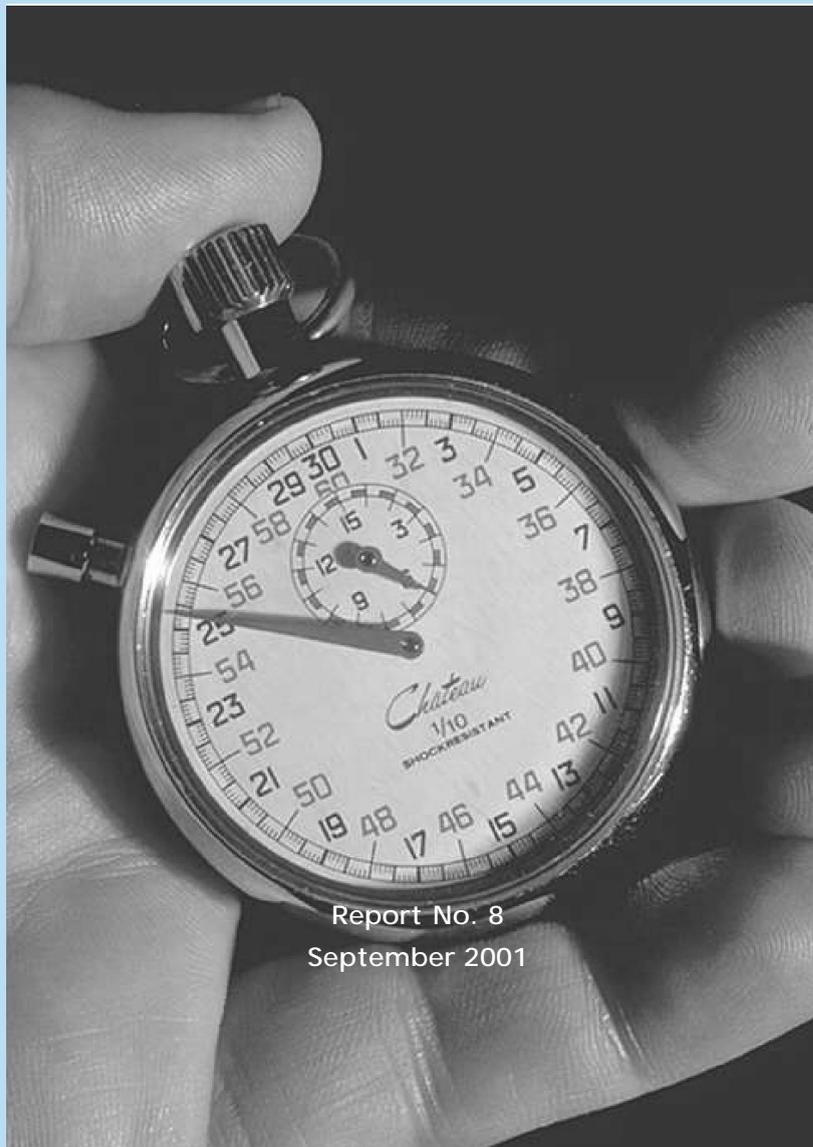




Auditor General Western Australia

Serving the Public Interest

Second Public Sector Performance Report 2001



Report No. 8
September 2001



Auditor General

Western Australia

THE SPEAKER
LEGISLATIVE ASSEMBLY

THE PRESIDENT
LEGISLATIVE COUNCIL

Second Public Sector Performance Report 2001

I submit to Parliament my second Public Sector Performance Report for 2001 pursuant to section 95 of the *Financial Administration and Audit Act 1985* (FAAA). This Report contains six items that have arisen from work undertaken pursuant to section 80 of the FAAA.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL

September 19, 2001

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1

Auditor General's Overview

The six items in this second Public Sector Performance Report for 2001 highlight two different aspects of the public sector. Three items provide positive assurance. With respect to compliance with GST legislation, debtor recovery through Warrants of Execution and the property valuation system, my examinations have identified that, apart from scope for incremental improvement, these areas have appropriate controls in place and are complying with relevant requirements. All three are relatively recent developments and indicate successfully implemented change.

The three other items in the Report identify issues where the agencies involved have not made adequate progress in responding to previously identified areas needing improvement.

During 2000, Internet and network security of seven agencies was assessed and these agencies were advised of weaknesses in their security arrangements. Notwithstanding the significant risks posed by these identified vulnerabilities, when my Office re-tested these agencies it was found that five of the seven agencies had either not fully addressed the previously identified weaknesses or had not finalised relevant changes. Follow-up examinations of two of my 1998 performance examination reports have similarly found that there has been only limited achievements by the departments involved in addressing the concerns raised.

It is of concern that opportunities identified for improvement have not been fully addressed even after significant issues have been identified. Sound public sector management requires not only that agencies adopt an ongoing proactive approach to identifying risks and seizing opportunities for improved performance, but that they also effectively address concerns raised by external reviews.

Agencies need also to purposefully evaluate their own management and control framework. In the follow-up report "Do Numbers Count" on the implications of school enrolment numbers, a lack of ready and complete data available for monitoring and evaluation was noted. In two previous reports relating to the education sector it was observed that project monitoring and review by the Department in the areas concerned was limited. The Taskforce on structures, services and resources supporting Government schools reported recently on a similar basis an absence of systematic ongoing evaluation of the Department's programs and initiatives.

In addition to, and in fact because of the additional transitional pressures being faced by government agencies as a result of the Machinery of Government reforms and budgetary constraints, it is all the more critical that individual agency management consciously, systematically and realistically assess their performance and commit to a focused response to key risks and opportunities.

2 Management, Compliance and Control Issues

This section of the report contains four items that focus on management, compliance and control issues in relation to:

- Administration of Warrants of Execution by the Sheriff's Office.
- Compliance With the Goods and Services Tax by Western Australian Government Agencies.
- Internet and Network Security.
- The Valuer General's Computerised Valuation System - VALSYS 2000.

Administration of Warrants of Execution

Overview

- ❑ *The outsourcing of the Warrants of Execution process has realised significant benefits to the State including increased amounts collected, lower average collection costs and more rapid administration of justice.*
- ❑ *The reporting capabilities of DOJ's fines enforcement registry system does not facilitate monitoring of some aspects of the contract including the total number of satisfied warrants and activity performance targets.*

Background

Enforcement of civil and criminal Warrants of Execution resulting from Court-imposed judgements is a function of the Sheriff's Office, which is part of the Western Australian Department of Justice (DOJ). Authorised enforcement procedures are defined in the *Fines, Penalties and Infringement Notices Enforcement Act 1994* (the Act).

All unpaid Court fines or fines for which the court has not granted a time to pay order are initially referred to the Fines Enforcement Registry (FER), which was established in 1995 as a part of the Court of Petty Sessions. In 2000-2001, almost 51 000 fines valued at \$20.5 million were registered with FER. Responsibility for the functions of FER rest with the Registrar who is an Officer of the Court of Petty Sessions and whose decisions are taken to be those of the Court¹. Recovery procedures of FER include the use of time to pay orders and driver and motor vehicle licence suspensions. Where such recovery action proves ineffectual, a Warrant of Execution may be issued by the Registrar to recover the amount owed (Figure 1). Recording and managing of the overall collection process is done through the FER database.

A Warrant of Execution gives authority to the Sheriff or delegated officer to seize and sell certain properties of the offender sufficient to cover the amount owed. In the event of continued non-payment and if the offender is considered to not have the capacity to pay, then the Sheriff or delegate may issue a Work and Development Order (WDO) requiring the offender to undertake a specified number of hours of community correction activities. An offender who fails to attend work as required under the order can be served with a Warrant of Commitment whereby the offender is imprisoned for a specified period².

In April 1999, the DOJ outsourced the metropolitan Warrant of Execution process for criminal matters including, the issuing of WDOs, to a private contractor. The management of Warrants of Execution for civil matters was not outsourced³. The decision to outsource the collection process was aimed at speeding up the process, increasing collection rates and reducing collection costs. Prior to the contract, the number of warrants issued was far in excess of what could be executed by the Sheriff's staff, resulting in a backlog at June 30, 1999 of 11 677 warrants that had not been issued to the Sheriff⁴. In addition, 46 000 outstanding court fines with a value of \$15.5 million were

¹ The Registrar is administratively responsible to the Sheriff.

² The number of days of imprisonment is calculated by dividing the amount outstanding by \$150.

³ Represent less than one per cent of total Warrants of Execution.

⁴ Valued at of \$3.3 million - Source: DOJ.

waiting to be processed as Warrants of Execution. The contract period of two years has since been extended through the use of the first of two, 12 month extension options. In July 2000, the same contractor succeeded in winning a contract to manage the Warrant of Execution process in regional and country areas of Western Australia.

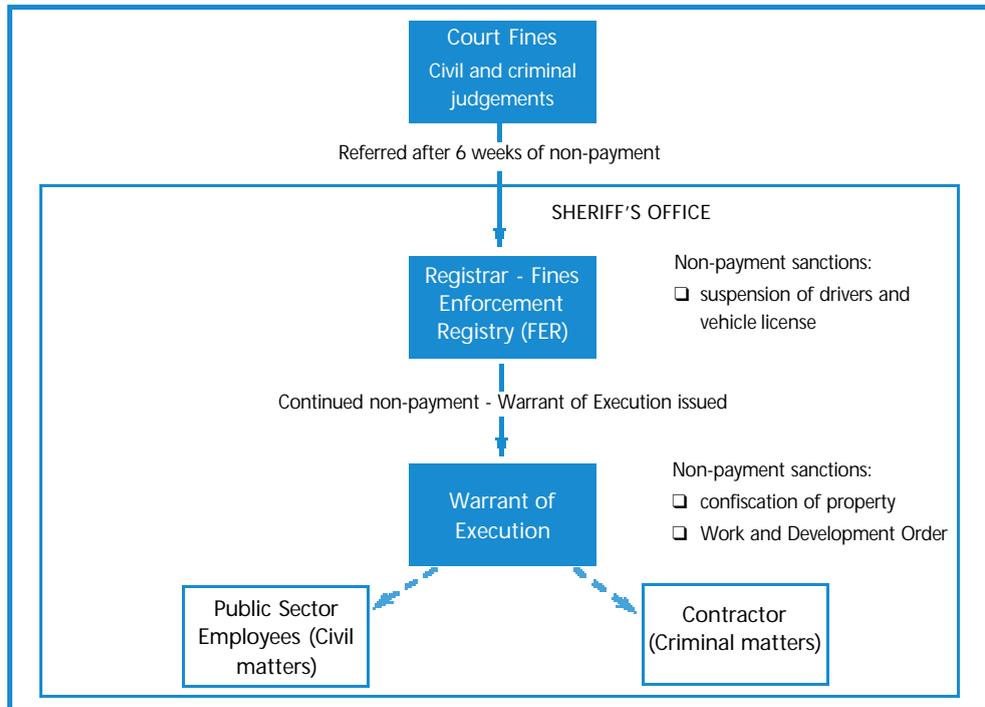


Figure 1: Normal collection process leading to the issuing of Warrants of Execution.

Source: OAG

What is the potential risk?

Poor management of the contract by DOJ, slow provision of necessary collection information to the contractor or non compliance by the contractor of required collection processes could result in the contract objectives of timely execution of warrants, high collection rates and low collection costs, not being achieved.

What did we do?

The audit, conducted in early 2001, assessed whether DOJ's systems and procedures for collection of court fines are compliant with the Act. Assessment was also made of the metropolitan contract to determine whether:

- the contractor and DOJ are meeting their contractual obligations.

Administration of Warrants of Execution (continued)

- ❑ the contract is monitored and managed in an appropriate manner.
- ❑ contractor staff have been appropriately 'screened' and trained.
- ❑ the information flow between DOJ and the contractor is timely, accurate and complete.
- ❑ the objectives of the contract are being achieved.

What did we find?

Fines Enforcement Registry and Warrants Management System

Compliance with the legal process

The Act stipulates the collection processes that must be followed in enforcing Court imposed fines. The Act authorises the referral of the fine to the Registrar of FER after 28 days have elapsed from the time the fine was imposed, unless a time to pay order has been granted. However, DOJ procedures provide an additional two weeks to allow for any postal delays.

Once with FER, the normal enforcement process for continued non-payment involves a step-by-step sequence of offender notification of escalating action combined with time for the offender to pay prior to implementation of the threatened action. This escalating action is automatically generated by the FER system. Time between each escalating action is generally of the order of six weeks though not less than 28 days. However, this process of escalating action can be shortened by the Registrar if the Registrar is satisfied that either a Warrant of Execution, Work and Development Order or Warrant of Commitment is more likely than a licence suspension to result in recovery of the amount owed⁵. This shortened process will normally apply where the offender is already subject to such action arising from non-payment of other fines.

