

Review and Audit of the State Government's international offices

Background to the Review and Audit

To promote Western Australia as a place to invest, work, live and study, the State Government maintains an overseas office headed by a Commissioner in seven key trading regions, plus an Agent General in the United Kingdom.

These eight overseas trade and investment offices were consolidated under the management of one agency for the first time in July 2017, following the formation of the Department of Jobs, Tourism, Science and Innovation (the department).

As the State's lead economic development agency, the department is managing all eight international offices to ensure they contribute strongly to the overarching goal to market and facilitate trade and investment in Western Australia across a range of priority sectors.

The department quickly identified there were substantially different operational and procedural practices between each international office, as well as significant opportunities to raise standards and deliver better results for Western Australians and the State economy.

Additionally, the Corruption and Crime Commission's *Report on the WA Commissioner in Japan*, found the head of the Japan office had been "been enriching himself at the State's expense and betraying the trust placed in him" since 2002. As a result of this misconduct, his employment was terminated in 2019.

In response to these two situations, and following discussion with the Premier, in March 2019 the department commissioned two independent reports.

1. Western Australia's Overseas Trade and Investment Offices Review

This Review was led by Helen Williams AC, an eminent public administrator, who was supported by two esteemed panel members; Jane Madden and Geoff Leeper PSM.

The Review considered the efficacy of the international offices' current arrangements in delivering on the State Government's trade and investment objectives, as well as their compliance with the broader legislative framework of the WA public sector.

The reviewers were asked to make recommendations to ensure that the international offices undertake their functions efficiently and effectively, with integrity and due regard for government policies and priorities, and in the public interest, while providing the maximum return for the State's investment.

The reviewers had access to significant background material and spoke to a wide range of people from the department (including the Agent General and all Commissioners), other relevant agencies in the WA public sector, other Australian states and the Commonwealth, business, and research and academic bodies.

The Review report makes 54 recommendations related to the department's strategies and plans, reporting and monitoring approach, systems and processes, partnerships, operations, and employment and governance frameworks.

Additionally, the Review identified the following as the characteristics of a best-practice system that would bolster the capability of the eight international offices to implement the State Government's international trade and investment agenda:

- A strong, coordinated and well-researched intelligence and planning capacity as a basis for decisions on priority markets, potential opportunities and the placement and resourcing of in-market presence.
- A close partnership across the stakeholder group, including WA Government entities, Commonwealth agencies, educational players, research institutions and business to ensure that all views are taken into account.
- A WA Government Trade and Investment Business Plan that sets out country and sector priorities for attention and market plans for each key region.
- A high level of information sharing across the WA Government network and between the department and its overseas offices to ensure that all eight international offices and the centre in Perth are operating on the basis of the most recent information.
- An office operating model that is fit-for-purpose and established in line with operating rules and practices in the country concerned.
- A strong appointment and employment architecture for staff at international offices, particularly for the Agent General and Commissioners.
- A clear performance management framework, both for the offices and the Agent General and Commissioners, flowing from the Government's objectives.
- Strong governance structures, policies and processes that facilitate the operations of the overseas offices in line with public sector procedures, governing legislation and the public interest, combined with efficient and effective oversight and monitoring.

Notably, the Review cautions against hasty decisions in relation to the location of, and operating model for, each international office. The Review acknowledges there is significant work to be done on establishing WA's trade and investment strategy first, which will then help guide decision making on international offices.

2. Internal Audit of the International Trade and Investment Offices

This Audit, undertaken by KPMG, was a simultaneous program of internal audits across each international office assessing the efficiency and effectiveness of internal controls and compliance with legislation, policy and good practice.

The audit was undertaken by KPMG staff in Australia and overseas and included an expense audit covering the last six years, a review of existing controls to prevent and

detect fraudulent transactions, and an audit of remuneration, entitlements and travel of all Commissioners and Agent Generals over the last ten years.

The Audit did not find any financial misconduct.

As requested, the Audit report highlights opportunities to improve the department's onshore and offshore fraud and corruption controls, and financial management and compliance.

It makes 36 recommendations across the themes of policy and procedures, people and training, systems and processes, and governance.

Other findings

The Review and Audit both highlight the importance of the department implementing a set of corporate business systems that are standardised and fit-for-purpose in a global context.

