

**FINANCIAL LEGISLATION AMENDMENT BILL 2020**

*Second Reading*

Resumed from 18 February.

**MR D.C. NALDER (Bateman)** [12.42 pm]: I stand to speak on the Financial Legislation Amendment Bill 2020, which seems to be commonly referred to as FLAB, so we are here to chat a little about FLAB! This bill arose from the recommendations of two statutory reviews, in 2012 and 2017, of the Financial Management Act 2006. The earlier review was not progressed, so this is a combination of both those statutory reviews. The position of the opposition is that we will support this bill. We understand that it is a statutory review, and, as such, we have not found any clauses in the bill that raise specific alarm. That said, we will have a few questions to ask about the bill on the way through.

I think the amendment that makes a lot of sense is the extension of four months, particularly during election years, so that with our fixed-term elections now, governments of the day do not get caught up having to have budgets all approved by the end of August. It means that governments will actually get another two months. That makes a lot of sense; it is practical and seems like a good situation.

If I am to be critical of any aspect of this bill, it is that we are tinkering around the edges. There is the potential for greater reform in this space. One of my observations, both as a minister and subsequently, is that I do not believe that agencies focus enough on the expenditure of government. We spend a lot of time Treasury focused, which is economic modelling, forecasting and looking out the windscreen, but—this might be the banker coming out in me—not enough time is spent looking over our shoulder at what we have spent on an ongoing basis. I feel that there is a lack of transparency, focus and discipline on monthly expenditure. I will use one example. Where I came from in the corporate world, regular focus was given to our major input cost, which was people. As a senior executive in the private sector, I received a monthly report on the full-time equivalent figures. I would be given the actual FTE figure, my budgeted FTE and a head count of part-timers and so forth. I would also receive details of the number of contractors who were employed and what I was spending on consultants. I would see this on a monthly basis. It would be actual figures and also how I was tracking to budget. The major input cost of the state government is people, yet, for me, there is a lack of visibility of what we have on a day-to-day basis. We get a statutory report showing the FTE at a given point in the year, but that provides no reference to the budget, so we cannot form any real view of whether there is a heap of vacancies that need to be filled. In looking at that further, for the general public sector, the footnotes of the budget papers show three years' worth of FTEs at an agency level and we have to go through and add them up. From a government perspective, reforms could be made around how information is presented to government, to make it more transparent and show what the government is spending. Those observations are not for the purposes of this bill—that is more an observation on what could be done to improve the expense management of government.

The general public sector is where the operating surpluses come from, but I would extend this across the total public sector. The Water Corporation, Western Power, Synergy and Horizon are fully state owned and there should be greater transparency of these government trading enterprises. I know that we have set them up with independent boards and I think that is a great discipline to have—it means there is greater expertise to support these enterprises; however, I still believe that there should be greater transparency of what these entities are up to, to not only the government, but also the Parliament.

As I have said, the opposition will support the bill. Rather than listing a number of questions now and letting the Treasurer respond to them, I will move to go into consideration in detail so that we can spend time going through the respective clauses. There are no surprises in the bill and there is nothing that we have any great concern about, so I look forward to the passage of this bill.

**DR D.J. HONEY (Cottesloe)** [12.47 pm]: I also rise to make a very minor contribution to the debate on the Financial Legislation Amendment Bill 2020. As our lead speaker has already indicated, the opposition clearly supports the bill. I think the bill makes a lot of sense. It really just tidies up some recommendations that have come through from a couple of different sources. The explicit approval of expense limits and formal notification to the minister when there is to be some significant variation from that means that there will be some transparency and at least some control by the minister. Controlling future commitments certainly makes sense. There is also reference to policies and procedures. Since coming into this role, I have been intrigued to see how little direct input ministers have into departments, and certainly how they are controlled in terms of the information that comes out of departments. That is something that needs to be looked at in the future. I think it is too restrictive. It is very hard for ministers to exercise proper control over their departments when all the information they receive is in effect controlled through one person. No other business in the world operates like that. I will talk about that a little later in respect of other business practices, as did the shadow Treasurer. The formal delegation of authority is common

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practice and has been for a long time elsewhere. I assume that is followed in departments. Certainly in my previous life, that was a very explicit requirement.

Obviously, a range of legal responsibilities comes with the management of mine sites. It makes sense to ensure that someone is clearly accountable. Having the supplementary appropriation bills approved by the Treasurer makes good sense, because going to the Governor causes delays. As was discussed yesterday, increasing the potential to charge the consolidated account up to 35 per cent from 20 per cent in election years will stop governments from rushing, especially when there is a change of government, and will allow for considered budgets rather than decisions made on the fly. Preventing the build-up of unspent moneys will certainly help a lot and it will make the net position of government more easily transparent. Again, the approval of write-offs by the Treasurer rather than the Governor will reduce some effort.

