

The WA Auditor General

John Hyde

When any government gets the sort of serve from an Auditor General that the WA Government has just received, then something in that state is rotten. And something must be done about it.

It is true, that the three Ministers most directly concerned with the WA Inc. scandal have now been removed from office, but that should not end the matter. In fact, if their removal were not to lead on to lasting reform of the processes which were misused, it would be almost pointless. For that to be achieved widespread understanding of the issues is needed; and for understanding we must have informed public debate. Unfortunately, such is the sorry state of the WA Parliament, that informed debate is what the Auditor General's Report will not receive. The Ministers' fundamental failure was not, after all, the loss of a great deal of money but their failure to accept standards of political behaviour---political ethics---which ought to be ingrained.

Political power properly employed, like corporate power, is constrained at least as much by ethics as by law. However, in Western Australia, Victoria and Queensland, political ethics would seem, in recent times, to have been at an unusually low ebb. In particular, morally based constraints seem to have been replaced by the same approach to right and wrong that has invaded a few board rooms---namely, the attitude that if something is within the law then that is all that need be said. Time and again, Ministers have defended themselves with assertions that particular actions were lawful. To which the best answer is: "So what?"

In peace time at least, political ethics are not difficult or arcane. They are made to seem so only by the media machines, hired at taxpayer expense, to make breach of trust and dissembling sound respectable.

An Auditor General---an officer appointed at public expense to blow the whistle on breaches of established financial procedure---is not directly concerned with

political ethics. In the absence of indictable offences, he is effective in influencing these only to the extent that parliament is persuaded by his arguments and willing to act upon his recommendations. Nevertheless, much of a government's activity is within his purview, he has wide powers of inquiry and he is a disinterested expert.

He has considerable discretion, and in the absence of a Fitzgerald type inquiry in WA, Mr A.D. Smith, the WA Auditor General, rightly chose to concentrate upon 'WA Inc.' He defines the term in his first paragraph. And, before describing circumstances that would not be tolerated in the commercial world, he makes it plain that in the political world the buck stops with parliament:

"Under the Westminster system no matter who is responsible for taking the decision which ultimately impacts on the public purse it is the Minister who is essentially accountable to Parliament. It is the role of the Minister responsible for the body the subject of comment in this report to ensure that the issue I have raised is properly addressed. Parliament should ensure that appropriate action is taken by the Minister."

He states the nature of Ministers' responsibilities by comparing Ministers with company directors:

"In the private sector, directors of a company have a fiduciary responsibility to shareholders. It is my view that in the public sector Ministers charged with the administration of a department or statutory authority have a similar responsibility to the taxpayer."

Apparently in the belief that ethics alone may not in future be a sufficient constraint, he goes on to call for legislation to make Ministers subject to a provision similar to section 229 of the Companies Code. I wish him success but I expect Ministers to lay no such constraint upon themselves.

In passing, he illustrates the role of ethics when he says that he is becoming increasingly concerned by the practice of "shopping around" for the professional advice they want to hear. A practice that is as yet lawful, but one that obviously undermines external checks on management. He points out that the National Companies and Securities Commission has recently moved to make the practice unlawful in the private sector.

People who expect governments, as a matter of course, to serve the public interest should read the substance of his report. It concentrates on the four public bodies most deeply involved with WA Inc transactions.

The Government Employees Superannuation Board, largely in consequence of deals with Bond Corp., LR Connell (of Rothwells fame), Rothwells itself and the WA Development Corporation, finds itself with a ridiculous investment portfolio. Not only are its earnings in the

bottom 3% of investment funds but 30% of its assets are in one development property. By comparison, the largest single asset held by the NSW equivalent fund is 3% of its assets, and a single asset which was 5% of all of the assets of a private fund would raise eyebrows. Nobody is that incompetent: surely the purchases were politically inspired.

About the State Government Insurance Commission, the Auditor General had this to say: "the Board [of the Commission] had taken a calculated risk to set aside prudential dictates...or alternatively direct ministerial intervention had taken place."

WA Government Holdings, the vehicle by which at least \$230 million went up in smoke in an attempt to bale out Rothwells, was under the direct control of the Treasurer. This organisation seems to have been designed to keep Parliament uninformed and to avoid the normal appropriation procedures.

These are serious matters which go to the heart of Westminster democracy. The 1990 Western Australian Auditor General's report should be the subject of, at least, the same detailed scrutiny, comment and recommendation that important reports receive at Westminster. But, unlike the Parliament at Westminster, the Western Australian Parliament sits only occasionally and its Committees are dominated by loyal Government Members.

The principles are, therefore, unlikely to be teased out of the report by Parliament. This is sad, for unless there is an extra-parliamentary inquiry (such as a Royal Commission) the real lessons of WA Inc. will not be taught to future administrations. And the standards by which future governments ought to conduct themselves will not be established.

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