

Public Sector Performance Report 2001

Report 4 – June 2001

Executive Summary

This First Public Sector Performance Report for 2001 brings to the notice of Parliament matters of accountability and performance that, in the opinion of the Auditor General, are significant and warrant attention. The report includes issues associated with Administration of Legislation, Financial Management and Control, and the results of a Follow-up Examination that assesses agency responses to previously reported matters.

ADMINISTRATION OF LEGISLATION

Administration of the *Pawnbrokers and Second Hand Dealers Act 1994*

The *Pawnbrokers and Second-hand Dealers Act 1994* came into operation in April 1996 with the aim of reducing the trade in stolen goods and recovering stolen goods. The Act, which is administered by the Western Australian Police Service, imposes stringent licensing controls and requires dealers to submit transaction details to the Police within 24 hours.

The audit found that the Police are adequately administering the Act and that transactions through dealers have declined 20 per cent since introduction of the Act. However, there has been no obvious effect on the incidence of burglary or stealing as other less regulated avenues remain available for the sale of stolen goods.

FINANCIAL MANAGEMENT AND CONTROL ISSUES

Administration of Deceased Estates and Trusts

The Public Trustee (PT) administers the affairs of persons placed under administration including minors and persons who are incapable of managing their own affairs. The PT also administers the estates of persons who had selected the PT as executor prior to their death and, of persons who died intestate and for whom the Public Trustee has been appointed administrator.

The audit found that receipts into and payments from client accounts were properly made and that fees charged for administration of deceased estates and most trusts were correct. However, improvements need to be made to ensure that records of client assets are accurately maintained and that quality assurance reviews of trust and deceased estate files are properly undertaken.

Compliance with Purchasing and Disposal Requirements

Western Australian Governments have long sought to embed fundamental competitive principles into public sector business practices, often with considerable publicity within the public sector. As a consequence, all agencies should be well versed in the general principles, if not the details, of achieving better value for money and greater procedural integrity through open and competitive selling and purchasing practices.

A review of two agencies, the Busselton Water Board (BWB) and the Fremantle Cemetery Board (FCB) found that competitive practices had not been employed in respect to the BWB's sale of its business premises and the FCB's purchase of architectural services and a replacement crematorium. As a result, assurance cannot be given that value for money was obtained. Potential for a conflict of interest was also found in the BWB's sale of its premises.



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Export of Government Skills and Services

The exporting of government services by agencies has the potential to return significant financial benefits to the State as well as providing enhanced public sector skills and flow-on opportunities for the private sector. However, risks do exist. These include, incurring of financial losses, damage to the international reputation and future earning capacities of government agencies and Western Australian businesses, and exposure of staff to danger from operating in unstable foreign environments.

An audit of export activities at seven agencies found that agencies were not always applying good business practice in the exportation of their skills and services. Proper legal authority was not always obtained and agencies were not always employing comprehensive financial analysis or risk management to their international ventures. For instance, evidence was lacking of key analysis undertaken in respect of a project to establish a Technical and Further Education college in China. The timeframe for recovery of over \$600 000 in set up costs for this project is unclear though spin off benefits from the project have emerged.

Grants and Subsidies to Small Business Enterprises

The State Government provides a range of financial assistance to business and industry with the broad aims of assisting the establishment of competitive new business, enhancing export development and/or promoting employment. Results of audits of assistance provided through the Department of Commerce and Trade have previously been reported. This audit concerns assistance provided by the Small Business Development Corporation, Rural Business Development Corporation (RBDC) and the Department of Agriculture (AGWEST) where the focus of assistance is on small business enterprises.

Assistance available under 13 different schemes and valued in excess of \$100 million over three years was examined. Small grant and subsidy schemes are generally adequately managed, though improvements were found to be needed to assessment and acquittal procedures of four schemes run by AGWEST and RBDC. For one scheme, eligibility for approximately \$400 000 in grant and subsidy assistance provided by AGWEST was determined by AGWEST staff working from the Minister's office. This arrangement did not provide the usual arms length separation of functions between the roles of the department and the Minister.

FOLLOW-UP EXAMINATION

Listen and Learn - Use of Customer Surveys by Agencies to Report Performance

Most government agencies are required to report key performance indicators in their annual report to Parliament. Excluding hospitals and other health services, the number of agencies reporting customer satisfaction as an indicator of their effectiveness has increased from around 40 to over 70 in the past 5 years. In 1998, this Office examined customer surveys conducted and reported by government agencies and made a number of recommendations to improve the technical quality, reporting, management, and use of customer surveys.

This follow-up examination found that many customer surveys still contain excessive amounts of methodological error and that this could impact on the accuracy of reported findings. These technical limitations are typically not disclosed in reports of surveys findings. A limited number of agencies were able to demonstrate that the findings from their customer surveys were being utilised to improve public services.