A reduction in the financial reporting requirements of key performance indicators with the permission of the Treasurer is okay as long as the Treasurer is acting in good faith. As I have said many times in this place, I have great faith in the current Treasurer, so this is not in any sense whatsoever a slight on the Treasurer. It may be that in the future, we do not have someone of the member for Victoria Park's high calibre in that role. It could be used as a way of avoiding scrutiny. We need to look at KPIs in a cooperative way across this chamber. Going through the review of the budget as we do, some of the KPIs make absolutely no sense whatsoever. For example, one of the KPIs used by some agencies is the number of transactions per FTE, but a transaction can be posting a letter. If an agency wants to get that KPI up to scratch before the Treasurer scrutinises it, it simply has to do a mail-out of 20 000 letters and all of a sudden the denominator increases by 20 000 in that calculation. It can make the KPI look much better than it is. A lot of KPIs do not allow a minister, let alone this Parliament, to assess the performance of an agency. As was outlined by the shadow Treasurer, the member for Bateman, there is an opportunity in this place—the Labor Party is in government but certainly this is something we would enthusiastically support—for us to collectively look at how to modernise governance, especially financial governance, within agencies. I do not have the detailed knowledge of either the Treasurer or the shadow Treasurer, because they either have sat or are sitting in the hot seat, but from what I have seen, government agencies are 20 to 30 years behind industry in best practice in a number of areas. It is the very simple things. At least two or three companies down the Terrace have the same size budget and number of employees as government. If we went to those offices and said, "How many employees do you have?", they could look at a screen and there would be a single point measure of the number of employees in that business. It would show the number of permanent and temporary employees and the number of contractors. Most likely those firms could tell us how many employees contractors are employing. They could tell us that instantly because they have modern systems that capture that information. It is my understanding that if we ask that question of government, it would take weeks to find out and we probably would not get an accurate answer in any case because there is no consolidated system. In the same way, those businesses could tell us their profit and loss and cash position on a daily basis because those transactions are managed through a single entity. This has been the case for probably 20 years or so. A number of commercial systems are available, but they all have to be tailored to a business's particular need. As I say, these are not penny-ante firms; they are businesses that are as large as, if not bigger than, government in their number of employees and total budget. This goes a little beyond this, but in my previous life working for a multinational firm, I could never authorise and approve an expenditure and every expenditure I made was approved at least two levels up and reviewed three levels up. These days it is standard practice in all large organisations for a high level of scrutiny, and managers have complete accountability for every expenditure two levels below them. There is at least a monthly review and also very strict accountability for expenditure. On the concept that a person could ever spend outside an authorised amount, they would lose their job in an instant. It is an unconscionable act in any modern business.

I will not go into procurement. The Treasurer and ministers must be getting feedback about the issues with the Department of Health and other areas. Our procurement controls are not strong enough. I will finish on this point: going beyond this bill, another area is capital project management. I am not critical of this government because it inherited a system that we on this side had in place, if you like, when we were in government, but the way that we procure capital projects and the way that we manage the cost of capital projects is almost Keynesian compared with best practice in industry.

I wanted to provide a brief contribution. I certainly support the bill and I believe the outlined measures are sensible. I am keen to make sure that we continue to see KPIs as a matter of course, but they should really reflect the performance of agencies. I encourage the Treasurer, with our full support, to look at those other areas of financial governance that will bring the control of money in the government sector into line with best practice in the private sector.

**MR Z.R.F. KIRKUP (Dawesville)** [12.57 pm]: I will provide a brief contribution on the Financial Legislation Amendment Bill 2020. FLAB is a terrible acronym, but here we are!

The shadow Treasurer has given us quite detailed briefings in our party room. I am very interested to see measures for improved governance arrangements and the like for the government's financial activities. I am increasingly

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interested in the establishment of a parliamentary budget office, which was a Labor Party commitment in 2017. I am curious to see where that is at. The Liberal Party raised the issue a number of times in 2018 and 2019, but it was not supported by the government. Part and parcel of that were the comments made by the Treasurer when he was in opposition. He said that it was required as a resource for the opposition so that it could get some experts on deck, because, of course, part of any improved governance for the alternative government is that it is offered support to make sure that policies are properly resourced and things like that. I do not want to put words in the Treasurer's mouth, but I know that he felt very passionately about it in opposition but not necessarily in government. My contribution is about that and I wanted to put it out there as part of the changes that the government is making with FLAB. I would like to know whether that opportunity is still on the cards or whether it has been put aside entirely because of other priorities. I am keen to get the Treasurer's perspective on that.

**MR S.A. MILLMAN (Mount Lawley)** [12.59 pm]: I also rise to make a contribution to the second reading debate on the Financial Legislation Amendment Bill 2020. I thank opposition members for their contributions. In response to the member for Dawesville's contribution, the member can rest assured that now we have a Labor government in office, transparency and accountability in the financial management of this state is back where it should be. I am glad to see the member for Dawesville returning to his seat!

My contribution today is the third part of a trilogy of contributions that I have made on the question of financial accountability and financial management, mostly to the commendation of this Treasurer. Members might very well remember the first instalment on 16 May 2019. This bill has had a very long germination. The original Financial Management Act was an initiative of a previous Labor government—that is, the Gallop–Carpenter–McGinty Labor government of 2001 to 2008. It was introduced in 2006. As part of that legislation it was mandated that statutory reviews would be required. Part of that review process is the Joint Audit Committee. I have the great privilege of sitting on the Joint Audit Committee with the shadow Treasurer and the member for Armadale, who is the Deputy Chair of that committee. On 16 May 2019, I spoke on the tabling of the Joint Audit Committee's report into the second review of the Financial Management Act. At that stage, I outlined why I thought it was important that we had this Treasurer and this Parliament engaging in their conduct—scrutinising the good financial management of Western Australia. I refer to what the member for Cottesloe said about a future Treasurer with the same ability as our current Treasurer. The only risk is if we have a change in government. The member for Cottesloe can rest assured that we are replete with copious capability on this side of the chamber. Although he will be impossible to replace when he departs this place, the Treasurer will leave the economy and the finances of WA in a great state and I am sure that whoever succeeds him in that role will carry on a commendable job.

**Mr A. Krsticevic:** The member for Armadale might get a chance!

**Mr S.A. MILLMAN:** We bat so deep on this side that it would not matter whether it were the member for Armadale or the member for Swan Hills.

**Mr A. Krsticevic:** Most of your depth is on the back bench, unfortunately!

**Mr S.A. MILLMAN:** We have so much depth!

The second instalment I gave was on 16 October, when I raised for members the importance of the state being in a strong financial position. That was in response to a proposition that had been advanced at that time by the shadow Treasurer. I will quote from *Hansard* to get the motion correct. The member for Bateman moved —

That this house condemns the McGowan Labor government for its failed fiscal policy settings, which are causing ongoing damage to the Western Australian economy, including strongly negative state final demand last financial year.

