



PUBLIC ACCOUNTS COMMITTEE

REVIEW OF THE FINANCIAL MANAGEMENT BILL 2005 AND THE AUDITOR GENERAL BILL 2005

**Report No. 3
in the 37th Parliament**

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Public Accounts Committee

Review of the Financial Management Bill 2005 and the Auditor General Bill 2005

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PUBLIC ACCOUNTS COMMITTEE

REVIEW OF THE FINANCIAL MANAGEMENT BILL 2005 AND THE AUDITOR GENERAL BILL 2005

Report No. 3

Presented by:
Mr J.R. Quigley, MLA
Laid on the Table of the Legislative Assembly
on 6 April 2006

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TABLE OF CONTENTS

COMMITTEE MEMBERS.....	i
COMMITTEE STAFF.....	i
COMMITTEE ADDRESS.....	i
COMMITTEE'S FUNCTIONS AND POWERS.....	v
INQUIRY TERMS OF REFERENCE.....	vii
CHAIRMAN'S FOREWORD.....	ix
ABBREVIATIONS AND ACRONYMS.....	xi
GLOSSARY.....	xiii
EXECUTIVE SUMMARY.....	xv
FINDINGS.....	xvii
RECOMMENDATIONS.....	xix
MINISTERIAL RESPONSE.....	xxiii
CHAPTER 1 INTRODUCTION.....	1
1.1 BACKGROUND.....	1
1.2 TERMS OF REFERENCE.....	1
1.3 CONDUCT OF THE REVIEW.....	2
1.4 SCOPE OF THE REVIEW.....	2
CHAPTER 2 THE FINANCIAL MANAGEMENT BILL 2005.....	3
2.1 INTRODUCTION.....	3
2.2 MAJOR CHANGES.....	3
2.3 COVERAGE.....	4
(a) Timely disclosure and the corporatised entities.....	5
(b) Sub-departments.....	7
(c) Independent entities.....	7
2.4 DISCRETIONARY BUDGET MECHANISMS.....	8
(a) Transparency.....	8
(b) Treasurer's Advance Authorisation Payments.....	10
2.5 TREASURER'S POWERS.....	13
(a) Existing powers.....	13
(b) New or enhanced powers.....	21
2.6 PARLIAMENT'S ACCESS TO INFORMATION.....	27
(a) Ministerial duty to inform Parliament.....	27
(b) 'Certain' information.....	28
(c) Summary.....	28
2.7 CAPITAL USER CHARGE.....	29
2.8 EXTENSION OF THE PUBLIC BANK ACCOUNT TO ADDITIONAL STATUTORY AUTHORITIES.....	30
2.9 OTHER ISSUES.....	31
(a) Terminology.....	31
(b) Chief Finance Officer.....	32
2.10 LEGISLATIVE REVIEW.....	33
CHAPTER 3 THE AUDITOR GENERAL BILL 2005.....	37
3.1 INTRODUCTION.....	37
3.2 MAJOR CHANGES.....	37
3.3 COVERAGE.....	38
3.4 THE INDEPENDENCE OF THE AUDITOR GENERAL.....	39
3.5 A STRONGER RELATIONSHIP WITH PARLIAMENT.....	40
(a) Appointment of the Auditor General.....	41
(b) Definition of the term 'party'.....	43
(c) The power to request audits.....	44
3.6 WIDER AUDIT POWERS.....	45

PUBLIC ACCOUNTS COMMITTEE

(a)	A general right of access.....	46
(b)	The power to audit certain accounts of related entities	48
(c)	Ministerial decisions not to disclose information to Parliament.....	50
	Victoria	52
	Commonwealth	52
	Queensland.....	53
3.7	ACCOUNTABILITY OF THE AUDITOR GENERAL.....	55
(a)	Natural justice.....	55
(b)	Limited tenure of Auditor General.....	55
3.8	OFFICE OF THE AUDITOR GENERAL.....	56
(a)	Executive structure of the Office of the Auditor General	56
(b)	Delegation powers.....	56
(c)	The Office of the Auditor General's budget.....	57
3.9	ALIGNMENT WITH CONTEMPORARY AUDIT PRACTICE.....	59
(a)	The power to waive audits.....	59
(b)	Auditing standards	60
(c)	Legislative status for current operational practices	62
3.10	LEGISLATIVE REVIEW	63
	APPENDIX One	67
	PUBLIC HEARINGS HELD	67
	APPENDIX Two	69
	SUBMISSIONS RECEIVED	69
	APPENDIX Three.....	71
	LEGISLATION REFERRED TO WITHIN REPORT	71
	APPENDIX Four.....	73
	DEPARTMENTS.....	73
	APPENDIX Five	75
	FAAA STATUTORY AUTHORITIES	75
	APPENDIX Six.....	81
	CORPORATISED ENTITIES.....	81
	APPENDIX Seven.....	83
	TRADE AND REGULATORY BODIES	83
	APPENDIX Eight	85
	BOARDS AND COMMITTEES	85
	APPENDIX Nine	101
	ENTITIES OUTSIDE THE PUBLIC BANK ACCOUNT	101
	APPENDIX Ten	105
	LIST OF CERTIFICATIONS - AUDITS CONDUCTED BY ARRANGEMENT IN 2005.....	105

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.

The Public Accounts 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 a 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 it sees fit to examine.
4. Consider whether the objectives of public expenditure are being achieved, or may be achieved more economically.

INQUIRY TERMS OF REFERENCE

The Public Accounts Committee will examine and report on the Financial Management Bill 2005 and the Auditor General Bill 2005, with particular attention paid to whether the Bills:

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

CHAIRMAN'S FOREWORD

I am pleased to present for tabling the third report of the Public Accounts Committee in the 37th Parliament. This report is the result of the Committee's review of the Financial Management Bill 2005 and the Auditor General Bill 2005, which were referred to this Committee by the Treasurer, Hon Eric Ripper, MLA in November 2005.

The key role of the Public Accounts Committee is to assess the efficiency and effectiveness of Government financial management. The bills aim to replace the *Financial Administration and Audit Act 1985*, which is the primary legislative basis for the management of public moneys in this state. As such, the Committee believes this review to be appropriate to its terms of reference.

In undertaking this review, the Committee was mindful of the Treasurer's intention to introduce these bills into the Legislative Assembly in the autumn session of 2006. Issues covered by the review include new or amended powers, and other matters raised in submissions to the Committee.

Of particular interest to this Committee was the expanded role of the Public Accounts Committee, specifically in relation to the Auditor General Bill 2005. That bill requires the Treasurer to have regard to any recommendations as to the Auditor General's budget made to the Treasurer by the Public Accounts Committee. Further regard is to be had to any recommendation pertaining to the appointment of the Auditor General, and the organisational structure or resources of the Office of the Auditor General, roles this Committee intends to undertake with due diligence.

Another area of significant interest related to the provisions that give the Treasurer increased flexibility to invest interest earned on the investment of the Public Bank Account, provided the investment fits within a manner prescribed by regulations. The Committee notes those regulations are yet to be drafted and will maintain a keen interest on their development.

In terms of Parliament's access to information, the bills strengthen provisions relating to non-disclosure of information, where it is considered to be in the public interest for that information not to be disclosed. Although the Committee did not suggest major changes to the bill in this respect, it did seek explicit wording to clarify the extent of that provision in terms of whether the Auditor General will have the capacity to determine if non-disclosure is in the 'public interest'.

I would like to thank my fellow Committee members for their individual and collective contributions to this report. It is my belief that the bi-partisan way in which all Committee members have approached this task has ensured that members representing both sides of this House had the opportunity to contribute to the focus of this review.

I thank the staff of the Committee for their dedication and support in completing this review within a tight timeframe, in particular Ms Carolyn Simmonds, who was seconded from the Office of the Auditor General for the period of the review. On behalf of the Committee I thank Ms Simmonds for her diligence and dedication in ensuring the Committee achieved its strict deadline. I further thank the Principal Research Officer, Ms Liz Kerr, and the Research Officer, Ms Nicole

Burgess for their continuing support of the work of this Committee. I commend this report to the House.

MR J.R. QUIGLEY, MLA
CHAIRMAN

ABBREVIATIONS AND ACRONYMS

AGB	Auditor General Bill 2005
ACAG	Australasian Council of Auditors General
CCI	Chamber of Commerce and Industry
CEO	Chief Executive Officer
CFO	Chief Finance Officer
COG	Commission on Government
CUC	Capital User Charge
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
FAAA	<i>Financial Administration and Audit Act 1985</i>
FALAA	<i>Financial Administration Legislation Amendment Act 2005</i>
FMB	Financial Management Bill 2005
GFRA	<i>Government Financial Responsibility Act 2000</i>
ICAA	Institute of Chartered Accountants in Australia
OAG	Office of the Auditor General
PAO	Principal Accounting Officer
PBA	Public Bank Account
PBAIEA	Public Bank Account Interest Earned Account
PSMA	<i>Public Sector Management Act 1994</i>
TAA	Treasurer's Advance Authorisation
TAAA	Treasurer's Advance Authorisation Act
The Committee	Public Accounts Committee
WA	Western Australia
WA Royal Commission	1992 Royal Commission into the Commercial Activities of Government

GLOSSARY

Accountable Authority	the person or office holder who is legally responsible to the Minister for the financial administration of the services under the control of the Department or Statutory Authority.
Continuous disclosure	a provision designed to alert Parliament in a timely way to the existence of potentially significant confidential information.
Discretionary budget mechanisms	provisions within the legislation that permit the Treasurer to lawfully re-allocate and/or augment existing appropriations without express Parliamentary approval.