Audit testing of the process once Warrants of Execution were issued found that the escalating action followed the required steps and that the period of time between each step was reasonable and consistent with requirements.

Warrants Management System

The outsourcing of the warrants process required DOJ to develop the Warrants Management System (WMS) as a module of the FER system. The WMS tracks warrants issued by DOJ to the contractor and updates FER with the results of the execution process. The exchange of information between the contractor and DOJ is done via the down loading and uploading of files on a daily basis. The WMS also assists the Sheriff and the Registrar to monitor the performance of the contractor, to reconcile collections from offenders to warrants issued and to calculate the amount owed to the contractor under the terms of the contract.

Warrants are automatically listed for issue to the contractor after 180 days unless time-to-pay arrangements are in place or some payment had been made. Offender details issued to the contractor from the system were found to be correct and complete.

⁵ These powers granted by section 55(d) of the *Acts Amendment (Fines Enforcement and License Suspension) Act 2000* and effective from February 5, 2001.

Testing done of fees and charges applied at the various stages of the enforcement process as well as write-offs of uncollectible fines found that these amounts and actions were in accordance with statutory regulations and DOJ policies. Fees and charges are automatically imposed by the system, whilst amounts for possible write-off are automatically listed according to system parameters and then individually approved.

Assessment of the reconciliation process found payments made to the contractor are correct. However, whilst WMS enables accurate reconciliation of the amounts collected, inadequacies of the system prevent accurate reporting of the number of satisfied warrants. The system recognises warrants satisfied by payments made directly to FER but does not recognise warrants satisfied by payments made through the contractor. DOJ have advised that this weakness in the WMS is being rectified.

Potential to use the WMS to enhance collection procedures was noted by Audit. At present, the WMS is not used to identify large value warrants for attempted in-house collection prior to issuing to the contractor. Given that the contractor is paid a base fee of \$30 plus 35 per cent of the amount successfully collected⁶, there remains an obligation for DOJ to minimise collection costs to the extent practicable by for example, pursuing large fines using telephone collection techniques. Currently, all outward collection action prior to the issuing of a Warrant of Execution is by correspondence. The opportunity to increase net collections in this manner is understood not to be contrary to the contract. DOJ advised that this option is being considered.

Contract performance

The outsourcing of Warrants of Execution was established through formal contracting processes managed by the then Department of Contract and Management Services⁷. However, the responsibility for managing the contractor rests with the Sheriff.

To enable contract staff to execute warrants, formal delegation by the Sheriff is required under the Act. Checks done by audit showed that all contracted Sheriff's officers had been formally appointed and delegated. Prior to delegation, State and Federal criminal history screening had been conducted of the contracted officers and legislative and procedural training provided by the Deputy Sheriff. Checks of written complaints against the contractor revealed that six had been received by the Sheriff since contract commencement. In one instance, the Deputy Sheriff determined that the contractor was at fault and subsequently instructed the contractor to make appropriate procedural changes.

From contract commencement to June 30, 2001, approximately 125 000 warrants valued at \$50 million have been issued as warrants, far exceeding the estimate at the commencement of the contract of 100 500 warrants (\$32.5M). Audit found that the contractor has been successful in increasing total collections whilst reducing average collection costs and the percentage of warrants executed⁸ by WDOs (Table 1).

⁶ No fee is payable if collection is unsuccessful.

⁷ Abolished from July 1, 2001, the relevant functions of which were transferred to the Department of Industry and Technology.

⁸ An executed warrant is a warrant satisfied either by payment in full or by an issued WDO.

Administration of Warrants of Execution (continued)

In the two years prior to contract commencement, the number of warrants issued was 17 307 of which 6 087 were executed. However, of those executed, just 531 (nine per cent) were paid in full, with the rest satisfied by WDOs. Total collections were \$250 048. By comparison, the contractor in the two subsequent years⁹ was issued with 116 700 warrants of which 18 357 have been executed, 8 620 (47 per cent) by WDOs. A further 17 578 have been partially satisfied through time to pay arrangements. The cost of collecting each dollar in fines has fallen approximately 50 per cent whilst collections have totalled \$4 858 145.

The reduced percentage of warrants executed by WDOs is an important outcome from the contract that can be at least partly attributed to the payment of a minimal fee of \$30 to the contractor for issue of a WDO. Less use of WDOs saves on the costs of administering WDOs and on the cost of imprisonment from subsequent breaches of WDOs¹⁰. Where WDOs are 'breached' by the offender, a warrant of commitment is issued requiring the offender to serve time in gaol. Audit testing found that Warrants of Commitment were generally issued promptly once notification was received of a breach of a WDO.

Savings can also be made under the terms of the contract by prompt payment to the contractor of amounts owed. Under the contract, the State can receive a five per cent discount on the monthly amount owed to the contractor if payment is made within 30 days. Audit checks found that the discount has been received for every month since commencement of the contract. Total value of the discount received to June 30, 2001 has been \$141 000.

Whilst contract management was generally found to be adequate, it is not clear that all desired outcomes have been managed successfully. The contract includes as a performance target, a required minimum activity level of 37 per cent of issued warrants that must be either executed or partly satisfied within a 12 month period, though the consequence of not achieving the target is unspecified. Audit noted that this target is not monitored and that due to inadequacies in the FER system, achievement of this target cannot be determined. However, information sourced from the contractor indicates that the rate achieved is approximately 32 per cent (Table 1).

The failure to achieve the target can be explained in part by:

- ❑ the large number of warrants taken over at contract commencement, the judgments of which were more than two years old, thus reducing chances of collection; and
- ❑ the decline in use of WDOs to execute warrants.

The Sheriff also advised that whilst the 37 per cent target is not monitored, activity is assessed through bi-monthly reports from the contractor detailing collection action taken in respect of each issued warrant.

⁹ April 1999 to March 31, 2001.

¹⁰ A breach of a WDO will normally result in the issuing of a Warrant of Commitment. Approximately one per cent of fines are satisfied by imprisonment (based on latest figures available - 1998-99).

The contract also provides a bonus to the contractor of a 15 per cent increase in collection fees if more than 55 per cent of all warrants issued within a 12 month contract period are executed. However, this target is now considered unrealistic by DOJ. It is also clear that achievement of the target cannot be independently verified by the FER system. DOJ advised that this target will be reviewed when the next contract is developed.

Activity/performance	Results for the two year period preceding the contract	Results for the two years after contract commencement
Issued warrants	17 307	116 700
Number of warrants executed	6 087	18 357
Execution rate	35.17%	15.73% *
Partly executed warrants	N/A	15.06%*
WDO rate (as a percentage of warrants executed)	91%	46.5%*
Amount collected	\$250 048	\$4 858 145
Cost per \$1 collected	\$0.71	\$0.47

* From information provided by the contractor to DOJ at end of February 2001. Accurate information is unavailable from FER.

Table 1: Key performance data two years prior to and after contract establishment.

Performance under the contract has been superior to the prior arrangement in all areas except execution rate which at least in part can be explained by the volume of old warrants taken over by the contractor and by the lower use of WDOs.

What does this mean?

The Warrants of Execution process is managed in accordance with the Act, the contractor is adequately managed and the contract has resulted in greater collections to the State at reduced cost.

What should be done?

The Department of Justice should:

- ensure that changes to the FER/WMS system enable proper monitoring and reporting of the administration of warrants; and
- review contract conditions to ensure minimum performance standards are reasonable, measurable and able to be monitored.

What is being done?

DOJ is currently developing a new computerised system (Integrated Courts Management System) that will enable seamless tracking of the process from the time an offender is charged to the completion of the justice process. Stage 3 of the project involves the upgrade of the FER system including the WMS and is scheduled for roll out in 2003.

Compliance with the Goods and Services Tax by Western Australian Government Agencies

Overview

- ❑ *Agencies were generally complying with GST requirements.*
- ❑ *Only two of the five audited agencies had undertaken a comprehensive assessment of the application of the GST to their contracts that spanned July 1, 2000. However, little evidence was found of incorrect treatment of the GST on agency contracts.*

Background

On July 1, 2000, the Commonwealth Goods and Services Tax (GST) was introduced. The GST is a value added tax charged at a flat rate of 10 per cent on the sale of most goods and services. This means that the tax is charged on the value added at each stage in the creation and supply of non-exempt goods and services. However, whilst the tax is collected at each step along the chain of transactions involving a supply of goods or services, it is only the end-user that bears the tax.

Entities engaged in business activities¹¹, must be registered with and obtain an Australian Business Number (ABN) from the Australian Taxation Office (ATO). Registered businesses collect the GST from the sale of their goods and services and offset that amount against the GST paid by them in producing their products. Accounting for the GST to the ATO is done via monthly, quarterly or annual Business Activity Statements (BAS).

Implementation of the GST was also accompanied by the introduction of Pay-As-You-Go Tax (PAYG). PAYG requires purchasers of goods or services to withhold and remit to the ATO, 48.5 per cent of the value of the product purchased if the supplier does not quote an ABN.

The GST has created special difficulties for Government agencies. Previously, agencies had largely enjoyed a tax-exempt status¹² with minimal exposure and therefore experience in taxation compliance. The Western Australian Treasury Department recognised this risk and established a GST Implementation Committee whose purpose, in the months leading up to July 1, 2000, was to advise and assist agencies to become GST ready.

The ATO also recognised this risk and has established specialist government compliance teams. The ATO's compliance strategy for government includes provision of specialist advice and assistance, liaison with State Treasuries and Auditors General and specific checks of agency compliance.

What is the potential risk?

Government agencies, like private sector businesses, can be held liable and potentially penalised by the ATO for non compliance with the GST laws. As well, the Australian Competition and Consumer Commission can hold agencies liable for pricing decisions that are inconsistent with the new tax system changes. Specific risks include:

- ❑ incorrect calculation of GST on agency revenue.

¹¹ Where annual turnover exceeds \$50 000 (or \$100 000 for non-profit organisations).

¹² Exempt from Income Tax and normally Wholesale Sales Tax.

- ❑ incorrect classification of taxable or non-taxable supplies with resulting errors in the collection of GST.
- ❑ inadequate documentation supporting GST related pricing decisions.
- ❑ non-compliance with GST transitional rules relating to contracts spanning pre and post GST implementation.
- ❑ incorrect accounting for the GST via the BAS or the BAS not submitted in a timely manner to the ATO.
- ❑ PAYG tax not withheld and remitted to the ATO as required.

What did we do?

The audit was undertaken at four agencies whose operations were considered likely to be affected by the GST. The aim of the audit was to establish whether the selected agencies were complying with the GST legislation and any relevant taxation rulings. The selected agencies were:

- ❑ The Department of Fisheries (Fisheries).
- ❑ Perth Theatre Trust (PTT)¹³.
- ❑ Zoological Gardens Board (Zoo).
- ❑ Western Australian Sport Centre Trust (WASCT).

Assessment was also made of the processes applied by the then Department of Contract and Management Services (CAMS)¹⁴ that were aimed at ensuring that contracts administered by CAMS complied with the GST transitional provisions.

What did we find?

Transition to the GST

The introduction of the GST required agencies to undertake a number of transitional arrangements. These included, removal of the value of Wholesale Sales Tax (WST) on trading stock on hand and replacing it with the GST and the setting of prices on saleable goods and services and on contracts spanning July 1, 2000.

Overall, Audit found few problems with the outcome of agency transition to the GST although only the Zoo had taken a comprehensive approach to the implementation of the GST:

- ❑ *Wholesale Sales Tax credit* – agencies holding inventories such as food and beverages, apparel, souvenirs, books and magazines held for sale were entitled to a credit on WST previously paid on items held but unsold at June 30, 2000. This credit had to be claimed by January 22, 2001. Audit found that all agencies had recouped their entitled credits by the cut-off date.

¹³ Now part of the Department of Culture and the Arts.

¹⁴ Abolished from July 1, 2000 with the relevant functions transferred to the Department of Industry and Technology.

Compliance with the Goods and Services Tax by Western Australian Government Agencies (continued)

- ❑ **price setting** - the introduction of the GST required businesses to ensure that pricing decisions did not contravene the prohibition on price exploitation. Price exploitation occurs if a business fails to pass on cost savings to their customers from replacement of any Wholesale Sales Tax with the lower rate of the GST. The Australian Competition and Consumer Commission (ACCC) enforces the prohibition of price exploitation. Failure to pass on the cost savings to consumers could result in penalties to the contravening agencies.

