration to sell/lease the site for use as a major training centre.⁴⁰

Auditor General's Key Recommendations

In his report, the Auditor General suggested that agencies should:

- ensure property disposal actions comply with policies and are consistent with applicable guidelines; and
- consider any potential inter-agency implications of the disposal action and communicate these to the relevant agency.

Issues

The Committee, in its hearing with the Auditor General, determined that there was a clear communication breakdown between DOLA and CAMS with regards to the lease agreement. Whilst CAMS had done some initial work with the lease and passed it on to DOLA with the intention of having DOLA finalise the project, DOLA thought it was to act as an agent for CAMS.

The Auditor General was of the opinion that although communication breakdowns of this nature were not systemic, nor were they an unusual occurrence. Sometimes within a large bureaucracy, it is an easy matter to 'pass-the-parcel' to another agency when an issue becomes too complex and difficult.⁴¹ Feedback from DOLA indicates that the department appreciated the position they were in and are now more aware of it.⁴²

COMMITTEE COMMENT

The Committee is concerned that a lack of communication between government agencies can result in set guidelines not being followed. The Committee will continue to closely monitor this issue through the Auditor General's reports.

Moreover, in this instance it appears that the land in question was disposed of in an inefficient manner, resulting in a lack of accountability and transparency.

⁴⁰ Auditor General, Report No. 7, op. cit., p. 40.

⁴¹ Transcript of Evidence, 5 April 2000, p. 8.

⁴² *ibid.*

REPORTING OF PERFORMANCE

This section of the Auditor General's report looked at the reporting of annual performance through the examination of:

1. Annual Reports.
2. Health Service and Hospitals: Reporting of Morbidity Data in Performance Indicators.

Annual Reports

Background

The FAAA requires public sector agencies to submit an annual report to their Minister within two months of the end of the financial year, containing the necessary information to comply with Treasurer's Instruction 901 *Annual Reports* and Treasurer's Instruction 903 *Report on Operations*.

Treasurer's Instruction 901 deals with the fundamental objectives of the annual report, whereas Treasurer's Instruction 903 prescribes the matters which should be included in the report on operations.

The examination conducted by the Auditor General involved a review of the tabling dates in Parliament for the 1997-98 annual reports of 269 agencies to ascertain timeliness of reporting. A cross-sector sample of 46 of the reports was examined for compliance with the Treasurer's Instructions and to establish that the published financial statements and performance indicators corresponded with as those audited.

Auditor General's Key Findings

From the sample of reports examined, the Auditor General made a number of findings:

- Only 52% of annual reports had been tabled within the statutory timeframe. The significance of the delayed reporting by the agencies lay in the fact that both Parliament and the public were not being provided with information within the timeframe set by legislation, thereby reducing the usefulness of that information.
- 8 of the 46 annual reports reviewed had variations between the published and audited financial statements.
- 7 of the 46 annual reports reviewed had variations between the published and audited performance indicators.
- The variation between the published and audited versions ranged from relatively insignificant errors and presentation changes to omissions of essential audited information such as:
 - changed numbers;
 - additional unaudited data in notes;
 - omission of audited notes; and
 - changed graphical presentations.

- Non-disclosure of matters relevant to the Treasurer's instructions ranged between 2% and 21% of the sample. Reasons for these non-disclosures included difficulties in understanding the Treasurer's Instruction and agencies questioning the relevance of mandatory disclosures.
- Non-disclosure of matter required by other legislation and government directives ranged between 13% and 54%.
- The reason for these non-disclosures was attributed to agencies not being aware of reporting obligations.⁴³

Auditor General's Key Recommendations

The Auditor General suggested a number of changes that could be made to improve the usefulness of annual reports submitted by public sector agencies:

- Treasurer's Instruction 903 should be reviewed and amended to provide clearer guidance to agencies in the preparation of annual reports.
- The Ministry of the Premier and Cabinet should develop a checklist to assist agencies in complying with their annual reporting obligations.
- Agencies should ensure that financial statements and performance indicators in the annual report are identical to those audited.
- Monitoring of agencies should be implemented to ensure timeliness of reporting.⁴⁴

Issues

As noted in the Auditor General's report, the Premier issued a Circular to Ministers in July 1999, clarifying the timeframe for tabling reports in Parliament and the respective obligations of agencies and Ministers.⁴⁵ The Auditor General has not yet reviewed the impact of the issuing of this Circular on the annual reports for 1999-2000, but is aware of considerable efforts to improve the process. The Ministry of the Premier and Cabinet have requested that the Office of the Auditor General provide dates on which signed opinions are given so that a firmer basis for following up with agencies is available.⁴⁶

With respect to reviewing Treasurer's Instruction 903, the Auditor General informed the Committee that he was not aware that Treasury proposed to revise the instruction.⁴⁷ The Committee however, has obtained advice from Treasury indicating that the content and language of all Treasurer's Instructions will be subject to a comprehensive evaluation in conjunction with Treasury's current review of the FAAA, with the objective of providing a simpler and more user-friendly set of policies and guidelines.⁴⁸

The Auditor General, in his report, noted that the Reporting Management and Information Group, under the direction of the Government Management Committee of Cabinet had developed an internet site, including a checklist of obligatory annual report requirements, to assist agencies in their reporting obligations.⁴⁹ Whilst the Auditor General was unable to say

⁴³ Auditor General, Report No. 7, op. cit., pp. 44-45.

⁴⁴ *ibid.*, p. 45.

⁴⁵ *ibid.*

⁴⁶ Transcript of Evidence, 5 April 2000, pp. 10-11.

