

# Public Sector Performance Report 2009

## Report 1 – April 2009

This first Public Sector Performance Report for 2009 brings to notice legislative compliance and control issues.

### Management of Water Resources in Western Australia – Follow-up

#### Background

In September 2003, we reported on the management of water resources in Western Australia (WA) and identified a number of major challenges to water resource measurement, allocation and regulation. Pressure on WA's water resources continues – groundwater use has increased by 45 per cent since our last audit. At the same time water resources are at increasing risk from changes to land use and climate.

This audit examined whether the issues raised in 2003 were addressed and the management of water resources has improved. Specifically, we examined whether the Department of Water has:

- developed a coordinated program for the management of water resources in WA
- addressed deficiencies in the state's ground and surface water monitoring network to ensure accurate and timely information is available to manage our water resources
- developed protection plans for priority public drinking water source areas
- ensured that the level of detailed planning for ground and surface water resources matches demand for water use
- ensured that water allocation plans are guiding licensing decisions
- improved processing of licence applications
- increased the monitoring of compliance with legislation and licence conditions.

#### What the examination found...

The department has made good progress in addressing most of the issues raised in our 2003 report. As a result the department is in a better position to more effectively manage WA's water resources. However, significant challenges remain.

We found the department has:

- developed coordinated, risk-based programs to guide core water resource management and regulation activities
- upgraded and expanded the groundwater measurement network. This has increased the amount, accuracy and timeliness of information available to manage groundwater resources
- improved aspects of planning for water resource management
- improved water licensing processes.

However, the department has not:

- determined whether the surface water measurement network is sufficient for its information needs
- ensured adequate planning for all public drinking water source areas. One quarter of the state's public drinking water source areas still require protection plans
- ensured that water allocation plans were adequate for nine groundwater resources where the water was in great demand
- kept to the completion schedule for 13 other plans with delays of between six and 27 months expected
- developed a systematic compliance program for ensuring that water is not taken unlawfully. Moreover, the small amount of compliance monitoring done in 2003 has fallen by 60 per cent.

### Administration of the Metropolitan Region Scheme by the Department for Planning and Infrastructure

#### Background

The Metropolitan Region Scheme (the scheme) controls all private and public land use and property development within the metropolitan region. The Western Australian Planning Commission (the commission) is responsible for the scheme, including initiating amendments when planning needs change. It can also buy, sell and compulsorily acquire land to give effect to the scheme. On a day-to-day basis the Department for Planning and Infrastructure (the department) manages these matters for the commission.



## Office of the Auditor General Western Australia

Scheme amendments that involve the commission buying, selling and taking of land often generate considerable public debate, particularly when they affect private land. An important part of the commission's role is to retain public confidence in the planning process. We looked at whether amendments and land purchases, sales and takings complied with legislation, and were consistent, open and transparent. We also tested the underlying administrative foundations for handling these matters.

### What the examination found...

The department handled the amendments and purchases, sales and takings of land we sampled in a generally sound manner. We found only minor instances of non-compliance and inconsistency in dealing with transactions. Affected landowners and the wider community were given appropriate opportunity to comment on amendments. In transactions, landowners received fair value for their land, based on independent land valuations, and all other relevant entitlements.

However, we were concerned about the department's ability to maintain this performance. Weaknesses in administrative foundations, combined with a reliance on a small number of very experienced staff, increase the risk that future performance will not match its present performance. Specifically:

- the commission and the department have not had a detailed, formal governance agreement, including performance requirements, for more than two years. This diminishes accountability
- key business procedures are inadequately documented. This increases the risk that affected landowners will be treated inconsistently
- key information is not always disclosed:
  - the department does not report to the commission on total demand for changes to the scheme. This limits how well they can plan for their needs into the future
  - the department does not routinely give landowners timely and detailed information about all their entitlements. This increases the risk that landowners will not receive all their entitlements
  - people that buy land in the open market are not told when the commission pays compensation to the previous owner. This can be up to six months after sale and results in a caveat on future sale.

## Management of Fringe Benefits Tax

### Background

The Fringe Benefits Tax (FBT) is a Commonwealth tax that employers pay each year on the value of fringe benefits given to their employees. A fringe benefit includes any right, privilege, service or facility other than a salary or wage.

We last reported on management of FBT in 2002. In that examination we found that three of the four sampled agencies were incorrectly treating FBT. Government agencies have a responsibility as good corporate citizens to lead by complying with basic requirements like FBT. Successfully managing FBT is also an indicator that agencies have good controls over how they provide benefits to their employees.

This examination involved six agencies that paid \$2.041 million in FBT in 2007-08. We assessed compliance with FBT legislation and relevant tax rulings by the selected agencies. Specifically, we examined whether agencies:

- correctly identified, classified, calculated and reported tax liability for key fringe benefits
- had adequate policies, procedures, and guidance.

### What the examination found...

- Five of six agencies were adequately managing their FBT responsibilities; two of the five (Perth Zoo and UWA) managed their FBT responsibilities well.

Across the agencies we found errors in how FBT was treated:

- three agencies had misreported car or meal entertainment benefits
- three agencies had inadequate policies, procedures and guidance for managing FBT
- three had inadequate records to support their FBT returns
- one agency underpaid its 2007-08 FBT on cars by approximately \$30 000. It also risked doubling its tax liability in 2008-09.

Only two agencies had adequate monitoring and review processes.