Of the four agencies, Fisheries had not documented the basis of price increases on individual goods and services as required by the ACCC, though price increases could be traced back through analysis of cash register tapes held prior to and from July 1, 2000. Adequate documentation supporting price changes from implementation of the GST was maintained by the other three agencies.

- ❑ **contracts** - all contracts spanning the GST implementation date were required to be assessed to determine if the GST should be added to the cost of the goods or service over the remaining term of the contract. As a general rule, contracts entered into on or after July 8, 1999 involving supply after July 1, 2000, were subject to GST. However, contracts that were entered into prior to July 8, 1999 could also in some circumstances, be required to be adjusted for the GST. For example, if the contract incorporated a review point after July 1, 2000.

All four audited agencies were managing contracts that spanned July 1, 2000, though only the Zoo had assessed the application of the GST to all their contracts. Fisheries has assessed the application of the GST to revenue related contracts but not to their expenditure based contracts. Fisheries advised that they considered their expenditure based contracts to be a low risk as the supplier of the goods or services is responsible under the tax legislation to collect GST. However, both the ATO and the Treasury advised Audit that agencies should be assessing both types of contracts, with the ATO stating that government agencies have a responsibility to be leaders in adopting proper practices.

Furthermore, only the Zoo was able to provide Audit with a complete list of contracts with none of the other three agencies maintaining a means for identifying current contracts such as by use of a contract register. Contract registers are normally maintained to provide a ready reference to current contracts and significant contract details such as, the contract period and other key dates, the responsible contract manager, relevant financial information and the location of the contract. All three agencies advised Audit that contract registers would be established.

Audit of a sample of contracts held by the Zoo found that all had been correctly assessed and where applicable, adjusted for the GST. Of the contracts that could be identified at the other three agencies, the audit of a sample of these contracts identified one instance where GST was being paid unnecessarily.

Assessment was also made of the transitional procedures followed by CAMS in respect of common use contracts¹⁵ as well as contracts managed by CAMS on behalf of other agencies. CAMS was found to have established a comprehensive identification and assessment process and to have properly adhered to the process.

BAS and PAYG returns

The GST legislation requires all government agencies to be registered for the GST and to obtain an Australian Business Number (ABN). Agencies like other registered enterprises must submit details of their sales and expenditures and GST paid and collected via monthly, quarterly or annual BAS returns. Differences between the amount paid and collected represents the net position for the period reported. Generally, agencies will be in a tax credit position and as such, will, on submission of their return, receive a refund of that amount. Treasury has advised agencies that cash flow advantages arise from monthly lodgement of returns.

Of the four agencies audited, only Fisheries and PTT were lodging monthly returns. The other two agencies advised that because of the administrative workload associated with the BAS, quarterly returns were preferred. All agencies were submitting BAS by the required 21st day of the month following the end of the tax period.

Under the new PAYG system, suppliers of goods or services should quote their ABN on the taxation invoice issued to the purchaser. If an ABN is not quoted on the taxation invoice, the purchaser is required to withhold 48.5 per cent of the value of the supply from the payment to the supplier being an amount equivalent to the top marginal rate of tax. This amount is then remitted to the ATO through the BAS.

Generally, agencies were dealing with registered suppliers and therefore PAYG did not apply. One instance was noted at Fisheries where a supplier did not provide invoices with an ABN and where Fisheries did not withhold the required tax amount from the payment. Fisheries have advised that their computerised payment processes will be adjusted to eliminate recurrence of this situation.

Accounting for GST on agency sales and services

Accounting for the GST by an agency involves a number of fundamental tasks:

- correctly calculating GST on sales;
- correctly recording GST paid and collected in the agency's accounts; and
- accurate preparation of the BAS.

The audit found that agencies were generally correctly accounting for the GST. A few exceptions were noted at the WASCT, though the amounts involved were small and were not systemic.

¹⁵ Contracts for supply of goods and services that can be accessed by any agency.

Compliance with the Goods and Services Tax by Western Australian Government Agencies (continued)

Accounting under tax arrangements can sometimes require organisations to seek tax rulings on appropriate treatment for particular business matters. In 2000, Fisheries sought ATO advice on the treatment of GST on seabed lease revenue received from licensed fishermen. Fisheries advised Audit that verbal rather than written advice was obtained but that details of the advice were not documented and therefore not available for audit. The ATO advised Audit that decisions made by taxpayers in relation to their taxation treatment should be properly documented for future reference and audit. Fisheries acknowledged that this was inconsistent with good practice but were able to show that ATO advice has in the past been properly documented.

What does this mean?

Agencies were generally complying with GST requirements although improvements could be made to the documentation supporting transitional arrangements and treatment of the GST.

What should be done?

- Agencies with multiple contracts should consider tools such as contract registers to assist in the effective management of their contract portfolio.
- Advice sought from the ATO should be obtained in writing or be properly documented for future reference.
- Staff responsible for GST management should receive adequate ongoing training to ensure they remain abreast of legislative changes.

Further audit work

In addition to this detailed review, a more high level audit is being undertaken at all government agencies as part of the 2000-2001 audit cycle. Matters of significance arising from these audits will be raised with the respective agencies for immediate resolution and reported to Parliament as appropriate.

Internet and Network Security

Overview

- ❑ *Many Western Australian Government agencies have had instances of attackers probing their network defences for the purpose of identifying weaknesses, though as yet, there have been few reported instances of successful attacks.*
- ❑ *All 12 agencies when initially examined had either high or medium level risks to Internet or network security attacks, leaving them vulnerable to unauthorised disclosure of confidential data, corruption of data and disruption to services.*
- ❑ *Security vulnerabilities identified at five of the seven agencies that were part of a preliminary audit of Internet and Network security in 2000 had either not been addressed or not finalised by the time of the 2001 audit.*

Background

Over the last decade, the use of the Internet by Government has grown at a phenomenal rate with the majority of agencies now connected and taking advantage of the services and resources it affords. For instance, conducting research, publishing information and interacting with clients, other agencies and organisations in the exchange of information.

Recent Government initiatives such as 'Online WA' aim to use the Internet to provide the public of Western Australia with easier access to government services including information about services and bill payment facilities. The private sector will also benefit from improved access to government information including on-line tendering for government business. Similarly, establishment of the 'Government Electronic Marketplace' (GEM) allows government agencies to electronically search for pricing information and place orders for goods and services.

However, in using the Internet to provide improved access to services, agencies face the increased risk of unauthorised access to their internal computing environment. Attaching a computer network to an external network such as the Internet has the potential to open an agency's computing resources to unknown people and organisations around the world. In many ways this can be likened to leaving the doors of a house open. The open door is a point of weakness in the house's defence, creating an increased risk of unauthorised entry into the house.

Once the connection is made to the Internet and the 'front door' is opened, people from around the world can access an agency's internal computing environment. Therefore, to prevent unauthorised access, some other form of lock or safeguard is required. The strength of these safeguards should be determined by the consequence from any unauthorised access or 'attack' on the system.

First line of defence

The first line of defence or safeguard is usually in the form of a 'firewall'. Modern and comprehensive firewalls will minimise the risk of unauthorised access to internal computer systems. Firewalls monitor the connection between the internal computing environment and the

Internet and Network Security (continued)

Internet and check all communications to ensure they are authorised. Sometimes this involves the barring of some communications traffic.

However, agencies should not just protect their 'front door'. Agency connections to other networks will create a 'back door' if these other networks are themselves connected to the Internet. In these cases, a 'firewall' should also be used to control access from these networks to prevent Internet attackers from bypassing the front door security.

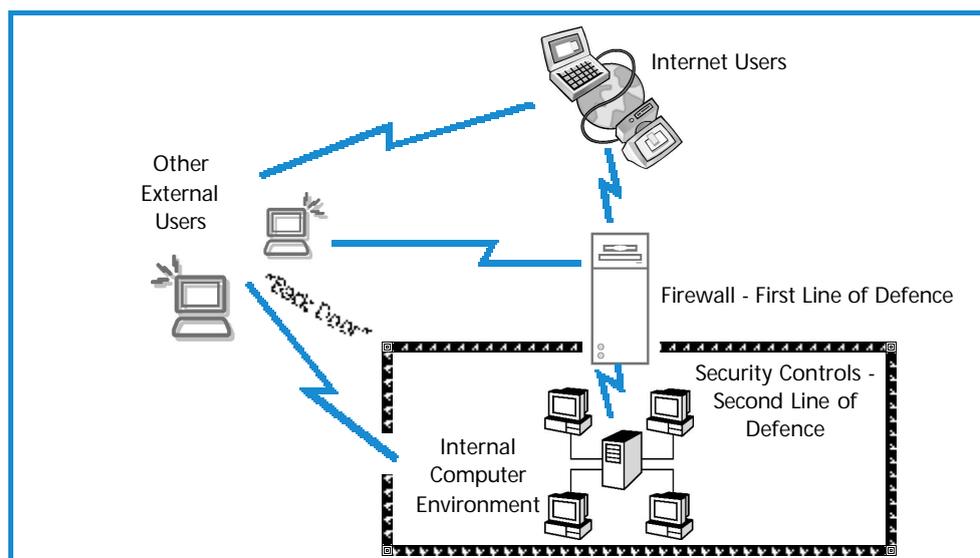


Figure 2 – Agency networks must be protected from external users.

The firewall can protect the 'front door' from the Internet, but a connection to another network can create an unprotected 'back door' to the Internet.

Source: OAG

Second line of defence

The firewall constitutes the first line of defence from Internet attackers. If the firewall is breached then the security controls implemented within the internal computer environment become the next line of defence. These include:

- password controls;
- timely maintenance of security patches to software; and
- eliminating the running of unnecessary software.

Whilst these controls have always been needed to protect against internal misuse, connection to the Internet and its millions of users makes any weakness in these controls even more critical. Weakness in these security controls can be exploited by an attacker (either internal or external) to:

- ❑ gain unauthorised access to an agency's computer systems to:
 - corrupt or disclose confidential information.
 - use available services without authorisation.
 - use computers as a platform to attack other computers.
- ❑ deny access to services which involves intentional blocking or disruption of computer or network services.

How to prevent the majority of computer attacks

Protecting a network from attack requires a management control environment that minimises the impact of network penetration attacks, features of which should range from appropriate security policies and procedures to robust standards for the technical configuration of the network.

In October 2000, a paper entitled *A Security Management Framework for Online Services* was jointly issued by the then Departments of Contract and Management Services (CAMS) and Commerce and Trade¹⁶. This paper outlines a framework within which agencies can develop policies, standards and procedures to effectively deal with security issues. In December 2000, Cabinet approved funding of \$6.2 million over five years to CAMS for provision of a range of security assistance to agencies including advice and support and specialist risk management and security services¹⁷.

What did we do?

Audit of Internet and network infrastructure security was first undertaken in early to mid 2000 at seven agencies as a preliminary study to assess the extent of risk to government¹⁸. As a result of the findings, the same seven agencies were again audited in 2001 along with a further five agencies. The 12 selected agencies provide a cross section of agency size, type and internet use across government. The focus of the 2001 audit was on assessing:

- ❑ Internet and network security over the configuration of firewalls and remote access security.
- ❑ The adequacy of policy and procedures for monitoring and responding to 'security events'.

Penetration tests were used to assess the susceptibility of systems and software to attack. Security of e-commerce services was not assessed.

¹⁶ The relevant functions of which are now part of the Department of Industry and Technology (DoIT).

¹⁷ The program is titled GOVSECURE.

¹⁸ The results were discussed with agency management but were not reported.

Internet and Network Security (continued)

What did we find?

Instances of attacks

Many Western Australian (WA) Government sites have had instances of attackers probing their network defences for the purpose of identifying weaknesses. In January this year, several government Internet web sites around Australia were defaced, one of which was the WA Government's e-Commerce initiative "www.ecommerce.wa.gov.au". Amongst the 12 audited agencies, nine had experience of attackers probing their network defences, though none had identified successful attacks.

Firewall controls (first line of defence)

Firewalls provide the first line of defence to preventing external attackers from gaining access to an agency's computer systems and data. Any vulnerabilities in the firewall give an attacker an opportunity to find and exploit a weakness in the second line of defence, the internal computer environment.

The audit found several common types of high and medium level weaknesses in agency firewalls and associated defences (Table 2). Moreover, weaknesses found amongst the agencies audited in 2000 remained unresolved amongst many of these agencies in 2001, demonstrating a lack of real commitment to understanding and achieving Internet and network security. For instance, one agency without a firewall in 2000, subsequently installed a firewall by time of the 2001 audit but had not implemented firewall rules, thereby negating the effectiveness of the firewall. At another agency, software with security vulnerabilities found on a web server in the 2000 audit was still not patched by the time of the 2001 audit, thereby still leaving the agency vulnerable to external attack.