EXECUTIVE SUMMARY

Every year Parliament approves the expenditure of billions of dollars to provide the community with a wide range of goods and services. For 2004-05 the figure was \$10.4 billion.¹ For 2005-06 it rose to \$12.2 billion and within another three years it is estimated to reach almost \$12.8 billion.² The *Financial Administration and Audit Act 1985* (FAAA) is one of the cornerstones of the legislative framework under which these vast sums are generated, administered, expended and accounted for.

In October 2005 the Government announced its intention to replace the FAAA with two bills, the Financial Management Bill 2005 and the Auditor General Bill 2005, and requested the Public Accounts Committee examine the bills and report back to the Legislative Assembly in time to allow their progression through Parliament in the autumn session of 2006.

The Committee has now completed its review. In broad terms it has concluded that the bills have the potential to significantly enhance accountability for financial management practices and outcomes in the Western Australian public sector, and adequately reflect the current government accounting environment. At the same time it has recommended four substantive amendments to address issues identified during the course of the review.

Chapter 2 discusses the major changes introduced by the Financial Management Bill 2005. It starts by looking at the coverage of the bill, then considers its impact on the existing discretionary budget mechanisms, the Treasurer's powers, Parliament's access to information, as well as the extension of the Public Bank Account to additional statutory authorities. The Chapter also comments on the abolition of the Capital User Charge, the terminology used in the bill and the provisions relating to the position of Chief Finance Officer.

The only substantive amendment recommended by the Committee in Chapter 2 relates to the proposed ministerial review which the Committee believes should be extended to include a review by the Public Accounts Committee. One other recommendation is made in this Chapter but does not involve the bill. The recommendation arose from a consideration of the new accountability regime designed to alert Parliament in a timely way to the existence of potentially significant confidential information. By virtue of the budget-sector focus of the Financial Management Bill, the new requirement will not apply to the State's 12 corporatised entities. The Committee has recommended the State Government consider amending these entities' enabling legislation to subject them to the same regime.

Chapter 3 discusses the major changes introduced by the Auditor General Bill 2005 and begins by looking at the coverage of the Bill, then examines its impact on the independence of the Auditor General, the relationship between the Auditor General and Parliament, the Auditor General's audit powers and accountability, the Office of the Auditor General, and contemporary audit practice.

¹ Government of Western Australia, *2004-05 Budget Papers*, Volume 1, p.21. The figure quoted is the total expenditure authorised under Appropriation Bills No 1 and 2.

² *ibid*, p.25.

Three recommendations are put forward for amending the Auditor General Bill 2005. The first arose from a consideration of the new process for appointing the Auditor General. As part of the new process the Government will be required to consult with the parliamentary leader of each party in Parliament and with the Public Accounts Committee. The word 'party' is not defined in the bill and the Committee was concerned that it might include parties represented by a single member in one or other House. As the Auditor General plays a significant role in our system of Government, and does so with reference to Parliament as a whole, the Committee believed it was inappropriate for the term to be given such a broad interpretation. It recommends amending that part of the Schedule to require consultation with the parliamentary leader of any political party with party status within the Parliament.

The second recommendation of Chapter 3 relates to the new process for handling information which is the subject of a notification by a Minister under Section 82 of the Financial Management Bill 2005. The Auditor General Bill 2005 gives the Auditor General access to such information but no power to unilaterally include it in a report to Parliament. Here again the Committee believed the relevant clause needed to be clarified.

The third recommendation in Chapter 3 highlights the absence of a provision to review the Auditor General Bill 2005 after a period of five years of operation. Such a provision has been included in the Financial Management Bill 2005 and, given their symbiotic relationship, the Committee considered this a significant omission. It has therefore recommended a review, although in this case, in order to protect the independence of the Auditor General, the Committee believes it should carry out the review rather than the Minister.

FINDINGS

Page 6

Finding 1

Clause 82 of the Financial Management Bill 2005, which requires Ministers to alert the Parliament to potentially significant information, does not extend to corporatised entities.

Page 10

Finding 2

Reporting on the use of discretionary budget mechanisms is primarily done on an annual basis and usually in the context of the Budget Papers.

Page 23

Finding 3

The Financial Management Bill 2005 provides the Treasurer with increased flexibility to invest Public Bank Account cash balances.

Page 44

Finding 4

The term 'party' in Schedule 1 Clause 1(2) of the Auditor General Bill 2005 is unclear and requires clarification.

Page 51

Finding 5

Clause 36(2) of the Auditor General Bill 2005 does not clearly identify who determines when information deemed by the Minister to be confidential should not be disclosed to Parliament.

Page 65

Finding 6

The Auditor General Bill 2005 does not include a provision for a review of the operation and effectiveness of the legislation.

RECOMMENDATIONS

Page 6

Recommendation 1

The State Government consider consequential amendments to corporatised entities enabling legislation to subject them to the same timely disclosure regime envisaged for the budget sector entities in Clause 82 of the Financial Management Bill 2005.

Page 10

Recommendation 2

The State Government consider enhancing the reporting regime relating to the use of discretionary budget mechanisms to provide more timely, separate disclosure of significant transactions.

Page 24

Recommendation 3

The Public Accounts Committee conduct regular reviews of the regulations covering investment of Public Bank Account cash balances to ensure the risk classifications remain valid and the overall risk remains low.

Recommendation 4

Clause 85(3) of the Financial Management Bill 2005, which provides for a Ministerial review of the operation and effectiveness of the legislation after the expiry of 5 years, be amended to read:

- (3) The Minister is to prepare a report based on the review and, as soon as is practicable after the report is prepared, is to cause it to be laid before each House of Parliament and to refer it to the Public Accounts Committee.
- (4) The Public Accounts Committee review of the Minister's report is to consider and have regard to:
 - (a) the appropriateness of extending to the corporatised entities the same timely disclosure regime envisaged for the budget sector entities in Clause 82 of the Financial Management Bill 2005;
 - (b) the adequacy of the reporting regime for discretionary budget mechanisms;
 - (c) the appropriateness of the controls and accountability relating to the transfer of "excess amounts" under Clause 20 of the Financial Management Bill 2005;
 - (d) the application of Clause 82 to significant or material information relating to the conduct or operation of an agency, regardless of whether that information is protected by a confidentiality agreement;
 - (e) the terminology used in the legislation;
 - (f) the role of the Chief Financial Officer; and
 - (g) such other issues relating to the report as the Public Accounts Committee considers appropriate.
- (5) The Public Accounts Committee is to prepare a report based on its review and, as soon as is practicable after the report is prepared, is to cause it to be laid before the Legislative Assembly.

Page 44

Recommendation 5

The words in Schedule 1 - General provisions as to Auditor General, Clause (1)(2) of the Auditor General Bill 2005 which reads:

Before making a recommendation under subclause (1), the Minister must consult with the parliamentary leader of each party in Parliament and with the Public Accounts Committee.

be replaced with the words

Before making a recommendation under subclause (1), the Minister must consult with the parliamentary leader of any political party with party status within the Parliament and with the Public Accounts Committee.

Page 52

Recommendation 6

Clause 36(2) of the Auditor General Bill 2005, which reads:

If it would not be in the public interest for information mentioned in sub-section (1) to be disclosed, the Auditor General is not to include it in a report to Parliament but may report it to the Public Accounts Committee.

be replaced with the words

Where the Minister decides that it would not be in the public interest for information mentioned in sub-section (1) to be disclosed, the Auditor General is not to include it in a report to Parliament but may report it to the Public Accounts Committee.

Recommendation 7

The Auditor General Bill 2005 be amended to include the following clause in Part 6 Miscellaneous, with a consequential renumbering of all subsequent clauses:

46. Review of Act

- (1) The Public Accounts Committee is to carry out a review of the operation and effectiveness of this Act as soon as is practicable after the expiry of 5 years from the commencement of this Act.
- (2) In the course of that review the Committee is to consider and have regard to:
 - (a) whether there is a need for the Act to continue;
 - (b) how the process for appointing an Auditor General has operated in practice;
 - (c) whether the Auditor General's Information Gathering Powers are adequate, particularly in relation to claims of legal professional privilege and cabinet documents;
 - (d) the impact of any exercise of the power to audit certain accounts of related entities;
 - (e) the efficiency and effectiveness of the new framework for dealing with confidential information; and
 - (f) any other matters that appear to the Public Accounts Committee to be relevant to the operation and effectiveness of the Act.
- (3) The Public Accounts Committee is to prepare a report based on the review and, as soon as is practicable after the report is prepared, is to cause it to be laid before the Legislative Assembly.

MINISTERIAL RESPONSE

In accordance with Standing Order 277(1) of the Standing Orders of the Legislative Assembly, the Public Accounts Committee directs that the Treasurer report to the Assembly as to the action, if any, proposed to be taken by the Government with respect to the recommendations of the Committee.

