



PUBLIC ACCOUNTS COMMITTEE

ANNUAL REPORT 2005-2006

Report No. 5

in the 37th Parliament

2006

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Public Accounts Committee

Annual Report 2005-2006

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ANNUAL REPORT 2005-2006

Report No. 5

Presented by:

Mr J.R. Quigley, MLA

Laid on the Table of the Legislative Assembly
on Thursday 26 October 2006

COMMITTEE MEMBERS

Chairman	Mr J.R. Quigley, MLA Member for Mindarie
Deputy Chairman	Mr N.R. Marlborough, MLA Member for Peel (until 3.2.2006)
	Dr S.C. Thomas, MLA Member for Capel
Members	Mr A.D. McRae, MLA Member for Riverton (until 5.4.2006)
	Mr D.T. Redman, MLA Member for Stirling
	Mr P.B. Watson, MLA Member for Albany (from 8.3.2006)
	Mr B.S Wyatt, MLA Member for Victoria Park (from 5.4.2006)

COMMITTEE STAFF

Principal Research Officer	Ms Liz Kerr
Research Officer	Mr Simon Kennedy (until 2.12.2005) Ms Nicole Burgess (from 21.11.2005)

COMMITTEE ADDRESS

Public Accounts Committee
Legislative Assembly
Parliament House
Harvest Terrace
PERTH WA 6000

Tel: (08) 9222 7494
Fax: (08) 9222 7804
Email: lapac@parliament.wa.gov.au
Website: www.parliament.wa.gov.au

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COMMITTEE'S FUNCTIONS AND POWERS

The Public Accounts Committee inquires into and reports to the Legislative Assembly on any proposal, matter or thing it considers necessary, connected with the receipt and expenditure of public moneys, including moneys allocated under the annual Appropriation bills and Loan Fund. Standing Order 285 of the Legislative Assembly states that:

The Committee may -

- 1 Examine the financial affairs and accounts of government agencies of the State which includes any statutory board, commission, authority, committee, or trust established or appointed pursuant to any rule, regulation, by-law, order, order in Council, proclamation, ministerial direction or any other like means.
- 2 Inquire into and report to the Assembly on any question which -
 - (a) it deems necessary to investigate;
 - (b) is referred to it by resolution of the Assembly;
 - (c) is referred to it by a Minister; or
 - (d) is referred to it by the Auditor General.
- 3 Consider any papers on public expenditure presented to the Assembly and such of the expenditure as it sees fit to examine.
- 4 Consider whether the objectives of public expenditure are being achieved, or may be achieved more economically.

CHAIRMAN'S FOREWORD

I am pleased to present the second annual report of the Public Accounts Committee (the Committee) in the 37th Parliament. The Committee has had a productive year, commencing an Inquiry into Local Government Accountability in Western Australia in August 2005 and completing a review of the Financial Management Bill 2005 and the Auditor General Bill 2005 on 6 April 2006.

Over the reporting period, the Committee has maintained its commitment to ensure that public funds are expended efficiently and effectively. In this regard the Committee has continued to build on the good work of the Auditor General's public sector performance examinations by following up with Government agencies as they respond to the recommendations contained in those reports. It is the intention of the Committee to produce a consolidated report of its follow-up of the Auditor General's work before the end of the 2006 Parliamentary session.

I would like to thank my fellow members for their individual and collective input to the work of the Committee. It is my firm belief that the way in which all members have approached the work of the Committee has afforded this House the opportunity for input into matters of significant interest to the State. In particular I thank the Deputy Chairman Dr Steve Thomas and the Member for Stirling, Mr Terry Redman, who have been with this Committee from the commencement of this Parliamentary term. During the course of this year the Committee bid farewell to Hon Norm Marlborough and Hon Tony McRae, who I thank for their contribution to the work of the Committee and wish them well in their Ministerial careers. The Committee was fortunate to welcome Mr Peter Watson and Mr Ben Wyatt as replacement members, both of whom have demonstrated a willingness to engage in the sometimes arduous work of the Committee.

Finally, on behalf of the Committee I thank the staff for their support - the Principal Research Officer, Ms Liz Kerr, the current Research Officer, Ms Nicole Burgess and the previous Research Officer Mr Simon Kennedy,

I commend this report to the House.