High level risks

The greatest Internet security risk faced by an agency is the absence of an effective firewall to protect the agency's internal computer network. Two of the 12 sampled agencies were found to lack this fundamental protection, one of which was advised of the risks by audit in 2000. This finding is of concern given the relatively small cost of establishing reasonable firewall protection¹⁹ and the potential consequences from corruption or disclosure of confidential information or disruption of key services.

Backdoor connections also represent a high risk to agencies. Two of the 10 agencies with firewalls were found to have unprotected connections to networks belonging to other organisations, both government and private. By not having connections protected by a firewall, staff from these other organisations could gain unauthorised access to the agency's internal network. Internet attackers may also be able to gain access via the other organisation's network ("back door access"). Some agencies advised that the organisations with which they had unprotected connections were "trusted organisations" and therefore the connections did not require protection. However, this leaves agencies exposed to the vulnerabilities in the other organisation's Internet and network security and to unknowingly accepting the risk assessments of that organisation.

¹⁹ Basic firewall protection for a small agency would cost around \$10 000.

Medium level risks

A range of medium level vulnerabilities was found amongst the 10 audited agencies that had firewall protection. These vulnerabilities included:

- ❑ **weaknesses in firewall rules or not using all security features of the firewall** – nine of the 10 agencies with firewalls had firewall rules and security features that allowed unnecessary access and exposed these networks to greater risk of attack. These rules and features establish the level of Internet access permitted through the firewall. While the weaknesses did not allow the systems to be penetrated at the time of review, the systems may become vulnerable to future more sophisticated forms of attack.
- ❑ **software with known vulnerabilities** – eight of the 10 agencies were found to have software containing known security vulnerabilities running on key equipment that facilitate or provide approved external services such as firewalls and web servers. No matter how well computer software is tested before release, most software can contain programming errors. Unfixed, these errors can allow an attacker to use often well publicised security loopholes to penetrate a computer system on which the software is running. Computer software companies frequently release software patches to fix these coding errors. If the software is running on key equipment, the vulnerabilities may be exploited by an attacker to gain access to the agency's internal computer network.
- ❑ **dial-in facilities** – five of the 10 agencies had weaknesses in remote dial-in-facilities that could be used to gain unauthorised access to the agency's network. Remote dial-in-facilities are designed to allow clients and remote staff to gain access to the agency's network.
- ❑ **running unnecessary services on key equipment** – four of the 10 agencies were running software on key equipment which was both unnecessary and also had known security weaknesses. As mentioned above, it is common for software to have security weaknesses that require patching. Therefore, it is good practice to run the minimum software required on any server for it to perform its functions. This minimises the risk that software loopholes will exist on the server and limits the opportunities for an attacker to find vulnerable services or software to neutralize or bypass the firewall and gain access to an agency's internal computer network.

Internal computer environment (second line of defence)

Vulnerabilities in the first line of defence can allow an attacker to gain access to an agency's internal computer environment. In this event, an agency must rely on the strength of security controls within the internal computer environment (second line of defence). Additionally, these controls protect an agency from internal attackers.

As with the first line of defence, audit found several common types of high and medium level weaknesses in internal security controls (Table 2) with weaknesses continuing amongst previously audited agencies.

Internet and Network Security (continued)

High level risks

System, network and database administrators require powerful access capabilities to perform their function including, changing network, database or system configurations. Therefore, preventing unauthorised use of these access capabilities should be a high priority for all agencies.

Default or weak administrator passwords were found at nine of the 12 agencies audited. For example, instances were noted where default passwords such as “password”, used during software installation had not been changed once installation was complete. These default passwords are well known and if not changed can be used by attackers to gain unauthorised and powerful access to the agency’s internal computer network and associated critical corporate computer systems. Similarly, an attacker can use password cracking programs to discover a weak or easily guessable password that has replaced the default password.

Medium level risks

Four common medium type risks were found. These risks are distinguished from high level risk by the greater difficulty of exploiting the vulnerability and/or by a lesser impact.

- ❑ ***software with known vulnerabilities*** – all 12 agencies were found to have software containing known security vulnerabilities running on equipment providing internal services. As previously mentioned, most software can contain programming errors that unfixed can allow an attacker to use often well publicised security loopholes to access internal computer systems and data.
- ❑ ***weak or easily guessed user passwords*** – user passwords are generally less powerful than administrator passwords. Nevertheless, if an attacker can discover a user access account and password, the capabilities of that account can be used to gain unauthorised access to the agency’s computer systems. The larger the number of easily guessed passwords at an agency, the higher is the risk of unauthorised access. All 12 agencies were found to have weak or easily guessed user passwords, six of which had either more than 20 per cent of their total user passwords or more than 100 passwords that were easily guessed.
- ❑ ***no regular monitoring of security events*** – seven of the 12 agencies reviewed were not regularly reviewing computer system and firewall logs to identify abnormal security events. These logs identify events that upon analyses may reveal attempts to gain unauthorised access to a service. Good management practice suggests that such logs be reviewed regularly to identify these events so that suitable defensive or investigative actions can be taken in a timely manner.
- ❑ ***running unnecessary services on internal equipment*** – four of the 12 agencies were running unnecessary software on internal equipment which also had known security weaknesses. As mentioned above, it is common for software to have security weaknesses that require patching. By running unnecessary software on internal equipment, an agency increases the risk that a software loophole might be found to allow an attacker to gain unauthorised access to internal systems or data or, to make internal services unavailable.

	Amongst the seven agencies first reviewed in 2000		Amongst the other five agencies
	At 2000	At 2001	
FIRST LINE OF DEFENCE			
High Risk Vulnerabilities			
No effective firewall	1	1	1
Access from other networks behind firewall	2	1	0
Count this Category	3	2	1
Number of agencies with high level risks	3	2	1
Medium Risk Vulnerabilities			
Firewall rules need strengthening or not utilising firewall functions etc	5	1	4
Software with known vulnerabilities	5	2	3
Remote dial-up weaknesses	2	0	3
Unnecessary services on server (e.g. firewall, web-server, etc)	3	0	1
Count this Category	15	3	11
Number of agencies with high or medium level risks	6	3	5
SECOND LINE OF DEFENCE			
High Risk Vulnerabilities			
Weak or default administrator passwords	6	3	3
Count this Category	6	3	3
Number of agencies with high level risks	6	3	3
Medium Risk Vulnerabilities			
Software with known vulnerabilities	7	3	5
Weak or easily guessable user passwords	7	4	5
No regular monitoring of security events	4	0	3
Unnecessary services on internal server	1	1	3
Count this Category	19	8	16
Number of agencies with high or medium level risks	7	6	5

Table 2: Summary of assessed Internet and network security weaknesses amongst 12 sampled agencies.

All of the 12 sampled agencies had high and/or medium level Internet or network security weaknesses when first assessed. Of particular concern is that some of the agencies first audited in 2000 had still not resolved the weaknesses by the time of the follow-up audit in 2001.

Source: OAG

Internet and Network Security (continued)

What does this mean?

Common vulnerabilities exist within government networks that could be exploited by attackers.

All 12 agencies accepted that their systems had weaknesses. In a few instances, agencies decided to accept specific risks rather than take corrective action but in most cases, an undertaking was given to addressing the risks. However, following through with such undertakings requires resolve and genuine commitment. Five agencies from the preliminary audit in 2000 have not completed the corrective actions they committed to undertake last year.

What should be done?

Agencies should put processes in place to ensure that Internet and network security risks are identified and properly managed. This should include appointing a senior person responsible for bringing about any necessary change. Thereafter, periodic reviews should be undertaken to guard against new, emerging vulnerabilities.

The Valuer General's Computerised Valuation System - VALSYS 2000

Overview

- *The VALSYS application was found to be reliable, though some opportunities were found for improvements to data input procedures and system security.*

Background

The *Valuation of Land Act 1978* established the Office of Valuer General for the purpose of providing government and other statutory clients with an effective and impartial valuation service and to maintain an accurate valuation database. Valuations are required for many official purposes including, the determination of land tax, the setting of municipal, sewerage and drainage rates, and the assessment of stamp duties on the transfer of land. Taxing and rating authorities determine what property is to be valued.

The two main types of taxing and rating values are Unimproved Value (UV) and Gross Rental Value (GRV). Put simply, UV is the value land might fetch at sale if it had no buildings or other improvements. UV is used by the State Revenue Department²⁰ as the basis for levying land tax and by some local government authorities²¹ for levying rates. GRV is the gross annual rental that land with improvements might be expected to realise if let on a tenancy basis from year to year. GRV is used by local government authorities in urban areas and the Water Corporation and Country Water Boards as the basis for levying rates. In 1999-2000, the Valuer General's Office²² (VGO) determined 780 000 UVs and 126 000 GRVs²³.

In January 1999, the VGO completed the design, development and implementation of its computerised property valuation system, VALSYS-2000. VALSYS was established to replace the previous mainframe system with a year 2000 compliant system and to provide a more efficient and precise means of undertaking mass appraisals. The system incorporates a database that captures land and property information from internal and external sources and which is linked to a matrix style valuation reference system to produce mass valuations. Property information is held for each property (the valuation entity) including location, improvements, sales, rent and valuation details. The system provides rapid assessment of valuations and enables clients to request and receive valuations electronically (Figure 3).

²⁰ Abolished from July 1, 2001 and the functions transferred to the new Department of Treasury and Finance.

²¹ Mostly rural local governments authorities.

²² Became part of the Department of Land Administration from July 26, 2001.

²³ The number of GRVs will be much greater in 2001-2002 when metropolitan properties are revalued in accordance with the VGO's cyclical three year program.

The Valuer General's Computerised Valuation System - VALSYS 2000 (continued)

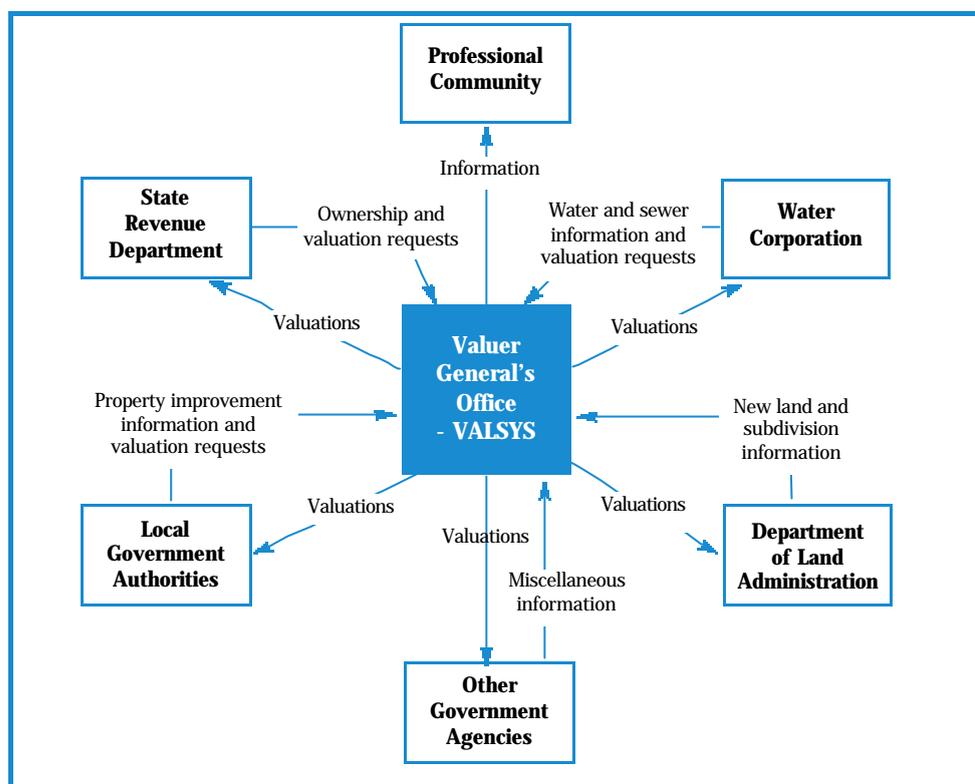


Figure 3 – Overview of VGO's role and its links with other agencies.

Source: VGO

What is the potential risk?

The VGO is charged with providing an effective and impartial valuation service. The VGO must therefore ensure that VALSYS will not:

- make incorrect valuations either as a result of errors in data input to the VALSYS database or through errors in the computer application logic.
- allow unauthorised persons from either within the VGO or through the Internet to accidentally or deliberately alter values stored in the VALSYS database.

