



Western Australian Auditor General's Report

Public Sector Performance Report 2009

Report 1 – April 2009





**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

PUBLIC SECTOR PERFORMANCE REPORT 2009

I submit to Parliament my Public Sector Performance Report for 2009 under the provisions of sections 18(2) and 25 of the *Auditor General Act 2006*.

A handwritten signature in black ink, appearing to read 'C. Murphy'.

COLIN MURPHY
AUDITOR GENERAL

1 April 2009

Contents

Auditor General's Overview	4
Management of Water Resources in Western Australia – Follow-up	5
Administration of the Metropolitan Region Scheme by the Department for Planning and Infrastructure	19
Management of Fringe Benefits Tax	32

Auditor General's Overview

This is the first Public Sector Performance report for 2009. These reports address public sector performance across a broad range of important government operations.

The report covers three areas:

- Management of Water Resources in Western Australia
- Administration of the Metropolitan Region Scheme by the Department for Planning and Infrastructure
- Management of Fringe Benefits Tax.

My office periodically follows up on past audits to determine whether agencies have addressed issues of concern. The first examination in this report is such a case. In 2003 we reported on how well the state's water resources were managed and identified a number of major challenges to water resource measurement, allocation and regulation. Amongst these challenges is the growing pressure on water resources – groundwater use has increased by 45 per cent since 2003. This examination assessed whether the management of water resources had improved since 2003 and I am pleased to report that they have. Nevertheless, much remains to be done. My office will continue to monitor this area closely as water sufficiency is one of the most critical issues facing Western Australia.

The Metropolitan Region Scheme controls all private and public land use and property development within the metropolitan region. The second examination in this report tested how the Department for Planning and Infrastructure, on behalf of the Western Australian Planning Commission, administers the scheme, focusing on amendments and land purchases, sales and takings. My assessment was based on the premise that the public should have confidence that government acts appropriately when it makes decisions that impact them. I found that the public can generally be assured about the reasonableness of recent scheme practices but I also concluded that this situation cannot be taken for granted.

My office routinely looks at how government agencies comply with standard business activities. The final examination in this report is a case in point. The Fringe Benefits Tax is a Commonwealth tax on non-salary or wage benefits provided to employees. This examination assessed how selected agencies met their FBT responsibilities. Specifically, we examined whether agencies correctly identified, classified, calculated and reported tax liability for key fringe benefits; and if they had adequate policies, procedures and guidance. The examination identified opportunities for improved processes that I am sure extend beyond the six agencies that we examined.

Management of Water Resources in Western Australia – Follow-up

Overview

In September 2003, we reported on the management of water resources in Western Australia (WA) and identified a number of major challenges to water resource measurement, allocation and regulation. Actual and forecast demand for water was increasing significantly, but funding for water resource management had declined in real terms. Amendments to the *Rights in Water and Irrigation Act 1914* (RiWI Act) had increased the workload of the Water and Rivers Commission (WRC), the government agency responsible for managing WA's water resources. The RiWI Act is the primary governing legislation providing for the regulation, management, use and protection of water resources. The Department of Water was established in October 2005, replacing the WRC as the lead agency for managing water resources.

Pressure on WA's water resources continues, with groundwater use increasing by 45 per cent since our last audit. At the same time water resources are at increasing risk from changes to land use and climate. In WA, groundwater rather than surface water is the major source for public, commercial, industrial and agricultural use. It represents approximately two thirds of total water used.

WA has 46 groundwater and 74 surface water management areas. Annual sustainable (allocation) limits are set for the total amount of water that can be taken from these areas. Individual licences are issued with conditions and limits on the amount of water which can be taken each year. Licensed water use should not exceed the sustainable limits.

This audit examined whether the issues raised in 2003 were addressed and the management of water resources improved. We again examined the core management functions of water resource investigation and assessment, water resource planning, and the regulation of water use.

Key Findings

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

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

- improved aspects of planning for water resource management:
 - the rate at which plans are developed and released to protect public drinking water source areas has increased
 - ground and surface water allocation planning has been prioritised and the number of out-of-date plans has been reduced
- improved water licensing processes:
 - water allocation limits and plans are guiding licensing of water use
 - the number of expired licences has been significantly reduced as have errors in licence management systems
 - licensing decisions we examined were based on accurate information and appropriate assessments.

However the department has not:

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

What Should Be Done?

The department should:

- meet its planned timelines for identifying and implementing improvements to the surface water measurement network and address deficiencies in data accuracy and processing
- complete outstanding protection plans for public drinking water source areas
- complete water resource allocation plans according to agreed standards and schedules
- develop proactive compliance monitoring programs based on strategic risk assessments in each region
- ensure all compliance activities and outcomes are recorded in a common format to provide adequate information for managers to track implementation and guide future business and strategic planning.

Response by the Department of Water

The Department of Water welcomes the audit findings and is in general agreement with the findings, implications and recommendations. The department is, however, of the view that it has continued to maintain the integrity of the state's water resource through a period of drying climate and rapid development. It has responded to the challenge and balanced its priorities across the full spectrum of statutory responsibilities within the resources available.

Within the context of the comments included in the report, the department will implement a plan to address the matters raised while continuing to maintain the expected level of service to meet ongoing obligations and stakeholder expectations.

Background

In September 2003, we reported on the management of water resources by the Water and Rivers Commission (WRC). The report identified major challenges facing water management in Western Australia (WA), including:

- water use in WA had doubled in the previous 15 years and was expected to double again by 2020
- licensed water use exceeded the set sustainable allocation limits in some groundwater management areas
- a significant number of water resources did not have allocation limits set to guide sustainable water use
- the state's water monitoring program had declined over the previous five years
- there were delays in processing water licences
- many water licences had not been checked for compliance with licence conditions.

Since 2003, the Australian and state governments have embarked on significant water reform programs to improve water management. The *State Water Plan 2007*¹ outlines the WA Government's commitment to strategically and effectively manage the state's limited water resources. In February 2008, the Department of Water (DoW) replaced the Water and Rivers Commission as lead agency for managing water resources. This report refers to the work of both WRC and DoW but refers to both entities as 'the department'.

The core water resource management functions of the department are:

- investigating, assessing and modelling water resources, using measurements from groundwater monitoring bores and surface water gauging stations
- water resource planning, including community consultation, environmental assessment, and setting sustainable allocation limits for water use and appropriate licence conditions for each area
- regulating water use through licensing and monitoring compliance with regulatory actions, requirements and licence conditions
- assessing the impact of plans and regulatory actions, and providing feedback to guide future activities.

1 Department of Premier and Cabinet, 2007, *State Water Plan 2007*

These management functions form an interconnected system as shown.

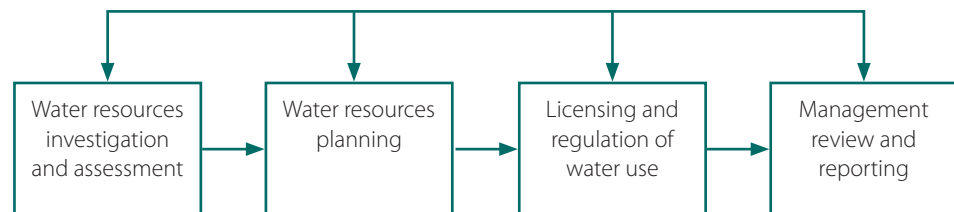


Figure 1: Components of water resource management

Source: WRC, June 2004
Water Resources Management in WA – Achieving a Sustainable Future, page 5

What Did We Do?