MR J.R. QUIGLEY, MLA
CHAIRMAN

CHAPTER 1 COMMITTEE ACTIVITIES

1.1 Introduction

The key role of the Public Accounts Committee is to assess the efficiency and effectiveness of Government financial management.

During the course of this reporting period (Table 1.1), the Committee:

- Conducted two inquiries;
- Held 23 deliberative meetings;
- Has taken evidence from/or was briefed by 38 persons;
- Undertook investigative travel to Queensland; New South Wales; and Victoria;
- Attended two conferences;
- Hosted a Treasury information session on State Budget Estimates for all members of Parliament on Wednesday 17 May 2006; and
- Hosted a briefing by Members of the Institute of Chartered Accountants in Australia on understanding Public Sector Annual Reports and financial statements on the 29 June 2006.

Table 1.1

Summary of activities of the Public Accounts Committee, 1 July 2005 - 30 June 2006

Description	Activity
Briefings	6
Deliberative meetings	23
Formal evidence hearings	7
Witnesses appearing	22
Reports tabled	2
Report findings tabled	6
Report recommendations tabled	7

1.2 Public Hearings

Pursuant to Assembly Standing Order 264, the Committee has power to send for persons, papers and records. During the period 1 July 2005 - 30 June 2006, the Committee conducted seven public hearings, taking evidence from 22 witnesses to assist with its investigations (Table 1.2).

Table 1.2

Public Hearings of the Public Accounts Committee, 1 July 2005 - 30 June 2006

Date	Witness	Position	Organisation
16.11.2005	Mr Wayne Scheggia	Policy Director	Western Australian Local Government Association
	Mr Duncan Watson	Public Servant	Department of Local Government and Regional Development
	Mr Ian Cowie	Public Servant	Department of Local Government and Regional Development
	Mr Ross Earnshaw	Project Officer	Department of Local Government and Regional Development
	Mr Quentin Harrington	Director, Governance and Support	Department of Local Government and Regional Development
23.11.2005	Mr Des Pearson	Auditor General	Office of the Auditor General (Western Australia)
	Ms Jacquie A. Stepanoff	Executive Officer - Planning and Coordination	Office of the Auditor General (Western Australia)
	Mr Don J. Cunninghame	A/Assistant Auditor General	Office of the Auditor General (Western Australia)
27.02.2006	Mr Des Pearson	Auditor General	Office of the Auditor General (Western Australia)
	Ms Jacquie A. Stepanoff	Executive Officer - Planning and Coordination	Office of the Auditor General (Western Australia)
	Mr Don J. Cunninghame	A/Assistant Auditor General	Office of the Auditor General (Western Australia)
	Mr Tim M. Marney	Under Treasurer	Department of Treasury & Finance
	Mr Michael A. Barnes	Acting Executive Director (Finance)	Department of Treasury & Finance

Date	Witness	Position	Organisation
27.02.2006	Mr Michael Jolob	Acting Director Financial Policy	Department of Treasury & Finance
	Mr Josef Netolicky	Assistant Director	Department of Treasury & Finance
28.06.2006	Mr Dominic Carbone	Chief Executive Officer	City of Canning
	Mr Andrew Sharpe	Executive Finance and Client Services	City of Canning
	Dr Shayne Silcox	Chief Executive Officer	City of Belmont
	Mr Jamie Blanchard	Principal Legal and Compliance Adviser	City of Belmont
	Mr Stuart Cole	Director, Corporate and Governance	City of Belmont
	Mr Cliff Frewing	Chief Executive Officer	City of South Perth
	Mr Michael Kent	Director, Financial and Information Services	City of South Perth
	Mr Glen Dougall	Director, Corporate Services	City of Fremantle

1.3 Briefings

In addition to gathering evidence during the formal hearings, the Committee received a number of informal briefings. The briefings were used to gain information in relation to the Committee's inquiries and other matters (Table 1.3).