What did we do?

The audit of VALSYS was undertaken in December 2000 through to March 2001 with the objective of determining the reliance that could be placed on the system. This involved testing:

- the controls incorporated into VALSYS to determine their adequacy.
- data on input documents to the database to check the correct recording of data.

- ❑ the database to verify that the values stored were correct.
- ❑ security over access to the database, including the potential for Internet penetration by unauthorised persons and potential exposures from the internal computer environment.

What did we find?

Take-up of data

Until January 1999, the VGO utilised a mainframe valuation system for capturing property data, making mass appraisal valuations and recording property valuations. Establishing the VALSYS database required the accurate take-up of property data held by the previous system. Errors in take-up could lead to inaccurate property valuations by VALSYS with consequent flow on effects to rating and taxing agencies.

Audit tests of the data take-up across a range of urban and rural locations found that the data had been taken-up accurately.

The valuation process

Property valuation is a complex process that is undertaken by the Valuer General in accordance with recognised international standards. The establishment of VALSYS has led to approximately 80 per cent of property valuations being mass appraised, with the remaining 20 per cent assessed manually by the VGO's staff of professional valuers. However, regardless of whether the valuations are determined manually or by VALSYS, the accuracy of the valuations remain dependent upon the completeness and reliability of the property variables and reference data stored in the VALSYS database.

Input of reference data

Reference data maintained on VALSYS for valuation purposes includes information about changes to the valuation entity, such as the establishment or removal of buildings, or change in use or zoning or a sub-division of the property. The main sources of this information are local government authorities, the Water Corporation and the Department of Land Administration.

Notification of changes to a valuation entity are assessed by a VGO valuer and a decision made about what, if any changes will be authorised for input to VALSYS as well as any manually assessed interim valuation change. Audit testing found that all changes had been correctly input. However, audit noted instances where changes were made to the database without the signed authorisation of a valuer. To prevent the possibility of future unauthorised changes, the VGO has advised that change details will no longer be input to the database unless signed, dated and bearing the valuer's identification number.

The importance of complete and timely reference data was made apparent in 1999-2000 when the VGO became aware of incorrect values being made in some Perth suburbs as a result of incomplete information about property improvements. As a consequence, revaluations were undertaken in

The Valuer General's Computerised Valuation System - VALSYS 2000 (continued)

seven local government authorities to the west and south-west of the City of Perth, resulting in approximately four per cent of valuations being found radically wrong²⁴. These were corrected within the 1999-2000 rates year whilst an additional 19 per cent of less significant errors were corrected in the 2000-2001 year. Subsequently, the VGO liaised with all local government authorities to ensure better collection of property improvements' data.

Mass appraisal of values

Mass appraisal is a major function of VALSYS. The capacity for mass appraisal is based on the identification of sub-market areas which are areas of similar desirability and where market trends are similar. Valuation variables from integration with other VGO sub-systems such as sales and rental information, are stored in VALSYS against property land identifiers and used to establish a base value for the sub-market area. For instance, the GRV of a house within a sub-market area is determined by the base value adjusted for the property variables, each of which has a value factor. These matrices of variables include the type and size of construction, the year built, the number of bedrooms, the existence of garage(s), carport(s), swimming pool and scenic views as well as negative variables such as small rooms and high traffic noise.

The VGO's valuation procedures are designed to prevent the input and storage of incorrect values on the VALSYS database. These procedures include comparing sales and rental evidence within sub-market areas to existing values and retaining or adjusting values accordingly. Similarly, review and authorisation processes are applied to the development of the matrices of variables and their values. Audit tests found that the development processes were in accordance with established procedures.

Tests were also done of VALSYS' application processing logic for the purpose of confirming the accuracy of calculations by VALSYS. A sample of valuations made using the mass appraisal process was manually re-computed using the relevant property variables stored in the database. All were found to be materially correct.

Manually input values

Manual valuations generally occur where valuation entities are inconsistent with the sub-market area for reasons such as size and uniqueness of the property. Often, the valuation entities will be commercial or industrial properties. In this circumstance, the property will be valued manually by a valuer and the value then input into the VALSYS database.

Audit tests found that the manually assessed values had generally been correctly input from source documents to VALSYS. A few exceptions were noted where the assessed values were not input and that as a consequence, the values were determined by the mass appraisal process by default, with the resulting values lower than the manually assessed values. Subsequently, the VGO advised audit that procedural controls would be tightened to prevent recurrence.

²⁴ Forty per cent or more.

Integrity of the VALSYS database

The State's rating and taxing authorities in particular depend upon VALSYS to maintain complete and accurate property lists. For this reason, audit undertook computer assisted data analysis of a sample of the database to identify exceptions to business rules such as:

- ❑ land that had not been valued;
- ❑ land records without a current active valuation entity number (VEN); and
- ❑ land records with multiple current VENs for particular valuation types (UV or GRV).

The audit testing identified several thousand potential exceptions that were referred to the VGO for investigation and comment, the result of which was that nearly all were cleared of having any impact on the integrity of the database. In most cases the exceptions were linked to inactive or redundant land records, work in progress or the migration of the data from the old mainframe system to VALSYS. None of the exceptions were found to be breaches of the VALSYS business rules.

As part of the integrity assessment, audit also reviewed the VGO's disaster recovery plans. The VGO was found to have a documented and tested computer disaster recovery plan covering most likely disaster scenarios. The VGO advised that the recovery plan will be enhanced as part of a risk management project to be completed in late 2001.

Security over access to VALSYS

Good security over key government computer systems and databases such as VALSYS is essential. To evaluate the VALSYS security, audit conducted system tests and control assessments of the three levels of VALSYS security:

- ❑ *general access to the local area network (LAN)* – the VGO's policies and procedures for granting and terminating access to both the LAN and VALSYS and for the use of computers were found to be adequate. Nevertheless, opportunities for improvement were noted and accepted by the VGO in respect of physical security, access security and password management.
- ❑ *specific access to the VALSYS application* - the delegated authority of managers, valuers and designated staff is stipulated within VALSYS. Audit found that the application requires appropriate authorisation for the development and use of the matrices of reference data and maintains appropriate audit trails of any data changes.
- ❑ *external access to VALSYS via the Internet* – external links to VALSYS for the purpose of inputting data and distributing valuations is a key feature of the system. However, this feature also creates the potential for unauthorised access to the system and consequent risks such as corruption or disclosure of confidential information and blocking or disruption of services. The main defence used to prevent external attack are firewalls which monitor the connection between the Internet and the internal computing environment and bar unauthorised traffic²⁵. Audit testing, including penetration tests, found adequate security, though opportunities for improvement were noted. These recommendations have been accepted by the VGO and action has commenced to implement the changes.

²⁵ More details about risks and defence mechanisms can be obtained from the Auditor General's report on Internet and Network Security - Item three in this report to Parliament.

The Valuer General's Computerised Valuation System - VALSYS 2000 (continued)

What does this mean?

Opportunities to improve the control framework supporting VALSYS were found, though these have been accepted by the VGO and action has commenced to make these changes. Thereafter, provided the control framework is observed, the values stored and valuations made should be reliable.

What should be done?

The VGO should:

- continue to liaise with source agencies to ensure that reference data is received in a complete and timely manner;
- ensure that only properly authorised reference data is input to VALSYS; and
- continue to implement the security changes recommended by audit and thereafter monitor for new and emerging risks to ensure that security is maintained at a high level.

3

Follow-Up Performance Examinations

Follow-up performance examinations are undertaken where it is considered appropriate to provide Parliament with a current assessment of significant matters previously reported.

This section reports the results of two follow-up examinations undertaken of 1998 reports:

- Accommodation and Support Services for Young People Unable to Live at Home.
- Do Numbers Count? - Educational and Financial Impacts of School Enrolments.

Accommodation and Support Services for Young People Unable to Live at Home

(Initial report tabled November 26, 1998, No. 11)

Overview

- ❑ *The total number of children and young people in care increased by 21 per cent between 1998 to 2000.*
- ❑ *The Department for Community Development has implemented several initiatives to increase and better utilise the number of placements available for young people. However arranging suitable placements continues to be difficult.*
- ❑ *In August 2000, ten public sector agencies agreed an Interagency Policy for Working with Young People in Care to address issues of linkage and coordination. The Department has yet to develop the local level protocols required to implement this policy.*
- ❑ *Limited or untimely information sharing between the Department and other service providers continues to compromise effective service delivery.*
- ❑ *The amount of time spent by case managers on case-related work has improved because case management processes have been streamlined.*
- ❑ *Frequent turnover of case managers has continued, compromising the relationships between the young people in care, service providers and the Department.*
- ❑ *A service is now available to provide assistance to young people to leave care and adjust to independent living. The available evidence suggests that effective and timely planning prior to leaving care is inconsistent within the Department and depends on the individual style of the case managers.*

Background

Young people are sometimes unable to live at home with their families for a variety of reasons, including substantiated harm from caregivers, neglect, illness and abuse.

The potential consequences of inadequate care can include increased contact with the criminal justice system, the development of long-term mental health problems, homelessness, unemployment and substance abuse.

The Department for Community Development²⁶ (the Department) is responsible for managing the care of young people unable to live at home. The Department works with volunteer carers, the not-for-profit sector and other government agencies such as the Department of Education and the Department of Health, to enable each young person in care to realise their full potential. At the same time the Department continually assesses whether the young person can return home.

A variety of accommodation types are available to young people in care. These include

- ❑ placement with extended family;
- ❑ traditional foster care: where more than one young person can be placed with a foster carer;

²⁶ Until July 1 2001 the Department was known as the Department for Family and Children's Services.

- ❑ one to one foster care: where only one young person is placed with a foster carer; and
- ❑ hostel or group care: where groups of young people are placed in a hostel situation.

In 1999-2000, 402 children were admitted into care and protection for the first time. The total number in care increased from 1202 in 1998 to 1456 in 2000 with the numbers of 12 to 17 year olds in care increasing from 399 to 479.

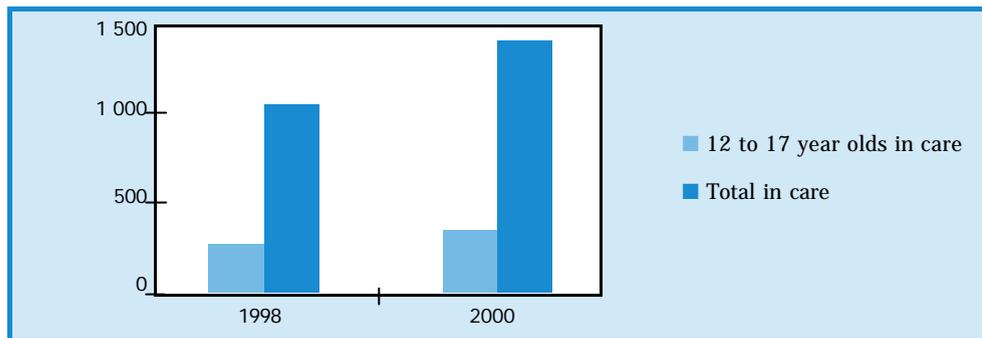


Figure 4: Number of children and young people in State care.

The number of children in care has increased by 21 per cent since 1998.

Source: Department for Community Development

In 1998, a performance examination into accommodation and support services provided to young people aged 12 to 17 years who were unable to live at home found that:

- ❑ finding suitable accommodation was often difficult and many young people were in placements that were not suitable to their needs. A high rate of turnover in case managers exacerbated the management of placement stability;
- ❑ the links and coordination between the Department and the agencies that provided support services such as education, mental health services or services for drug and alcohol abuse were inadequately developed and maintained. This meant these vulnerable young people sometimes did not access the additional support they required;
- ❑ direct contact between case managers and their clients was low, with case managers only spending about half their time on case management and the required paperwork was often delayed or incomplete;
- ❑ the planning required for a young person to successfully leave State care was not carried out in a comprehensive, timely or consistent manner; and
- ❑ the coordination and linkages between the Department, other government and not-for-profit agencies was inconsistent and subsequently often ineffectual.

Accommodation and Support Services for Young People Unable to Live at Home (continued)

What did we do?

This follow-up examination attempted to address whether improvements have been achieved in areas related to the findings of the 1998 examination.

The methodology included:

- analysis of relevant documents;
- feedback from relevant public sector agencies on changes in service provision; and
- interviews with other stakeholders.

A file audit, which provided most of the statistical evidence in the previous examinations, was not undertaken in the follow-up examination.

What did we find?