⁴⁷ *ibid.*

⁴⁸ Correspondence from the Acting Assistant Under Treasurer (Finance), to the Chairman of the PAC, Mr Max Trenorden, MLA, 28 June 2000.

⁴⁹ Auditor General, Report No. 7, op. cit., p. 45.

whether compliance had improved, he considered that it appeared to be having a positive influence.⁵⁰

With respect to the issue of variations between audited and published financial statements and performance indicators, the Auditor General considers that this is a fundamentally important issue. Considering the great expense involved in conducting the audit, any variations in the published report, whether intentional or not, damages the integrity of the system. Whilst the Auditor General enforces the consistency between the audited and published financial statements and performance indicators when discrepancies are noted, it often occurs up to a year after the event.⁵¹

COMMITTEE COMMENT

The Committee commends the development, by the Government Management Committee of Cabinet, of an Internet site, which includes a checklist of obligatory annual report requirements. As a result, the Committee looks forward to seeing a significant increase in the compliance of agency annual reports. In addition, the Committee will continue to monitor, through the Auditor General's reports, the changes brought about by Treasury's review of Treasurer's Instruction 903.

Health Services and Hospitals: Reporting of Morbidity Data in Performance Indicators

Background

The Health Department of Western Australia's (HDWA) hospital morbidity data system (HMDS) is a major system for recording hospital inpatient activity in public and private hospitals, for example the incidence of certain forms of illness.

The 2 major purposes of the HMDS are for providing:

- management information for the health sector that is used for health planning, purchasing and funding decisions and for the reporting of key efficiency and performance indicators; and
- information used as a basis for medical research.

The major source of input to HMDS is from other feeder systems. The information is very detailed and relies on a high degree of accurate coding skills and clinical judgement at the hospitals.

⁵⁰ Transcript of Evidence, 5 April 2000, p. 11.

⁵¹ *ibid.*, p. 12.

The Office of the Auditor General reviewed the HMDS for completeness and accuracy by:

- testing whether records of all relevant separations were included in the reported performance indicators for the financial year; and
- testing the accuracy of data reported in individual performance indicators.

Auditor General's Key findings

In his report, the Auditor General found that:

- data from HMDS is used in a number of different performance indicators including:
 - efficiency indicators;
 - effectiveness indicators; and
 - effectiveness of community health strategies.
- 4.5% of the total number of separations were not included in the 1997-1998 performance indicators because the data was analysed before all records were input into the system.
- The effect of this incomplete data is more pronounced at smaller, more remote hospitals due to the small number of separations involved and the longer delays in processing data.

Auditor General's Key Recommendations

Although the Auditor General reported that actions had already been taken to resolve some of the issues raised in his report, the Auditor General considered that other matters still needed to be addressed:

- Health services and hospitals should have procedures in place to ensure morbidity data used in the performance indicators is reviewed for accuracy and completeness.
- The Key Performance Indicator Working Party (KPIWP) should:
 - review the coding and reporting of additional diagnosis to determine which cases or procedures should be included;
 - develop guidelines for residents treated in other health service regions for population based performance indicators; and
 - continue the development of indicators to provide more balanced and meaningful coverage, especially for smaller hospitals.

Issues

As mentioned above, the Auditor General reported that a number of steps had already been taken by the HDWA to resolve the issues raised in the report. Among these are:

- Accuracy and completeness of 1998-99 HMDS data has been improved through:
 - changing the cut-off dates for reports from HMDS to ensure a reasonably complete number of separations reported in the indicators;
 - providing details of private hospital admissions to hospitals and health services for inclusion in the relevant indicators; and
 - revision of incorrect reports and requiring hospitals to review the data used in the *Unplanned Readmissions* indicator for accuracy.

- Initiation of a Technical Review Group to review the definitions of performance indicators.
- A referral process to the KPIWP for activity occurring outside the health service has been initiated so that it will be quantified relative to internal activity.
- The continued development of appropriate and meaningful performance indicators by the HDWA and KPIWP for each of the three intervention strategies reported by the health portfolio.⁵²

The Auditor General, in discussions with the Committee, has indicated that the changes already made are a positive step towards addressing many of the issues raised. The Auditor General also suggested that the HDWA faces a number of challenges related to the basic question of the availability of the expertise required to do the coding in smaller and more remote hospitals. In broader terms, the HDWA appears to have made the necessary systemic adjustments.⁵³

COMMITTEE COMMENT

The Committee notes that the HDWA has initiated processes to address the issues raised in the Auditor General's report. In addition, issues related to the HMDS also arose as part of the Committee's examination of the Auditor General's Report on the Western Australian Public Health Sector, Report No. 1 of 1999 (Committee Report No. 44).

The Auditor General in his report raised concerns regarding the timeliness of reporting by health sector agencies. In correspondence from the HDWA, they admitted that there had been logistical difficulties in reporting performance indicators due to a major outstanding issue which was the incompatibility 'between the current reporting deadline of the end of August ... and the auditor's requirement for a complete HMDS file for the reporting period'.⁵⁴ This, in turn, led to the Committee recommending that the HDWA and the Auditor General work together to find a mutually satisfactory resolution to the problems.

Recent advice from the Minister for Health, the Hon. John Day, MLA, suggests that subsequent attempts have been made to resolve the problems and that discussions between the Auditor General and the HDWA were continuing.⁵⁵

The Committee will continue to monitor the outcomes of both issues through future Auditor General's reports.

