

# Report on Control, Compliance and Accountability Audits 1997

## Report 7 – November 1997

This report contains the results of a series of Control, Compliance and Accountability audits. These audits evaluated aspects of public administration which impact on the control, accountability and performance of agencies.

### KEY FINDINGS

#### Public Property Management

##### Control and Custody of Public Property

- Agencies control around \$1.7 billion of assets such as computers and office equipment, many of which are portable, easily misplaced and attractive to theft.
- Delays in recording asset purchases, ineffective stocktake procedures, lack of reconciliations between asset records and inadequate controls over asset disposals were identified. This could result in assets being inappropriately used and losses not detected.

##### Stores Management at Non-Teaching Hospitals

- An examination of stores management at a selection of hospitals identified a high level of errors between stores on hand and stock records. This was due to inadequate procedures over the receipt and issue of stores which, combined with unsatisfactory stocktake procedures, exposes hospitals to the risk of stores items being inappropriately used.

#### Management of Information Technology Systems

##### Privacy of Client Information

- A review of two systems which hold client information found that the reliability and confidentiality of sensitive information was at risk through agencies not developing and implementing appropriate controls to prevent:
  - unauthorised and untraceable access and enquiries to these systems; and
  - inaccurate information being held.
- Neither agency had an approved organisational security policy, based on an analysis of corporate data according to risk, to ensure appropriate security controls are implemented which focus on securing information where the risk of exposure and potential extent of losses are greatest.
- The agencies have advised that these issues have now been addressed.

##### The 'Year 2000 Bug'

- Agencies reviewed generally had an awareness of the Year 2000 issue, however the implications for non-financial systems were not always recognised. Potential impacts on critical functions dependent on computer systems, such as hospitals paging and air conditioning systems, were not initially identified.
- Failure to identify all potential Year 2000 problems and taking early steps to address these issues could result in system failure and disruptions to government services.

##### Control of Personal Computer Software

- A follow-up review revealed that the recording and monitoring of software on personal computers is still inadequate with:
  - agencies not always maintaining software registers or undertaking software audits to assist in controlling the use of software; and
  - unauthorised software being used and/or proof of ownership not being produced for software installed on computers.
- This results in exposures to penalties from breaches of software copyright and potential disruptions to agency operations and loss of data due to computer viruses.

#### Payroll and Personnel Management

- Areas identified for improvement in this area were the:
  - need for review and analysis of overtime and higher duties allowances to determine the appropriateness of these practices;
  - implementation of strategies to address increasing leave liabilities; and
  - development of human resource policies and procedures.



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### Purchasing Goods and Services

- An examination of purchasing practices in four departments and eight non-teaching hospitals identified agencies were not always:
  - obtaining quotes or retaining documentation to show quotes had been obtained to ensure fair and effective competition; and
  - considering alternative purchasing options designed to save agencies time and money.
- This increases the risk that individual agencies and the State may not be achieving value for money and demonstrating proper accountability in the expenditure of public funds.

### Other Audits

#### Industry Assistance

- Allegations of collusion, price fixing practices and fraudulent claims made in relation to the Department of Commerce and Trade have been reasonably investigated by the Department and action taken to address the shortcomings identified.
- The claims of collusion and price fixing were not sustainable. However, a case of a client company being improperly recouped for industry assistance was identified.

#### DOLA International - Overseas Projects

- A review of the DOLA International program operated by the Department of Land Administration found that the Department has implemented strategies to manage risks identified with undertaking overseas projects in developing countries.
- An assessment of future profitability indicates the program is on target to achieve self sustainability by June 30, 1999. To improve the monitoring and reporting on these activities, the Department needs to review the method of allocating overheads, develop financial reporting on the overall profitability of the program and develop performance indicators.

#### Ministerial Office Expenditure

- An audit of selected Ministerial Offices found that the controls and procedures implemented by these Offices were generally satisfactory. Some exceptions were noted in corporate credit card, hospitality and taxi cab charges payments which were not always properly supported or certified in accordance with relevant guidelines.
- From July 1, 1997, the Ministry of Premier and Cabinet assumed responsibility for processing all Ministerial Office expenditure and has taken steps to ensure relevant staff are aware of financial administration guidelines.

#### Fines Enforcement Registry

- A review of this system, which was introduced in 1995 with the purpose of reducing the number of costly enforcement actions and number of persons imprisoned for non-payment of fines, found:
  - there are numerous old outstanding suspensions recorded in the system for non-payment of court fines and infringement notices. However, there are no clear policies regarding further follow-up action; and
  - there are currently 8 900 matters relating to unpaid court fines listed for the issue of warrants to the Sheriff. Factors contributing to this backlog include a policy to limit the number of warrants referred to the Sheriff to a maximum of 20 per day.
- The number of outstanding suspensions and debts will continue to accumulate with the absence of formal policies for follow-up action and the taking of steps to address these issues

#### Financial Controls at Autonomous Colleges

- As from January 1, 1997 eleven colleges were created as separate authorities autonomous from the Western Australian Department of Training. A review of the financial controls at three of these colleges, undertaken prior to the colleges reporting for the initial period of operations, identified a number of issues which need to be addressed to assist in the preparation of financial statements and strengthen controls. These issues were:
  - improvements needed over the quality and use of management reports;
  - improved controls required over payroll and asset transactions and records; and
  - undertaking purchasing procedures in accordance with State Supply Commission policies.