Obviously, I was compelled to stand and speak on that motion because it was very erroneous. This government, and in particular, this Treasurer, have done everything within their power to make sure that the state's economy and finances are heading in the right direction. International ratings agencies, and organisations such as the Master Builders Association, the Chamber of Commerce and Industry of Western Australia and the Chamber of Minerals and Energy, are commending us for the work we have done because we have put the state in a position to respond to international headwinds. I made those points on 16 October in part 2 of my trilogy on why it is important to have good financial management, not because I had some prescient conception about what might be on the horizon, but because I knew that to put the finances of the state in the best possible position, a Labor government was needed, because only a Labor government would have the necessary discipline, and a Treasurer such as this Treasurer, to stare down those hungry ministers in the Expenditure Review Committee and cabinet, who are desperately coming forward with their begging bowls for more cash, more expenditure, more money down the tube, more debt, more deficit, and more interest on bills. Only a Labor government had the necessary discipline to ensure that the state's finances were on track so that we could tackle unforeseen headwinds. Whenever the state faces an uncertain future, the answer is a Labor government. Labor governments look after every sector of the community. Labor governments are prepared and have the skills and abilities —

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**Mr P.J. Rundle** interjected.

**Mr S.A. MILLMAN:** The member for Roe should feel free to make a contribution when I have finished. I am sure that he has something very worthwhile to contribute to this debate. Otherwise, we can do without interjections.

**Mr D.T. Punch:** That is an assumption!

**Mr S.A. MILLMAN:** I know. I should not make assumptions.

I will return to my point. We have reached part 3 of the trilogy today. Before us we have another innovative legislative reform to deliver transparency and accountability. The problems that we inherited will take a great deal of time to resolve. The member for Cottesloe made an excellent point about the difference between what private enterprise is doing on the Terrace to manage its finances and what we as a state government system is doing. Part of the reason we are so far behind is the eight and a half years we had in the wilderness when members opposite were in power. It was a lost decade. The opportunity to catch up and put in place the right sorts of controls, measures and systems was gone. Thankfully —

**Mr D.C. Nalder:** Will you take an interjection?

**Mr S.A. MILLMAN:** Reluctantly, from you, member for Bateman, because I have already commended you so much during this contribution.

**Mr D.C. Nalder:** Thank you so much. Was the member aware that Treasury analysis of the pre-budget spending of both parties said that if Labor had got in in those previous two years, debt would have been \$1.1 billion higher under a Labor government.

**Mr S.A. MILLMAN:** I accept the member's point, but if Labor had got in in 2008, the state would not have had the profligacy that marked the former government's administration.

**Mr A. Krsticevic** interjected.

**The ACTING SPEAKER:** Member for Carine!

Several members interjected.

**The ACTING SPEAKER:** Members!

**Mr S.A. MILLMAN:** If Labor had got in in 2008, we would not have had Christian Porter as the Treasurer in the state government —

**Mr Z.R.F. Kirkup** interjected.

**The ACTING SPEAKER:** Member for Dawesville!

**Mr A. Krsticevic** interjected.

**The ACTING SPEAKER:** Member for Carine!

**Mr S.A. MILLMAN:** He told everyone it was okay because we could assume a 70¢ GST floor. Then he rushed off to the federal government and did absolutely nothing about it. The assumptions that were built into his budget—the 70 cents in the dollar GST rebate—were shockingly erroneous and, in fact, were, frankly, irresponsible. If the member wants to ask “what if” and compare budget estimates from the Parliament, I can tell him in no uncertain terms that if Labor had been re-elected in 2008, we would not have squandered the mining boom. We would have spent the money sensibly, logically and appropriately. What is my evidence for that proposition? How do I get to say that with such authority, conviction and certainty? When Labor got in in 2017, that is precisely what we did. We had a mature hand on the tiller. Now we have a responsible and unified government, which works hand in glove, and we are best placed to deal with unforeseen headwinds as they come towards us.

I will quickly deal with some of the great work done by the Joint Audit Committee when it conducted its review of the Financial Management Act. That is what has brought us here to today. I commend the report of the Joint Audit Committee and congratulate the members of the committee, including the members for Bateman, North West Central, Armadale and Bickton, along with the members of the Legislative Council who participated in the deliberations of the committee. We did a significant amount of work reviewing the financial management regime of the government of Western Australia and made a number of recommendations.

At the time we made those recommendations, which was in May 2019, we were advised by the Treasurer—I am quoting from the report —

The *Financial Management Act 2006* ... is one of the key Acts that underpin the statutory framework for the financial management of the State of Western Australia. It sets out arrangements for agencies and the administration of appropriations ... The FMA is supported by the Financial Management Regulations 2007 and Treasurer's instructions.

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The introduction of the report states —

- 1.4 In the course of the Committee’s review, the Treasurer advised that the Government is currently drafting an omnibus Financial Legislation Amendment Bill ... to implement:
- ... recommendations from ... March 2014’ report (First Treasury Report)
  - selected recommendations from the previous Committee’s report on the First Treasury Report
  - the Second Treasury Report
  - selected recommendations from the previous Committee’s report on the operation and effectiveness of the *Auditor General Act 2006* (AGA).
- ...
- 1.5 The Treasurer advised the Bill will be drafted while the Committee conducts its review of the Second Treasury Report, with recommendations from this report to be ‘expediently considered and addressed as required.