⁵² Auditor General, Report No. 7, op. cit., p. 53.

⁵³ Transcript of Evidence, 5 April 2000, p. 12.

⁵⁴ Legislative Assembly of Western Australia, Public Accounts Committee, Review of Auditor General's Reports Nos 1-5 of 1999, Report No. 44, 23 March 2000, p. 9.

⁵⁵ Correspondence from the Minister for Health, the Hon. John Day, MLA, to the Chairman of the PAC, Mr Max Trenorden, MLA, 10 May 2000.

FOLLOW-UP PERFORMANCE EXAMINATIONS

Follow-up Performance Examinations (FPE's) are usually conducted within three years of the initial performance examination. The purpose of FPE's is to provide Parliament with an assessment of changes in performance and practice that have occurred since the initial examination was tabled.

The matters raised in the Auditor General's Follow-up Performance Examination covered two reports:

- On Display – Public Exhibitions at: the Perth Zoo, the WA Museum and the Art Gallery of WA, Report No. 1 of 1997; and
- Waiting for Justice – Bail and Prisoners in Remand, Report No. 6 of 1997.

ON DISPLAY – PUBLIC EXHIBITIONS AT: THE PERTH ZOO, THE WA MUSEUM AND THE ART GALLERY OF WA

Background

The Perth Zoo, the WA Museum and the Art Gallery of WA are the major State-funded cultural venues in Western Australia and serve to preserve and promote the State's cultural and natural heritage.

In April 1997, the Auditor General produced a report entitled *On Display – Public Exhibitions at the Perth Zoo, the WA Museum and the Art Gallery of WA*. In that report, the Auditor General noted that:

- Between 1992 and 1996, visitor numbers to the Zoo, Museum and Gallery fell.
- Neither the Museum nor the Gallery knew enough about their potential visitors to accurately assess the reasons for the decline in visitor numbers.
- Traditional opening hours may no longer suit potential visitors.
- High insurance costs were an obstacle in bringing overseas and interstate touring exhibitions to Western Australia.
- Each of the agencies was heavily dependent on the State Government for funding.

Auditor General's Key Findings

In his follow-up examination, the Auditor General found that since 1997, significant changes had been implemented:

- By the use of sometimes innovative means, all three agencies had made progress towards increasing the public's use of, and access to, their exhibitions with the result being an increase in visitor numbers.
- Access had been improved by increasing the opening hours at both the Zoo and Museum and via the Internet for all three agencies.
- The State Government had established an Indemnity Scheme to reduce the high insurance costs associated with visiting exhibitions. The first utilisation of this scheme by the Gallery was for the Golden Age of Dutch Art exhibition and succeeded in reducing the Gallery's insurance costs by more than \$150 000.

- Each of the agencies was developing alternative sources of income to increase self-sufficiency.
- In 1997, the Ministry for Culture and the Arts was established as a central body for the Arts.
- Proposed legislation (*The Culture, Libraries and Arts Bill*) sought to encompass:
 - the Art Gallery;
 - the WA Museum;
 - the Library and Information Service of WA;
 - Screen West;
 - Arts WA; and
 - the WA Theatre Trust.
- If passed as proposed, the legislation would see the Minister for the Arts established as a body corporate with legal responsibility for these agencies.
- The Museum and Gallery had not developed specific marketing plans. The Zoo conducts comprehensive market research on an annual basis.
- Although the Museum had an extensive web site, it was not effectively managed.

COMMITTEE COMMENT

The Committee commends the agencies for their innovative means towards increasing the public's use of, and access to, their exhibitions. The establishment of the Indemnity Scheme to reduce the high insurance costs associated with visiting exhibitions should also be commended.

WAITING FOR JUSTICE – BAIL AND PRISONERS IN REMAND

Background

When an individual is arrested and charged with committing an offence, there is invariably a delay before a court deals with the case. During this time, a defendant may be granted bail or detained in prison (remand prisoner).

The October 1997 report by the Auditor General entitled *Waiting for Justice – Bail and Prisoners in Remand* raised a number of concerns about bail and remand procedures in Western Australia including:

Bail

- 20% of defendants breached bail, 20% of whom remained at large one year later.
- 53% of defendants who breached bail were not charged for that offence.
- Of those that were charged, forfeiture of bail amounts did not occur in 77% of cases because of inconsistent administrative practices.
- 87% of fines for breached bail remained unpaid after eight months.
- Legislative amendments to the *Bail Act 1982* had been long delayed.

Remand

- The increase in remand prisoner numbers was causing pressure on a prison system already close to its capacity.
- Many low-security remand prisoners were detained in maximum-security, contrary to the Standard Guidelines for Corrections in Australia and resulting in a cost premium.
- Improving the facilitation of bail had the potential to reduce remand prisoner numbers.
- Incidents of suicide and attempted suicide, self-harm and assault were relatively common in remand.

Auditor General's Key Findings

In his follow-up examination, the Auditor General found that:

Bail

- During 1998, a significant improvement in bail breaches was recorded (15.5%, down from 20%). The factors considered responsible for decreasing the incidence of bail breaches were:
 - more effective use by Magistrates of the available bail conditions; and
 - better information provided by the Court to the defendants regarding their rights and responsibilities.
- 55% of defendants who breached bail were apprehended within four weeks and only 15% remained at large after one year (down from 20%).
- The percentage of defendants not charged for breaching bail remained unchanged at 53%.
- The percentage of fines for breach of bail remaining unpaid had not changed and remained at 87%.
- The percentage of defendants who had been charged with a breach of bail offence and were not ordered to forfeit bail or surety had increased to 80% (up from 77%), despite procedures put in place to ensure that the appropriate information is available to Magistrates.
- In May 1999, the Ministry of Justice entered into a new contract for the execution of warrants which included three options for fulfilling the warrant:
 - negotiate time to pay;
 - seizure of goods; and
 - work and development orders (community work, where the fine is repaid at a rate of \$150 per six hours).
- Amendments to the *Bail Act* would address the issues of errors in bail documentation and failure to charge for breach of bail.
- A computerised case management system, currently being developed, would increase information on the custodial status of all defendants.

