



THIRTY-SEVENTH PARLIAMENT

REPORT 1

**STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS**

**LEGISLATIVE COUNCIL FINANCIAL PROCESSES
AND PROCEDURES**

Presented by Hon Giz Watson MLC (Chairperson)

October 2005

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

Date first appointed:

June 30 2005

Terms of Reference:

The following is an extract from Schedule 1 of the Legislative Council Standing Orders:

“2. Standing Committee on Estimates and Financial Operations

2.1 *An Estimates and Financial Operations Committee* is established.

2.2 The Committee consists of 5 Members, 3 of whom shall be non-government Members.

2.3 The functions of the Committee are to consider and report on -

- (a) the estimates of expenditure laid before the Council each year;
- (b) any matter relating to the financial administration of the State;
- (c) any bill or other matter relating to the foregoing functions referred by the House;
- (d) to consult regularly with the Auditor General and any person holding an office of a like character.

Members as at the time of this inquiry:

Hon Giz Watson MLC (Chairman)

Hon Nigel Hallett MLC

Hon Shelley Archer MLC

Hon Ken Travers MLC

Hon Anthony Fels MLC

Staff as at the time of this inquiry:

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REPORT OF THE STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

IN RELATION TO THE

LEGISLATIVE COUNCIL FINANCIAL PROCESSES AND PROCEDURES

1 INTRODUCTION

- 1.1 In light of recent events, the Estimates and Financial Operations Committee (**Committee**) undertook to satisfy itself that the Department of the Legislative Council (**Department**) had in place proper financial processes and procedures and that these processes are adequate to ensure the integrity of the Legislative Council.
- 1.2 On October 10 2005 Mr Malcolm Peacock, Acting Clerk of the Legislative Council provided a briefing to the Committee.

2 REVIEW AND AUDIT OF THE DEPARTMENT OF THE LEGISLATIVE COUNCIL

- 2.1 The Acting Clerk and President requested that a full audit and review of the Department structure be undertaken by the Auditor General on July 18 2005. The Auditor General is expected to report shortly.

3 MANAGEMENT CHANGES

- 3.1 The Acting Clerk advised the Committee that the current processes and policies of the Legislative Council are being reviewed by the Department. A number of new initiatives, policies and procedures have been implemented to ensure the integrity of the Legislative Council.
- 3.2 In particular, a number of changes have been made to the management structure of the Department to ensure that greater accountability exists.

Financial Managers

- 3.3 In order to provide greater transparency and accountability the Clerk Assistant (House), the Executive Officer (Committees), and the Personal Assistant to the President have been appointed as the Financial Managers for the House, its Committees and the President's Office respectively. The Financial Managers are responsible for:
- a) incurring all accounts, prior to certification by the Accountable Officer under the *Financial Administration and Audit Act 1985*; and

- b) monitoring and reviewing their budgets and providing regular reports to the Accountable Officer.

3.4 The Committee notes that no one person alone can incur and certify an account.

Policy for the appointment of consultants

3.5 A policy has been adopted by the Department for the appointment of consultants which requires a panel of three to consider any appointments. The panel's recommendation is forwarded to the Clerk for approval.

Financial accountability

3.6 To ensure that there is proper financial accountability, an Executive Management Team and a Financial and Risk Management Team have been established.

3.7 The role of the Executive Management Team will include:

- the provision of leadership and ensuring effective management, coordination and performance of the Department;
- consideration of reports from each management team leader;
- oversight of the development and implementation of the management plans, Departmental and parliamentary policies and procedures, management information systems and controls; and
- the review and a recommendation to the President of the annual budget for the Department.

3.8 The role of the Financial and Risk Management Team will include:

- the monitoring of financial performance and the budget review process;
- the monitoring and review of the internal audit function;
- liaison with the Auditor General's Office regarding external audit activities;
- the coordination and promotion of a risk management culture; and
- the establishment of mechanisms to monitor the Department's legal compliance obligations.

Corporate governance strategy

- 3.9 A corporate governance strategy has been prepared that incorporates a number of dimensions, including management structure, management systems and management standards.

Key Performance Indicators /Corporate Outcomes

- 3.10 The Department will establish 'Key Performance Indicators'/'Corporate Outcomes'. These will provide an overview of the critical or material aspects of service provision and achievements, including matters pursuant to the *Financial Administration and Audit Act 1985*.

Management Plan

- 3.11 The Department will prepare a Management Plan for 2006.

Other

- 3.12 The Acting Clerk has advised that the Department is working closely with the Finance Manager to implement other financial policies for the Department.
- 3.13 The Acting Clerk also advised that the Department is currently reviewing government policies and where appropriate the Department will adopt and implement modified policies.
- 3.14 To further increase openness and accountability the Department is proposing to prepare an annual report.

4 DEPARTMENT OF THE LEGISLATIVE COUNCIL BUDGET

- 4.1 Recent events aside, the Committee notes that the Department has been under enormous financial pressures. The Acting Clerk advised that the Department has been working closely with Treasury Officials to identify and foster an appreciation for the financial problems of the Department. The Acting Clerk advised that this process has increased the accountability of the Department and has resulted in additional funding being provided.

5 COMMITTEE COMMENT

- 5.1 The Committee notes that the Auditor General is undertaking an audit and review of the Department and is reassured that any recommendations made will be addressed by the Department.
- 5.2 The Committee notes the advice of the Acting Clerk that the Department has reviewed the financial processes and procedures of the Department and has put into place a number of initiatives that increase the accountability of the Department. The

Committee also notes that it is intended to implement further initiatives to further increase accountability.

- 5.3 The Committee is satisfied that actions have been, and are being, taken to address any issues that have arisen and that the processes and procedures are adequate to ensure the integrity of the Legislative Council.
- 5.4 It is the Committee's intention to review the implementation of the new accountability measures of the Department within the next 12 months.



**Hon Giz Watson MLC
Chairperson**

Date: October 20 2005