CHAPTER 1 INTRODUCTION

1.1 Background

Every year Parliament approves the expenditure of billions of dollars to provide the community with a wide range of goods and services. For 2004-05 the figure was \$10.4 billion.³ For 2005-06 it rose to \$12.2 billion and within another three years it is estimated to reach almost \$12.8 billion.⁴

The *Financial Administration and Audit Act 1985* (FAAA) is one of the cornerstones of the legislative framework under which these vast sums are generated, administered, expended and accounted for. Other parts of this framework are the *Constitution Act 1889* and the *Constitution Act Amendment Act 1899*.

On 20 October 2005, the Treasurer, Hon Eric Ripper, MLA wrote to the Public Accounts Committee (the Committee) advising it of his intention to replace the FAAA, and on 8 November 2005, the Treasurer introduced the Green Bills into the Legislative Assembly for the purposes of public comment. The Treasurer requested the Committee examine the bills and report back to the Legislative Assembly to enable their progression through the Parliament in the autumn session of 2006.

1.2 Terms of Reference

On 23 November 2005, the Public Accounts Committee resolved to review the Financial Management Bill 2005 and the Auditor General Bill 2005, with the following Terms of Reference:

The Public Accounts Committee will examine and report on the Financial Management Bill 2005 and the Auditor General Bill 2005, with particular attention paid to whether the bills:

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

The Committee further resolved to report its findings to the Legislative Assembly on 6 April 2006.

1.3 Conduct of the review

An advertisement calling for public submissions to the review was placed in *The West Australian* newspaper on Saturday 3 December 2005. Submissions were directly invited from organisations,

³ Government of Western Australia, *2004-05 Budget Papers*, Volume 1, p.21. The figure quoted is the total expenditure authorised under Appropriation Bills No 1 and 2.

⁴ *ibid*, p.25.

individuals and peak bodies within both the public and private sectors. The Committee received 7 submissions to the review, listed at Appendix 2 of this report.

The Committee held two public hearings on Monday 27 February 2006, the first of those with the Auditor General of Western Australia and the second with the Department of Treasury and Finance, listed at Appendix 1.

1.4 Scope of the review

The Financial Management Bill 2005 and the Auditor General Bill 2005 are the result of many years of work by the Department of Treasury and Finance (DTF), the Office of the Auditor General of Western Australia (OAG), the Department of the Premier and Cabinet (DPC) and Parliamentary Counsel.

The creation of separate legislation pertaining to audit is aimed at enhancing the Auditor General's independence, and is consistent with recommendations from the 1992 Royal Commission into the Commercial Activities of Government (WA Royal Commission), the 1995 Commission on Government and a 1996 report of the Public Accounts and Expenditure Review Committee.

A number of the changes within the bills relate to what can be termed 'general housekeeping' issues, for example the removal of the distinction between departments and statutory authorities, the replacement of the Treasurer's Accounts with the Public Ledger and the alignment of the timing of Strategic Development Plans and Statements of Corporate Intent for all government business enterprises.

Other changes have previously been debated in the Parliament during the passage of the *Financial Administration Legislation Amendment Act 2005*, in particular provisions relating to reporting deadlines for annual reports, and streamlining Treasurers' reports.

In view of time constraints and the above mentioned considerations, the Committee has focussed its attention on those areas where there has been significant change to the existing legislation and where issues have been raised in submissions.

CHAPTER 2 THE FINANCIAL MANAGEMENT BILL 2005

2.1 Introduction

The *Financial Administration and Audit Act 1985* (FAAA) sets out the high level principles and rules for day-to-day management of most public moneys. The rules also cover accountability to Parliament for those moneys, with the main accountability mechanisms being requirements for Annual Appropriation and Supplementary Appropriation Acts, annual reporting and audit.

The Financial Management Bill 2005 (FMB) will serve a similar function except that the provisions relating to audit will be covered in separate legislation, the Auditor General Bill 2005 (AGB), which is reviewed in the next chapter.

After considering the submissions and other evidence accumulated as a result of its review, the Committee believes some minor amendments should be made to the FMB but, in general terms, supports the view of the Auditor General that the FMB “appears to create a platform for sound financial management”.⁵

2.2 Major changes

In its discussion paper on the FMB, the DTF identified 12 major changes to the existing legislation, namely:

1. Separate financial management and audit acts;
2. Removal of the distinction between departments and statutory authorities;
3. A shorter (90 day) deadline for tabling of annual reports;
4. Streamlined Treasurer’s reports;
5. Replacement of the Treasurer’s Accounts with the Public Ledger;
6. Broader Treasurer’s investment powers;
7. Extension of the Treasurer’s power to transfer excess amounts to include agency operating accounts;
8. Formal status for Resource Agreements;
9. Extension of the Public Bank Account to additional statutory authorities;

⁵ Submission No 2a from the Western Australian Office of the Auditor General, 20 February 2006, p.1.

10. Alignment of the timing of Strategic Development Plans and Statements of Corporate Intent for all government business enterprises to the budget process;
11. Abolition of the Capital User Charge; and
12. Redefinition of the role of Principal Accounting Officers and the renaming of this position as Chief Finance Officer.⁶

The first change represents the formal adoption of a recommendation by the 1995 Commission on Government⁷ and the Committee considers this an appropriate change.⁸

The second, fifth and tenth changes are regarded as general housekeeping issues and as such the Committee did not consider them in depth.

Changes numbered 3, 4 and 12 have previously been debated and approved by Parliament during the passage of the *Financial Administration Legislation Amendment Act 2005*.

The Committee therefore focussed on changes numbered six to nine and 11, in addition to other issues it considered relevant in the context of this review.

2.3 Coverage

The FMB will cover the same agencies as the FAAA. As such it will focus on those agencies that rely mainly on Parliamentary appropriations to fund their activities, in other words all departments and most statutory authorities.

A search of the Department of the Premier and Cabinet's (DPC) WA Government Information Vault revealed that as at 15 March 2006 there were 621 entities in the WA public sector. These are traditionally grouped into two broad categories, departments and statutory authorities. The FAAA applies to all departments, of which there are currently 32.⁹ DTF advised the Committee that it also applies to most statutory authorities¹⁰ but does not apply to:

- twelve corporatised entities;¹¹
- seven trade and regulatory bodies;¹² and

⁶ Department of Treasury and Finance, Discussion Paper, *Replacement of the Financial Administration and Audit Act by the Financial Management Act and the Auditor General Act*, November 2005, p.2.

⁷ An independent body set up under an Act of Parliament in 1994, to inquire into and report upon a range of issues which had been identified in the 1992 report of the *Royal Commission into Commercial Activities of Government and Other Matters*.

⁸ Commission on Government, Western Australia, *Report No 1*, 1995, p.241.

⁹ For the full list see Appendix 4.

¹⁰ For the full list see Appendix 5.

¹¹ For the full list see Appendix 6.

- several hundred relatively small Boards and Committees.¹³

The Committee considers this broad arrangement to be appropriate. However, it did identify three potential issues, as indicated below.

(a) Timely disclosure and the corporatised entities

The FMB has introduced a new accountability requirement designed to alert Parliament in a timely way to the existence of potentially significant confidential information. This provision is often referred to as ‘continuous disclosure’. Clause 82 of the FMB ensures the Auditor General has access to that information and states:

(1) If the Minister decides that it is reasonable and appropriate not to provide to Parliament certain information concerning any conduct or operation of an agency, then within 14 days after making the decision the Minister is to cause written notice of the decision —

(a) to be laid before each House of Parliament or dealt with under section 83; and

(b) to be given to the Auditor General.

(2) A notice under subsection (1)(a) is to include the Minister’s reasons for making the decision that is the subject of the notice.¹⁴

The Committee notes that this clause will not apply to corporatised entities as these are governed by their own individual enabling legislation. Corporatised entities, which include the Water Corporation, Western Power and the Western Australian Land Authority, have been established to operate on a commercial basis and at ‘arms length’ from government. Therefore, their accountability requirements are drawn principally from the Commonwealth *Corporations Act 2001*. DTF advised the Committee that corporatised entities:

...have specific provisions taken out of the Corporations Act that are included in their legislation and they are subject to only those specific provisions that are in their legislation. Of course, they are subject to audit by the Auditor General and that is embedded in individual enabling statutes.¹⁵

The enabling legislation for corporatised entities includes requirements for Ministers to be kept informed of the entities’ operations, financial performance and financial position, including that of their subsidiaries.¹⁶ The Committee is also aware that such legislation includes separate

¹² For the full list see Appendix 7.

¹³ For the full list see Appendix 8.

¹⁴ see section 2.6 of this report for a detailed discussion of Clause 82.

¹⁵ Mr M Jolob, Acting Director Financial Policy, Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.3.

¹⁶ See for example, Section 69 *Water Corporation Act 1995*.

requirements for Ministers to be notified in a timely way of any financial difficulties.¹⁷ However, the Committee was unable to find requirements for Parliament to receive this information other than in an entity's quarterly and annual reports. In this context the Committee considers it relevant to point out that in at least one case, the enabling legislation includes a provision authorising the Minister to remove commercially sensitive matters from these reports.¹⁸

Finding 1

Clause 82 of the Financial Management Bill 2005, which requires Ministers to alert the Parliament to potentially significant information, does not extend to corporatised entities.