The objective of this audit was to follow up the 2003 examination of the management of water resources in Western Australia. We examined the department's progress in addressing the key issues identified in 2003 and assessed whether the management of water resources had improved. Specifically, we examined whether the department had:

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

We reviewed documents and data, tested records and interviewed department personnel.

What Did We Find?

The department has developed coordinated, risk-based programs to guide core water resource management and regulation activities

In 2003, the department agreed with the Auditor General's recommendation that a coordinated program was required to improve the management of WA's water resources. The department developed two programs, in 2003 and 2004. These set in place strategies to address the issues raised in the Auditor General's report, identified funds required, assessed funding options, assigned priorities according to risk, and outlined implementation schedules.

In the first program, strategies were directed at setting sustainable allocation limits for all water resource management areas, improving licence application processing, increasing the number of compliance inspections and improving licensing information management. The 2004 program included strategies for the investigation and assessment of groundwater and surface water resources, development of a framework and prioritised program for water resource planning, and ensuring adequate maintenance and replacement of its water resource measurement infrastructure.

Between 2003-04 and 2007-08, the department obtained a total of \$37.4 million in additional recurrent funding to develop and implement the programs. Over the same period, the department estimates it spent \$48 million on key water resource management functions. This represents about one-fifth of the total budget of the department over that period.

Most of the expenditure between 2003-04 and 2007-08 was directed to licensing and compliance (39 per cent) and water resource measurement (28 per cent). Investigation and assessment accounts for 19 per cent of this expenditure over the period and allocation planning 10 per cent. Water source protection makes up the remainder. Figure 2 shows estimated annual expenditure on core functions since 2003-04.

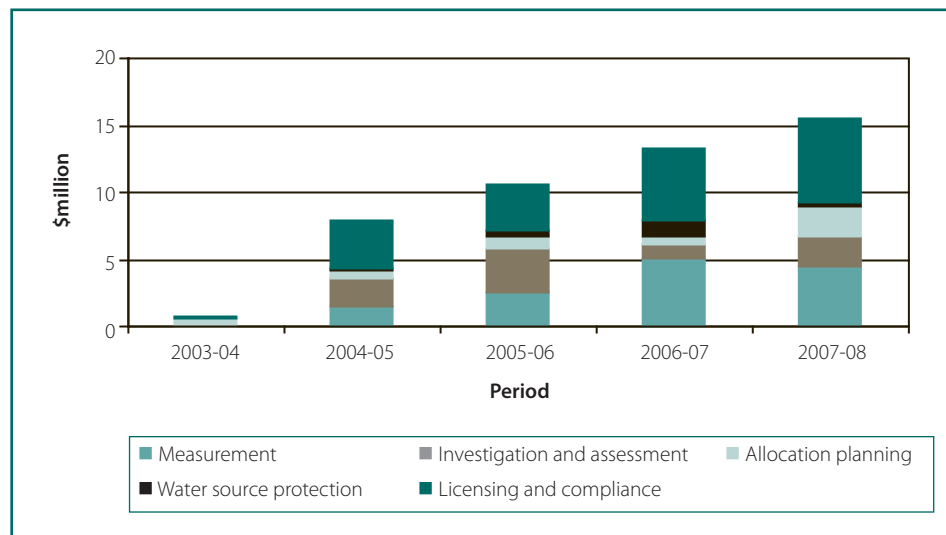


Figure 2: Estimated annual expenditure on core functions, 2003-04 to 2007-08

Source: DoW

Groundwater – the department is upgrading and expanding its measurement network. This has increased the amount, accuracy and timeliness of information available to manage groundwater resources

To ensure it makes sound decisions in the management of water resources and the regulation of water use, the department must have accurate and timely information about the state’s water resources. Information is derived from a measurement network of groundwater bores and surface water gauging stations.

Measurements from groundwater bores are used to define groundwater aquifers, calculate how much water they contain and monitor water levels and water quality. Multiple bores are required for each aquifer. Priority is given to aquifers where demand for water is likely to approach or exceed sustainable limits. Information from the measurement program supports investigation and assessment of water resources which in turn support planning and regulation of water use.

In 2003, the department did not have the information it needed to determine sustainable levels of groundwater use in many areas of the state. Since then, the department has increased the amount of accurate and timely information available from its network of groundwater bores.

- In 2005 the department reviewed the groundwater measurement network and developed a program to guide investigation work until 2020. The initial focus of the program was on the Perth metropolitan area, horticultural areas around Perth and aquifers where licences have been issued for more than 70 per cent of the sustainable allocation limit.
- Since 2005, 47 new bores have been installed and drilling for 71 more is progressing in 2008-09. A further 256 new bores are scheduled for drilling at a total envisaged expenditure of \$28.4 million. This will increase the number of bores from the current 3 351 to 3 725 in 2020. Between 1996 and 2003 the department had drilled only three groundwater monitoring bores even though 90 per cent of Perth's and 25 per cent of the state's groundwater areas had inadequate monitoring.
- The department has an ongoing program for maintaining and upgrading groundwater bores in the network, including the installation of data loggers which allow continuous monitoring of water levels between site visits. Regular maintenance is essential for data accuracy.
- There has been a steady increase since 2003 in the number of site visits for taking groundwater bore readings and in the number of bores read. We found the average number of 5.3 readings per bore in 2007-08 met the department's target of four readings per year to ensure adequate assessment of the groundwater resources.
- Processing times for groundwater data have also improved. The average number of days between collecting field data and importing it into the database was 35 in 2003-04 and 25 in 2007-08.

In 2003, we found that a lack of adequate data to support allocation limits, combined with some poor licensing processes, had in some cases led to successful appeals against licensing decisions. This was no longer the case in 2008. We found:

- the number of appeals against refusals to grant a licence has remained steady at 26 per cent. There were 21 appeals against 81 refusals between 2000 and 2003, and 19 appeals against 74 refusals from 2004 to 2008
- the number of appeals upheld has decreased from an average of three a year between 2000 and 2003, to one in the five years between 2004 and 2008
- only one instance of data inaccuracy in appeals made after 2003. This was in 2005. The WRC found the error before the appeal hearing and agreed to grant the licence. The applicant withdrew the appeal.

Surface water – the department is yet to determine whether its measurement network is sufficient for its information needs. Data from the network lacks accuracy and can take years before it is processed

Measurement of surface water resources is based on extrapolation from continuous depth readings at surface water gauging stations. For accurate extrapolation from continuous depth readings, additional rating measurements are required at different times of the year. Delays in processing data may restrict the department's ability to identify important trends in water availability and respond appropriately through planning and regulation.

In 2003 nearly 10 per cent of the state's surface water areas lacked necessary management information and it was noted that the number of gauging stations had declined since 1996.