As a member of Parliament, I found it quite heartening to see that the executive branch was taking seriously the work that the parliamentary committee was doing in that regard. The report made 20 recommendations, only five of which were not supported and 15 of which were either supported, supported in principle or noted. It is great to see that some of the recommendations contained in that report have made it into this legislation, because this is a government that takes its obligations to Parliament seriously. Yesterday, during the debate on the Supply Bill 2020, we heard the Leader of the Opposition and the Leader of the Nationals WA commend and congratulate the government for having consulted with the opposition and the Nationals on the Supply Bill. This government takes its obligations to Parliament seriously. We say that it is a testament to that proposition when a body such as the Joint Audit Committee makes recommendations and those recommendations are incorporated into this legislation.

The member for Cottesloe raised a good point about procurement. The member is very busy with his work on the Economics and Industry Standing Committee; the chair of that committee is a hard taskmaster. I direct his attention to consider in his spare time the most outstanding report prepared for this Parliament by the Public Accounts Committee. I commend the chair and deputy chair —

**Ms J.J. Shaw:** Another hardworking committee.

**Mr S.A. MILLMAN:** I thank the member. It is another hardworking committee with an excellent hardworking chair and deputy chair, the members for Armadale and Bateman.

**Dr A.D. Buti:** We are probably more efficient.

**Mr S.A. MILLMAN:** Very efficient, member; we have been able to read many reports.

I commend that report of the Joint Audit Committee to the member for Cottesloe precisely because of the question the member identified around what to do about capital expenditure. The issue that was identified in the Langoulant inquiry—what we do about capital expenditure—was the subject matter of our inquiry. It is heartening to see that a bipartisan committee has again prepared a unanimous report that has been tabled in this Parliament with a number of recommendations that have been picked up by the government. As I say, this government is focused on good financial management and restoring the state of the economy. Procurement is about not only obtaining best value for money, but also providing the greatest contribution to society—that is, how we make sure that we are using the power, leverage and size of government to achieve the most beneficial and utilitarian outcomes.

Opposition members raised good points, and they can be rest assured that all those concerns have been answered, all their fears alleviated and all those issues addressed because we have a responsible Labor government with an outstanding Treasurer who is doing the hard work of making sure that the financials are in good shape, the accountability to Parliament is clear and the appropriate governance and transparency regimes are in place. I commend the bill.

**DR A.D. BUTI (Armadale)** [1.14 pm]: It is not always good to follow the member for Mount Lawley, because on this occasion I could just say, “Ditto.” I will try to change some of the focus of my contribution to the Financial Legislation Amendment Bill 2020.

The members for Bateman, Mount Lawley and I serve on two committees that are relevant to the bill before us. The member for Bateman interjected on the member for Mount Lawley and asked what the situation would have been if Labor had won the 2008 election. The Treasurer would have been Eric Ripper. Say no more. He is one of the greatest Treasurers, along with the current Treasurer who has just walked into the chamber! That is what the difference would have been if Labor had won. Treasury analysed the election policies going into that election. The fact is that we would have continued with a Treasurer who I think even members opposite admit was a very good Treasurer. However, what happened? Labor lost the election and we had seven Treasurers in the space of eight and a half years, including the then Premier who acted as Treasurer for a time. As the member for Dawesville knows,

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that Treasurer did not have a firm grip on the finances and did not really care. Mr Langoulant used to tear his hair out trying to rein in the spending temptations of the then Minister for Education. The former Premier had many strengths—there is no doubt about it—but financial management was not one of them. If Labor had won in 2008, Eric Ripper would have continued to be the Treasurer and the finances would have been in a better state than we inherited them in 2017. The Liberal–National government won that election —

**Mr Z.R.F. Kirkup:** Thank God.

**Dr A.D. BUTI:** I do not think so, because when the good citizens of Western Australia decided that they had had enough of that government, we won in 2017 with the greatest landslide in the history of Western Australia. The mess that the current Treasurer took over was enormous and he has done a sterling job. A person with less capacity and ability than the current Treasurer would not have lasted even one year. This Treasurer has had to deal with the mess the former government left us in and he has done a sterling job but I think he has said, “Enough is enough. I’ve got the state back into good financial shape.” If the current Treasurer had been as capable as the former seven Treasurers, he would not have lasted another year into the new term.

In case I do not have another opportunity to do so this year, because we do not know what will happen, I would like to put on the record my appreciation for and admiration of the current Treasurer. I have to say that I am incredibly sad that he is leaving this chamber, and I think many people on both sides of the house and the staff would also agree. I thank the Treasurer for his outstanding efforts and contribution as a parliamentarian, as the member for Victoria Park and particularly as Treasurer and for his outstanding parliamentary performances. Very few people could have provided the same entertainment and insightful analysis or cut through the opposition and also cut through to the public to ensure that the message got out there. More importantly, he is just a damn good Treasurer, and that was what was needed when we came to power in 2017. While I am at it, members know that the member for Victoria Park has held a few portfolios. The other portfolio that I consider significant, obviously not in the financial sense of the state, is his role as Minister for Aboriginal Affairs. His is a unique situation because of his background and experiences. He has done an incredible job as Minister for Aboriginal Affairs. As the member for Mount Lawley said, there is a lot of talent on this side and someone will have the technical ability to maintain the job as Treasurer. However, I think it will be very hard to replace the member for Victoria Park as the Minister for Aboriginal Affairs.

Several members interjected.

**Dr A.D. BUTI:** Thank you very much, Treasurer.

**The ACTING SPEAKER:** Member for Armadale, the Treasurer pointed out that there is still 15 minutes to go.

Several members interjected.