Both reports note that these systems will require significant financial investment and make it clear that other reforms, required to improve the State's trade and investment function (including the overhaul of many operating policies and procedures), will not be successful if the investment is not made.

Implementation

Implementing the 90 recommendations from the Review and Audit is part of the department's role to promote Western Australia as a prime location for trade, investment, tourism and education to overseas markets and investors, to grow the economy and create jobs.

The implementation of these recommendations will require a comprehensive and integrated plan across a range of areas to achieve long-lasting change. The two-year plan will include:

- strategic planning
- an effective operating model
- improved corporate systems, ICT and corporate governance
- significant changes to our performance and employment frameworks, and
- further actions that improve workforce culture.

It will also require timely action on individual issues that were identified, such as single points of failure, office registration and taxation.

The implementation will be finalised in early 2020 and will be overseen by the department's Audit and Risk Committee. We will formally review the implementation after two years.

Building on achievements and momentum

It is important to note that the implementation plan is not starting from scratch.

Since the department was established in 2017, reform has been continuous to establish an agency capable of delivering a stronger, diversified State economy and jobs growth.

Many of the findings of the Review and Audit validate what the department had come to understand over the last year from listening to staff, colleagues across the State and Federal Governments, and industry stakeholders.

Based on these learnings, the department is well underway in its reform journey. The following is an overview of actions already delivered and underway:

Strategy and direction

Action	Description
Organisation Reform Work Program	The development of the department's Corporate Plan and Performance Framework delivers an agency-wide focus on the four building blocks that underpin our effectiveness – <i>purpose, accountability, capability and partnerships</i> .
International Trade and Investment Business Plan	We are instigating a whole-of-government approach to trade and investment business planning. We're developing sector and market plans that align to the priorities outlined in Diversify WA, and delivering key strategies (such as the International Education Strategy) and sector-wide transformations (such as the Asian Engagement Strategy).
Business Advisory Forum	We have established a Business Advisory Forum comprised of key public sector and industry stakeholders. The forum provides advice to our department and the WA public sector on investment and trade matters. This includes strategic direction, partnering or servicing enquiries and opportunities for linkages and collaborations.

Structures and relationships

Action	Description
Strategy and International Engagement	On 1 July 2019 we established a new department structure. It includes the appointment of a Deputy Director General of Strategy and International Engagement with responsibility for strategic policy, trade and investment and international engagement (including the management of all overseas offices). The Deputy Director General is Jennifer Mathews, who was most recently the State's Commissioner in Indonesia and, before that, was a longstanding State Government director general. A full functional review of the Strategy and International Engagement is being undertaken to better align all resources with the group's objectives.
Invest and Trade WA	A new initiative for attracting and facilitating investment into and promoting trade with Western Australia. ITWA

started taking enquiries in July 2019. It will promote our State as a premium trade partner and a top destination for investment, education and tourism, and will be Western Australia's 'front door' for investment and trade prospects.

Compliance and accountability

Action	Description
Risk and Audit Committee	In 2019 we established a Risk and Audit Committee, with an independent Chair and observer from the Office of the Auditor General. The committee is progressing an audit framework and risk framework.
Corporate Governance Framework	We are finalising a Corporate Governance Framework that reiterates the role of all staff in delivering good governance.
Functional Review of Corporate Services	As of 1 July 2019, all corporate service staff report through a single Director of Corporate Services, and a full functional review of the group is being undertaken to ensure it provides adequate and appropriate support. This will include the development of a 'bureau service' for corporate services to overseas offices.

Performance monitoring

Action	Description
Work Development Plans	In 2019 we set a target for 100% of our staff to have a current Work Development Plan, and established plans for each Commissioner and the Agent General.
CEO Performance Agreement	The Director General's performance agreement is aligned to the priorities of government, and flows through into our operational planning process and the work development plans of our staff.
Outcome Based Management	We are developing a contemporary management framework that better aligns the outcomes we deliver with government's financial investment.

While the department has already made significant progress, there is still much to be done.

Continual improvement is vital to remain competitive in a global market, and the department will ensure international offices are structured and operating in ways that produce the best results for Western Australia.

Rebecca Brown

Director General

Department of Jobs, Tourism, Science and Innovation

26 November 2019