Remand

- The 3.5% spare prison capacity that existed at the time of the first report (1997) no longer existed.

- To address the shortfall in remand accommodation, Canning-Vale Prison was being transformed into a dedicated remand centre, accommodating 295 prisoners.
- The existing remand centre would become an assessment centre for all metropolitan prisoners prior to being allocated to an appropriate prison. Completion of this work was scheduled for September 2000.
- 13% of remand prisoners were held for two days or less in 1998-99 (compared with 18% in 1996-97).
- A move by the Ministry of Justice to speed up bail arrangements involving the appointment of a Bail Coordinator, had resulted in the reduction in demand for prison accommodation by almost 11 000 custody days, saving \$1.3 million.

Issues

The Committee, in discussions with the Auditor General, found that there has been an improvement in the rate of breach of bail. However, there has been no improvement in the rates of fines being paid.⁵⁶ This is perhaps not surprising considering the generous rate of pay attached to community service work.

The Committee was concerned at the still relatively high numbers of defendants charged with breach of bail who were still at large after one year. Of even more concern was the very high percentage of defendants not charged for breaching bail and the high percentage of fines for breach of bail remaining unpaid. In addition, despite procedures put in place to ensure that the appropriate information is available to enable Magistrates to charge defendants with a breach of bail offence, the percentage of defendants not charged accordingly, has actually increased (to 80%).

Recommendation 3

That the Ministry of Justice:

- (a) Review the procedures put in place to ensure that the appropriate information regarding breach of bail offences is made available to Magistrates.
- (b) Implement more stringent procedures to provide information to Magistrates regarding breach of bail offences and to ensure that fines for breach of bail do not go unpaid.

⁵⁶ Transcript of Evidence, 5 April 2000, p. 13.

COMMITTEE COMMENT

The Committee views these issues as being important not only from the perspective of equitable treatment of all defendants and justice, but as a matter of accountability. Accordingly, the Committee will continue to monitor further developments.

CHAPTER FOUR

A STITCH IN TIME. SURGICAL SERVICES IN WESTERN AUSTRALIA (REPORT NO. 8)

BACKGROUND

This report provided an overview of the organisation and delivery of surgical services in WA. The Auditor General noted that over 250 000 patients were admitted to WA hospitals each year for treatment that includes a surgical procedure. Of these patients, 55 percent used the public health service. The Auditor General concluded that if the 1998-99 public cases had needed the same length of stay as ten years earlier, approximately 1000 extra beds would have been required.

The key issues covered by the examination were:

- Achievement of efficiency gains.
- Accessibility of surgical services.
- Equity in surgical services delivery to the State's population.
- Assuring quality of care.
- Adequacy of accountability arrangements.

The Auditor General noted that, although surgical procedures were generally performed by a specialist physician, some General Practitioners (GPs), particularly in country regions, also operated on patients who would normally be referred to specialist surgeons. Of the total number of surgical cases treated in 1997-98, the teaching hospitals treated more patients than all the other public hospitals combined. Public hospitals accounted for the largest proportion (55%) of all surgical patients.⁵⁷

AUDITOR GENERAL'S KEY FINDINGS

The Auditor General commented on the following areas:

- Length of stay and costs.
- Access to surgical services.
- Equity, quality and accountability.

⁵⁷ Auditor General Western Australia, *A Stitch in Time. Surgical Services in Western Australia*, Report No. 8, November 1999, p. 7.

Among the Auditor General's findings were:

- There had been an increase of 49% in the number of patients admitted to hospital for surgical treatment over the last ten years.
- The average length of stay for surgical cases in public hospitals had decreased from 5.7 days in 1988-89 to 3.5 days in 1998-99.
- The number of patients on elective surgery waiting lists in the metropolitan area rose to 17 000 in mid 1998 but had subsequently fallen to around 12 000.
- Many patients were not admitted within clinically desirable times.
- The delays between seeing a GP and a specialist were not recorded.
- Significant numbers of patients were provided with otherwise unavailable surgical services through visiting services.⁵⁸

AUDITOR GENERAL'S KEY RECOMMENDATIONS

The Auditor General made a number of recommendations in his report. Included in these recommendations were that the HDWA and health services should:

- review the medical staffing arrangements at non-teaching hospitals;
- exercise greater influence over the referral of elective surgery patients;
- review the surgical facilities and services to be offered to public patients;
- review the surgical facilities and services to be provided at country hospitals;
- include the delay from GP referral to specialist or outpatient consultation in the measurement of waiting times for elective surgery;
- improve and extend the reporting of waiting list numbers and times to all hospitals;
- conduct research into variations in the delivery of surgical care, overall and by individual procedures; and
- extend programs of surgical audit and peer review.⁵⁹

ISSUES

Following discussions with the Auditor General in which he expressed some concerns relating to the rate and magnitude of change⁶⁰, the Committee held a formal evidence hearing with officials from the HDWA and the MHSB on 6 July 2000 to examine some of these issues in more detail.

