

Executive Summary

Report 1 – May 2005

This First Public Sector Performance Report for 2005 brings to notice legislative compliance and financial management and control issues and the results of an examination of an environmental assurance strategy.

Legislative Compliance

Software Licensing

Western Australian (WA) Government agencies are heavily dependent upon computers with an estimated 120 000 personal computers (PC) in use. Integral to computers and related infrastructure such as servers, is the software that runs them. An estimated \$43 million was spent on software by WA government agencies in 2002-03.

Software constitutes a form of intellectual property, the rights to which are protected by the Commonwealth's *Copyright Act 1968*. Aside from the need to comply with software license requirements, agencies also need to ensure that they effectively manage their license requirements as this can potentially save millions of dollars per annum. This examination set out to raise awareness of these issues through a review at four agencies.

The key findings were:

- Whilst the management of core software licenses was adequate, the need for better management of non-core software was evident with all four agencies having unauthorised software installed. This is inconsistent with Commonwealth legislation and government policy and creates the risk of legal action by vendors.
- All four agencies could purchase software more economically. Potential savings on just one product range across the four agencies was estimated at \$155 000.
- Downloading of software products from the internet was common at three agencies. Such practices risk agency exposure to viruses, security attacks and the installation of unauthorised software.
- Software licensing policies at three of the agencies was adequate. Good policies provide direction and a basis for self assessment and accountability.
- Three of the four agencies needed to improve:
 - the procedures by which they retain and record their software license certificates

- security over software activation codes and installation discs
- the monitoring they undertake of their use of software and compliance with license conditions. Focused use of automated monitoring tools would save millions of dollars.

Regulation of Incorporated Associations and Charities

Incorporated associations and charities are an integral part of the Western Australian community. Over 18 000 such organisations are registered in Western Australia.

The Department of Consumer and Employment Protection (DOCEP) administers the relevant legislation at a cost of about half a million dollars per year. A Charitable Collections Advisory Committee (CCAC), established under legislation, assesses charitable license applications and makes recommendations to the Minister.

The key findings were:

- Legislation governing associations does not require annual reporting to DOCEP, consequently the Department has only limited capacity to ensure that associations are operating legitimately and in accordance with the legislation.
- DOCEP does not know how many of the 18 000 registered associations are still operating. Recent steps by the Department to clarify this situation suggest that at least a third may not be operating.
- Legislation governing charities is not clear about the accountability information that must be submitted by charities. As a consequence they often provide only limited accountability information to DOCEP about how their donations are utilised. This restricts the capacity of DOCEP and the CCAC to monitor effectively the charitable activities of these organisations.
- DOCEP's procedures can be improved in the following respects:
 - assessment of applications for incorporation
 - ensuring association's surplus assets at wind-up are distributed in accordance with legislation
 - obtaining evidence during complaint investigations to show associations are complying with requirements or have taken corrective action.
- DOCEP has proposed legislative changes to enhance its ability to regulate the activities of associations and charities.



AUDITOR GENERAL FOR WESTERN AUSTRALIA

Financial Management and Control

The Use of Consultants

Government spends millions of dollars each year obtaining expert management and technical advice across all aspects of government operations. Such advice does not come cheap and hence it is important that these services be obtained openly and competitively. Government has also decided that it needs to be accountable and transparent about the extent that it uses consultants. Since 1994, a Premier's Circular has required agencies to report on a six monthly basis on their use of consultants and for this information to be collated by the Department of the Premier and Cabinet (DPC) for reporting to the Parliament.

In this examination we assessed whether three agencies were complying with State Supply Commission guidelines when engaging consultants and whether the cost is accurately reported to Parliament.

The key findings were:

- All three agencies were engaging consultants through open competitive tendering processes and benefits arising from their engagement were evident.
- More rigorous adherence to the definition and timelines of the Premier's Circular is required if the intended transparency and accountability benefits are to be realised:
 - services were included in the individual agency reports that did not fit the Premier's Circular definition of consultants. Testing of 405 consultancies reported for the six months to June 2003 indicated that 60 per cent fitted the definition whilst 27 per cent did not. Assessment on the remaining 13 per cent could not be made as the agency reports gave insufficient description of the service
 - one of the sampled agencies under-reported by \$1.2 million for the period July 2003 to June 2004 due to an administrative error.
 - DPC has since 1996 used a narrower definition of a consultant when collating the individual agency reports into the whole of government report to Parliament. Of the 405 consultancies worth \$11.5 million we reviewed for the June 2003 reporting period, DPC only accepted and reported 85 (21 per cent) worth \$5 million. No authority for applying the narrower definition was available.
 - agencies are generally not meeting the four week timeline for reporting to DPC. Thirty six per cent of agencies took eight weeks or more for the period ending June 2004.
 - the last report to Parliament on the use of consultants was for the period ending June 2003 and was tabled on 10 March 2004. Assessment since 2000 shows that the reports on average were tabled 12 months after the period to which they relate.

Management of Leave Liability

Annual and long service leave is a significant financial liability and workforce management issue for the WA Public Sector. At 30 June 2004, the WA public sector had accrued leave liabilities of \$845 million or about 16 per cent of the \$5.4 billion public sector payroll for the same year. The Public Sector's total leave liability cost has increased since 2001 but this is due to an increase in wages and growth in staff numbers rather than an increase in average leave per full time equivalent (FTE).

We last reported on the management of leave liability by the WA Public Sector in 1998. In this examination we assessed the practices for leave management at eight agencies as well as their compliance with relevant Government policies and guidelines. We also analysed trends in leave liability across the WA Public Sector.

The key findings were:

- Since June 2000, average leave accrual has fallen from 11.0 weeks to 10.5 weeks. This comprises long service leave which has fallen from 7.4 to 6.3 weeks and annual leave which has increased from 3.6 to 4.2 weeks.
- Our analysis indicated that the agencies that have effective strategies to match staff resources to agency service demands generally have lower leave liabilities. Two of the eight agencies reviewed had good strategies to match staff resources to agency service.

Performance Examination

Environmental Assurance on Agricultural Research Stations

The 2003 Western Australian State Sustainability Strategy identifies a sustainable agricultural industry as a priority goal. The agricultural food and fibre industry generates \$7 billion in economic activity.

The Department of Agriculture's 13 research stations, valued at \$50m, have an important role in supporting the agricultural industry. The research stations also have an obligation to develop systems and procedures to demonstrate that their research outputs and produce are safe and clean and that the land, water and air on the stations are managed in a sustainable condition.

The key findings were:

- The Department of Agriculture has reasonable assurance strategies to demonstrate research outputs and station produce are safe and clean.
- These strategies are not designed to provide assurance that the environmental condition of the stations is sustainable in the longer term.