There was no change in the number of surface water gauging stations in the network between 2003 and 2008. The department advised that work on the network since 2003 has been directed at maintenance to ensure the safety of officers in the field as well as contribute to accurate measurement. We also found:

- the average number of rating measurements per surface water gauging station has increased from one per year in 2003-04 to 1.8 in 2007-08. However, this does not meet the department's minimum standard of three rating measurements each year required for accurate extrapolation of the data
- average times taken to process and review surface water data do not meet the department's targets. Since 2003:
 - the state average for processing water depths from individual surface water gauging stations varied between 9.5 and 16.5 months – the suggested target is six months
 - the state average for processing on-site topography and flow measurements from individual surface water gauging stations varied between 2.5 and 4.5 years – the target is one year.

A strategic review of the surface water monitoring network is currently underway and will determine the improvements required. The review is due for completion in April 2009.

The development of a training program has gone some way towards alleviating the shortage of skilled hydrographers

Staff with appropriate hydrographic skills are required to collect, process and analyse data and to carry out the investigations and assessments required for water resource planning and management.

In 2003 there were not enough staff with the appropriate skills. Subsequently, the department developed a two year in-house training program to build on the Technical and Further Education Hydrography Certificate IV course. Eighteen trainees were recruited and the department reported that the first intake is now in the field and helping improve monitoring and measurement of water resources.

The department has improved the rate at which plans are developed and released to protect public drinking water source areas. However one quarter of the areas in the state still require plans

Water resource protection plans define appropriate land uses in public drinking water source areas. The proportion of required water resource protection plans that have been released has increased from 33 per cent (46/139) in 2003 to 71 per cent (89/126) in 2008. Since 2003, the department has published 49 new plans and an additional 23 assessments. Assessments are followed by draft protection plans put out for public comment prior to finalisation.

The department has prioritised water allocation planning and is producing more plans. However, a number of plans do not meet departmental standards and others have fallen behind schedule

Water allocation plans provide a detailed assessment of the maximum sustainable amount of water that can be taken from a ground or surface water resource. Plans are developed when the department considers it necessary or if the Minister directs them to do so. Legislation requires that the plans are reviewed every seven years.

The department carried out a priority planning exercise between 2004 and 2006. Risks and needs were defined for all groundwater and surface water resources. Allocation and management plan priorities were agreed and a schedule developed for planning in priority water resource areas. Progress against the schedule is reported quarterly. Without agreed priorities, planning for scarce resources may be misdirected and water resources at greater risk inadequately protected.

In 2003 we reported that 17 out of 24 groundwater resource allocation plans were out of date with a further three due for review the following year. In 2008, the department had reduced the number of out-of-date plans to one. The department has improved the annual rate at which it is developing plans from two in 2003 to eight in 2007-08.

The department has adopted a graduated response to planning and assessment that requires increasing the level of detailed resource assessment and planning as water resources approach their allocation limits. For example, allocation plans in areas over 70 per cent allocated should be based on newly commissioned investigation and assessments, and include new management rules or policy. Areas over 100 per cent allocated require rules to guide recovery of over-allocated resources. In 2003, we reported that adequate resource assessments had not been conducted in 10 of the 13 groundwater areas that were over 70 per cent allocated. In 2008, the department determined that its allocation planning responses were inadequate in nine of the 16 areas now identified as being over 70 per cent allocated. Six of the 16 areas for which there was an inadequate planning response are over 100 per cent allocated.

In November 2006, the department established a schedule of priority action for 22 groundwater and surface water resource allocation plans. However by November 2008, the department had fallen behind its schedule for the development of 13 plans. Completion dates were extended by between six and 27 months.

The department has improved water licensing processes since 2003

The department administers the licensing of groundwater and surface water use to promote the orderly, equitable and efficient use of water resources. Licences specify how much water can be taken each year. Conditions may be applied. Licence management systems register applicable allocation limits and the assessment and administration of licences. Officers assessing licence applications and making licensing decisions refer to water management and licensing databases, allocation and management plans, allocation notes and sub-area reference sheets to calculate water availability and identify licence conditions needed to ensure appropriate water resource management. The department has considerably improved its licensing processes since 2003.

We found sustainable water allocation limits and plans are guiding the licensing of water use. Specifically:

- procedures were followed to update the water management database as boundaries and allocation limits were changed by the allocation planning group

- an assessment of all groundwater allocation limits was undertaken in 2007 to plan for and prioritise their ongoing revision
- the department has partly addressed the absence of allocation limits to guide licensing decisions for some groundwater resources. In 2003, 39 per cent (386/986) of groundwater resources did not have sustainable allocation limits. In 2008, this had been reduced to 21 per cent (155/752). The department sometimes does not set sustainable allocation limits for water resources that are either insignificant in size and unlikely to be accessed or where the current level of knowledge precludes the setting of a meaningful limit
- system protocols linking the allocation and licensing databases have been upgraded to mitigate the risk of licences being issued in groundwater areas that are over-allocated or have no allocation limits set
- in 2003, 75.5 gigalitres were taken under licence from groundwater resource areas for which an allocation limit had not been set. In 2008, this had been reduced significantly to three gigalitres. A gigalitre equals one thousand million litres
- in 2003, we reported that none of the surface water resources had been given allocation limits. In 2008, we found the department had begun the process of setting allocation limits for surface water resources and entering them into the allocation database.

Licence processing has improved. We found:

- the backlog of expired licences has been dealt with. The number of expired licences on the system was 98, compared with approximately 3 000 in 2003
- work to correct the incorrect assignment of licences to groundwater resources within the relevant databases is ongoing. For example, a review conducted in 2007 resulted in a reduction of 86 per cent (from 17 357 to 2 434) in the number of errors.

Licensing decisions were based on accurate information and appropriate assessments

Licence applications must be assessed to ensure that decisions are appropriate to defined risks, allocation limits and management plans and to the potential impact of the proposed water use. We examined the processing of 70 of the 1 394 applications for licences to take water made in 2007-08. The sample included applications for new licences as well as renewals, amendments and transfers. We found that the required checks were made for all applications examined. Specifically, checks were made to determine whether:

- land ownership and locations were as stated
- third party consent was required and, if it was, whether it was obtained
- public advertisement was required and, if it was, whether the applicant had provided the appropriate evidence
- the amount of water required was appropriate for the specified purpose
- sufficient water was available.

Following these preliminary checks, licensing officers must assign a level of risk to each application. The level of risk then determines the level of assessment required. We found that risks were assigned and the required assessment procedures followed. We found no indications of inappropriate processing.

Good practice requires that licensing officers make recommendations that are aligned with their assessment of licence applications and water availability, that decisions to grant a licence are separate from assessments and recommendations, and that decision makers are appropriately authorised. These procedures provide assurance that decisions are appropriate and lawful. We found:

- all licensing decisions followed assessment findings
- all licensing decisions were made by somebody other than the person who had carried out the assessment
- the licence application system is set up so that only an appropriately authorised officer can issue a licence. The procedure for enabling licensing decisions on the system was being followed and decisions were made by officers at the appropriate delegation level.

The department does not have a systematic approach to compliance monitoring and the level of compliance monitoring has declined

Compliance monitoring is required to ensure that water is not taken unlawfully and that licensees use water efficiently and do not take more than their entitlement. Monitoring helps maintain the currency of water resource information and supports the protection of water resources.

With the exception of Water Corporation licences, all licences are administered and monitored by the department's regional offices. As was the case in 2003, regional offices do not have programs of proactive monitoring of compliance with RiWI legislation. They

do follow up and take action in response to potential non-compliance identified through complaints, reports and project work. However, reactive rather than proactive compliance monitoring does not address known risks and does not encourage compliance.