**Dr A.D. BUTI:** I hope I have more time. Maybe I will write an op-ed about it. While I am at it, I would like to put on record my admiration also for the other retiring members of the house, because I may not have this chance again. On the other side, of course, is the member for Riverton, who served time as Treasurer, and the member for South Perth, who both have made important contributions to this Parliament and to the previous Parliament. Obviously, the member for Riverton was a minister in the previous government and, of course, was Treasurer with a Premier who did not really have a firm grip on the finances, so it was a lot more difficult. The current Treasurer has been fortunate because besides his outstanding ability and capacity, this Premier has taken very seriously the economic and financial situation of the state. Unfortunately, when the member for Riverton was Treasurer, he was dealing with a Premier who I do not think allowed him to do the job that he maybe could have done in that role. I would like to thank him for his role as a member of this Parliament and to thank the member for South Perth, who many of us believe should be on this side of the chamber. His role, particularly during the inquiry into voluntary assisted dying and the debate on the legislation, has, I think, been respected by all sides. He is a very, very nice chap. Who else is leaving?

**Ms J.M. Freeman:** The Speaker.

**Dr A.D. BUTI:** Member for Nedlands, you are not retiring, are you?

**Mr W.R. Marmion:** No way; I’m too young.

**Dr A.D. BUTI:** I did not think you were.

Several members interjected.

**Dr A.D. BUTI:** There you go. Can I mention the Speaker, the member for Albany, also a former 1 500-metre Olympic runner in the 1968 Mexico Olympics, held in high altitude, who has made a great contribution to Parliament, and particularly his electorate of Albany since being elected in 2001. He, of course, achieved hero status for turning the tide in 2013 during a very difficult election for Labor candidates. I think members of this house on the Labor side, who had to fight the 2013 election, found it to be a very difficult election. There was an overall swing against us, but the member for Albany had a swing towards him. He is one of the great local members of Parliament, and

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newer members could learn a lot from studying the way he engages with his local community. Also, there is the Minister for Sport and Recreation; Seniors and Ageing; Volunteering, the member for Collie–Preston. Collie is my birth place. As I keep telling the member, he is not really —

**Mr D.T. Punch** interjected.

**Dr A.D. BUTI:** The member for Bunbury went to Collie Senior High School.

I tell him he is not really a Collie person because he was not born in Collie. I spent the first nine years of my life in Collie. However, I know that the member has been an outstanding member for his local electorate and has done an outstanding job as a minister. As a backbencher in government, I know he is a minister who engages with the backbench really well. I want to put on record my support for him.

I will get back to the bill. What is the bill? Yes; it is the Financial Legislation Amendment Bill 2020. As the member for Mount Lawley mentioned, some of us in this house are familiar with the Financial Management Act because, as part of the Joint Audit Committee, which includes all the members of the Public Accounts Committee of this house, we have been engaged in looking into the Financial Management Act. As the member for Mount Lawley mentioned, we tabled a report in May 2019. As has been mentioned by others, the Financial Management Act is an incredibly important act, and one of the key acts in the financial management framework for the state. It is very important legislation for the Treasurer and the overall operation of the executive in the financial management of the state and the arrangements it sets out for agencies and the administration of appropriations. The member for Mount Lawley mentioned that in the course of our review, the Treasurer advised that the government was drafting a bill, and that is the bill before the house today. In bringing this bill before the house, the government and the Treasurer looked at the first and second Treasury reports in light of the statutory review. There is a statutory requirement to review the Financial Management Act. One was done in 2012 and one in 2017. The requirement is also to look at the previous Joint Audit Committee's report on the first Treasury report and the recommendations of the previous committee's report on the operations of the Auditor General Act 2006.

When we tabled our report in May last year, we made a total of 20 recommendations. As the member for Mount Lawley mentioned, 15 of those were supported or noted by the government. It is pleasing that the Joint Audit Committee, a committee I am sure I speak as one on, is one that the PAC members love being on. We really enjoy the meetings. I think the member from Bateman would agree that we would prefer to have more meetings of the Joint Audit Committee, but this is probably not the year that we would like to have more meetings. We might recommend that future Joint Audit Committees hold more meetings. It might be a good idea because we produce outstanding reports. Hopefully, because of the outstanding work we have done, we will not need to meet too often this year. I dearly hope that will not be the case because as the Public Accounts Committee, we have important business to deal with.

We made 20 recommendations, and, as I said, 15 were supported or noted by the government. Some were quite basic. One was that the Financial Management Act 2006 should be retained. Is that what we said about the Joint Audit Committee? I will not go into that at this stage. However, the Financial Management Act should be retained and, obviously, the government is very supportive of that because it is important legislation. As I said, it underpins the statutory framework of the financial management of Western Australia and the spending of agencies' appropriations, which is incredibly important. We also said that it should be reviewed every 10 years, and that was supported by the government in its response to our report. It also said —

The Government notes the Committee's observation on the implications for how often the Office of the Auditor General is subject to a performance audit. This is addressed further at the response to Recommendation 19 below.

The Joint Audit Committee also stated in recommendation 3 —

The Treasurer not proceed with proposed amendments to the Financial Management Act 2006 to provide for an automatic appropriation for spending authorised under section 27(1) and section 27(2) of the Financial Management Act 2006.

The government did not support that recommendation and set out a number of reasons why that was the case. The government said that it understood our concerns about ensuring that there was sufficient scope for Parliament to provide approval of any government spending. The government said also —

The Government acknowledges that Appropriation Supplementary Bills do provide an opportunity for Parliament to scrutinise a Government's spending policies, activity and financial management. However, the passage of the Supplementary Bills through Parliament can be a very lengthy process, even though the expenditure has already occurred and been reported through the Annual Report on State Finances.

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Of course yesterday, the Supply Bill received bipartisan approval. We live in different times at the moment, so it was very good to have bipartisan support for measures that are necessary for the proper management and governing of the state of Western Australia in the situation we find ourselves in.