Placements

In 1998, finding suitable accommodation was often difficult and many young people were placed in accommodation that was not suitable to their needs.

During the follow-up examination, the Department reported that the 12 to 17 year old clients currently in care often experience social, emotional and behavioural problems that are more complex and challenging than ever before. The complex needs of some of these young people can make finding suitable accommodation a difficult and lengthy process. The proportion of young people placed in foster care has increased since 1998 while the proportion placed in hostel or group care decreased.

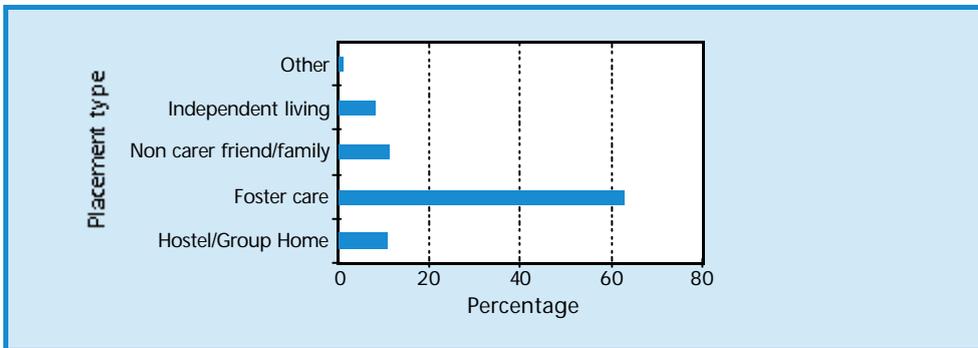


Figure 5: Percentage of 12 to 17 year olds in care, by type of placement 1999-2000.

The majority of young people continue to be placed in foster care.

Source: Department for Community Development

The Department has introduced a range of new initiatives to increase the number of available placements and to ensure that young people are provided the most suitable accommodation. These initiatives include:

- establishment of the Aboriginal Child Placement Service, and the appointment of Senior Officers, Aboriginal Services to each zone;
- establishment of a Centralised Foster Care Recruitment Service;
- increasing the number of one to one foster placements from 15 to 21 with plans for further increases in availability;
- appointment of a Central Placement Coordinator;
- appointment of placement officers and placement support officers in all metropolitan zones;
- establishment of Adolescent and Child Support Services to assess and address the needs of young people who are either hard to place or have difficulty in sustaining placements: and
- introduction of "Spectrum of Care" Purchasing with the not-for-profit sector.

In addition, as of July 2001, the Department commenced the implementation of the "Looking After Children" system of care, following extensive development of this United Kingdom-based system for application in Western Australia. Once implemented, this will provide a standardised system of tracking individuals through care and the Department expects that the various written protocols required by the system will provide better information to facilitate appropriate placement in a timely manner.

The Department's policy is to accommodate young people with extended families whenever possible. The Department defines quality of placements in terms of three key elements:

- maintenance of contact with families;
- stability of placements; and
- cultural, social and physical appropriateness of care.

However, the Department does not monitor the quality of care provided to each child/young person in care across these three quality dimensions.

The Department's 1999-2000 Annual Report showed that:

- there was an increase in the proportion of young people placed with extended families from 23 per cent in 1997-1998 to 28 per cent in 1999-2000;
- forty-eight Aboriginal children were found placements with Aboriginal families through the Aboriginal Child Placement Service; and
- fourteen per cent of young people in care had more than three placements in the first year of care²⁷.

²⁷ The 1998 report indicated that 39 per cent of young people had more than three placements over the entire duration of their care with the Department. Comparable figures for 2000 are not available. Since 1998, the calculation of this performance indicator has changed and the current indicator refers only to placements in the first year in care. Therefore, young people who have been in care for longer than a year are not included in the calculation of this indicator.

Accommodation and Support Services for Young People Unable to Live at Home (continued)

A shortage of foster carers is a worldwide trend indicating the difficulty in attracting and retaining foster carers. A Departmental review that examined the complexity and difficulty in retaining foster carers, estimated that it costs approximately \$10 000 to recruit, assess and prepare a foster family. While the number of registered foster carers increased by 23 per cent from 751 in 1997 to 929 in 2001, this did not keep pace with the increase in the number of children in care and the shortage of foster carers continues.

The Department's review suggests a need to direct resources at retention and support as well as recruitment and training of foster carers. The review also notes that feedback from foster carers indicates that there is a positive link between the retention rate of carers and the amount of training and ongoing support they receive. Concerns about carers' dealings with the Department were identified as a major issue for many carers. In addition, while an increasing number of young people in care are placed with their extended family, these carers do not currently receive the training and quality assurance support that is available to other carers.

The Department funds a number of not-for-profit agencies to arrange foster care or provide accommodation services. The previous examination found that the availability and suitability of these places were not monitored effectively. Some not-for-profit agencies were reluctant to accept young people with challenging behaviour because of the concerns for retention of their registered foster carers or for the well being of other children in their care.

The Central Placement Coordinator was appointed to coordinate placement services at these agencies and to provide a reference point for all accommodation issues. Information was not available to assess the effectiveness of this new position.

"Spectrum of Care Purchasing" was also introduced to address the placement issues and manage the relationships with the not-for-profit sector. The Department now purchases up to three "levels of care" from these agencies. The different levels reflect differences in time commitment, level of carer/staff skills required and the nature of the services purchased. Service providers are contracted to provide one or a combination of these levels.

While the Department perceives this model to be an effective strategy that enables maximum utilisation of available placements, the not-for-profit agencies providing placements services for young people have concerns relating to this model of purchasing. The main concerns voiced were that:

- the availability of a place determined placement decisions, rather than the actual needs of the individual young person or the level of care they required;
- young people are inadvertently being "labelled" and stigmatised by the prescribed levels of care;

- ❑ the service agreements prescribed placement in the agencies. There is no facility in the contracts for the agency to comment on the appropriateness of the placements. Sometimes the resulting mix of young people in the residence compromised the stability of placements or the retention of foster carers; and
- ❑ there has been a considerable increase in the amount of paperwork now required from their services.

Emergency placement services are used when a young person initially enters care or when a placement breaks down. Emergency care is provided by non-government and government agencies in either foster care or group residential facilities. Time spent in emergency care is an indicator of the difficulty of arranging suitable placements. The previous examination found that 62 per cent of young people were found suitable accommodation without delay while 20 per cent were found suitable placements within two weeks. In 18 per cent of cases, it took more than three months to find suitable placement, with most young people being placed in departmental hostels during that time. This information was gathered from a file audit during the previous examination. The follow-up examination found that no mechanism has since been put in place to collect and monitor the use of emergency placements. As a result an assessment cannot be made as to whether waiting times for suitable placements have changed.

While improvements have been achieved in relation to the availability and utilisation of placements, arranging suitable placements continues to be difficult, particularly for some sibling groups, young people with disabilities and for children displaying challenging behaviour. The number of young people in care who fall into those categories is increasing whilst the level of community interest in foster care and ability of the voluntary sector to meet these specialised needs is decreasing. It is likely that arranging suitable places for these groups of children in care will continue to be problematic in the foreseeable future.

Support services

Coordination and linkages among service providers

The previous examination found that available services for many young people in care were either in short supply, not readily accessible or not equitably provided. Primarily, this resulted from a lack of linkage and limited sharing of information between the Department and provider agencies.

Young people in care are often in greater need of support than their peers in the areas of education, physical and mental health, and training and development. They are usually at greater risk of:

- ❑ offending, leading to contact with the Juvenile Justice and Criminal Justice systems;
- ❑ educational problems in achievement and school attendance and exclusion;
- ❑ substance abuse;
- ❑ mental health problems;

Accommodation and Support Services for Young People Unable to Live at Home (continued)

- sexual health and family planning risk behaviours;
- anti-social behaviours; and
- low self-efficacy and self-esteem.

The previous examination found that case managers experienced difficulty in accessing support services from other agencies for young people in care. Information relating to the services required and accessed by young people was not available except through an audit of a sample of case files. The Department has not put in place a mechanism for monitoring the number and types of services currently required and actually received by the young people in its care.

Following the previous examination, ten state government agencies collaboratively developed an *Interagency Policy for Working with Young People in Care*²⁸. The policy was completed and signed off in August 2000. It recognised and reinforced the importance of inter-sectoral collaboration and included the development of protocols at the local level to ensure that:

- young people in care received the services they needed; and
- duplication and difficulties between agencies in service provision were avoided or appropriately resolved.

The Department was named as the lead agency responsible for developing the local area protocols in collaboration with the other agencies. These protocols have yet to be developed. The Department has advised that initial work towards a pilot in two regions will commence in the near future.

Information sharing

Many young people in care are sensitive about their situation and do not appreciate public scrutiny or reference to their particular circumstances. The Department treats information relating to young people with utmost confidentiality. While other relevant service providers recognise and respect the need for confidentiality, they also appreciate the need for information sharing between them for effective and customised service provision.

The previous examination found that there was insufficient information sharing between the Department and other relevant agencies and carers, resulting in less effective service provision.

Service providers reported that limited or lack of information about clients is an ongoing hindrance to effective service provision. Ten of the twelve agencies interviewed reported that generally they had to initiate any successful exchange of information and had to put additional procedures in place to monitor the effectiveness of the communication exchanged with the Department. Although all agencies providing services are bound by confidentiality, the Department does not reciprocate recognition of the ethical responsibilities and confidentiality procedures within the other agencies, often leaving the agencies without essential information for planning care.

There are, however, some examples where the Department has participated effectively in timely and adequate information sharing. The Joondalup Family Violence Project is a recent example of

²⁸ The ten agencies are: Office of Youth Affairs, Department for Community Development, Department of Education, Department of Health, Western Australian Alcohol and Drug Abuse Strategy Office, Department of Indigenous Affairs (formerly Aboriginal Affairs Department), Disability Services Commission, Department of Training, Department of Justice and Department of Housing and Works.

information sharing for the purpose of integrated case management of family violence issues. An integrated case management mechanism similar to that adopted in the Family Violence Pilot Project, but which included all the major service providers, would enable all young people in care to receive customised services. The “Safer WA” working group is also a means for the Department to extend its practices of information sharing.

Case management

The previous examination found that limited direct contact between case managers and their clients reduced the opportunity for the close and trusting relationship needed to assist a young person to overcome their trauma and realise their full potential.

Each young person in care is assigned a case manager. The case manager is responsible for:

- planning the service required to address the needs of the young person;
- arranging access to those services;
- providing support to the young person, family and carers;
- making linkages between the young person, significant others, school and other agencies;
- ensuring the continuity of service provision;
- advocating on behalf of the young person and family; and
- establishing links with services to enable independent living.

The Department has streamlined its case management processes since the previous report. The new initiatives enable case managers to focus more effectively on case-related core business. These initiatives include:

- redevelopment of the case practice manual;
- implementing the recommendations of the Review of Field Services Best Practice Project;
- developing and implementing three Director General’s Instructions relating to quarterly reports and contact with wards of the State, changes to case conferencing, and documentation in client files; and
- review of the Staff Supervision Policy.

In addition, the Department is currently implementing the “Looking after Children” system, customised for Western Australia and expected to be operational at the end of 2001. The Department’s expectations are that the new system will lead to further improvements in case management practices.

The previous examination found that approximately 50 per cent of a case manager’s time was spent in case-related tasks. The most recent labour time allocation survey conducted by the Department in 2000 showed that as a result of the initiatives referred to above, case managers in the metropolitan area spent about 79 per cent of their time on case-related work. The corresponding proportion for case managers in the country areas was about 65 per cent.

Accommodation and Support Services for Young People Unable to Live at Home (continued)

Effective case management depends on the quality of the relationship between the case manager and their client. The 1998 examination found that on average, case managers only spent a third of their time in direct contact with the young person. The more recent labour allocation surveys in the Department do not measure direct contact with the client. It is therefore unknown whether the increase in time available for case-related work has led to an increase in direct contact with the young person in care.

External stakeholders have however, reported that it is still common for a case manager to have very limited knowledge of the young people in their care, and for direct contact with the young people to be “*extremely infrequent and irregular*”.

The not-for-profit agencies and foster carers consider that satisfactory outcomes for young people in care and inter-agency relationships were more dependent on the style and skill of the individual case manager than the result of consistent standards of practice. The “Looking After Children” system is expected to assist in resolving these inconsistencies in perception and experience of differences amongst case managers.

They also reported that the turnover of case managers continued to be high and had not improved since the 1998 report. Some stakeholders went further and suggested that case manager turnover has worsened since then. Eight not-for-profit agencies gave several examples of young people having at least three different case managers in a four-month period. The information provided by the Department shows that 41 per cent of wards and 21 per cent of non-wards had three or more case managers in a year.