The Committee is of the view that Clause 82 of the FMB has the potential to significantly enhance accountability in relation to budget sector entities, but also believes there may be a case for extending it to the corporatised entities.

Corporatised entities occupy a significant position in Western Australia's economy. Western Power, for example, had total assets valued at \$4.8 billion at June 30 2005 and earned sales revenue of more than \$1.6 billion in the 12 months to that date.¹⁹

Time constraints prevented the Committee from considering this matter in greater depth. Consequently no amendment to the FMB is recommended. Rather, the Committee believes the matter should be considered as part of its proposed legislative review of the FMB (see section 2.10). However, given the significance of corporatised entities to the WA economy, the Committee recommends the government consider consequential amendments to their individual enabling legislation to subject them to the same timely disclosure regime envisaged for the budget sector entities in the FMB.

The Committee recommends that:

Recommendation 1

The State Government consider consequential amendments to corporatised entities enabling legislation to subject them to the same timely disclosure regime envisaged for the budget sector entities in Clause 82 of the Financial Management Bill 2005.

¹⁷ See for example, Section 70 *Water Corporation Act 1995*.

¹⁸ Section 64 *Electricity Corporation Act 1994*.

¹⁹ Western Power, *Annual Report 2004-05*, 2005, pp.64-5.

(b) Sub-departments

The FMB will apply to the same entities as those covered under the FAAA but will formalise the status of a category of entities known colloquially as sub-departments.²⁰ There are currently three of these sub-departments:

- Commissioner for Equal Opportunity;
- Governor's Establishment; and
- Office of Shared Services.²¹

Each forms part of a 'parent' department but maintains separate accounts, is the subject of a separate division within the estimates and is responsible to the Minister for the financial administration of their own services. The Committee understands that the appointed accountable authority (equivalent to a CEO) for sub-departments will be solely responsible for the operations of the sub-department, and will discharge his or her accountability by submitting an annual report, through the appropriate minister, to Parliament. Consequently, the CEO of the parent department will not be responsible for the operations of the sub-department.

In response to questions from the Committee, the Auditor General distinguished between responsibility and accountability and indicated this may pose some challenges in implementation.²² The Auditor General advised the Committee:

As the saying goes, you can delegate responsibility but not accountability. Too often people have delegated responsibility and think that it is someone else's. We, as auditors, come along and say, "No, they did that". Legally, the person who delegated it cannot delegate responsibility.²³

Nevertheless, the Auditor General was satisfied with the provisions of the Financial Management Bill in terms of the responsibility and accountability arrangements of sub-departments.²⁴

(c) Independent entities

The FAAA applies, with some modifications, to a group of entities referred to here as the independent entities. These are:

- The Legislative Assembly;

²⁰ Department of Treasury and Finance, provision of additional information, 17 February 2006, p.5 which states that the criteria for a sub-department are already listed in existing section 52(4) of the *Financial Administration and Audit Act 2005* but the section refers to "entities that form part of a department".

²¹ *ibid.*

²² Submission No 2a from Office of the Auditor General, 20 February 2006, p.2.

²³ Mr D Pearson, Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.8.

²⁴ Mr D Pearson, Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.9.

- The Legislative Council;
- The Parliamentary Services Department;
- The Parliamentary Commissioner for Administrative Investigations; and
- The Information Commissioner.

The Accountable Authority of an independent entity occupies a key position in public sector financial management and is legally responsible for the financial management of the services under the control of their agency.²⁵ Under the FAAA the Treasurer appoints the Accountable Authority (Accountable Officer²⁶) for the independent entities, including the Legislative Assembly and the Legislative Council.²⁷ The FMB makes no change to these arrangements.²⁸

The Committee considered the appropriateness of an arrangement which gives a member of the Executive (the Treasurer) the power to appoint the Accountable Authority for Parliament but, in the absence of evidence suggesting any problem, concluded there was no basis for recommending any change in the status quo.

2.4 Discretionary budget mechanisms

(a) Transparency

It is generally accepted that governments need a level of flexibility to manage public finances on a day-to-day basis. This flexibility is provided for by what are known as discretionary budget mechanisms. These mechanisms enable governments to lawfully re-allocate and, in some cases augment, existing parliamentary appropriations as circumstances require without express Parliamentary approval. As part of its review, the Committee examined the adequacy of the current reporting provisions for reporting to Parliament on the use of these mechanisms.

With one significant exception (see section 2.4 (b)), the FMB makes no substantive changes to the current provisions governing:

- prescribed receipts;²⁹
- transfers between items of appropriations;³⁰

²⁵ Clause 52 Financial Management Bill. Section 52 (for departments) and Section 54 (for statutory authorities) *Financial Administration and Audit Act 1985*.

²⁶ referred to in the FAAA as either the Accountable Authority or Accountable Officer.

²⁷ Section 4 and Schedule 1A re Section 52(2) *Financial Administration and Audit Act 1985*.

²⁸ Clause 5(2) and Schedule 2 Financial Management Bill 2005.

²⁹ Clause 23 Financial Management Bill 2005. Prescribed receipts include user fees and charges but specifically exclude taxes, fines, royalties and general purpose grants from the Commonwealth.

- extraordinary and unforeseen payments;³¹ and
- temporary financing of works and services.³²

Extraordinary and unforeseen payments and temporary financing of works and services are often collectively referred to as Treasurer's Advance Authorisation (or TAA) payments.

The Committee considers transparency relating to the use of these mechanisms is critical to Parliament's role in holding Executive Government to account for its management of public finances. In the absence of a transparent reporting regime, important details may get lost in the hundreds of pages of government and agency financial statements produced each year. The 1992 Report of the Independent Commission to Review Public Sector Finances (the McCarrey Report) considered this issue and noted the late Professor Gordon Reid's view that:

*Nowadays, methods are needed that will ensure that the political and the social implications of the Executive's expenditure policies will be disclosed and debated publicly (albeit retrospectively) by means which will not obscure major facts in a maze of minor detail.*³³

The Committee endorses this view and sees merit in timely, separate disclosure of transactions relating to these mechanisms. The Under Treasurer, Mr Tim Marney, discussed this issue with the Committee at a public hearing and outlined the current reporting regime, which the Committee acknowledges provides significant transparency on an annual basis. This usually occurs in the context of the Budget Papers, which also include separate reporting of some mechanisms at the whole-of-government level.³⁴ In addition, agency annual reports may contain relevant information.

In the case of TAA payments, there is additional reporting in the form of annual appropriation bills detailing actual expenditure. However, the Committee believes 'real-time' reporting to Parliament may significantly enhance the current accountability regime. It also believes that using the Budget Papers to report on the use of these mechanisms is not sufficient, because Parliament's focus at that time is on what the Government is planning to spend money on rather than on what it has spent money on in the recent past.

³⁰ Clause 25 Financial Management Bill 2005. This power covers a situation where responsibility for a service or function is transferred after the commencement of an Appropriation Act and enables any unexpended appropriation to still be used for that service or function.

³¹ Clause 27 Financial Management Bill 2005.

³² Clause 28 Financial Management Bill 2005.

³³ G Reid, *The Politics of Financial Control: The Role of the House of Commons*, Hutchinson University Library, London, 1966, pp.152-3, quoted in Commission to Review Public Sector Finances, *Report of the Independent Commission to Review Public Sector Finances*, Western Australia, 1993, p.134.

³⁴ For example, Prescribed Receipts are disclosed in Budget Paper 2, Volume 1, Chapter 2 of the 2005-06 Budget Statements as 'Net Appropriation Determinations', pp.27-31.

Finding 2

Reporting on the use of discretionary budget mechanisms is primarily done on an annual basis and usually in the context of the Budget Papers.

Time constraints prevented the Committee from considering this matter in greater depth. Consequently no amendment to the FMB is recommended. Rather, the Committee believes the matter should be considered as part of its proposed legislative review (see section 2.10). In the interim the Committee suggests the Government consider enhancing the reporting regime relating to the use of these mechanisms.

The Committee recommends that:

Recommendation 2

The State Government consider enhancing the reporting regime relating to the use of discretionary budget mechanisms to provide more timely, separate disclosure of significant transactions.

(b) Treasurer's Advance Authorisation Payments**(i) Increased flexibility**

The TAA is a significant mechanism in its own right. Each year the Treasurer presents a Treasurer's Advance Authorisation Bill to Parliament seeking approval to spend up to a stated dollar limit to pay for 'extraordinary or unforeseen matters'. The current limit is \$300 million.³⁵

In addition, the Treasurer presents two bills to Parliament (typically Appropriation Bills 3 and 4) at the end of each financial year to gain retrospective approval for actual TAA expenditure that has been charged to the Consolidated Fund.

The FMB has removed the requirement for a Treasurer's Advance Authorisation Bill and replaced it with an automatic approval to spend up to three per cent of the total amount appropriated for the previous financial year by Appropriation Acts 1 and 2.³⁶

In evidence to the Committee, the DTF explained the change in the following terms:

³⁵ Section 4 *Treasurer's Advance Authorisation Act 2005*.

³⁶ Clause 29 *Financial Management Bill 2005*.