There is no systematic recordkeeping of compliance monitoring activities, potential non-compliance, follow-up actions and outcomes. We found different types of activities were recorded on individual licence or project files, the licensing management database and an incidents and complaints management system. This reduces the value of information available for management of the compliance monitoring function and may jeopardise the effectiveness of enforcement activities.

The level of compliance monitoring activity remains inadequate. Specifically:

- the number of compliance surveys carried out each year has declined 60 per cent (from 1 298 in 2003-04 to 510 in 2007-08)
- only 29 per cent (3 913/13 645) of current licences have been surveyed for compliance with licence conditions, however this is an improvement from 11 per cent of licences in 2003.

More than three quarters (76.6 per cent or 3 439/4 492) of compliance surveys carried out between 2003 and 2008 were site visits or physical inspections. A further 10 per cent involved aerial surveys of properties where water was being extracted and used. Twelve per cent of activities recorded as compliance surveys were desk reviews of reports provided in fulfilment of licence conditions.

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

Overview

Introduced in 1963, the Metropolitan Region Scheme (the scheme) controls all private and public land use and property development within the metropolitan region. This area covers almost 704 500 ha, and is bounded by Singleton in the south, Two Rocks in the north, the Indian Ocean in the west and The Lakes in the east.

The Western Australian Planning Commission (the commission) is responsible for the scheme, including initiating amendments when planning needs change. It can also buy, sell and compulsorily acquire (take) land to give effect to the scheme. On a day-to-day basis the Department for Planning and Infrastructure (the department) manages these matters for the commission.

Scheme amendments often generate considerable public debate and emotion, particularly when they affect private land. This is also true when the commission buys, sells and takes land. An important part of the commission's role is to retain public confidence in the planning process. Key to this is that the handling of amendments and land transactions complies with legislation, and is consistent, open and transparent. Our examination looked at how the department handles requests for scheme amendments and how it buys, sells and takes land to give effect to the scheme.

Key Findings

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

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

- the commission and the department have not had a detailed, formal governance agreement, including performance requirements, for more than two years. This diminishes accountability
- key business procedures are inadequately documented. This increases the risk that affected landowners will be treated inconsistently

- key information is not always disclosed:
 - the department does not report to the commission on total demand for changes to the scheme. This limits how well they can plan for their needs into the future
 - the department does not routinely give landowners timely and detailed information about all their entitlements. This increases the risk that landowners will not receive all their entitlements
 - people that buy land in the open market are not told when the commission pays compensation to the previous owner. This can be up to six months after sale and results in a caveat on future sale.

What Should Be Done?

- The commission and the department should complete and implement their formal governance arrangement in a timely fashion.
- The department should improve:
 - the documentation of its business procedures
 - its disclosure of key information to stakeholders.

Response by the Department and the Commission

Processes are well in train to address the governance and business procedures noted here. These include a review by both agencies of policy guidelines, practice notes and procedure manuals to determine the appropriate controls that ought to apply to them, and to improve property advice for landowners affected by region planning schemes on the Western Australian Planning Commission website. The department also proposes to recommend the modification of the *Planning and Development Act 2005* to require landowners first affected by a reservation to notify the responsible authority (the commission or local government) of their intention to claim compensation before they sell their land.

Background

The Metropolitan Region Scheme

By 2031 Perth's population is expected to reach 2.8 million. The Metropolitan Region Scheme (the scheme) is the master plan, first introduced in 1963 to ensure there will be sufficient land within the metropolitan region:

- to house everyone
- for businesses to provide employment opportunities and various goods and services
- for conservation and recreation and other public purposes such as education and health
- for everyone to be able to get from one place to another.

The metropolitan region covers an area of almost 704 500 ha bounded by Singleton in the south, Two Rocks in the north, the Indian Ocean in the west and The Lakes in the east (see Figure 1). Within that area, and with the force of law, the scheme controls all private and public land use and property development at the highest level by either:

- reserving land for public purposes or
- setting out broad land uses for non-reserved land. This is what is known as 'zoning land'.

Where it reserves land for public purposes, the scheme also sets out the rules for compensating affected landowners.

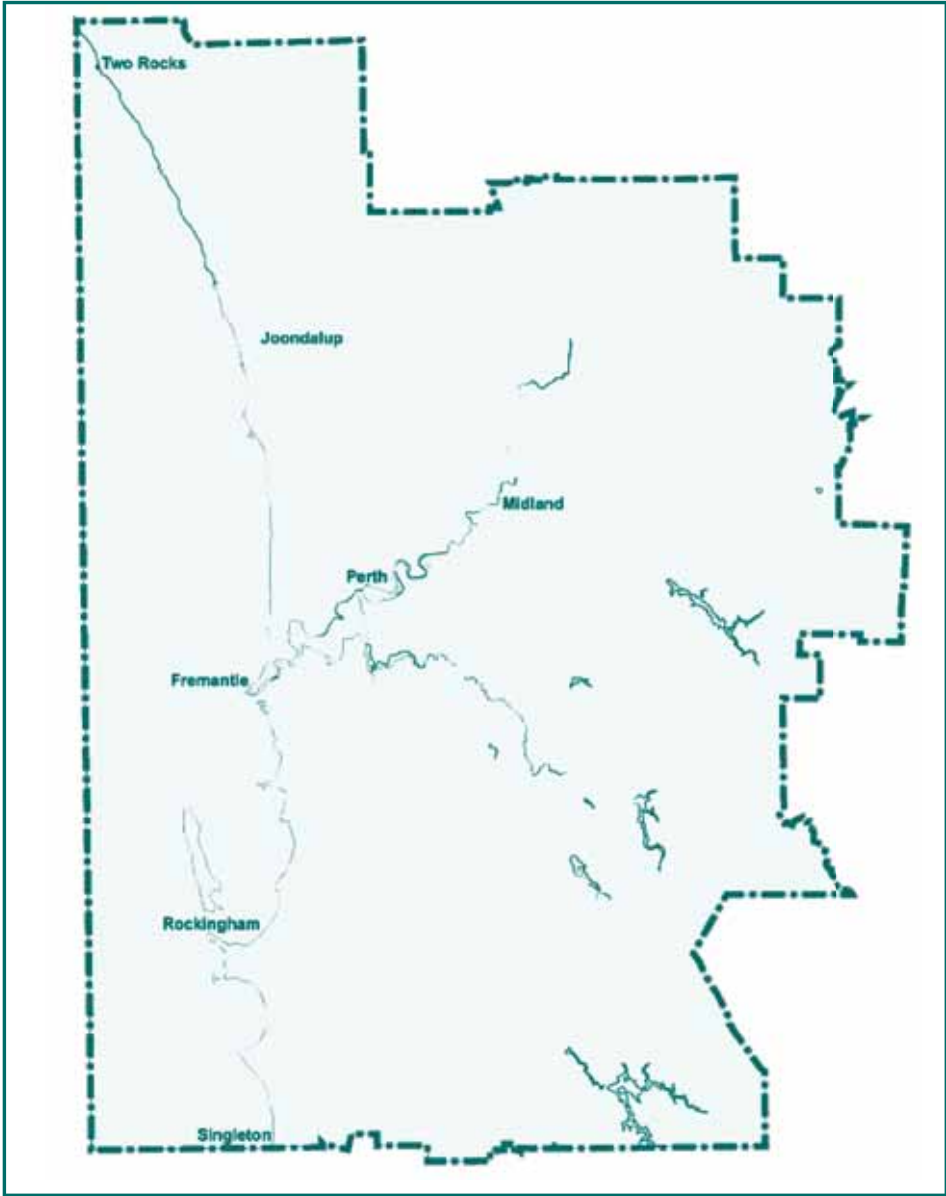


Figure 1: The boundaries of the scheme

Source: Department for Planning and Infrastructure

The Western Australian Planning Commission (the commission) is responsible for reviewing the scheme and initiating amendments when Perth’s planning needs change. It can also buy, sell and take land to give effect to the scheme.