LENGTH OF STAY AND COSTS

The MHSB told the Committee that in order to achieve the most appropriate length of stay for patients in hospital, there has been a focus on day surgery in addition to a focus on the day of surgery admission. In the latter case, by admitting the patient on the morning of the surgery, rather than a few days beforehand, the total length of stay can be minimised.⁶¹

⁵⁸ Auditor General, Report No. 8, op. cit., pp. 1–2.

⁵⁹ *ibid.*, pp. 3–4.

⁶⁰ Transcript of Evidence, 5 April 2000, pp. 13–14.

⁶¹ Transcript of Evidence, 6 July 2000, p. 27.

In addition, measures taken to optimise the use of same-day surgery include:

- the sharing of data from teaching hospitals around the country to monitor and benchmark a number of variables, including same-day surgery;
- identification of procedures that would be expected to be done on a day procedure; and
- measurement of readmission rate to determine if patients are discharged inappropriately early.⁶²

One of the major factors influencing the costs of surgery relates to the use of visiting medical practitioners (VMPs) rather than salaried surgeons. Whereas a salaried senior consultant at a teaching hospital receives approximately \$400 for a half-day operating list (excluding on-costs such as superannuation), a VMP such as an ophthalmologist can earn \$5000 in the same time. The Auditor General also noted that some visiting surgeons earn \$250 000 or more per year for part-time (fee-for-service) services in non-teaching hospitals.⁶³ The Committee was told by HDWA that there are no fee-for-service practitioners in the teaching hospitals.⁶⁴ Furthermore, the MHSB argued that one of the additional difficulties arises from the fact that each hospital has its own arrangements on how medical staff are paid and this varies.⁶⁵

In order to address this problem, the MHSB has reviewed a number of methods to increase the number of salaried surgeons in peripheral hospitals, including:

- increasing the number of joint appointments between peripheral hospitals and teaching hospitals; and
- the introduction of salaried and sessional staff into some of the peripheral hospitals.⁶⁶

In addition, in the past year, the MHSB has carried out a review of all peripheral hospitals in order to determine the gaps in the facilities available, such as theatres, wards, staff and equipment.

COMMITTEE COMMENT

Whilst the Committee understands that some hospitals, particularly country hospitals, have difficulty in attracting and maintaining salaried surgeons, it is clear that efforts must be made to increase the use of salaried surgeons rather than bear the increased costs of using VMPs.

The Committee will continue to monitor progress made by the MHSB on this issue.

⁶² Transcript of Evidence, 6 July 2000, pp. 20-21.

⁶³ Auditor General, Report No. 8, op. cit., p. 14.

⁶⁴ Transcript of Evidence, 6 July 2000, p. 29.

⁶⁵ *ibid.*, p. 25.

⁶⁶ *ibid.*, p. 28.

ACCESS TO SURGICAL SERVICES

In order to limit the range of surgery, particularly non-therapeutic and partly cosmetic operations, in public hospitals, a set of business rules has been developed by the Central Wait List Bureau (CWLB). As a result, a number of cosmetic cases have been made ineligible for CWLB funding, provided there is no overriding clinical need.⁶⁷ These are:

- augmentation or reduction of breasts;
- facelifts;
- tattoo removal;
- hair replacement and removal;
- rhinoplasty;
- bat ears for people aged over 18;
- varicose veins;
- penile implants; and
- reversal of sterilisations.

In Western Australia, the National Health Data Dictionary definitions determine the urgency categories and standards that are used in the development of the urgency ratings. The MHSB has provided information to clinicians about the application of these standards and the consistent application of them in order to prevent clinicians rating patients inappropriately to have them treated more quickly.⁶⁸

Information forwarded to the Committee by the HDWA provides an up-to-date (30 June 2000) indication of the number of surgical wait list cases⁶⁹:

	Urgency 1	Urgency 2	Urgency 3	Total
Tertiary Hospitals	408	1 414	8 615	10 437
Non-tertiary Hospitals	157	1 251	4 513	5 921
Total - All Hospitals	565	2 665	13 128	16 358

The difficulty with these statistics, however, is that they do not take into account the waiting period between receiving a referral to a surgeon from a GP and actually seeing the surgeon. The Committee understands that the HDWA is taking steps to obtain data relating to this issue.⁷⁰

One of the other issues raised in the Auditor General's report and during the hearing between the HDWA and the Committee related to the issue of non-urgent cases often being treated prior to that of urgent or semi-urgent cases. This queue-jumping arises from the fact that each surgeon has his/her own wait list and overloaded surgeons are unable to clear their backlog whilst other surgeons need to admit non-urgent cases to fill their operating lists.⁷¹ To address this problem, surgeons must now send their wait lists to the non-teaching hospitals so that if

⁶⁷ Transcript of Evidence, 6 July 2000, p. 32.

⁶⁸ *ibid.*, p. 38.

⁶⁹ Correspondence from Prof. Bryant Stokes, Chief Medical Officer, Executive Director Personal Health Services, Health Department of Western Australia, to the Chairman, PAC, Mr Max Trenorden, MLA, 19 July 2000.

⁷⁰ Transcript of Evidence, 6 July 2000, pp. 33–35.