The government did not support recommendation 4, which states —

The Treasurer amend the *Financial Management Act 2006* to require the Appropriation Supplementary Bills for the previous year be assented to before future Appropriation Bills are assented to.

The government said that it was not convinced that this recommendation should be approved. The government agreed with the overlying objective of the committee's recommendation 5, which states —

The Treasurer amend the *Financial Management Act 2006* to require an agency to disclose in its annual report when the responsible Minister has issued directions on draft estimates if agreement is not reached within the specified timeframe.

As I said, a number of other recommendations go to the Financial Management Act. One recommendation that I thought was interesting states —

The Treasurer amend the *Financial Management Act 2006* to require an agency to disclose in its annual report a breach of expense limits.

I think the member for Cottesloe said that when a private business overspends or spends beyond its authorisation, it can have particular consequences. The government's response to that recommendation states —

The underlying objective of the Committee's recommendation is supported.

The Government does not consider it necessary to amend the FMA to explicitly require a breach of an approved expense limit be disclosed in an agency's annual report.

The FMA already requires an agency to include in its annual report a report on the extent to which the agency achieved any objective described in its resource agreement.

As members can see, the FMA is all about ensuring that the executive and particularly the Treasurer have a legal regime to ensure that agencies comply with their spending requirements and the administration of appropriations, which is very important.

[Member's time extended.]

**Dr A.D. BUTI:** When the Treasurer came into office in 2017 and looked at the diabolical state of the finances left to us by the previous government, one of his jobs was to ensure that not only was he and his ministers disciplined in the policies that they brought forward, but also the agencies behaved in a way that was consistent with the financial objectives of the state. One needs to have a regulatory mechanism for doing that, part of which is carried out under the Financial Management Act. It is a very important act, so the bill before us that amends sections of that act is also very important. Recommendation 7 states —

The Treasurer include a complete list of agencies that breach their expense limit in the Annual Report on State Finances.

That is supported by the government. It is always important to have proper transparency in the financial operations of the agencies. There is no doubt that transparency is at the forefront and agencies are going to be more motivated to ensure that they stay within their expense limit. The committee also made other recommendations that the government supported. Recommendation 13 states —

The Treasurer should examine whether consolidating financial management legislation would improve the financial management framework of Western Australia.

The government supported that recommendation in principle and said in its response —

The Government is currently implementing a suite of public sector reforms, including financial management reform and the Government Trading Enterprises ... reform program.

Government trading enterprises came up in the committee's inquiry on contract management within the public service. The Public Accounts Committee has, in just over the three years of this Parliament, tabled two unanimous reports: one on Perth Children's Hospital and the other on contract management in the public sector. I want to talk about that briefly. It is okay to have a regulatory framework for the financial management of the state of Western Australia, the financial arrangements for agencies and the administration of appropriations. But we found that parts of the public sector's contract management performance did cause some concern, as the Perth Children's Hospital project underlined. If contracts—major capital works and infrastructure projects—are not managed in an appropriate way, that is the easiest way for the financial management of the state to become uncontrollable. As we



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know, there was a major overrun in the budget for Perth Children's Hospital. Of course, probably the biggest worry for the Treasurer is that the operational cost or the cost of just servicing the public sector is potentially growing. That was one of the problems under the previous government. Members on the other side can rightly say that some infrastructure projects under the previous government such as the stadium —

**Mr Z.R.F. Kirkup:** What about all the hospitals? We were lucky to build all those hospitals.

**Dr A.D. BUTI:** I am not disputing that. Some important things were built but the operational cost or the cost of running public services was getting out of control. One can always make an argument about how infrastructure is an investment into the future and will improve the efficiency of providing services and goods to the people of Western Australia. But from my discussions with ministers and the Treasurer, I know that the Treasurer, with the support of the Premier, ensured that the ministers were very disciplined in the programs that they put forward to the Treasurer. I assume that the Treasurer had to say no a lot of the time, but it is interesting to note that he still remains pretty popular with his ministers. There is no doubt that a Treasurer is going to disappoint his ministers because each minister has in their portfolio their pet projects and the things that they are passionate about. All of them are very important. It would be fantastic if they could all be supported, but that is not always possible. It was through the discipline and the professionalism of the Treasurer, the Expenditure Review Committee and the leadership of the Premier that ministers knew they had to follow strict financial discipline in the administration of their portfolio. The Liberal Party can only wish it had ministers of the calibre of the current Treasurer and those in the cabinet. It had eight and a half years in government during an incredible economic boom—a boom that we had not seen since the 1890s—and it unbelievably squandered it.

**Mr Z.R.F. Kirkup:** What hospitals would you not have built? What schools would you not have built?

**Dr A.D. BUTI:** This is not an issue about what hospitals we would not have built. The point is that members opposite were in government. They were the ones who had to make the choices and, as they know from basic economics — Several opposition members interjected.

**The ACTING SPEAKER:** Members!

**Mr A. Krsticevic** interjected.

**The ACTING SPEAKER:** That includes you, member for Carine.

**Dr A.D. BUTI:** — there is always unlimited demand and limited resources. That is the basis of economics: one has to make choices. During the previous government's eight and a half years, it would not make the choices.

**Mr A. Krsticevic** interjected.

**The ACTING SPEAKER:** Member for Carine! I call you to order.

**Dr A.D. BUTI:** Members opposite did not have the discipline from the top—from the then Premier and then the seven Treasurers and his ministers —

**Mr S.K. L'Estrange:** Name them!

**The ACTING SPEAKER:** Member for Churchlands!

**Dr A.D. BUTI:** I cannot remember all the Treasurers. Every time I turned around, there was a new Treasurer! The member can name his Treasurers.