The commission relies on the Department for Planning and Infrastructure (the department) to provide staff, advice, make recommendations and implement its decisions (see Figure 2).

Scheme amendments that involve the commission buying, selling and taking of land often generate considerable public debate, particularly when they affect private land. The commission can also sell land that has become surplus to scheme needs. This often involves balancing the commission's duty to consider the interests of previous landowners and to treat other interested parties fairly, against its duty to act transparently and achieve the best outcome for the taxpayer.

Amending the scheme

An amendment to the scheme occurs under Part 4 of the *Planning and Development Act 2005* (PDA) and changes the zoning or reservation of land to allow for a different land use.

The process starts with a request from a member of the public, a local government, a state government agency, a Minister, a Member of Parliament or the department itself. After review and analysis (the pre-initiation phase), the department recommends that the commission either initiate or reject the request. If the commission initiates the request, the department then consults stakeholders as required by the PDA before making another recommendation to the commission to accept or reject it.

Amendments which substantially change the scheme have to be approved by the Governor and tabled in Parliament. Minor amendments require approval by the Minister for Planning and Infrastructure.

Commission land transactions

Under Part 11 of the PDA, the commission can buy land or interests in land by voluntary agreement with the owner. It can also take land, subject to complying with Parts 9 and 10 of the *Land Administration Act 1997* (LAA)

Changes to the scheme may mean that some of the commission's land or interests in land are no longer needed to give effect to the Scheme. The PDA gives the commission the power to sell this surplus land.

According to its annual report, the commission owned \$542.3 million of land in the metropolitan region at 30 June 2008. In 2007-08 the commission bought land for \$91.1 million and sold land for \$27.5 million. 'Sales' includes land transferred to other agencies at no cost. This is a common practice for land intended for public purposes, including parks and recreation.

What Did We Do?

We looked at whether amendments and land purchases, sales and takings complied with legislation, and were consistent, open and transparent.

We tested all 15 scheme amendments finalised in 2007-08. We also tested 20 purchases and sales of land, most of which were completed in 2007-08 (over the last three years, an average 217 transactions were completed each year).

We also tested the underlying administrative foundations for handling these matters.

What Did We Find?

Scheme amendments and purchases, sales and takings of land that we sampled were generally sound. The process to amend the scheme was open and transparent. Landowners and the community were consulted, sometimes beyond legislative requirements. In transactions, landowners received fair value for their land, based on independent land valuations, and all other relevant entitlements. Surplus land was sold at independently determined market value. We found only minor instances of non-compliance and inconsistency in dealing with transactions.

However, we noted a number of weaknesses in processes and practices at the commission and the department. These weaknesses increase the risk of poor outcomes in future. Fixing them will improve transparency and consistency, and should increase the public's confidence in the scheme.

The commission and the department have not had a detailed formal governance agreement for more than two years

The department provides key services to the commission (see Figure 2). We expected the commission and the department to have a formal agreement with clear roles, responsibilities, and requirements. Such agreements are fundamental to transparency, accountability and efficient and effective provision of services. The absence of such agreements and the performance measures that they typically contain makes it difficult for parties to provide assurance about the adequacy of their strategic planning.

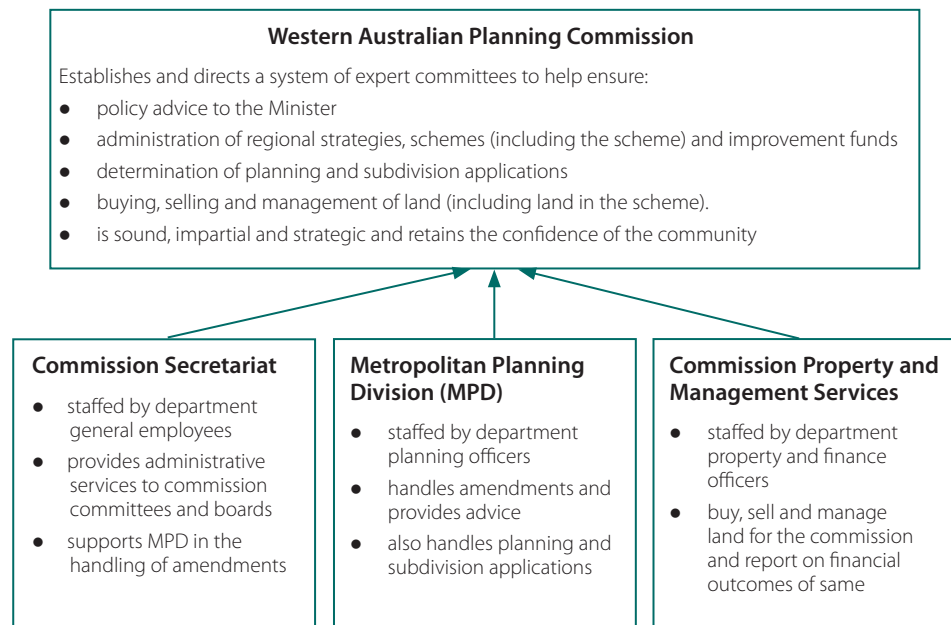


Figure 2: Roles and responsibilities for the scheme

Figure 2 illustrates the vital administrative functions the department provides the commission and the consequent need for responsibilities and performance expectations to be clearly documented in an agreement.

Source: OAG

We found the commission and the department had such an agreement until it lapsed on 30 June 2006. The commission and the department signed a new Memorandum of Understanding in November 2008 that requires them to have:

- a rolling four-year planning program
- a joint strategic planning process to review and agree focus and priorities
- an annual business plan setting out agreed funding
- a service level agreement for the provision of corporate and support services to the commission, to be negotiated annually.

None of these have been established. This presents risks to both organisations. For example, during our examination we noted two areas where a strategic planning process would have identified weaknesses in the overall management of the scheme.

The first relates to the lack of information about the number and timing of amendment requests during the pre-initiation phase. We discuss this later in this report. The second relates to the commission's holding of surplus land, currently valued at \$175 million.

The commission has no program for regularly reviewing how it should manage its surplus land, including the release of it for sale to get best value for the tax payer. The commission's practice to date has been to consider selling surplus land or interests in land if approached by someone wanting to buy them. We consider that this ad hoc approach does not reflect the significant value of its surplus land.

The commission and department have told us that they are developing arrangements to support the MOU and aim to implement these arrangements by 30 June 2009.