⁷¹ Auditor General, Report No. 8, *op. cit.*, pp. 19–20.

they are unable to treat an urgent case within 30 days, that case will be passed on to another surgeon with the capacity to conduct the surgery.⁷²

The Internet site available to GPs to obtain detailed information about the metropolitan waiting times for surgery has been redesigned to make it more user-friendly. In addition, the information located on the site is updated more regularly, allowing GPs quick and easy access to relevant information.⁷³

COMMITTEE COMMENT

The Committee is concerned that median wait list times for surgery are artificially decreased by not taking into account the delays between receiving the referral to a surgeon from a GP and actually seeing that surgeon. It is understood however, that the MHSB has taken steps to obtain data relating to these delays and the Committee will continue to monitor this issue.

The redesign of the Internet site is to be commended for its ability to provide quick and reliable information for GPs at their fingertips.

⁷² Transcript of Evidence, 6 July 2000, p. 42.

⁷³ *ibid.*, p. 41.

CHAPTER FIVE

REPORT ON MINISTERIAL PORTFOLIOS TO NOVEMBER 5, 1999 (REPORT NO. 9)

BACKGROUND

This report covered 121 financial statement and 96 performance indicator audits of departments, statutory authorities and subsidiary bodies completed to 5 November 1999 (excludes agencies in the health and tertiary education sectors).

The audits were broken down into the following categories:

1. Audit opinion issued on financial statements, controls and performance indicators:
 - forty-eight departments;
 - fifty-six statutory authorities.
2. Audit opinion issued on financial statements:
 - Treasurer's Annual Statements;
 - three corporatised bodies;
 - eight subsidiary entities;
 - nine Cemetery Boards; and
 - five Request Audits.

The audit opinions of six agencies were qualified in relation to their controls or compliance with relevant laws.

AUDITOR GENERAL'S KEY FINDINGS

The Auditor General found a continuing trend of general improvement in regard to the quality of financial statements and financial reporting. Between 1996 and 1999, there had been an 83% reduction in qualifications.

Timeliness of Reporting

Overall, the Auditor General found there had been an improvement in departments' ability to meet statutory deadlines. In 1998-99, 5 (10%) departments' statements were not received by the statutory date, compared with 8 (16%) in 1997-98 and 10 (20%) in 1996-97. By contrast, 19 statutory authorities (14%) did not fulfil their statutory reporting deadlines, compared with 14 (12%) in 1997-98 and 6 (5%) in 1996-97.

Financial Statement Audits

Financial Statement Audits revealed the following problems:

Audit Qualifications

- The Ministry of Justice received a qualified opinion, as it was unable to reconcile its bank account during the year, with the difference at 30 June 1999 being \$491 029. The Ministry was also qualified on this matter in 1997-98.
- The Aboriginal Affairs Planning Authority received a qualified opinion in relation to the Aboriginal Lands Trust – Mining Rents and Royalties Trust Account and its related bank account, which continued to be operated without Treasurer’s Approval, in contravention of the FAAA. This situation has existed since 1988-89.

Quality of Financial Reporting

- Departments experienced difficulties in preparing two schedules: the ‘Summary of Consolidated Fund Appropriations and Revenue Estimates’; and the ‘Activity/Output Schedule of Expenses and Revenues’. Although an example of the former is contained within Treasurer’s Instruction 1101A, it is insufficiently detailed to provide adequate guidance to agencies in preparing the Summary.

Net Appropriation Determination

- A new Determination has provided for all revenues of departments to be retained (except those specifically exempted) and paid into their operating trust accounts in lieu of the Consolidated Fund. However, the Auditor General’s review of this arrangement has shown a trend towards conservatism by some departments in estimating revenue to be retained under the new ‘global’ net determination. Hence, some departments have collected over and above previously estimated amounts.

Cemetery Boards

- In his report, the Auditor General noted that ‘Cemetery Boards audited under the Cemeteries Act do not have a statutory date for submitting financial statements’.⁷⁴

Performance Indicator Audits

In 1999, Treasurer’s Instruction 904 relating to performance indicators was revised, resulting in a number of significant changes to the reporting of performance by government agencies. Agencies experienced initial problems in the following areas:

- clearly linking effectiveness indicators to stated outcomes;
- applying the revised definition of outputs for efficiency indicators;
- identifying “key” performance indicators; and
- distinguishing “output measures” and “performance indicators”.

⁷⁴ Auditor General Western Australia, *Report on Ministerial Portfolios to November 5, 1999*, Report No. 9, November 1999, p. 46.

Despite these difficulties, the Auditor General noted that 92 unqualified opinions were issued in respect of the 96 agencies who had submitted performance indicators.

AUDITOR GENERAL'S KEY ISSUES

ISSUES ARISING FROM AUDITS

Accountability and Reporting Arrangements

The Ministry for Culture and the Arts, the North West Academy of Sport and the Salaries and Allowances Tribunal were identified as agencies where current accountability and reporting arrangements needed review.

Ministry for Culture and the Arts

Established in June 1997, the Ministry for Culture and the Arts incorporated five separate and distinct statutory authorities with their own accountability obligations. While the Ministry was able to function within the current legal and administrative arrangements, the overall framework was yet to be finalised, as the relevant legislation was still to be enacted. This situation has existed for two years. Hence, the individual Boards were required to continue to fulfil all accountability obligations as separate legal entities, as they would have done in the absence of the Ministry.

North West Academy of Sport

Although the North West Academy of Sport was proclaimed a statutory authority in September 1998, no appointments of Board members were made until July 1999. As the Academy was unable to function as a statutory authority during this period, the Ministry of Sport and Recreation had to manage the financial aspects of the Academy's operations. This situation resulted in the Academy having to submit a set of statements depicting nil transactions for the period. It also received a qualified audit opinion on the basis of the Board not being formally constituted.