Table 1.3

Briefings provided to the Public Accounts Committee, 1 July 2005 - 30 June 2006

Date	Name	Position	Organisation
21.09.2005	Mr Des Pearson	Auditor General	Office of the Auditor General (Western Australia)
	Mr Peter Wilkins	Acting Executive Director, Performance Review Division	Office of the Auditor General (Western Australia)

PUBLIC ACCOUNTS COMMITTEE

Date	Name	Position	Organisation
21.09.2005	Ms Jacquie Stepanoff	Executive Officer/Analyst	Office of the Auditor General (Western Australia)
5.10.2005	Mr Peter Bettess	Deputy Director General	Department of Local Government (Queensland)
	Mr Geoff Baker	Strategic Policy Coordination Unit	Department of Local Government (Queensland)
	Mr Malcolm Duce	Financial Management	Department of Local Government (Queensland)
	Mr Glenn Poole	Auditor General	Queensland Audit Office
	Mr John Harten	Assistant Auditor General	Queensland Audit Office
	Ms Natalie Kent	Manager, Finance, Governance and Community	Local Government Association of Queensland
	Mr Mark Leyland	Finance and Governance Policy Advisor	Local Government Association of Queensland
6.10.2005	Mr Tony Whitfield	Deputy Auditor General	Audit Office of New South Wales
	Mr Stephen Horne	Assistant Auditor General, Performance Audit Branch	Audit Office of New South Wales
	Mr Jack Kheir	Business Team Leader, Financial Audit Branch	Audit Office of New South Wales
10.10.2005	Mr Wayne Cameron	Auditor General	Victorian Auditor General's Office
	Mr Tony Brown	Director, Strategic Audit Planning, Policies and Standards	Victorian Auditor General's Office
	Mr Andrew Greaves	Field Audit Director	Victorian Auditor General's Office

1.4 Investigative Travel

As part of its inquiry into Local Government Accountability in Western Australia (refer section 1.7), the Committee visited other Australian jurisdictions to study models of local government audit practice. The people the Committee met with are listed above in Table 1.3.

1.5 Conferences

The Committee attended the Australasian Study of Parliament Group (ASPG) Conference in Sydney in October 2005. The topic of that conference was *Parliament and Accountability in the 21st Century: The Role of Parliamentary Oversight Committees*. The conference provided the Committee with valuable information and guidance in carrying out its oversight role. It also provided an opportunity for members to meet with their interstate and international counterparts and fostered a greater understanding of our role within parliamentary democracies.

In the period under review, the Committee attended the Australasian Council of Public Accounts Committees (ACPAC) mid term conference *Challenges Facing Contemporary Public Accounts Committees*. The meeting was hosted by Northern Territory Public Accounts Committee in Alice Springs from the 26 - 29 April 2006, as a precursor to the forthcoming ACPAC, to be held in Canberra in early 2007.

1.6 Reports Tabled

The Committee tabled two reports during the period 1 July 2005 - 30 June 2006:

- Report No. 2 - Annual Report 2004-2005; and
- Report No. 3 - Review of the Financial Management Bill 2005 and the Auditor General Bill 2005.

(a) Financial Management Bill 2005 and the Auditor General Bill 2005

The review of the Financial Management Bill 2005 and the Auditor General Bill 2005 was referred to this Committee by the Treasurer, Hon Eric Ripper, MLA in November 2005. The Committee examined the bills with particular attention paid to whether they:

1. enhance accountability for financial management practices and outcomes in the Western Australian public sector; and
2. adequately reflect the current government accounting environment.

In undertaking this review, the Committee was mindful of the Treasurer's intention to introduce the bills into the Legislative Assembly in the autumn session of 2006 and suspended its *Inquiry into Local Government Accountability in Western Australia* to enable it to meet this deadline.

The bills, introduced just days before the end of the year under review, aim to replace the *Financial Administration and Audit Act 1985*, the primary legislative basis for the management of public moneys in this state. Issues covered by the review include new or amended powers, and other matters raised in submissions to the Committee.

The Committee made seven recommendations, including an expanded role for the Public Accounts Committee. Should the Bills become law, the Committee will be required to conduct regular reviews of the regulations covering investment by the Treasurer of the Public Bank Account cash balances and, after 5 years of the legislation's operation, examine and report on the Ministerial review of the operation and effectiveness of the legislation once laid before the Parliament. It is the intention of the Committee to report on its activities in relation to its responsibilities under the new legislation in future annual reports.

The Committee tabled its report on 6 April 2006 and held an overview session to provide all Members of Parliament with an opportunity to discuss the Bills prior to their debate in the Parliament. Feedback the Committee received from members that participated indicates this was a worthwhile exercise.

1.7 Work in Progress

(a) Inquiry into Local Government Accountability in Western Australia.