Key business procedures are inadequately documented

Scheme amendments and land transactions take place in a complex and often changing legal environment. In light of this, we expected the procedures governing these activities to be:

- documented and formally approved at the highest level
- regularly reviewed and maintained
- available to all staff handling amendments or land transactions.

Without these controls, there is a risk that procedures may not reflect current legal requirements and agency policies. Further, individual amendments and transactions might not be treated consistently. These risks increase when there is high staff turnover or a reliance on the experience of a small number of key staff.

We found that the department's procedures were documented and generally complied with current legislation but were not subject to formal approval or regular review. In addition, the department had no control over changes because the procedure manuals were open documents on its intranet. During the examination we also noted that both the department and the commission rely on a very small number of experienced senior staff to manage amendments and land transactions.

The manuals included a number of minor inconsistencies with the relevant Acts. In addition, the manual for land transactions:

- referred to old legislation
- did not include guidance on matters that are likely to occur on a regular or semi-regular basis. These included: when to check the lawfulness of improvements, when only one land valuation is necessary, when valuations need to be updated, and what to do when land is owned by a deceased or missing landowner
- included key document templates that were not protected against unauthorised changes.

In light of our findings, the commission and the department have agreed to strengthen controls over their procedures. They are also considering distributing the revised Planning Officers' Amendment Manual to local government and to other state government agencies involved in planning in the metropolitan region. We commend the commission and the department for this initiative which should enhance the general efficiency and effectiveness of planning in this area.

At the time of our examination the department was reviewing the content of its Transactions Procedure manual. It has agreed to expand the review to strengthen controls and address the other weaknesses mentioned above. It believes that this review will also address several of the findings set out below, namely:

- the lack of timely and detailed information to landowners about all their options and entitlements
- buyers of land unknowingly inheriting a future debt to the state
- inconsistent use of, or lack of appropriate, conditions in the commission's offers to buy or sell land.

Key information is not always disclosed

The department does not report to the commission on total demand for changes to the scheme

The department tracks and reports to the commission on the total number of amendment requests initiated. However, it does not report equally important information to the commission including:

- the total number of amendment requests received
- the number of requests that are in the pipeline pending initiation
- the timeliness of the pre-initiation phase of the process.

Our testing of the time taken in the pre-initiation phase showed that on average it took four months for major amendments and 10 months for minor amendments to reach initiation. This represented 15 per cent of the total 26 months it took to complete the process for major amendments and 45 per cent of the total 22 months it took to complete minor amendments. The department has not established whether these average timeframes are reasonable though we noted instances where the time taken appeared excessive.

Amendment requests are an important indicator of the need to review the scheme. We therefore expected that the department would provide the commission with regular reports on the total number of requests received and its progress in handling them, including the period prior to initiation. Without this information, it is difficult for either the department or the commission to determine how efficiently and effectively they are handling demand for change and whether the resources devoted to this aspect of administering the scheme are sufficient. This limits how well both parties can plan for their future needs.

The department has agreed to provide information to the commission about total demand for changes to the scheme and handling time pre-and-post initiation.

The department does not routinely give landowners timely and detailed information about all their entitlements

When land is taken, the department's procedures do not provide landowners with information on all the different types of compensation to which they are entitled. We also had some concerns about the information provided to landowners negotiating to sell their land to the commission voluntarily.

Under the LAA, a landowner whose land is compulsorily taken is entitled to specified types of compensation. The main ones are the value of the land and improvements taken and a 'solatium' – an additional amount considered 'appropriate to compensate for the taking without agreement'. Section 241(6) of the LAA lists a number of other losses that a landowner can also claim. These include removal costs and some fees for independent professional advice.

We found that the information commonly provided to landowners whose land is taken does not list these other losses. While many such landowners are represented by lawyers or experienced valuers, all relevant information should be provided to all individuals. The department told us it will include the list in its standard information sheet which was being redrafted when we began our examination.

We were also concerned that the department does not routinely inform other parties about all their options when seeking to buy or sell land. In particular:

- when a negotiation to sell land to the commission stalls, the department only advises the seller that they can make a counter-offer if they are dissatisfied. It does not routinely inform the landowner that they might be able to apply for compensation under the PDA
- the department does not inform people that they can formally ask the Minister to determine if a piece of land is surplus to requirements and therefore available for sale.

Most parties are represented by professionals who are likely to be aware of these options. However, the department should not assume this will always be the case.

People that buy land in the open market are not told when the commission pays compensation to the previous owner

We observed two cases where individuals who purchased reserved land in the open market claimed they were unaware that the Commission had paid compensation to the person who sold them the land, and that they might have to refund the compensation if they also decided to sell the land.

When part of a landowner's land is reserved it usually reduces the value of the land. Under the PDA, the person who owns the land at the time it is reserved can claim compensation for this loss. The claim can be made up to six months after the owner sells. Once compensation is paid, the commission lodges an absolute caveat on the land's Certificate of Title. Neither the department nor the commission automatically inform the buyer that a caveat has been placed on the Certificate of Title.

The caveat warns future buyers that the commission is a part owner of the land. It also means that there can be no further sale of the land until the caveat is removed. If the reservation is subsequently reduced or removed, the commission's practice is to refuse to lift the caveat until the current owner refunds the compensation to the commission. Under the PDA the refund is calculated on the value of the land at the time of the further sale.

We acknowledge that the scheme is a public document and prospective buyers can check its effect on land they are interested in buying. However, the fact that compensation has been paid is not a matter of public record until after the caveat appears on the certificate of title. To help fill this gap, the department has told us it will require all landowners claiming compensation to inform prospective buyers about the claim.

Inconsistent use of, or lack of appropriate, conditions in the commission's offers to buy or sell land

We found weaknesses in the commission's offers to buy or sell land. Some offers did not include relevant conditions, and in others we found relevant conditions were not used consistently. The department has advised it will review the commission's standard conditions as part of the review of its procedure manual.

Contaminated land – We found that the department had not consistently managed risks concerning contaminated land. Under the *Contaminated Sites Act 2003*, all landowners are required to disclose known or suspected contaminated land. It is also good practice to actively manage land purchases to protect the public sector from unknowingly buying or receiving contaminated land.

One case we sampled involved land that had been used by industry for some decades. In this instance, the department required a statement from the landowner about his use of the land and that he was unaware of any previous use that might have contaminated it. In another case, land had been used as a commercial chicken farm, then bought for urban redevelopment before the developer offered the reserved portion of the land to the Commission. The department sought no statement from the developer in this case.

Deposits – Standard private sector contracts to buy and sell land require the buyer to pay a deposit to the seller. We found the commission did not require buyers of surplus land to pay a deposit. In one case the buyer volunteered to pay a deposit.

We note that the commission often sells to other government agencies. In these cases, it might not be efficient or effective to require a deposit.

Penalties for delaying settlement – Standard private sector contracts of purchase include a condition which imposes penalties if either party unreasonably delays settlement. We found most of the commission's sales and purchases did not and, again, where they did, the conditions were set by the other party. We also noted that the department's template offer to buy land made no mention of penalties.

The department does not measure the timeliness of its performance

The department does not measure or monitor whether it handles scheme transactions in a timely manner, including activities with legislated deadlines. Our testing showed that the department is fully complying with legislated deadlines, and is otherwise generally acting in a timely manner, but that there is room for improvement.