Salaries and Allowances Tribunal

While the Tribunal was shown as a separate entity in the budget papers and appropriated \$264 000 in 1998-99 to carry out its functions, it is yet to be established as an entity subject to the audit and reporting provisions of the FAAA. Hence, the Tribunal does not prepare and submit to Parliament an annual report (including audited financial statements and performance indicators) as required by other entities.

Cashflow Funding

The Auditor General highlighted the Chemistry Centre's difficulties in meeting group tax obligations (\$479 731) and noted that it was unacceptable not to remit group tax deductions as they fall due.

Contracting

The Auditor General undertook an assessment of contracting at Main Roads WA and found a generally satisfactory level of control in place during 1998-99. The audit also included a preliminary assessment of several specific contracts and found that while deserving further review, these matters did not warrant a qualified opinion on controls. The Auditor General has commenced further work on these contracts and will report any significant issues to Parliament.

GENERAL CONTROL ISSUES

Information Technology Controls

Controls over computer systems were not adequate for some agencies, including access and security, program change controls and disaster recovery planning.

Expenditure and Payroll

A review of controls over expenditure and payroll transactions revealed instances where particular key controls lapsed. This resulted in expenditure and payroll payments that were not properly authorised or were inadequately supported and checked prior to payment. For example, in relation to tenders and quotes, most breaches related to purchases where quotes were not obtained or Common Use Contracts were not used. Therefore, agencies were unable to demonstrate they had obtained the best prices and did not favour particular suppliers.

Government Property Register

A review of the Government Property Register indicated that it provides a complete record of all State-owned properties. However, at 30 June 1998, not all of the properties had a current accurate Valuer General's Office (VGO) valuation, which made it difficult to determine an accurate value of State-owned properties for financial reporting purposes. The Department of Land Administration (DOLA) was addressing these issues.

AUDITOR GENERAL'S KEY RECOMMENDATIONS

The Auditor General made a number of recommendations including:

- In the creation of agencies, Government should ensure they are properly established and constituted so that they are able to fulfil their legislative obligations.
- That appropriate accountability and reporting arrangements be established for the Salaries and Allowances Tribunal.
- Arrangements should be put in place to ensure sufficient funding is available to enable the Chemistry Centre to meet its financial obligations.
- Agencies should develop and implement procedures to provide ongoing assurance that only authorised users have access to IT systems.
- Disaster recovery plans are in place for computer systems and that these are tested on a regular basis.
- Agencies should develop and disseminate approved IT policies, standards and procedures.

- Agencies should develop change control procedures to ensure only authorised changes are made to computer systems.
- Regular reviews of the effectiveness of internal controls over expenditure and payroll functions should be conducted by agencies.
- DOLA should implement appropriate checking procedures to assure the completeness and accuracy of the Government Property Register (GPR) and should review its business rules and programs for loading VGO valuation data into the GPR.
- Treasury, in consultation with DOLA and the VGO should implement procedures to ensure there are current valuations for all GPR properties at June 30 each year.

ISSUES

FINANCIAL STATEMENT AUDITS

Audit Qualifications

Ministry of Justice

The Auditor General has indicated to the Committee that the Ministry of Justice has undertaken some promising steps towards the issue of the reconciliation of its operating bank account. These steps have involved the designation of a full-time reconciliation officer and a project officer to manage the problem.⁷⁵

Aboriginal Affairs Department

The normal Government agency operations of the Aboriginal Affairs Planning Authority (AAPA) ceased in November 1994 when the Aboriginal Affairs Department (AAD) was created. The AAD had transferred to it the responsibility for parliamentary appropriation, public service staff and operational activity in relation to Aboriginal Affairs. Responsibilities remaining with the AAPA include the assets of the Aboriginal Lands Trust (ALT) and the ALT's Mining Rents and Royalties Account (MRRA).⁷⁶

The AAD has informed the Committee that a number of actions have been taken to prevent the operation of the MRRA without the Treasurer's approval:

- A draft Trust Statement has been prepared in order to clarify the purpose, revenue and expenditure of the account.
- Negotiations and investigations are underway with the Treasury Department to resolve this issue within the current legislative framework. Previous investigations indicated that the account could only be legitimised with changes to the AAPA's governing legislation.
- The account in which the funds were held has been closed and monies transferred into the AAPA's operating trust account held with Treasury.⁷⁷

⁷⁵ Transcript of Evidence, 5 April 2000, p. 14.

⁷⁶ Correspondence from Ms Vanessa Davies, Acting Chief Executive Officer, Aboriginal Affairs Department, to the Chairman, PAC, Mr Max Trenorden, MLA, 23 June 2000.

⁷⁷ *ibid.*

Recommendation 4

That the Minister for Aboriginal Affairs introduce measures to amend the legislation relating to the Aboriginal Affairs Planning Authority (AAPA) in order to prevent the operation of accounts without the prior approval of the Treasurer.

Cemetery Boards

In response to the Committee's enquiry on whether the legislation relating to the absence of a statutory reporting date under the *Cemeteries Act 1986* had been amended, the Minister for Local Government, Mr Paul Omodei, MLA, replied that⁷⁸:

According to the *Cemeteries Act 1986*, the care, control and management of cemeteries in Western Australia is vested in either a board or local authority. In practice, cemeteries in the metropolitan area are managed by the Metropolitan Cemeteries Board, the Fremantle Cemetery Board and in some cases by the relevant Council. Regional cemeteries are managed by the relevant local government.