At its meeting on 17 August 2005 the Committee resolved to conduct an inquiry into Local Government Accountability in Western Australia and adopted the following Terms of Reference:

The Public Accounts Committee will examine and report on:

1. Current accountability mechanisms for local government in Western Australia, including finance, probity and performance;
2. The capacity of the Department of Local Government and Regional Development to examine local government finance, probity and performance issues;
3. Whether the State Auditor General should have a role in local government audit processes; and
4. Other matters deemed relevant by the Committee.

The call for public input produced a strong response, and the Committee received 68 submissions, principally from local governments but also from private citizens and peak bodies such as the WA Local Government Managers Association (LGMA) and the WA Local Government Association (WALGA).

Initial feedback indicated concern that the Committee had a preconceived view that there is a financial and governance dilemma in the local government sector. In response to those concerns, the Committee Chairman attended the LGMA annual conference on 27 October 2005 for an

informal question and answer session. The Committee subsequently produced a Discussion Paper in which it restated its Terms of Reference and clarified the two main questions that had emerged to that point:

- Should the Auditor General be involved in local government audits?
- If yes, should audits go further than financial attestation to include compliance and performance examinations, similar to the Auditor General's powers regarding public sector agencies?

As part of the inquiry process the Committee visited Brisbane, Sydney and Melbourne to obtain comparative information on local government accountability mechanisms, and held hearings and briefings in both metropolitan and regional locations (refer Tables 1.2 and 1.3). Evidence was taken from the WALGA, the Auditor General, and the Department of Local Government and Regional Development and representatives from a number of local governments.

The Committee is scheduled to table this report in September 2006.

(b) Follow-up on Auditor General reports

In 2003, following an examination of the 2001-2002 Annual Report of the Office of the Auditor General, the then Public Accounts Committee established a process to follow up recommendations made in Auditor General reports to government agencies.

The Public Accounts Committee Report No. 3 (2003) recommended that government agencies subject to performance examinations by the Auditor General should be required to report to the Committee within 12 months as to what actions have been taken to implement the Auditor General's recommendations. This process was still being refined at the conclusion of the 36th Parliament.

Upon its establishment in May 2005, this Committee resolved to continue the practice of following up on the reports of the Auditor General. The procedure established by the Committee is as follows:

1. The Auditor General tables a Performance Examination report relating to a particular agency.
2. Approximately one month after the report is tabled, the Committee writes to the agency's CEO requesting that the agency report to the Committee within 12 months of the date of tabling as to its progress in implementing the Auditor General's recommendations.
3. The agency provides a report to the Committee by the relevant date.
4. The Committee considers the agency's response and may request additional information.

The Committee may convene a hearing of relevant senior agency officers and may invite the Auditor General to observe the hearing.

If the Committee is not satisfied with an agency's response, it may refer the matter back to the Auditor General and request further action.

It is the intention of the Committee to table a consolidated report outlining the agencies examined in the period under review prior to the close of the 2006 Parliamentary year.

1.8 Briefings

The Committee has provided a number of forums to assist Members of Parliament with matters related to government expenditure and financial accountability.

Each year the Committee hosts the Department of Treasury and Finance post-budget briefing for members, which has proved an invaluable exercise in assisting members to effectively utilise the documents that make up the budget papers, particularly in the lead up to the annual estimates process. The briefing was held on 17 May 2006.

The Committee also hosted a CPA briefing for members on 29 June 2006 on *Understanding Public Sector Annual Reports and Financial Statements* and received positive feedback from members in attendance.

The Committee has resolved to continue the practice of holding these briefings in the coming year.

CHAPTER 2 FINANCIAL STATEMENT

The Committee does not have its own formal budget and is funded out of the budget of the Legislative Assembly. Approval for major expenditures is required on a case-by-case basis and is entirely at the discretion of the Speaker.

The Committee's expenditure for the financial year 1 July 2005 - 30 June 2006 (in accordance with Standing Order 276) is detailed below:

Table 3.1

Expenditure Items of the Public Accounts Committee, 1 July 2005 - 30 June 2006

Expenditure Item	\$
Advertising	2 800
Conference Fees	3 500
Travel	34 000
Protocol	1 300
Printing	900
Miscellaneous	21 000
TOTAL	63 500

Notes:

- Figures rounded off to nearest \$100.
- Salaries of committee staff are not included.
- Costs of shared administrative expenses, including lease costs for committee accommodation, not included.