The LAA requires the department to report to the commission on claims for compensation where land has been taken within 90 days of receiving them. We found the department fully complied with this deadline: its shortest response time was four business days and its longest was 38 days. The LAA also requires the department to make an offer to the claimant 'as soon as possible' after making the report. Again, the department fully complied: its shortest response time was five business days and its longest was 11.

We tested the department's performance against other timeliness measures and found the department generally complies but considered that settlements could be timelier. Our testing indicated that the median time taken to settle purchases was 45 business days. In response:

- the commission has decided that the department should settle all future land purchases within 30 working days of a landowner accepting its offer
- the department told us that where the commission offers to buy only the reserved portion of a property, it will require settlement within 30 working days of the survey being in order for dealing.

Management of Fringe Benefits Tax

Overview

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

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

This examination involved six agencies. In 2007-08, they paid \$2.041 million in FBT. Overall, the agencies managed their FBT adequately. However, we found some weaknesses in FBT processes and errors totalling \$105 000.

The agencies have agreed to amend their FBT processes to address the issues we found.

Key Findings

- Five of six agencies were adequately managing their FBT responsibilities; two of the five (Perth Zoo and UWA) managed their FBT responsibilities well.
- Across the agencies we found errors in how FBT was treated:
 - three agencies had misreported car or meal entertainment benefits
 - three agencies had inadequate policies, procedures and guidance for managing FBT
 - three had inadequate records to support their FBT returns
 - one agency underpaid its 2007-08 FBT on cars by approximately \$30 000. It also risked doubling its tax liability in 2008-09.
- Only two agencies had adequate monitoring and review processes.

What Should Be Done?

All agencies should:

- develop policies, procedures, guidance and training plans to better assist staff in carrying out their FBT roles
- implement processes and procedures for identifying all types of fringe benefit items
- make sure that they correctly apply FBT treatments prescribed in the legislation

- maintain adequate documentation supporting their FBT returns, including declarations from employees and logbooks for cars
- improve monitoring over the management of FBT by reviewing their FBT practices. This includes:
 - assessing the FBT risks to ensure that all risks are identified and addressed
 - reviewing the processes used by their external service providers (e.g. fleet management and salary packaging companies) before relying on the FBT information provided by these service providers.

Agencies should consider using the Australian Taxation Office (ATO) Better Practice Guide as a basis for this monitoring and review.

Agency Responses

Under s25(2)(b) of the *Auditor General Act 2006* we provided all agencies involved in this examination with the opportunity to have their written response included in this report. The agencies chose not to provide such a response. However, each agency has agreed to implement specific recommendations arising from our examination.

Background

Fringe Benefits Tax (FBT) is a Commonwealth tax introduced in 1986. FBT applies on benefits provided to employees other than salaries and wages. Employers, including government agencies, are required to calculate their liability and pay the tax within legislative timeframes.

The ATO is responsible for collecting FBT. The main FBT legislation comprises:

- the *Fringe Benefits Tax Assessment Act 1986* which establishes the rules for assessing and collecting the tax
- the *Fringe Benefits Tax Act 1986* which imposes tax on the taxable value of the fringe benefits.

Managing FBT is complex because of the range and number of benefits involved. Some categories of benefits have specific requirements. There are also choices available about the method for calculating liability. This complexity increases the risk of non-compliance.

In 2006, the ATO issued an Employers Guide and a Better Practice Guide to managing FBT. The Better Practice Guide includes specific guidance for government agencies.

What Did We Do?

We selected six agencies with an aim of sampling a cross-section of government activities. The selected agencies were:

- Central TAFE
- Department of Commerce (Commerce) – formerly Department of Consumer and Employment Protection
- Department of Local Government and Regional Development (DLGRD)
- University of Western Australia (UWA)
- Lotteries Commission of WA (Lotterywest)
- Zoological Parks Authority (Perth Zoo).

We assessed compliance with FBT legislation and relevant tax rulings by the selected agencies. Specifically, we examined whether agencies:

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

Our examination focused on FBT risk areas and identifying weaknesses in processes. We did not recalculate what agencies should have paid if all of their fringe benefits were correctly treated.

What Did We Find?

Five of the six sampled agencies managed their FBT adequately

Although we found some weaknesses in particular areas, five of six agencies were adequately managing FBT. Government agencies have a responsibility to behave as good corporate citizens, including managing their FBT. Misreporting liabilities can lead to increased costs through penalties, and also to loss of reputation for the agency and the state.

One agency had major issues in the way it managed its FBT responsibilities. The agencies we examined have agreed to make changes which should ensure they meet their obligations in the future.

There were two better practice agencies

Two agencies – the Perth Zoo and UWA – manage their FBT liability well.

Perth Zoo is a small organisation which carefully manages its FBT through well understood and applied policies and clear allocation of roles. In contrast, UWA is a large decentralised organisation. It manages its FBT responsibilities through:

- detailed policies and procedures that are readily accessible to FBT and other staff
- regular monitoring and review of policies, procedures and practices achieved through internal checking and auditing processes
- regular communication between the staff responsible for managing FBT and payment processing and human resources staff
- review of information from external service providers e.g. salary packaging
- pre- and post-lodgement review of FBT returns
- comprehensive training of FBT staff and plans to train other university staff involved in FBT administration.

Reporting of FBT liability

The total FBT paid by the six sampled agencies for the 2007-08 FBT year was \$2.041 million (see Table 1). We found that all agencies had filed their FBT returns on time.

Agency	FBT Paid 2007-08 \$
UWA	924 484
Commerce	854 422
DLGRD	94 146
Central TAFE	76 439
Lotterywest	59 243
Perth Zoo	32 236
Total	2 040 970

Table 1: The total FBT paid by sampled agencies for the 2007-08 FBT year

Source: OAG

There are 13 types of fringe benefits that agencies might provide to their employees. We focused on:

- car benefits
- meal entertainment
- study assistance
- car parking benefits. (We found no issues in any agency with managing car parking benefits).

Car and meal entertainment benefits accounted for 85 per cent of the FBT paid by the sampled agencies in 2007-08 (see Figure 1).

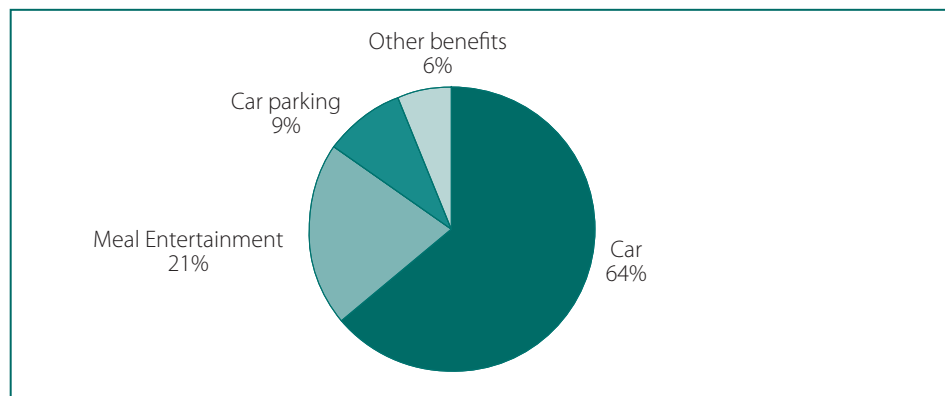


Figure 1: FBT paid by agencies by type of fringe benefit (2007-08)

Source OAG

Although five of the agencies were dealing with FBT adequately, we identified some weaknesses in processes. The total value of errors we found at these agencies was \$105 000. Table 2 summarises the number of agencies with weaknesses in dealing with each category of benefit.