Currently [the limit] is defined by the annual Treasurer's Advance Authorisation Act.....In the past few years the Treasurer would go forward with that bill to Parliament, and that would typically seek a \$300 million authorisation limit for the financial year for unforeseen things that happen during the course of the year. That is all that bill does. It just sets the dollar limit. What the FMB does is replace that with an automatic authorisation that is built into the legislation. That automatic authorisation is three per cent of the previous year's appropriation.³⁷

The FMB further provides that total TAA expenditure can only exceed the three per cent limit if authorised by a Treasurer's Advance Authorisation Act.³⁸ The FMB is silent, however, about the reporting requirements where expenditure in any year is less than three per cent. The Committee questioned DTF on this matter and was advised that:

it would be reported most likely in a new report that we are developing called the annual report on state finances. This is one of the changes that came out of the Financial Administration Legislation Amendment Act last year. It is replacing a couple of other reports and consolidating them into one report, and in that report it will show the Treasurer's advance.

If the FMB becomes law, [the Treasurer] will automatically have that authorisation to spend up to the three per cent and he will continue to report on that through appropriation bills 3 and 4 as to what makes up the three per cent.... If three per cent proves insufficient, the Treasurer will have to come before the Parliament with a stand-alone Treasurer's Advance Authorisation Bill.³⁹

The Committee was satisfied with the reporting arrangements for the TAA. Nevertheless, the Committee proposes to monitor the provision and report the results to Parliament in its annual report.

(ii) Reporting Timeline

As mentioned above, the Treasurer presents two bills to Parliament (Appropriation Bills 3 and 4) at the end of each financial year to gain retrospective approval for actual TAA expenditure.

In practice there is little or no risk of Parliament not approving the actual payments. However, the requirement to seek approval still serves an essential purpose, by providing an opportunity to "ensure that the political and social implications of the Executive's expenditure policies will be disclosed and debated publicly".⁴⁰

³⁷ Mr M Barnes, Acting Executive Director, Finance, Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.6.

³⁸ Clause 29 (3) Financial Management Bill 2005.

³⁹ Mr M Barnes, Acting Executive Director, Finance, Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, pp.6-7.

⁴⁰ G Reid, *The Politics of Financial Control: The Role of the House of Commons*, Hutchinson University Library, London, 1966, pp.152-3.

In 2000 the Auditor General of Western Australia produced a report which commented on the use of the Treasurer's Advance Account. The report identified a trend towards greater use of Treasurer's Advances and went on to raise a number of concerns about accountability.⁴¹ The first related to the lengthy delays in obtaining Parliament's approval for actual TAA payments. The Auditor General's report found that, in the previous six years, Parliamentary approval had ranged from between 4.5 months to almost two years after the relevant financial year.

The Committee notes that Parliament is currently considering two bills to approve Treasurer's Advance payments dating back to 2002-03 and acknowledges delays will sometimes be inevitable, given Parliament's legislative workload. However, the Committee shares the Auditor General's concern about the length of these delays.

The second issue raised by the Auditor General related to the difficulty of providing assurance about the appropriateness of all TAA payments. This was because the key term 'extraordinary or unforeseen' was open to broad interpretation. The Auditor General went on to recommend the DTF "develop guidelines that clearly define the circumstances for use of the TAA".⁴² The Auditor General of Victoria made a similar recommendation following an examination of the Treasurer's Advance mechanism in 2003.⁴³

The Committee questioned DTF about the Auditor General's recommendation and was advised that DTF considered it impractical to provide guidelines, given the broad nature of the Treasurer's Advance.⁴⁴ At a public hearing DTF provided additional background on the origin of the term 'extraordinary and unforeseen' in support of this view:

At the time when we - when I say "we" I mean when parliamentary council and I - were looking at wording to recognise circumstances where you either have not anticipated sufficient funds in the budget or, for whatever reason or government imperative, you are going to overrun it, or you may not have started a new initiative or a new program at the time when you are framing the budget, we tried to find words that would allow all of that to fit in without in any way constraining us. The best we could come up with was "extraordinary and unforeseen". "Unforeseen" means we have not expected [a policy] initiative; "extraordinary" means expenditure over and above what we expected. There is no specific meaning to it other than to give a general message of continuing what we have now, which is that governments need flexibility to be able to operate and react to changed economic situations as they occur.⁴⁵

⁴¹ Auditor General of Western Australia, *Second Public Sector Performance Report 2000*, 8 October 2000.

⁴² *ibid*, p.58.

⁴³ Auditor General of Victoria, *Parliamentary Control and Management of Appropriations*, Government Printer for the State of Victoria, 2003, p.67.

⁴⁴ Department of Treasury and Finance, provision of additional information, 17 February 2006, p.7.

⁴⁵ Mr M Jolob, Acting Director Financial Policy, Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.7.

The Committee acknowledges the difficulty of drafting guidelines in these circumstances. However, the Committee believes that without clear guidelines on what constitutes 'extraordinary and unforeseen matters' the term is open to broad interpretation.

It may be argued that the Treasurer's Advance mechanism was meant to cover expenditure needs arising outside the control of the Executive. As the Executive determines policy, a change of policy cannot be considered outside its control. In this context, the Under Treasurer advised the Committee that:

At the point of formulating the budget, [a] policy change [may] not [have been] on the agenda. Therefore, it was not factored into the forward estimates. The fact that the government subsequently thought it appropriate to change its position on that policy is what governments are elected to do.⁴⁶

The Committee notes there is already a mechanism to cover such situations, namely Supplementary Appropriations. This involves seeking parliamentary approval for expenditure needs that arise post the annual appropriation process.

The difference between the Supplementary Appropriations mechanism and the Treasurer's Advance is that the former involves seeking approval in advance of making payments. The DTF advised the Committee that to the best of their knowledge, the Supplementary Appropriations mechanism has not, in practice, been used in Western Australia.⁴⁷ It is the Committee's intention to monitor the use of the Treasurer's Advance and include its findings in its annual report.

2.5 Treasurer's Powers

(a) Existing powers

The FMB retains, largely unchanged, the Treasurer's powers as set out in the FAAA. As such, the Treasurer will continue to be able to:

- Direct agencies to open and maintain accounts outside the Public Bank Account (Clause 13(2));
- Approve the overdrawing of accounts (Clause 14 and 19(2));
- Transfer Appropriations (Clause 25);
- Direct the transfer of amounts to suspense accounts (Clause 26(2));
- Transfer money to and from the Public Bank Account Interest Earned Account (Clause 31(1));

⁴⁶ Mr T Marney, Under Treasurer, Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.8.

⁴⁷ Mr M Barnes, Acting Executive Director, Finance, Department of Treasury and Finance, email correspondence to Committee Secretariat, 24 March 2006.

- Require information (Clause 79);
- Authorise Act-of-Grace payments (Clause 80 (1)); and
- Authorise write-offs (Clause 48). This is a power also enjoyed by Accountable Authorities and by other Ministers subject to certain defined monetary limits.

The Committee accepts the need for a Treasurer to have broad financial management powers similar to those set out in the FMB. However, it took the opportunity presented by the review to establish how these powers are currently used. It was hoped this information would provide the basis for identifying any gaps in the current accountability framework, more specifically the reporting requirements.

(i) Accounts opened outside the Public Bank Account

Table 2.1 provides details of bank accounts outside the Public Bank Account (PBA) and indicates that over the past three years the Treasurer used this power on only ten occasions.⁴⁸

Table 2.1 Bank accounts opened and maintained outside the Public Bank Account 2002-03 to 2004-05⁴⁹

Date approved	Agency	Details
11/2002	Department of the Premier & Cabinet	Bank accounts with the National Bank of Dubai to facilitate the operation of the Department's office in Dubai.
19/12/2003	Economic Regulation Authority	Established under section 21 of the <i>Economic Regulation Authority Act 2003</i>
18/2/2004	Fire and Emergency Services Authority of WA	Commonwealth Bank Account to collect donations, bequests, unconditional grants and gifts from the private sector and individuals for the purposes of charitable events.
02/2004	Corruption and Crime Commission	Covert bank accounts to facilitate special operations.

⁴⁸ Department of Treasury and Finance, provision of additional information, 17 February 2006, p.21. DTF advised that hospitals are able to establish individual bank accounts outside the Public Bank Account under an approval given to the Director General of the Department of Health by the Treasurer under Section 21 of the FAAA. No details were provided to the Committee regarding accounts opened under this approval.

⁴⁹ *ibid*, p.49.

Date approved	Agency	Details
01/04/2004	Department of Health	The purpose of the account is to facilitate salary packaging arrangements for eligible health sector employees provided through SmartSalary (a salary packaging provider contracted by DOH). SmartSalary has requested that the account be established with the Bendigo Bank as it is the only bank that can meet its operational requirements.
01/06/2004	Department of Industry and Resources	The bank account (a branch of the ANZ Bank) is in Seoul, South Korea to provide for the day-to-day operating expenses of the Department's office in Seoul.
23/06/2004	Forest Products Commission	The bank account is a US Dollar (USD) account at the Commonwealth Bank for the purpose of receiving and holding USD from the sale of sandalwood.
30/06/2004	Department of Fisheries	The bank account (at the Commonwealth Bank) is as requested by the Australian Government Department of Agriculture, Fisheries and Forestry for income and expenditure in relation to the Fisheries International Conference on Resource Allocation.
06/2004	Peel Health Campus Service	A Commonwealth Bank Account for trust private moneys.
7/10/2004	Western Australian Tourism Commission	Transfer of bank accounts from the Bank of Western Australia to the Commonwealth Bank.