In terms of reporting to the Auditor General, only the Metropolitan Cemeteries Board and Fremantle Cemetery Board are listed in the *Financial Administration and Audit Act 1985* (Part 1, 3 (1), Schedule 1 – Statutory Authorities) as being required to submit financial statements by the due date to the Auditor General. The compliance requirements in relation to this issue are understood and observed by these boards.

The Minister also stated that whilst legislative amendments to the Act may rectify the anomalies inherent within it, it is likely that complementary amendments to the Local Government Act may also be required. In an earlier correspondence, the Minister suggested that this matter would be resolved in a future legislative amendment. The Minister also stated that he intended on writing to all cemetery boards requesting that they complete their financial statements each year by the appropriate date determined by the Auditor General.⁷⁹

Recommendation 5

That the Minister for Local Government introduce measures to amend the legislation relating to Cemetery Boards to include a due date for reporting.

⁷⁸ Correspondence from the Hon. Paul Omodei, MLA, Minister for Local Government, to the Chairman, PAC, Mr Max Trenorden, MLA, 4 July 2000.

⁷⁹ Correspondence from the Hon. Paul Omodei, MLA, Minister for Local Government, to the Chairman, PAC, Mr Max Trenorden, MLA, 26 June 2000.

OTHER ISSUES

Treasurer's Instruction 1101A

The Auditor General has informed the Committee that the Treasury Department has revisited the Treasurer's Instruction 1101A and will be issuing a set of model financial statements. The Auditor General has been consulted in this process and believes that the model statements will be both relevant and helpful to agencies.⁸⁰

Net Appropriation Determination

The problem that may arise as a result of collecting revenue over and above estimated accounts is the potential for it to be removed from parliamentary scrutiny. The Auditor General found, however, that the trend on the latest cycle was for a ratio of 50:50 over and under-estimated and that the large over-estimates were most likely oversights.⁸¹

COMMITTEE COMMENT

In general, positive progress has been made on a number of issues raised by the Auditor General in his report. The Committee will continue to monitor progress on these issues through the Auditor General's reports.

⁸⁰ Transcript of Evidence, 5 April 2000, p. 15.

⁸¹ *ibid.*, p. 15.

APPENDIX ONE

PUBLIC HEARINGS HELD BY COMMITTEE AS PART OF THIS INQUIRY

Date	Witness	Position	Organisation
5 April 2000	Mr Des Pearson Dr Gordon Robertson Mr Gary Baker	Auditor General Deputy Auditor General Audit Director	Office of the Auditor General Office of the Auditor General Office of the Auditor General
4 July 2000	Mr Peter Browne Mr Ronald Mance Mr Stephen Home Mr John Ryan	Acting Director General of Education Acting Deputy Director General Executive Director, Human Resources Director, Staffing	Education Department of Western Australia Education Department of Western Australia Education Department of Western Australia Education Department of Western Australia
6 July 2000	Professor Bryant Stokes Mr John Kirwan Dr Dorothy Jones Dr Gareth Goodier Mr John Burns Mrs Michele Wilkie Ms Diane Twigg	Chief Medical Officer Executive General Manager of Public Health and Purchasing Medical Director Acting Executive Director of Clinical Services; Chief Executive, Royal Perth Hospital Chief Executive, Fremantle Hospital and Health Service Manager, Central Wait List Bureau Executive Director Nursing Services	Health Department of Western Australia Health Department of Western Australia Health Department of Western Australia Metropolitan Health Service Board Metropolitan Health Service Board Metropolitan Health Service Board Sir Charles Gairdner Hospital

APPENDIX TWO

PRIVATE PRACTICE ARRANGEMENTS FOR MEDICAL PRACTITIONERS

The arrangements for medical practitioners under the (now expired) Australian Medical Association (AMA) Medical Practitioners Collective Workplace Agreement 1998 were as follows:⁸²

Arrangement A: Medical practitioner is employed full time with rights to private practice. The hospital renders accounts to the private patients that the practitioner has seen.

Arrangement B: Medical practitioner is employed either:

- (a) full time with rights to private practice. The practitioner renders accounts to his/her private patients and may retain a percentage of their salary from private practice earnings.
- (b) full time with no rights to private practice.

Arrangement C: Medical practitioner is employed modified full time. All pay, conditions and entitlements are applied at the rate of 80% of the entitlements under Arrangement A.

Arrangement D: Medical practitioner is employed modified full time. All pay, conditions and entitlements are applied at the rate of 80% of the entitlements under Arrangement B.

On 6 August 1999, a new agreement, the Western Australian Government Health Industry AMA Medical Practitioners Collective Workplace Agreement Versions 3 and 4 came into operation and has the following arrangements:⁸³

Arrangement A: Medical practitioner gives the hospital the authority to render accounts in the practitioner's name for his/her private patients. The hospital retains all monies received and the medical practitioner receives a 16% salary increase.

Arrangement B: Medical practitioner renders accounts directly to his/her private patients and retains an amount up to the equivalent of 25% of salary after deducting certain expenses. Any remaining surplus after the payment of facilities fees due to the hospital is split between the hospital and the medical practitioner. If the medical practitioner's earnings are not sufficient to retain 25% of his/her salary, the hospital makes up the shortfall to either 16 or 25 % of salary, depending on the amount of earnings.

In addition to these Arrangements, there are sessional arrangements covering practitioners on a part-time basis.

⁸² Correspondence from Ms Laura Metcalfe, Director, Corporate Integration, Metropolitan Health Service Board to the PAC, 6 October 2000.

⁸³ Auditor General, Report No. 7, op. cit., p. 21.