

MEDIA STATEMENT



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HIGH LEVEL REVIEW INDICATES NEED FOR IMPROVEMENT

Auditor General, Colin Murphy, today tabled his fourth Public Sector Performance report for 2009.

The report contains three separate items and addresses performance by public sector agencies across a broad spectrum of government operations, with the findings and recommendations having relevance across the sector.

Preliminary examination of the Royalties for Regions program

"The Royalties for Regions program was a priority for audit focus, given that it involved the establishment of a new agency and the distribution of large grants to organisations, some of which have had little experience with the governance and accountability arrangements required for this level of funding" Mr Murphy said.

"This preliminary examination was beneficial in identifying opportunities for improvement and for future audit focus" he added.

The Department of Regional Development and Lands (RDL) has primary responsibility for administering and coordinating the Royalties for Regions program.

Three hundred and eight million dollars was distributed to 16 projects under the program between May and July 2009, each requiring a Memorandum of Understanding (MOU) or agreement. However, at 30 September 2009, RDL had not finalised MOUs and agreements with the delivery agencies for half of these projects, advising that delivery agencies have concerns with the reporting and auditing requirements. RDL is withholding further funds until the MOUs are signed and expects that this will be finalised by the end of 2009.

The development and implementation of an appropriate accountability and governance framework for the program has lagged behind the initial disbursement of funds, however, RDL has made good progress in developing the framework since taking responsibility for the program in October 2008. Once fully implemented, this should provide appropriate accountability for the funds and ensure that processes are in place for the communication, implementation, monitoring and evaluation of the program.

Accountability for government grants

The second examination assessed how three agencies, Healthway, the Department of Sport and Recreation (DSR), and the former Department of Education and Training (DET) and 15 non-government organisations, administered grants ranging from tens of thousands up to millions of dollars.

This was also the first major examination where Mr Murphy used his authority to 'follow-the-dollar' to assess whether public money was properly used by non government organisations.

The Auditor General stated that Healthway and DSR generally administered their grants appropriately, but there were some opportunities for improvement. DET had assigned responsibility for administering the grants to individual managers without giving clear direction or guidance. This contributed to inconsistent and inadequate practices. Subsequently, DET has adopted new procedures to manage these risks.

"We found that recipient organisations had spent their grants for the intended purpose and could adequately account for their grant expenditure and performance. However, there are opportunities for agencies to improve the accountability arrangements for the grants they provide" Mr Murphy said.

Management of government purchasing cards

The third examination looked at the management of government purchasing cards. Although these cards offer significant cost savings and efficiencies to government, there are risks if they are not managed well.

There were 14,500 cards in use in the 2008/2009 financial year, used to purchase goods and services to the value of \$237 million – up from 6,585 cards and \$42 million in 2004. This reflects government policy to increase the use of cards to streamline purchasing and payment practices and improve cash management. More than 3,000 transactions totalling \$2.5 million were examined to assess the controls in place and the appropriateness of purchases.

The most common areas of non-compliance with required procedures were in providing evidence to support transactions, and in acquitting and certifying purchases.

"Controls over the management of purchasing cards were generally adequate in the 25 agencies we examined, and although we found instances of non-compliance with procedures and areas for improvement in controls at 22 agencies, we found no evidence of purchasing cards being misused" Mr Murphy said.

However, Mr Murphy highlighted that all agencies should periodically review their purchasing card policies and procedures to ensure that they reflect good practice and government guidelines including ensuring entertainment or hospitality related expenditure is properly supported to show that it was for official business purposes.

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