The DTF advised the Committee that the main criterion for exercising this power is the operational needs of an agency. The contract for the PBA is currently with the Commonwealth Bank. If an agency needs a bank account in a location where there are no Commonwealth Bank branches, for example New York or London, the Treasurer is likely to approve an alternative bank account.⁵⁰

The Committee understands there are no formal reporting requirements in relation to the use of this power. Agencies report on their cash holdings in their annual returns, including all monies held, regardless of the type of account used.

⁵⁰ Mr M Jolob, Acting Director Financial Policy, Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, pp.8-9.

(ii) Overdrawing accounts

In response to enquiries from the Committee, DTF provided information on the number of approvals for overdrafts (table 2.2). In 2004-05 there were three such approvals totalling \$10.8 million.

Table 2.2 Overdrafts approved 2004-05⁵¹

Agency	Overdraft	Details
Department of Fisheries	Operating account: \$2,500,000.	As the Fund against which expenditure should be charged is not always apparent, the expenditure is charged against a Treasurer's Advance and then recouped from the Fisheries Research and Development Fund and the Recreational Fishing Fund on a monthly basis once the accounting model determines the appropriate funding source.
Department of Fisheries	The Fisheries Research and Development Corporation fund (FRDC): \$300,000.	The FRDC fund is used to meet the costs of any research programmes undertaken by the State at the request of the Fisheries Research and Development Corporation (FRDC). The seasonal nature of the Department's operations produces irregular patterns of expenditure not always matched by receipts from FRDC. At certain times it is necessary to make payments before the funding is received and this results in the FRDC trust fund balance being overdrawn for a period of time.
Forest Products Commission	Operating account: \$8,000,000	The overdraft facility is used for normal operational cash-flow purposes arising from the delay between payments and receipts typical of the timber industry with its long production cycles.

DTF advised that the criterion for approval is similar to that for opening bank accounts outside the PBA, namely the operational needs of an agency.⁵² It also advised that the only approval currently outstanding is for the Forest Products Commission:

*Because of the nature of its business and the seasonality of its revenue and expenditure, it is in overdraft for four to five months of the year before the sales kick in.*⁵³

⁵¹ Department of Treasury and Finance, provision of additional information, 17 February 2006, pp.21-2.

⁵² Mr J Netolicky, Assistant Director, Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.9.

⁵³ *ibid.*

The Committee understands that overdrafts are reported in agency annual reports as a line of credit. Sitting behind that is the Treasurer's approval which the Auditor General would normally audit annually. DTF advised that it is 'fairly rare' for agencies to overdraw their accounts without approval and further noted that Treasury undertakes daily monitoring of bank accounts, taking immediate action if an account is overdrawn:

*We are on the phone the very same morning to see what the situation is. We fix it within a day or two. It is just an operational thing.*⁵⁴

(iii) Transfer of Appropriations

The FMB retains the power to transfer appropriations from one agency to another in certain circumstances (Clause 25). In evidence to the Committee DTF explained that the power is necessary to give effect to restructures:

*What currently happens is that in the event there is a transfer of function from one agency to another, the Treasurer can allocate that aspect of the budget from the agency from which the function is moving to the other agency.*⁵⁵

The transfer can be traced in agency annual reports:

*The first thing that will happen is that expenditure will appear in the recipient agency's estimated out-turn for the year. If it is material, we actually go further than that and we recast last year's actuals and cast the budget estimates to reflect it as though this had actually happened in the budget process at the start of the year..... Also, again, the agency will have to report in its annual report on any differences between estimate and actual.*⁵⁶

(iv) Transfer of amounts to suspense accounts

Clause 26 is similar to Section 27 of the FAAA in that it enables the Treasurer to direct that an appropriation for a particular financial year "may be transferred to a suspense account to the extent necessary to meet a relevant commitment and such a transfer is taken to be a payment correctly chargeable against that appropriation for that financial year."⁵⁷

Table 2.3 provides details on the total sums held in suspense accounts at year end for the past three financial years.

⁵⁴ ibid, p.10.

⁵⁵ Mr M Jolob, Acting Director Financial Policy, Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.5.

⁵⁶ ibid.

⁵⁷ Clause 26 (2) Financial Management Bill 2005 and Section 27 (1) *Financial Administration and Audit Act 1985*.

Table 2.3 Total sums held in suspense accounts at 30 June 2003, 2004, and 2005.⁵⁸

Date	Total (\$)
30 June 2003	926.4 million (cr)
30 June 2004	1.3 billion (cr)
30 June 2005	1.7 billion (cr)

The Committee noted that total sums held in suspense accounts increased by more than 50 per cent over the three years. In response to questions from the Committee the DTF advised that the unexpended balances in the suspense accounts related to depreciation and salary expenses:

The purpose of receipts-in-suspense accounts is to enable agencies to hold receipts of money pending identification of the destination and subsequent posting to the correct general ledger account or refund if there is an incorrect payment. Where there were outstanding balances at year-end the agencies concerned would not have identified the correct accounts to which these amounts should be posted. The suspense account may also receive non-cash components of an appropriation related to depreciation and salary expenses (accrued leave entitlements and 27th pay).

Agencies may only draw down funds from the last mentioned account to reduce their accrued leave liability or to utilise their accumulated depreciation credits to fund their asset replacement program..... Additionally, departments had been transferring cash to a suspense account as a provision for the 27th fortnightly pay which occurs every 11 years. This last occurred in the 2004/05 financial year at which time the balance of the salaries suspense account was drawn down by agencies on 30 June 2005.⁵⁹

The Committee understands the balances held in suspense accounts are currently reported in the Treasurer's Annual Statements, soon to be replaced by the Annual Report on State Finances. Suspense accounts are considered part of the Trust Fund and the Annual Statements include a listing of all trust accounts.⁶⁰

(v) *Transfer of money to and from the Public Bank Account Interest Earned Account*⁶¹

In relation to the transfer of money to and from the Public Bank Account Interest Earned Account (PBAIEA), DTF advised that the normal mechanism is to transfer interest earned on the balances to revenue once a year at year end. As the PBA holds both Consolidated Account money and also

⁵⁸ Department of Treasury and Finance, provision of additional information, 17 February 2006, pp.20, 32, 43 & 48.

⁵⁹ *ibid*, p.20.

⁶⁰ See for instance *The Treasurer's Annual Statements 2004-05*, Department of Treasury and Finance, August 2005, p.75.

⁶¹ For a discussion on total interest earned and rates of return, see Section 2.5(b)(i).

money held on behalf of third parties, such as State Housing Commission and the Water Corporation, some of the interest will be transferred to those third parties.⁶²

The PBAIEA year end balances and information on total receipts and payments are reported each year in DTF's Annual Report.⁶³ The actual amount received by Consolidated Fund as well as the estimated amount is available in the Treasurer's Statements.⁶⁴

(vi) Power to require information

Clause 79 of the FMB states:

The Treasurer may require the accountable authority or an officer of an agency to provide the Treasurer with any information relating to the financial management of the agency that the Treasurer thinks necessary for the purposes of this Act.

Clause 79 replicates section 58A of the FAAA. DTF advised the Committee that to the best of its knowledge, no direction has ever been made under that section.⁶⁵

(vii) Authorisation of Act-of-Grace payments

Act-of-Grace payments are designed to meet a situation in which the government believes it has a moral, rather than a legal, obligation to pay compensation for loss or damage. DTF has provided a Treasurer's Instruction (319) to guide agencies on when these payments are appropriate:

[The Treasurer's Instruction] states basically ...that although not legally bound to do so, a government might provide an act of grace payment when it considers that it has a moral obligation to compensate for a loss or damage, or it has a responsibility to relieve a person of a financial hardship. Really, that is the only sort of guidance that is given about these matters.⁶⁶

The Under Treasurer stressed this type of payment is "very exceptional" and there are "probably less than a handful every year".⁶⁷ Payments are reported by the agencies themselves in their annual reports.

⁶² Mr J Netolicky, Assistant Director, Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, pp.10-12.

⁶³ See for instance Department of Treasury and Finance, *Annual Report 2004-05*, p.77.

⁶⁴ See for instance *The Treasurer's Annual Statements 2004-05*, Department of Treasury and Finance, August 2005, p17, 19 and 30.

⁶⁵ Mr M Barnes, Acting Executive Director (Finance), Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.13.

⁶⁶ Mr M Barnes, Acting Executive Director (Finance), Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, pp.13-14.

⁶⁷ Mr T Marney, Under Treasurer, Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.14.

(viii) Authorisation of write-offs

The power to write off debts is one given to the Treasurer and other Ministers. Again there is a specific Treasurer's Instruction (807) which provides guidance on the exercise of this power:

It states that the circumstances that may lead to a write-off of revenue, other debts or public property include receivables that are irrecoverable - for example, where an individual or business owes funds to an agency for services provided and that individual or business is subsequently declared bankrupt - and instances where there is a loss, theft or major damage to public property which causes the total loss of the asset.⁶⁸

Table 2.4 provides details of substantial debts written off in the three financial years to the end of 2004-05.