FBT Category	Number of agencies with weaknesses
Car benefits	3/6
Meal entertainment	2/6
Study assistance	2/6

Table 2: Numbers of agencies with weaknesses in dealing with categories of benefit 2007-08

Source: OAG

Three of the six agencies misreported car or meal entertainment benefits

Cars

Car benefits was the single biggest category of FBT in the six agencies, accounting for 64 per cent of tax they paid.

A car fringe benefit arises when a vehicle owned or leased by an employer is available for private use by an employee. There are two methods to calculate car benefit – the statutory formula and the operating cost method. As in all FBT, agencies should select the method which minimises their tax liability.

Three of the agencies misreported their car fringe benefit liabilities for 2007-08. Specifically:

- one agency used invalid logbooks for 55 per cent of its fleet subject to the operating cost method. This equated to under-reporting FBT for the year by approximately \$30 000. All of its logbooks will become invalid in 2008-09. If this is not rectified, its FBT liability for 2008-09 will double. The agency has agreed to update logbooks for all its vehicles, which will minimise this risk
- another agency miscalculated the base value for 10 per cent of its salary packaged vehicles. This resulted in them misreporting FBT by \$22 000.
- a further agency miscalculated the FBT liability on cars for 10 per cent of its fleet. In this case, the net financial effect was minimal.

Meal Entertainment

Meal entertainment was the second biggest FBT item in our examination. It accounted for 21 per cent of tax paid by the sampled agencies. Four agencies satisfactorily managed their meal entertainment benefits.

This benefit involves food, drink, accommodation or travel that is incidental to employment. Premier's Circular 2006/06 provides guidelines for expenditure on official hospitality:

Hospitality accounts submitted for payment must state the hospitality provided, the reason for the expenditure and the names of those for whom the hospitality was provided (for FBT purposes).

One agency did not declare any meal entertainment in its 2007-08 return. Testing indicated that it underpaid its FBT by \$10 000. The agency did not have a process to assess meal entertainment for FBT. This is contrary to the Premier's Circular 2006/06. The agency has agreed to develop procedures to address the issue which will minimise this risk.

Another agency had misapplied the method chosen for valuing meal entertainment. However, the net financial effect of underpayment was minimal.

Study assistance

Four agencies were adequately managing study assistance benefits. Two agencies underpaid FBT for study assistance by a total of approximately \$14 000. Both agencies incorrectly treated these expenses as if they were tax deductible. One agency also misclassified Commonwealth supported study loans as non-FBT items.

Recordkeeping

Three agencies had maintained inadequate records to support their FBT returns

FBT legislation requires employers to keep adequate records to support their FBT return. Three did not comply with those requirements:

- three agencies did not have relevant declarations from employees. This resulted in misstated returns. Agencies need to keep employee declarations to support decisions about most types of benefit
- one of these agencies did not keep copies of key documentation, including its FBT return, relevant tax rulings and employee payment summaries. It has outsourced aspects of its administration for FBT to a shared service provider. The shared service keeps these documents. The agency is ultimately responsible for its FBT return even if a shared service provider is involved in the return preparation
- another agency did not have valid logbooks to support its car fringe benefit calculations. A valid logbook can be used as a basis for calculating the car benefit for up to five years
- one agency did not collect sufficient information from its employees to minimise its FBT liability for car benefits.

Policies, procedures and guidance

Three agencies had inadequate policies, procedures and guidance for managing FBT

We expected that each agency would have detailed policies, procedures and guidance for use by its FBT staff and information for use by other staff. FBT legislation changes over time and agencies need to ensure that policies and procedures are updated to meet current requirements.

Three agencies had adequately documented their policies and procedures. In the other agencies we identified a range of weaknesses. These include:

- two of the agencies we examined were in shared service arrangements, outsourcing aspects of their FBT administration. Sharing responsibility for tax management requires clear roles and responsibilities. We found that one of these arrangements was clear, with good results. In the other, the agency believed that the shared service centre was responsible for all its FBT activity. For example it had not documented internal policies and procedures
- one agency did not have documented policies and procedures
- yet another agency did not have policy and procedures on meal entertainment.

Inadequate guidance on how and what to identify as a fringe benefit increases the risk of not identifying all FBT items remaining. This may result in misstated FBT amounts.

Identifying meal entertainment

Five agencies had processes to review and identify meal entertainment. However, we found that these processes were not consistently applied at three of the agencies. One agency had no formal policy or process to deal with meal entertainment.

We found good practice in dealing with meal entertainment at one agency (see Figure 2).

Meal entertainment process at a good practice agency

The process

- Staff spending government moneys on food and drink transactions are required to document details (who, when, what and where) about the event.
- Accounts payable staff identify these transactions including payments made using petty cash and credit cards and send a copy of relevant items to specified officers for review.
- These officers review transactions to determine if FBT applies.
- FBT applicable transactions are identified and stamped 'FBT assessed'.
- Evidence is kept for transactions that are assessed as non-FBT.

Strengthening the process

- The process is regularly reviewed. Two internal audits were conducted during this FBT year.
- Appropriate training is provided to FBT staff.
- The agency has also piloted a training course for its wider staff members incurring food and drink expenses.

Figure 2: Good practice example in dealing with meal entertainment

Source: OAG

Monitoring and review of FBT processes

Two of the six agencies had adequate monitoring and review processes over their FBT administration. Figure 3 shows some of the better practice we observed in monitoring and review.

Monitoring and review is important in ensuring effective FBT processes and in minimising FBT liability. Agencies should review their policies, procedures and practices to ensure that they are relevant and updated to match changing legislative requirements.

We found weaknesses in the monitoring of FBT:

- Five agencies had not documented their FBT risks in the last 12 months.
- Five agencies had not reviewed processes or FBT information received from their external service providers.

- Three agencies had not reviewed their accounting system information to identify FBT items.
- One of the agencies had an internal review of FBT administration in 2006. Actions on nine out of 11 recommendations made in the report were still pending.

These gaps could have been identified if the agencies had adequate monitoring over their FBT management.

ATO Better Practice Guide

Agencies could have avoided many errors and omissions by reviewing their FBT practices against the ATO Better Practice Guide. None of the agencies had done this. We acknowledge that reviewing FBT administration against the guide is not a legislative requirement. However, we note that the guide specifically targets government agencies, is prepared by the authority that is responsible for administering the FBT legislation, and can be downloaded from the ATO website free of charge. Figure 3 summarises the good practices observed at some agencies in review and monitoring.

- documented FBT risks with actions and assigned staff to address those risks
- pre- and post-FBT return lodgement reviews
- policies, procedures and practices updated regularly
- adequate training for staff involved in FBT administration
- reviewed FBT data received from fleet management and salary packaging companies
- independent audit of FBT across the agency
- addressed the issues raised in audit reports

Figure 3: Good practices observed in review and monitoring

Source: OAG

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2008

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