**Mr S.K. L'Estrange** interjected.

**The ACTING SPEAKER:** Member for Churchlands! I call you to order for the first time.

**Dr A.D. BUTI:** The member would not want to name his Treasurers, but I can name the two last Labor Treasurers: Hon Eric Ripper and Hon Ben Wyatt. They are the two Treasurers we have had in our last 11 years of government. That is very easy, member for Carine. It is very easy to name the Labor Treasurers; it is not as easy to name the seven failed Treasurers from when the opposition was in government, and they would not want to be named. As I said, the member for Riverton could have been a good Treasurer, but, unfortunately, he was dealing with a Premier who did not believe in financial discipline. Members opposite all know that; they might carry on in the chamber, but they all know that. They know very well that the former Premier had a history, as Minister for Education and then as Premier, of not being concerned about the financial management of the state. Remember, he did not believe in forward estimates—forward estimates were just a game!

In conclusion, we have a government that has shown great financial discipline and the legislation before us will fine-tune the state's financial management framework. Once again, I congratulate the outstanding Treasurer, and I wish he were here for the next term of government and many terms after that. Thank you very much, Treasurer.

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**MS J.M. FREEMAN (Mirrabooka)** [1.40 pm]: I, too, rise to speak on the Financial Legislation Amendment Bill 2020. As I stand here today to debate this legislation, I note that the Western Australian Labor government's good financial management has enabled it to deal with unforeseen headwinds. I think that was a comment from my colleague the member for Mount Lawley. It is true that we are currently dealing with unforeseen headwinds, but because of that good financial management, the WA Labor government, and this Treasurer, has been able to inject \$607 million to support WA households and small businesses.

That is really important to the people of Mirrabooka. The freeze on household fees and charges—that is, the entire household basket of electricity, water and motor vehicle charges; the emergency services levy; and public transport fees—until at least 1 July 2021 will benefit many in the Mirrabooka community. I acknowledge the economic management of this government and of this Treasurer that has ensured the budget can endure the \$402 million impact that this will make. I also applaud them for the energy assistance payments, which will be doubled to support vulnerable Western Australians, including pensioners; the \$114 million in additional measures to support small business; the one-off grant of \$17 500 that small businesses will receive; the \$1 million threshold for payroll tax being brought forward by six months to 1 July 2020; and that businesses impacted by COVID-19 can defer payroll tax payments until 21 July 2020. This builds on the \$760 million of funding announced in the past few months to stimulate the economy, part of which is the great program for maintenance at schools in our electorates throughout the state. Certainly, schools in the Mirrabooka electorate, particularly Balga Senior High School, which celebrates its fiftieth anniversary this year, has embraced and is really very thankful for that program, because as it enters its fiftieth year—like many of us who are 50—there is a bit of maintenance to be done. The school will absolutely benefit from that program and so will our local economy.

I, like the member for Armadale, want to congratulate the Treasurer on the announcement of his retirement. Sitting in the chamber behind the Treasurer, I get to see his capacity to take on questions and clearly and concisely, with great humour, explain the state's capacity and economic management. It has been a real pleasure to sit behind the Treasurer. I also want to congratulate him for being a very approachable Treasurer and minister. The Treasurer will know that I have made a couple of grievances to him. He has always been really open to those grievances, especially considering I have never wanted to talk to the back of his head, and have always gone down to the table, which can be a bit unnerving for ministers. I also take this opportunity, like the member for Armadale—just in case—to congratulate the other retiring members of this house. I think I will have other opportunities to do that. I think the management of COVID-19 will ensure that we are able to continue to operate Parliament and govern this state well. People can be proud of not only the financial stimulus that has occurred to enable us to deal with this virus, but also the health and public safety response that has occurred. We really have great leadership. I am certainly getting that feedback from many in the community.

This bill brings in measures that increase governance and accountability. It is interesting that this bill has obviously been some time coming and that there have been many reviews. It will add value to how we already operate. A number of statutory reviews in 2012 and in 2017 were the genesis of this bill. That sort of governance and accountability is now a requirement for many of the not-for-profit and non-government organisations in our community that are delivering services, particularly at this time, to the vulnerable in our community. They are on the front line reassuring people. I was speaking to people at Sudbury Community House only a few days ago. It remains open and responsive to the community. Obviously, people are acting with great safety and good hygiene protocols. In this stormy environment with so much uncertainty, being able to rely on those not-for-profit and non-government organisations is vital. We know that organisations have now increased their governance and accountability, particularly due to the changes in the Associations Incorporation and Charitable Collections Acts. Many organisations now have to have governance duties that are akin to those required by corporations to operate. In doing so, it places a great responsibility on many volunteer boards of management. They have to be able to do that in a clear, accountable and transparent manner, but they are doing it usually as volunteers, with a great commitment to delivering to the community. As we go through any debate about financial management, we must recognise the importance of those not for profits and NGOs and the additional responsibilities that have been placed upon them in their governance and the accountability duties that they are dealing with. We seek to be able to support them at this time as well.

In Mirrabooka, with an unemployment rate of 21 per cent, the impact of the COVID-19 virus on those who work in the hospitality sector and in building and construction will be significant. It is really somewhat concerning to me. I must say that it probably gives me some anxiety that people in my community will really do it tough during this period. They already do things tough. It is a low socioeconomic area and people have health issues. We are about to go into a time when people will be really challenged. From all accounts, the community is pulling together. Only recently have the crazy shopping behaviours come to Mirrabooka. It seemed to be pretty calm in and around the Mirrabooka shops, but for some reason, more so than the virus, that has been the major contagion of that behaviour

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of not working together as a community and hoarding. I say to the people of Mirrabooka: at this time, continue to work together and continue to be the caring and compassionate community that I know that you are.

I am really thankful that the good financial management of this government has enabled the injection of well-needed funds into our local communities, and I outlined those previously. Later on, I will talk about how we might continue to address that through our financial management.