Planning for leaving care

Developing options and comprehensive assistance for young people leaving care is critical if risks for the young person and the community are to be minimised.

The State’s legal responsibility for a young person in care ceases when the young person turns 18, irrespective of the young person’s emotional maturity or readiness for independent living. This is in sharp contrast to the care that continues for young people who grow up within a family, as family support often continues indefinitely. Often the young people leaving care are unable to reconnect or reunify with their family of origin. The previous examination found that the young people who turned 18 frequently left care without sufficient support or planning from the Department.

Each year, approximately six to seven per cent of young people in care leave permanently. A collaborative initiative between the WA Association of Young People In Care, the University of Western Australia, the ANZ Foundation and the Department resulted in the establishment of the Transitional Support Services (TSS). Crossroads West is contracted and funded by Commonwealth and State governments to provide this service, which supports a young person to live independently once they leave the care of the State. The Service provides them with assistance to access counselling, support, medical care and treatment, accommodation, financial assistance, education and training/employment opportunities and appropriate recreational activities. Currently, the TSS program supports 94 young people, all of whom have been in the care of the Department but only 34 of whom were referred to TSS directly by the Department.

Caseload data from TSS showed that the majority of young people in their care had inadequate levels of functioning for managing as young adults in the community. Of these young people, 86 per cent were rated as having poor skills in utilising the available support. This suggests that long term planning and training is critical before young people leave care.

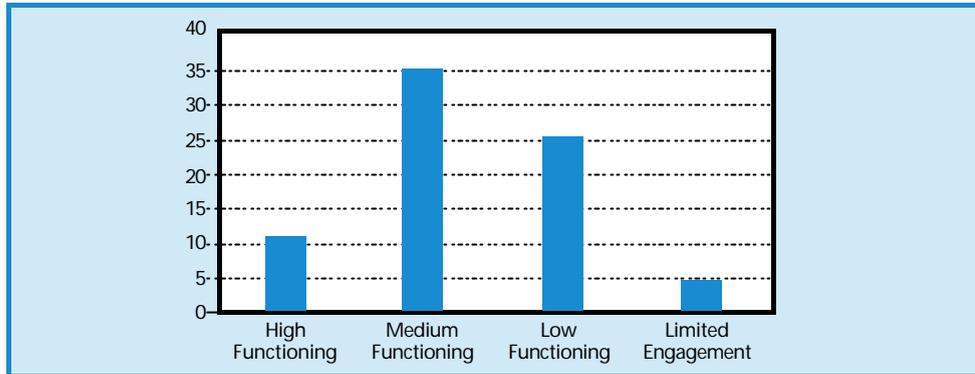


Figure 6: Level of client functional ability for independent living.

Ratings of young peoples' capability to live independently, by number of TSS clients.

Source: Transitional Support Services, 2001

TSS was concerned that the timely planning necessary for young people entering the program did not occur because of the current practices in the Department. The Department was inconsistent in providing data on young people scheduled to leave care in a particular year, and in their referral practise to TSS. TSS had experienced ongoing difficulty in eliciting relevant information and communication with the Department. TSS was also concerned that all of the young people scheduled to leave care were not provided with information about the existence of the service as a matter of course.

Other agencies confirmed this view and suggested that the Department could make improvements in long-term planning for leaving care. Their concerns include:

- lack of adequate planning and case conferencing specifically for young people leaving care;
- lack of consistency in the Department conducting exit interviews with young people leaving care;
- continuous changes in caseworkers which contributes to inconsistent practices;
- exclusion of the young person and programs such as TSS from the planning process for leaving care; and
- limited or lack of information.

The Department has advised that the introduction of the "Looking after Children" system should improve this process and improve opportunities for young people leaving care.

Accommodation and Support Services for Young People Unable to Live at Home (continued)

What should be done?

The Department for Community Development should:

- develop and implement strategies to improve the stability of appropriate placements for young people in care;
- develop and implement strategies to improve the stability of assignment of caseworker to young people in care;
- ensure that the implementation of the “Looking After Children” system is adequately evaluated, with particular focus on whether the experience of young people in care and planning for leaving care has improved; and
- ensure a timely implementation of the *Interagency Policy for Working with Young People in Care*.

Do Numbers Count?- Educational and Financial Impacts of School Enrolments

(Initial report tabled August 19, 1998, No. 7)

Overview

- ❑ *Since 1998, the Department of Education has implemented Local Area Education Planning (LAEP) with a view to improving educational opportunities for students.*
- ❑ *To date, LAEP has been conducted for 82 per cent of schools and has resulted in structural changes affecting 25 per cent of schools.*
- ❑ *LAEP has not been in place for sufficient time to assess its impact, however, since the original performance examination:*
 - *the average enrolment of schools has increased;*
 - *the number of schools operating with surplus classroom capacity has decreased considerably since 1998;*
- ❑ *Fewer than half of public secondary schools offer the recommended level of access to subjects for year 11 and 12 students.*

Background

In 1998, this Office examined the effect that school enrolment numbers can have on students' educational opportunities and school operating costs. The examination found that students in schools with low enrolment numbers have less access to specialised programmes and teachers, frequent multi-age classroom groupings, and limited socialisation and peer competition. Approximately 27 per cent of students (68 000) attended one of 250 low enrolment schools at the time of the examination. It was also found that variation in enrolment numbers resulted in inequitable distribution of education funds across the student population and contributed to the under utilisation of education facilities.

In recent years the Department of Education has undertaken a restructure of education delivery that has the potential to impact on the issues addressed in the 1998 report. This has been achieved primarily through the Local Area Education Planning (LAEP) framework, which aims to improve educational opportunities for students by considering schools in groups and developing forms of organisation which increase access to the curriculum in quality facilities. LAEP enables groups of schools to work together to develop Local Area Plans for managing resources, curricula and enrolments. To date, these plans have resulted in a variety of structural changes to schools in local areas, including school closures and amalgamations, new schools, and new types of schools, such as middle schools.

Do Numbers Count? - Educational and Financial Impacts of School Enrolments (continued)

The 1998 performance examination identified a number of concerns with the LAEP process, including:

- ❑ a need for greater rigour in identifying and weighing up the costs and benefits of various restructuring options;
- ❑ the cost of re-routing existing bus routes not taken into account in the restructuring plans;
- ❑ inequity in the distribution of funds to local areas from the closure and sale of school properties;
- ❑ outdated and/or inaccurate school profile information provided to district offices for planning purposes; and
- ❑ parental concern and some scepticism about the capacity of LAEP to offer significant benefits.

It was subsequently recommended that

- ❑ The Department of Education continue to pursue options to minimise structurally based educational and financial inequities.
- ❑ The Department and the Government should review those aspects of LAEP identified in the 1998 report as being a concern and in particular, the need for more detailed cost-benefit analysis of restructuring options.

What did we do?

This follow-up to the 1998 report documents the extent and process of implementing LAEP and examines changes to school enrolments and the subsequent impact on educational opportunities and school operating costs. The follow-up does not attempt to answer all of the questions that may be asked regarding the cause of reported changes to enrolment numbers, educational opportunities, and school operating costs, but raises these as areas for investigation by the Department of Education.

What did we find?

The LAEP Program - progress to date

Under LAEP, Department of Education District Directors cluster schools in their districts into local areas. Each cluster then develops a plan for providing education in the area. The completed plans are then considered by the Director General for Education on advice from the School Planning and Infrastructure Committee and a final recommendation is made to the Minister for Education. The Minister has the discretion to accept, reject, or alter the plans (see Figure 7).

As of March 2001, 174 Local Area Education Plans had been developed, covering 635 schools and all 16 education districts. No plans have yet been developed for a further 135 schools (26 per cent) covering 11 education districts. Of these, almost half (44 per cent) are within the Swan Education District, which covers the north east metropolitan area. Factors contributing to delayed implementation of LAEP may include competing priorities within Educational Districts. Key

stakeholders to this and the original performance examination, however, have indicated that the structural characteristics of LAEP have the potential to restrict effective implementation in some areas. This includes areas that either have few realisable assets to fund structural reform or require fragmented, rather than rationalised, education delivery in order to achieve educational outcomes.

Public consultation was conducted for 52 of the plans and is in process for a further 25 plans. An additional 36 draft plans are “on hold” due to local circumstances such as awaiting resolution of town planning issues or further housing developments. Fifty-two plans have been approved by the Minister for structural changes to education delivery in the local area and 61 have been approved to maintain the existing school structure. Work has commenced on all of the plans approved for structural change.

The planning process has been implemented differently across local areas. For example, the Department of Education has advised that no draft plan was developed for at least 15 local areas where a planning outcome has been announced. For 12 of these local areas, no public consultation was undertaken. In this regard, the Department has acknowledged that local consultation was not undertaken when the Department was required to respond quickly to opportunities for structural change in particular circumstances.

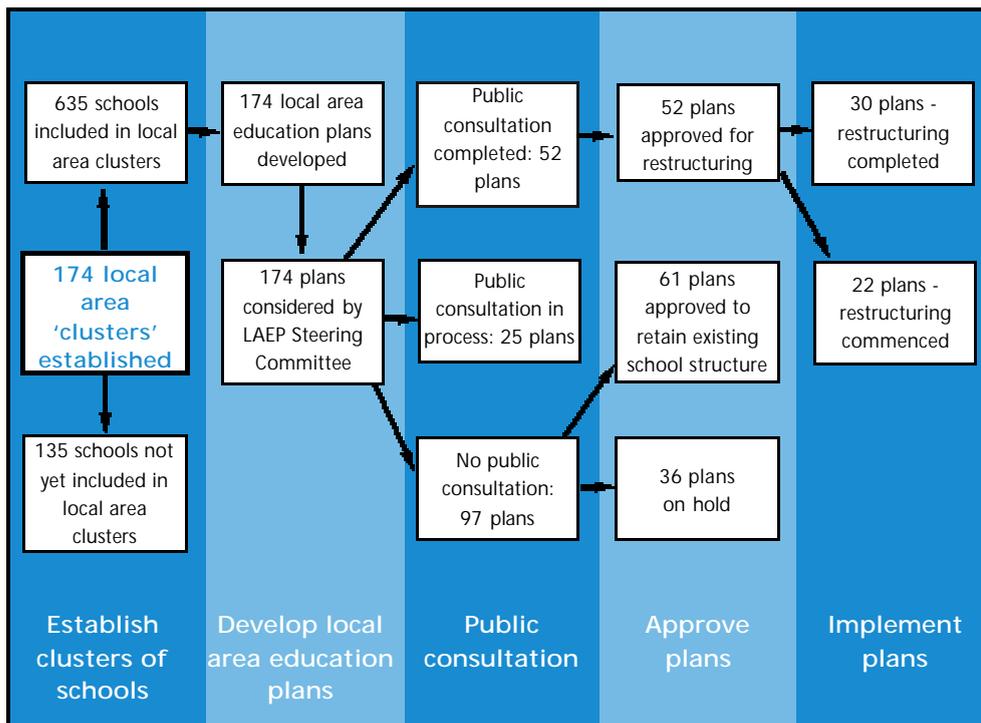


Figure 7: Progress of Local Area Education Planning.

To date, Local Area Education Planning has resulted in restructuring affecting 25 per cent of schools.

Source OAG

Do Numbers Count? - Educational and Financial Impacts of School Enrolments (continued)

School enrolment numbers and their impact

The 1998 report focused on the impact of school enrolment numbers on educational opportunities and school operating costs²⁹. It was reported that enrolments in primary and secondary schools vary considerably and that this variation contributes to better access to education and lower per capita operating costs in larger schools.

LAEP has not progressed sufficiently to assess the impact on educational costs and opportunities across the sector. Independent of LAEP, however, some sector-wide changes have occurred in terms of school enrolment numbers, educational opportunities and school operating costs. These are documented below.

School enrolment numbers

The size of primary schools has generally increased since 1998 (see Figure 8). In 1998, the average primary school enrolment was 266 students. In 2000, this had increased to 320, largely as a result of the changes to the school starting age. The increase has been coupled with a decrease in the number of low enrolment primary schools. Research conducted elsewhere suggests that primary schools require at least 200 students in order to provide sufficient staff flexibility to form class groupings and provide programmes based on student and whole of school needs. In 1998, 60 per cent of primary schools had fewer than 200 students. In 2000, this number has almost halved to 32 per cent of schools.