Table 2.4 Write-offs in excess of \$50,000 2002-03 to 2004-05⁶⁹

Agency	Amount (\$)	Issue
2002/03		
Conservation and Land Management	699,812.84	Whittakers Ltd went into administration - \$364,156.15 McLean Recycling Ind Pty Ltd was liquidated - \$335,656.69
WA Police Service	100,000.00	Constable Care Child Safety Project unable to repay interest-free loan
WA Police Service	129,122.00	Written down value of Cessna 310R fixed wing aircraft destroyed in an accident
2003/04		
Department of Environment	99,818.00	Waste Control Pty Ltd was liquidated
Conservation and Land Management	73,936.90	SPD Wood Supplies was unable to repay debts owing
Department for Planning and Infrastructure	587,588.90	Irreconcilable differences resulting from bank reconciliation
2004/05		

⁶⁸ Mr M Barnes, Acting Executive Director (Finance), Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.17.

⁶⁹ Department of Treasury and Finance, provision of additional information, 17 February 2006, p.19.

Agency	Amount (\$)	Issue
Department of Education and Training	57,803.28	Write-off of stolen, destroyed, missing and obsolete stock owned by the Department for the 2001/02 financial year
	86,337.71	Write-off of stolen, destroyed, missing and obsolete stock owned by the Department for the 2002/03 financial year
Department of Industry and Resources	2,000,000.00	Loan to Compact Steel Pty Ltd was irrecoverable as the company had no assets and had been deregistered by ASIC
Department of Industry and Resources	206,879.51	Katanning Mills Ltd unable to repay outstanding loan and interest receivable when liquidated

Write offs are reported by the agencies themselves in their annual reports.

Although the Committee was satisfied with the uses being made of these powers and reporting regimes as indicated by the evidence provided to the review, it is considering a more detailed examination of this topic in the context of the user friendliness of government financial reporting.

(b) New or enhanced powers

(i) Investment Powers

The volume of money passing through public sector bank accounts each year is measured in the tens of billions of dollars and the balances in these accounts at any time during the year are significant. For example, DTF advised that the total credit balance in public sector suspense accounts at June 30, 2005 was almost \$1.7 billion, up from \$1.3 billion at June 30, 2004 and \$926.5 million at June 30, 2003.⁷⁰

The over-riding rules for investing these balances are set out in Section 38 of the FAAA and its clear purpose is “to ensure that public money is not placed at risk while enabling the Treasury to access a sufficiently wide market to accommodate the large volume of funds involved”.⁷¹ It does this by limiting investment to cash, bank deposits, bills and bonds and by requiring the bills to be bank-backed and the bonds to be government or semi-government instruments backed by a guarantee.

In its Discussion Paper on the FMB, DTF advised that cash balances of the Western Australian Government and most of its agencies are pooled and collectively invested by DTF, with financial market services and advice provided by the Western Australian Treasury Corporation under a

⁷⁰ *ibid*, pp.32, 43 & 48 respectively.

⁷¹ Commission to Review Public Sector Finances, *Report of the Independent Commission to Review Public Sector Finances*, Western Australia, 1993, p.35.

service level agreement.⁷² In response to questions put by the Committee, DTF provided additional information on total interest earnings and rates of return over the past three years. This is set out below in Tables 2.5 and 2.6 respectively.

Table 2.5 Interest earned on the investment of the Public Bank Account 2002-03 to 2004-05⁷³

Financial Year	Interest to Consolidated Fund \$M	Interest to Participants \$M	Total Interest \$M
2002-03	17.6	31.7	49.3
2003-04	32.5	35.6	68.1
2004-05	41.4	37.9	79.3

Table 2.6 Net and Gross Rates of Return on Public Bank Account funds invested 2002-03 to 2004-05⁷⁴

Financial Year	Gross rate %	Net rate %	Average balance \$M
2002-03	5.01	4.93	823
2003-04	5.17	5.11	1,250
2004-05	5.44	5.39	1,404

As demonstrated in Table 2.5, the short term investment of cash balances provides the government with a valuable source of revenue.

The FMB will give the Treasurer considerably more flexibility through the power to invest “in a manner prescribed by the regulations”,⁷⁵ provided the regulations stay within the limitations set out in the *Trustees Act 1962*.⁷⁶ That Act allows trustees, unless expressly prohibited by the instrument creating the trust, to invest “in any form of investment”.⁷⁷ The DTF advised the Committee that it was still in the process of drafting the regulation referred to in the FMB and

⁷² Department of Treasury and Finance, Discussion Paper, *Replacement of the Financial Administration and Audit Act by the Financial Management Act and the Auditor General Act*, November 2005, p.7

⁷³ Department of Treasury and Finance, provision of additional information, 17 February 2006, p.8.

⁷⁴ *ibid*, p.15.

⁷⁵ Clause 37 (1) Financial Management Bill 2005.

⁷⁶ Clause 37 (2) Financial Management Bill 2005.

⁷⁷ Section 17 (a) *Trustees Act 1962*.

advised that the investments will continue to be restricted to highly rated debt securities.⁷⁸ Specifically, DTF advised that:

“... in addition to the currently authorised investment classes of cash, bank deposits and bills and government backed bonds, it is proposed that PBA moneys will also be able to be invested in debt securities issued in Australia by a corporation listed on a recognised stock exchange. “Debt securities” include inscribed stock, bonds, promissory notes and commercial paper.”⁷⁹

DTF also advised that:

To maintain the low risk profile of PBA investments, it is proposed that only debt securities of corporations with a credit rating (from a recognised credit rating agency such as Standard and Poor’s) of ‘A’ or better would be allowed.

Based on default statistics compiled by Standard and Poor’s, the average default rate of an ‘A’ rated five year debt security is only 0.42%....This is lower than the average default rate of all ‘investment grade’ securities (1.18% for five year securities). Examples of listed corporations with an ‘A’ (or better credit rating from Standard and Poor’s include ANZ (‘AA-), BHP Billiton (‘A+) and Telstra (‘A’).⁸⁰

In its submission to the Committee the Office of Auditor General recommended:

regular review of the regulation defining these classes of investment to ensure that risk classifications are still valid and risk remain low or moderate.⁸¹

The Committee endorses a conservative approach in this area. It also endorses the Auditor General’s recommendation that regular monitoring is important to ensure successful implementation of this new provision.

Finding 3

The Financial Management Bill 2005 provides the Treasurer with increased flexibility to invest Public Bank Account cash balances.

⁷⁸ Department of Treasury and Finance, provision of additional information, 17 February 2006, p.8.

⁷⁹ *ibid.*

⁸⁰ *ibid.*, pp.8-9.

⁸¹ Submission No 2a from Office of the Auditor General, 20 February 2006, p.3.

The Committee recommends that:

Recommendation 3

The Public Accounts Committee conduct regular reviews of the regulations covering investment of Public Bank Account cash balances to ensure the risk classifications remain valid and the overall risk remains low.

(ii) *The power to transfer ‘excess amounts’*

The Committee was advised that the FAAA confers on the Treasurer a power to transfer excess amounts in trust accounts, with the exception of operating accounts, to the Consolidated Fund.⁸² The FMB has retained this power and extended it to operating accounts, and defines excess amounts as “money standing to the credit of a special purpose account that [the Treasurer is satisfied] is not reasonably required for the purposes of that account.”⁸³

In its Discussion Paper, the DTF stated:

this change would enable a more proactive approach to cash management, which is considered desirable in light of continuing growth in agencies’ cash balances (and the potential risk this poses to the Government’s financial targets).⁸⁴

Additional information provided to the Committee noted:

The closing cash balances of all general government sector agencies as at 30 June ... have increased by almost 30% over the last four years (from \$761 million at 30 June 2001 to \$983 million at 30 June 2005).⁸⁵

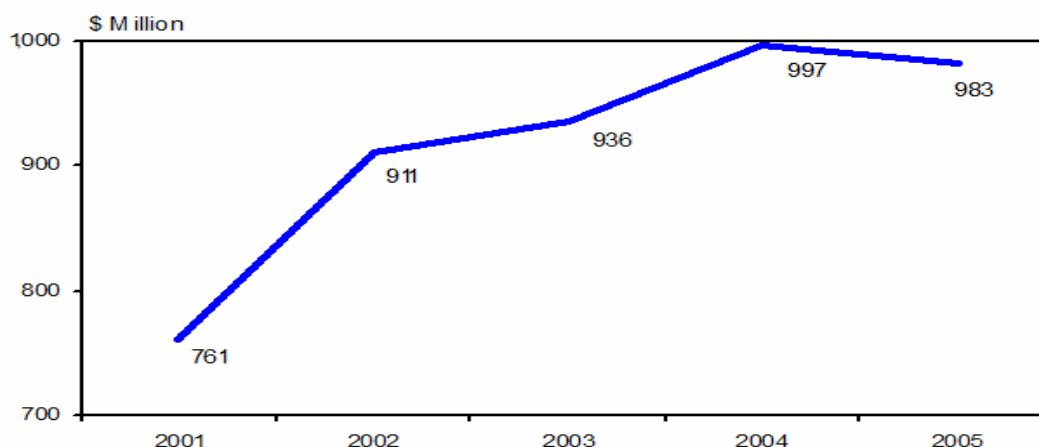
The closing cash balances of all general government sector agencies are represented in Figure 2.1.