Financial governance is really like a duty of care. It is something that we all think is inherent in how we operate on a day-to-day basis, but some people have different understandings of that. Financial governance wants an organisation and every person in it to act reasonably, inform themselves and understand their decisions and spending. This financial legislation will give the clarity, transparency and capacity to do that, so that people making these decisions can do so in that framework of duty of care and acting reasonably. The principles of governance also refer to acting in good faith—always in the interests of organisations and always managing conflicts. The member for Armadale talked about this. There is always unlimited demand and limited resources, and there is always the capacity to misuse our position so some people in the community are advantaged while others are not. It is obviously about using information appropriately and promptly. I understand that by increasing accountability and robust budgetary controls that this financial legislation will feed into those major principles. It is about doing that in a manner that is much more codified and capable, but not restrictive. One of our greatest duties in organisations, and government is no different, is ensuring that our assets exceed our liabilities and that we do not spend more than has been budgeted for. Ensuring that agencies do not spend beyond what they have approval to do is a major central requirement of this bill. That must also be about what is fair and reasonable when entering into contracts and payments for services. We often have an expectation about the contracts and payments for services that we do outside of agencies, and we need to ensure that the liabilities that the agency, not-for-profit or non-government organisation incurs by delivering services of government do not exceed what is being paid for them. I think that is a good governance principle to consider when procuring services.

This bill will ensure that budget management and controls identify a process to highlight when an agency is experiencing financial difficulty. That is a really important aspect. It is somewhat surprising that it has taken us until 2020 to put it into a bill. I understand that the accountable authority will be required to notify the minister and, in consultation with the Treasurer, a course of action can be established so financial obligations can be met. The member for Cottesloe outlined that this is probably very much a part of the environment and operating requirements of the corporate governance of many companies throughout Australia. They have a real responsibility through the ASX and other entities, because they deal with people's investments and thus must ensure that they are operating appropriately.

In times of uncertainty such as the one we find ourselves in now, this capacity to know our financial position and to remediate to operate within approved expense limits is very important. There is so much demand on our agencies at the moment that we need capacity for clear processes and guidelines, especially once we have come through this COVID-19 situation and we have all taken a deep breath—excuse the pun! We have to make sure that our agencies operate efficiently and effectively and that they are on course to ensuring that we do not just go back to business as usual. We need to know their financial position at that point in time and make adjustments, and we can do that in a transparent and obvious manner that takes into account deficiencies that have occurred because of this time of uncertainty.

The bill enables modifications to resource agreements. I did not know what a resource agreement was until I read this bill! I note that resource agreements are for agencies such as the Department of Jobs, Tourism, Science and Innovation and the Department of Education. I assume that is like an agreement from Treasury with those big departments that take such a big part of our budget for their operation. I am happy for the Treasurer to expand on that and give me a greater understanding of resource agreements. This bill will enable modifications to those agreements to ensure that they are dynamic documents, and I am interested to know how this would operate in the situation we are dealing with now, with the various critical demands on agencies, to ensure the safety of our community and its broader capacity and wellbeing. We do not just want our communities to be safe; we want to ensure our communities' wellbeing throughout this situation and for people to feel secure. I say this all the time, but I am very fortunate to be in an area where 62 per cent of the population is born overseas and 54 per cent speaks a language other than English at home. When we compare that with the fact that only 32 per cent of the population of the whole of Western Australia is born overseas, it is a large group of people. They have trust in our health and government system. They feel that we will endure through this and that we have the resilience. We do have the resilience. I would be interested to know how this bill enables that resilience and the capacity for modification.

I note that supplementary expenditure that arises in the budget year will be dealt with as a standing automatic appropriation that will be outlined in the annual report. It would be interesting for the Treasurer to outline how that will look in the annual report so we get some understanding about transparency. What I am really interested in is that in Mirrabooka, as outlined previously, unemployment levels are a major concern, being at 21 per cent.

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[Member's time extended.]

**Ms J.M. FREEMAN:** I am interested in the capacity of the resource agreement to be modified to address some programs such as the Kaleidoscope Mentoring Program. The Treasurer would have heard me speaking about that award-winning project that delivers an employment program to the people of Mirrabooka. It is a mentoring program, but it also assists newly arrived Australians to familiarise themselves with the Australian workforce and to champion their capacity to gain employment in their chosen area of expertise. That was seed funded by the state government. It has been an absolutely successful program. It was based on the Toronto immigrant employment program, and it recently won a local government award, because the City of Stirling delivers that program and is really a part of it. In this time of unemployment and uncertainty, funding for that program from the state government has ceased. The program gained federal funding, but that funding has also ceased. It would be great to know how we could assist with funding in that area through those modifications.

Sound budget management practice will also ensure the ability to identify additional capacity to spend in areas of need, to meet the demands on agencies at this time. Financial targets under the Government Financial Responsibility Act will need to be met. Of course, agencies will need prior funding approval before officers commit to expenditure. The documentation of policy and procedures should reduce red tape as well. This bill is about authority and financial efficiency, but I understand that it will also provide transparency, integrity and flexibility. My understanding is that this legislation enables a noses in, fingers out approach to information for ministers and the boards of government enterprises, to enable transparency of spending and how it is trending to meet the budget priorities set for the agencies. Having had experience on the board of a government agency at WorkCover WA, I know that the process of setting budgets is quite expansive and deep. However, the ongoing management of expenditure is important in meeting that budget and ensuring that the agency acts efficiently and effectively to meet the requirements of its stakeholders. I am sure that these reforms will be welcome.

Good governance feeds into good policy and good strategy, and good strategy, implemented by a clear delegation of authority and feedback loops, is really important. That is what this bill does. It sets the rules and systems —

Debate interrupted, pursuant to standing orders.

[Continued on page 1595.]