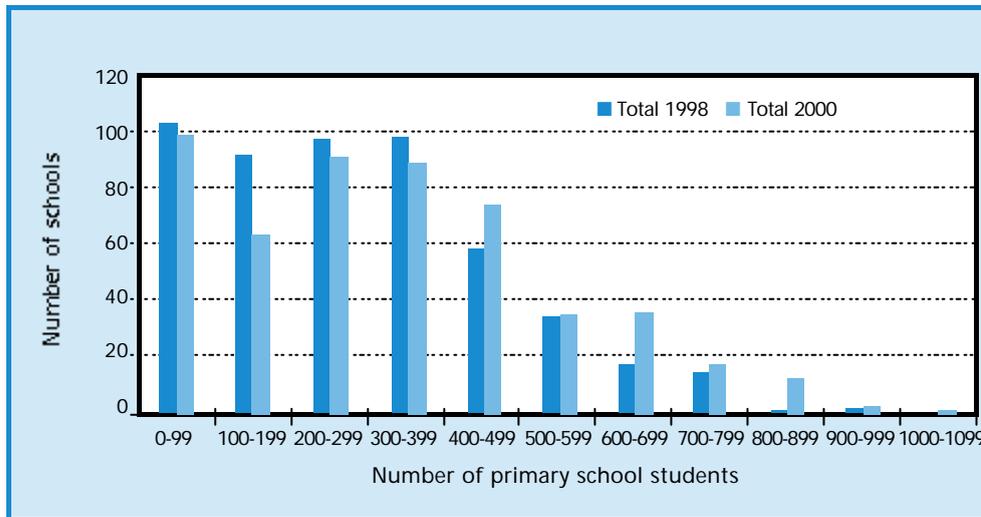


Figure 8: Primary enrolments August 2000.

Average primary school enrolments have increased.

Source: Department of Education

²⁹ The 1998 report focused on metropolitan and country primary and secondary schools. Schools such as district high schools, education support centres, junior primary schools, and other special schools such as agricultural colleges were not included. For this reason, the figures reported here may differ from figures describing all government schools in Western Australia.

The average enrolment in secondary schools across the State has also increased (see Figure 9). In 1998, the average number of students was 854 students. This had increased to 877 students in 2000. This has been coupled with increased enrolments in the largest secondary schools. In 1998, the largest 10 per cent of secondary schools had enrolments above 1 235 and in 2000 this had increased to 1 380.

The smallest 10 per cent of secondary schools, however, have become smaller. In 1998, the smallest 10 per cent of secondary schools had at least 353 students. In 2000 this number had fallen to 265. The Department of Education has advised that this decrease is largely due to students in country high schools choosing to travel further and outside of local areas to access comprehensive or specialised education facilities.

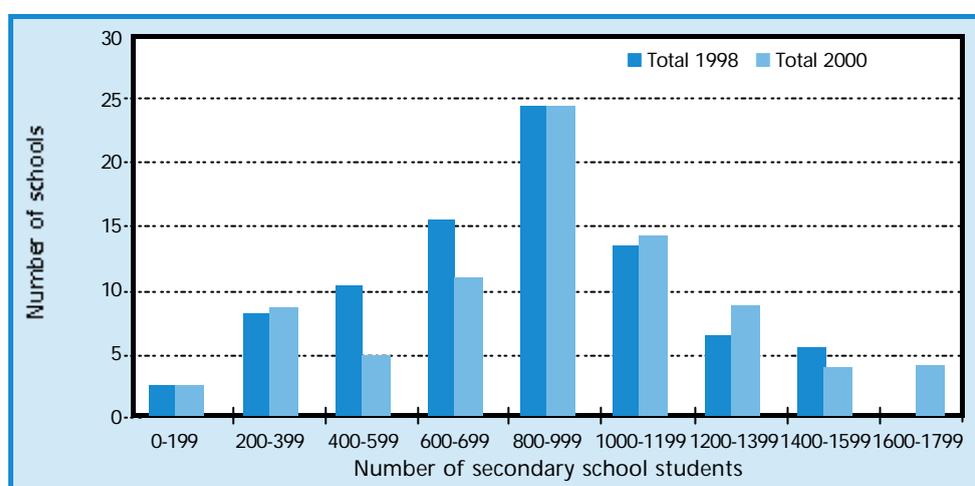


Figure 9: Secondary Enrolments August 2000.

Average secondary school enrolments have increased.

Source: Department of Education

Classroom capacity

Enrolment numbers can affect the extent to which education facilities are being utilised. In 1998, 25 per cent (124) of primary schools had 21 per cent or more surplus permanent classroom capacity. The situation was similar for secondary schools. This means that the physical resources at these schools were being under utilised. This situation has improved markedly. In 2000, only four per cent of primary schools and four high schools had 21 per cent or more excess capacity.

Recurrent costs

The cost per student of running a school is highly correlated with enrolment numbers. As enrolment numbers increase, the cost per student decreases. Other factors, such as social disadvantage and specialist programmes, contribute to per student running costs, but this influence is marginal. In

Do Numbers Count? - Educational and Financial Impacts of School Enrolments (continued)

1998, the cost of running a primary school varied from \$2 500 per student to \$13 000 per student. The per student recurrent cost of running a secondary school in 1998 varied from \$3 250 to \$8 000. This large variance in cost per student means that educational resources were inequitably distributed to the student population.

Information describing more recent levels of recurrent expenditure per school was not readily available from the Department of Education. This was primarily due to the combinations of funding provided to schools and the overlapping time periods for this funding. The following estimates of recurrent expenditure for 2000 are based, therefore, on funding supplied for the 2000 calendar year and the 2000-2001 financial year. The Department of Education was unable to provide sufficient information to calculate the per capita 2000 recurrent expenditure for 17 schools.

In 2000, the cost per student of running primary and secondary schools varied from \$2 500 to \$27 300 (see Figure 4). The maximum per student expenditure was for a country primary school with only seven students enrolled in 2000. The next highest expenditure for a primary school was \$17 700 per student. All primary schools with expenditure greater than \$12 000 per student were country schools with fewer than 24 students. Excluding the extraordinary amount of \$27 300 per student, the available information indicates that the cost per student of running a small number of country primary schools has increased by as much as 36 per cent since 1998.

The above figures indicate that the differences in the cost of providing education between low and high enrolment schools have widened since 1998. This is despite efforts to reduce the variation in enrolments per school and improve classroom utilisation. Although the data available does not make it possible to determine the cause of this increased disparity between costs, the Department of Education has advised that the high per capita costs in some small country schools is most likely to be due to declining student numbers and increased funding for education initiatives such as Learning Technologies, Faults Management, and Computers in Schools and salary increases for both teaching and non-teaching staff.

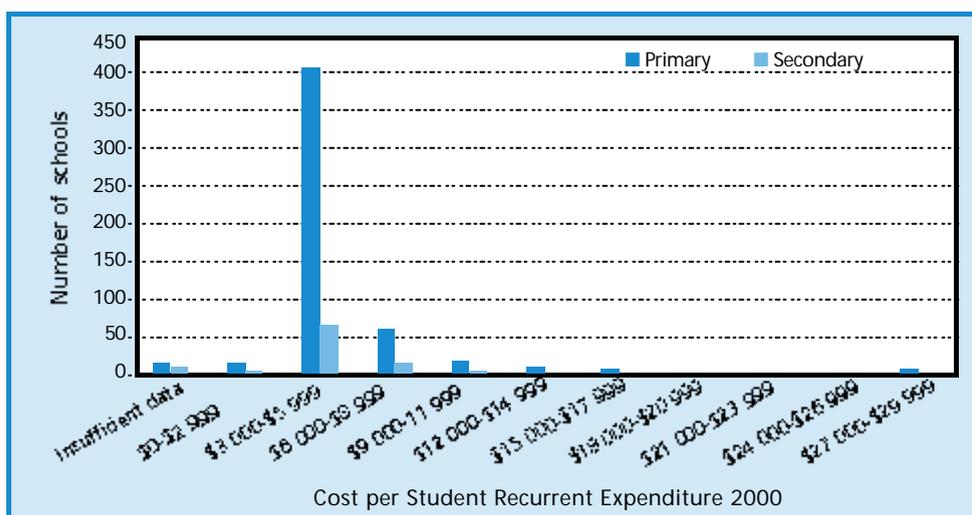


Figure 10: 2000 Per Capita Recurrent Expenditure per School.
The cost of education per student varies across different schools.

Source: Department of Education

Curriculum access

An important requirement of secondary education is the availability of a comprehensive range of TEE and non-TEE subjects. Enrolment numbers can affect subject availability at individual schools. The 1998 report found that lower secondary students in high enrolment schools had access to more than twice the range of subject options than students in low enrolment schools. For upper secondary schools, the Department of Education uses a Selection Index to indicate the breadth and depth of subject availability. A Selection Index of greater than 55 is considered to be an acceptable level of curriculum provision.

The 1998 examination found that the Selection Index in low enrolment schools can be as low as 20 to 40 per cent below the recommended level. This means that students in these schools may have limited opportunities to pursue their educational or career interests.

The Department of Education was able to supply 2000 Selection Index information for 51 of the 87 secondary schools. For the schools where data was not provided, the Department believes that the Selection Index is not likely to have changed since 1998. Of the schools for which data was provided, 59 per cent had a Selection Index lower than the recommended level for Year 11, and 82 per cent had a Selection Index below the recommended level for Year 12. This suggests that the majority of schools are not providing senior secondary students with acceptable access to the education curriculum.

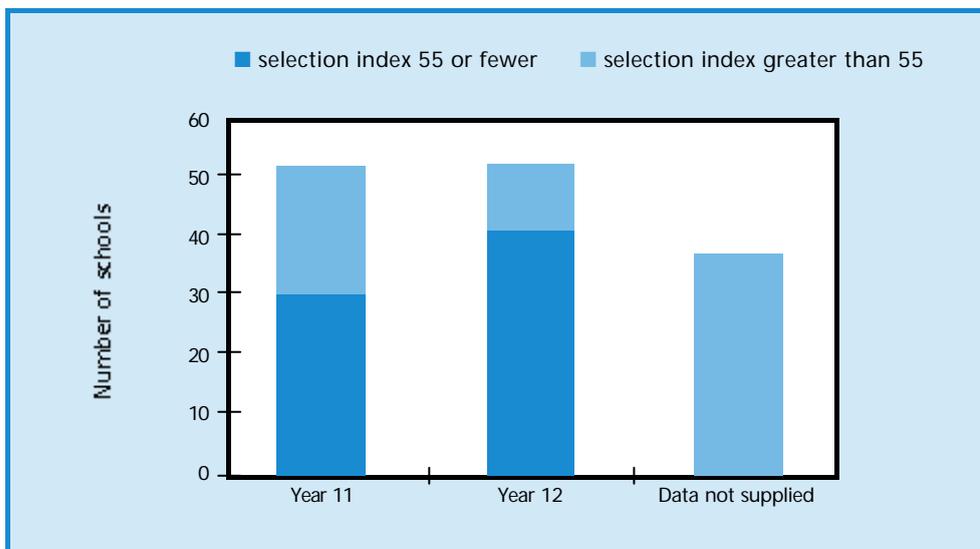


Figure 11: Selection indices for secondary schools.

The majority of schools provide less than recommended access to subjects in year 11 and 12.

Source: Department of Education

Do Numbers Count? - Educational and Financial Impacts of School Enrolments (continued)

What does this mean?

LAEP has not sufficiently progressed to assess its sector-wide impact on school enrolment numbers, educational opportunities and school operating costs. There has, however, been some change in school enrolment numbers since the original performance examination. These changes have been coupled with improvements in classroom utilisation. The cost of providing education, however, has increased for low enrolment schools since 1998. In addition, the majority of high schools provide senior students with less than acceptable subject access.

What should be done?

The nature of the changes being addressed by LAEP will take time for effects to be seen in schools. It is imperative, therefore, that the process be closely monitored to ensure that LAEP is effectively progressing toward the intended objectives. We have noted a lack of ready and complete data available for monitoring and evaluation and recommend, therefore, that appropriate data be regularly considered by management.

It is also recommended that a review be conducted of the implementation, structure and direction of LAEP with a view to assessing the success of the program to date and informing future program direction. This review should incorporate:

- the extent and cost of implementation across the sector, including the actual distribution of funding across education districts and local area clusters;
- the consistent application and impact of LAEP principles, including community consultation; and
- the impact of the program on educational opportunities.
- The extent to which the structural characteristics of LAEP contribute to or inhibit:
 - the achievement of equitable educational opportunities;
 - the implementation of models of educational provision that meet the unique needs of different education districts; and
 - school operating efficiencies.

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