

LOCAL GOVERNMENT AMENDMENT (AUDITING) BILL 2016

Introduction and First Reading

Bill introduced, on motion by **Mr A.J. Simpson (Minister for Local Government)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

MR A.J. SIMPSON (Darling Range — Minister for Local Government) [10.12 am]: I move —

That the bill be now read a second time.

I am pleased to introduce the Local Government Amendment (Auditing) Bill 2016. An important focus of this Liberal–National government is to improve the accountability and transparency of local governments to their communities and to provide for independent oversight of the sector. This bill introduces changes to broaden the Auditor General’s scope of powers to undertake and report on local government financial and performance audits to do just this.

The changes introduced by this bill are in line with the Corruption and Crime Commission recommendations that the jurisdiction of the Auditor General be extended to include local governments. The CCC commented that there seems to be no reason why local governments should have lower standards of accountability than state government authorities. Furthermore, on 26 November 2015, the Public Accounts Committee tabled a report on improving local government accountability. The committee recommended that the Auditor General’s scope of powers be broadened to include financial and performance auditing of local governments in order to raise the standard of accountability applicable to local governments to a level more consistent with public sector agencies.

Local governments will benefit because the Auditor General will be able to identify instances of noncompliance, wastage, inefficiency or ineffectiveness and proactively bring these to the attention of local government. This will not only improve local governments’ understanding of their financial position, including threats to their sustainability, but also provide local governments with the ability to take corrective action in a timely way. In this way, ratepayers’ funds and community interests are better protected. Oversight of auditing by the Office of the Auditor General will allow benchmarking of local governments by members of their community, who will have improved access to an independent assessment of a local government’s financial position and will enable them to hold their local government to greater account.

This bill allows the Auditor General to contract out some or all of the financial audits, but all audits will be done under the supervision of the Auditor General and the Office of the Auditor General. Local governments will be responsible for the costs associated with financial audits, as is currently the case. A number of firms audit the local government sector, half of which are already accredited with the Office of the Auditor General. The Auditor General has said that he recognises the importance of audit firms in country areas continuing to have a role in the auditing of local governments. The OAG intends to support and assist small regional auditing firms to upskill so that they can meet and comply with key aspects of the Australian auditing and assurance standards.

In line with the Public Accounts Committee’s recommendation, the bill also introduces a new category of audits known as performance audits. These audits examine the economy, efficiency and effectiveness of programs and organisations, including compliance with legislative provisions and internal policies. The bill gives the Auditor General the power to conduct such audits, which may focus on a particular issue or theme, and may target particular local governments and related bodies. This is in line with the approach adopted in other jurisdictions and with what applies to state government agencies. The policy intention of this bill is that although financial audits will be paid for by local governments, the funding of performance audits will be by the state government.

This bill will also bring about changes to the way local governments are required to publish and report on audits and their annual reports. Audit reports are included in annual reports and many local governments already publish these on their websites. This bill will make it a requirement for all local governments to publish their annual reports on their official websites so that members of the community can easily find and review them, should they wish to. This is yet another example of the Liberal–National government’s commitment to ensuring that Western Australians benefit from responsive, accountable and transparent local governments. The community has a reasonable expectation that government at all levels is open and accountable, and local government is no exception.

I commend the bill to the house.

Debate adjourned, on motion by **Mr W.J. Johnston**.