

Report on Controls, Compliance and Accountability Audits 1998

Report 8 – October 1998

About This Report

This Report contains the results of a series of Controls, Compliance and Accountability (CCA) audits which focus on aspects of public administration not routinely covered by performance examinations or annual attest audits of financial statements and performance indicators.

They cover areas which at an individual agency level are unlikely to be material, however are considered significant and warrant attention across the public sector. Their objective is to facilitate improved performance and financial management in the public sector.

Key Findings

Assessment and Collection of Stamp Duty on Motor Vehicle Transfers

In 1997-98, \$140 million was collected by the Department of Transport (DOT) in stamp duty which is required to be paid on the market value of a vehicle when ownership is transferred. This audit found that:

- declared market values recorded in DOT's system are lower than expected for a significant number of vehicles which could mean stamp duty is being under assessed. This was based on a computer analysis of declared market values against valuations recorded in a commercial vehicle price guide; and
- DOT and State Revenue Department (who can review stamp duty transactions under the Stamp Act) had not implemented effective compliance strategies and procedures over the stamp duty assessment and collection process.

The Departments have advised of a range of procedures and controls being implemented in this area.

Administration of Grants

This audit focused on the assessment and approval of grant applications and the monitoring and acquittal process for grants made by the Disability Services Commission and the Ministry of Culture and the Arts. Major issues identified were:

- funding allocations and acquittal requirements not always being based on performance information such as outputs or outcomes for a number of grants made by the Commission;
- some grants made by the Ministry being approved under initiatives which did not have adequately documented guidelines and criteria;
- procedural inadequacies over the monitoring and acquittal of some grants made by both agencies.

Controls over Corporate Credit Cards

Purchases on Government Corporate Cards in 1997-98 totalled around \$34 million from 140 000 transactions. This audit, which was undertaken across five agencies, found that:

- the percentage of transactions not adequately supported by documentation (such as sales dockets) or other explanations ranged between 5 and 25 per cent in the agencies examined; and
- authorisation and verification procedures were not adequate in all agencies.

Such deficiencies make it difficult to demonstrate that expenditure was for official purposes and to properly certify payments.

Members of Parliament Travel Entitlements

An examination of Members travel entitlements administered by the Ministry of the Premier and Cabinet and the Parliamentary Departments found that the procedures and individual management systems were generally satisfactory. Key issues identified were:

- the lack of systems and procedures to enable cross checking of entitlements between the Ministry and Parliamentary Departments which increases the risk of duplicated claims and incorrect payments; and
- documentation and acquittals for Imprest System travel funding were not required which reduces accountability for those payments.

Payments to Visiting Medical Practitioners (VMPs) for Professional Attendances

A wide range of medical services is provided to the State's non-teaching hospitals by private doctors (VMPs). This audit reviewed the effectiveness of current verification procedures for payments to VMPs in four hospitals. Key issues identified were:

- little or no analysis of VMP payments is performed to review payment trends and exceptions;



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- current verification procedures do not provide satisfactory assurance that all payments to VMPs comply with current policies and agreements or to properly certify payments; and
- difficulties in satisfactorily substantiating that the appropriate fee had been claimed because of poor documentation.

Management of Leave

Over the last four years, the reported liability for employee leave entitlements has increased from \$720 million to almost \$1 billion in 1997. An analysis of available leave data to identify problems, trends or specific risk areas showed:

- the amount of leave being taken in many agencies is significantly below the amount being accrued; and
- the amount of accrued leave per employee increasing by age group and salary level.

Without proper management of this unfunded leave liability, the payment of accrued leave entitlements may have adverse budget impacts if service delivery levels are to be maintained. It is estimated that accrued leave payouts for retiring employees will increase from around \$8.5 million in 1998 to \$36 million in today's dollar terms by 2008.

Prevention and Recovery of Payroll Overpayments

Payroll overpayments, while representing only a small fraction of total payroll expenditure, need to be adequately managed by agencies to reduce their incidence and ensure overpayments are recovered in a timely manner. This audit, covering six larger departments, found that:

- agencies need to analyse and report the results of payroll checking procedures to ensure these procedures are effective; and
- recover overpayments in a timely manner. This audit found that:
 - most of the departments were experiencing difficulties recovering some overpayments, with collectively almost \$1 million, or 47 per cent of recorded overpayments, remaining outstanding. Of this outstanding amount 55 per cent relates to overpayments identified over 12 months ago; and
 - most departments did not have policies covering repayment amounts and periods which contributed to some lengthy repayment agreements (e.g. between 6 and 17 years).

Government Employees Superannuation Board (GESB): Administration of Superannuation Schemes

The GESB administers three superannuation schemes comprising 205 000 membership accounts for public sector employees. This audit, which focused on the integrity of the members' database, found that the GESB and employing agencies are having difficulties in administering aspects of the various schemes in a rapidly changing environment.

This has led to:

- a substantial increase in members contribution arrears (\$5 million at August 1998) which the GESB is experiencing difficulty in recovering in a timely cost effective manner; and
- a significant number of incorrectly calculated and invalid contributions.

Follow-Up Examinations

Two follow-up examinations reviewing and assessing the impact of previous CCA audits were undertaken.

Ministerial Office Expenditure

Since the previous audit, the Ministry of the Premier and Cabinet have assumed responsibility for processing all Ministerial Office payments. This audit found that the support provided by the Ministry has contributed to an increase in the level of compliance with public sector requirements compared with previous years. Minor exceptions only were noted of inadequate support documentation.

Fines Enforcement Registry

Recommendations made in the initial report are being implemented by the Ministry of Justice. These include developing policies covering the follow-up of old licence suspensions and outstanding debts, new arrangements for improving the execution of warrants and establishing a debtors facility.