⁸² Department of Treasury and Finance, Discussion Paper, *Replacement of the Financial Administration and Audit Act by the Financial Management Act and the Auditor General Act*, November 2005, p.8.

⁸³ Clause 20 (1) Financial Management Bill 2005.

⁸⁴ Department of Treasury and Finance, Discussion Paper, *Replacement of the Financial Administration and Audit Act by the Financial Management Act and the Auditor General Act*, November 2005, p.8.

⁸⁵ Department of Treasury and Finance, provision of additional information, 17 February 2006, p.11.

Figure 2.1 Trust Account Balances as at June 30⁸⁶

In response to enquiries from the Committee, DTF advised that the rise in agency cash balances:

... reflects factors such as the accumulation of unspent appropriation monies drawn down from the Consolidated Fund over a period of years.....

In this regard it is important to distinguish between a previous approval for an agency to draw down an appropriation from the Consolidated Fund, and when these funds are actually spent. An agency may well have approval to receive an increased appropriation for a particular initiative. However, if the funds are drawn down but not actually spent in the financial year in which the approval is given (and at which time the impact on expenses is factored in to the official estimates), there is a risk to future expense and operating surplus targets.⁸⁷

The Auditor General acknowledged that cash surpluses of some agencies are rising and described the new power as “an appropriate legislative power for Executive Government to hold”.⁸⁸ The Auditor General went on to say, however, that the power should be exercised with appropriate controls and accountability and at the public hearing stated:

When we are talking about transfers such as that, there will always be a range of views, but if there is a clear rationale for it, that is documented and reported and there is a trail left. In the normal circumstances I would expect the executive to be able to explain what they have done, and the rationale would be self-evident.... For me, it is appropriate for the

⁸⁶ Department of Treasury and Finance, provision of additional information, 17 February 2006, p.12.

⁸⁷ *ibid.*

⁸⁸ Submission No 2a from Office of the Auditor General, 20 February 2006, p.3.

*auditor then to survey all those issues. If there was an anomaly, we would draw it to Parliament's attention.*⁸⁹

At a public hearing, the DTF acknowledged it would need to develop a cash management policy to operationalise this new power:

*That policy will need to be developed in consultation with agencies and obviously the Treasurer. Without wanting to pre-empt the outcome of that, one option might be to set a general working capital threshold for agencies. For example, we could allow agencies to retain up to five per cent of their annual net cash flow in their operating accounts. Under such an arrangement, any amount above the five per cent threshold would be deemed excess to an agency's requirements.*⁹⁰

The Committee endorses the Auditor General's opinion regarding the need for "appropriate controls and accountability" but believes DTF should be left to develop a cash management policy rather than have it prescribed in the FMB. The Committee believes the legislative review it is proposing in section 2.10 of this report should look at whether the policy regime set up by DTF is adequate or needs to be strengthened by amendments to the legislation.

(iii) *The power to direct modifications to draft resource agreements (Clause 45(2))*

Clause 45 (2) of the FMB introduces a new power that will enable a Treasurer to direct agencies to make specified modifications to draft resource agreements. These agreements are made between the Treasurer, relevant Minister and agency CEO to formally endorse the services to be delivered by the agency, the outcomes to be achieved and the agency's financial plan. DTF advised the Committee that this power would be used only as a last resort:

*In the vast majority of cases, if not all, resource agreements will be finalised by mutual agreement between DTF and the agency. While I think it is unlikely to eventuate, one circumstance in which the Treasurer might use this power to direct under clause 45 is if either the agency CEO or the relevant minister has a different interpretation from that of the Treasurer about decisions of the Expenditure Review Committee relating to that agency, because it is those decisions that feed into the resource agreement. The relevant minister may have one interpretation of what those decisions mean, and the Treasurer may have a different interpretation. As I have said, this is probably a rare circumstance, but just to provide some illustration, in that sort of case I think it would be appropriate for the Treasurer to use his power under clause 45 to direct that the resource agreement be modified, particularly as the Treasurer is also the chair of the Expenditure Review Committee and ultimately signs off on the Expenditure Review Committee decisions.*⁹¹

⁸⁹ Mr D Pearson, Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.8.

⁹⁰ Mr M Barnes, Acting Executive Director (Finance), Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.10.

⁹¹ *ibid*, p.12.

The Committee, upon the evidence received, is satisfied that this power would only be used in extraordinary circumstances. Nevertheless, the Committee believes this is an issue that requires ongoing monitoring by the Public Accounts Committee with consequent reports to Parliament.

2.6 Parliament's access to information

(a) Ministerial duty to inform Parliament

It is generally recognised that Ministers must be kept fully informed by their agencies but that there may be situations where a Minister may be justified in not making public information received from an agency.

It is also recognised that confidentiality provisions can be misused and to address this concern the 1995 Commission on Government endorsed the idea of "overriding accountability conditions" to apply when confidentiality provisions are invoked.⁹²

The FAAA currently prohibits agencies from doing anything, such as signing confidentiality agreements with third parties, which would prevent them from keeping their Ministers informed about their activities or operations.⁹³

The FMB has retained this prohibition, and together with the AGB has established a new framework for dealing with confidential information. The new framework:

1. Prohibits agencies from keeping any information from their Ministers (Clause 81 of FMB, similar to Section 58C of the FAAA);
2. Requires Ministers to notify Parliament when they decide to exercise their right not to disclose 'certain' information to Parliament (this duty was considered to be implicit in Section 58C but has been made explicit in Clause 82 of the FMB);
3. Requires Ministers to also notify the Auditor General in similar terms (Clause 82 of the FMB);
4. Gives the Auditor General access to the information the Minister has decided not to disclose (Clause 36(1) of the AGB);
5. If it would not be in the public interest for the information to be disclosed, prohibits disclosure of it by the Auditor General in any report to Parliament (Clause 36(2) of the AGB); and
6. Gives the Auditor General discretion to report the information to the Public Accounts Committee (Clause 36(2) of the AGB).

⁹² Commission on Government, Western Australia, *Report No 1*, 1995, p.186.

⁹³ Section 58C *Financial Administration and Audit Act 1985*.

Both bills are silent about what should happen after a report to the Public Accounts Committee.

This structure largely reflects COG's recommendations but there are some differences the Committee has noted in Section 3.6(c) of this report.

The net effect of the COG recommendations would be to subject secrecy claims to a level of scrutiny independent of the Executive. The Committee believes the structure outlined in the FMB and the AGB will achieve independent scrutiny, and that the difference between the COG recommendations and the bills is one of degree not kind.

(b) 'Certain' information

Clause 82 of the FMB refers to 'certain information' concerning any conduct or operation of an agency. This term is not further defined in the FMB. The Committee had some concerns about the type of information that would trigger the requirement to inform Parliament. If the duty to inform Parliament only arises when a Minister decides to enter into a confidentiality agreement, the clause may be of only limited use to Parliament. It might not, for instance, require Ministers to inform Parliament in the event of, "any unexpected event which could affect materially the Consolidated Account, the State's credit position, or an agency's financial position".⁹⁴

The Committee was also concerned about whether the duty would arise when a Minister is merely complying with a request, made by agency management, to delete commercially sensitive information from a quarterly or annual report.⁹⁵ During the hearings held, the DTF indicated the duty arose only where a contract existed:

The intent was to preclude ministers from standing in Parliament, in answer to a parliamentary question, and saying, "Well, I'm sorry, I can't give you that information because the agency can't give it to me or I can't give it to you because we have commercial confidentiality written into a contract and I'd be in breach of that contract in providing it."⁹⁶

The Committee believes this situation requires monitoring by the Public Accounts Committee, with consideration given in the future as to whether this regime should be extended to cover confidential information that Ministers' become aware of other than by way of contractual arrangement.

(c) Summary

In summary, the Committee does not recommend changes to the FMB in relation to the new framework for dealing with confidential information. The Committee points out that the issue may be added to the terms of reference of its proposed legislative review (see section 2.10). Such

⁹⁴ Commission on Government, Western Australia, *Report No 3*, 1996, p.63.

⁹⁵ For an example see section 2.3 (a) of this report.

⁹⁶ Mr M Jolob, Acting Director Financial Policy, Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.17.

a review would provide interested parties with the opportunity to highlight any practical deficiencies with the bills.

2.7 Capital User Charge

The FMB will abolish the Capital User Charge (CUC), which was introduced as part of the 2001-02 Budget. The CUC applies to all agencies that are dependent upon a budget appropriation for delivery of services and is currently levied at the rate of 8% per annum, on net assets employed by agencies in delivering services.

The primary aim of the CUC is to assist in determining the full cost of service delivery by agencies by including the opportunity cost of holding capital. It was intended to create incentives for improved asset management by budget sector agencies. In its Discussion Paper, DTF advised:

The intent of the CUC was to act as an incentive for agencies to review their asset holdings, to reflect the cost of holding assets in the cost of services, and to facilitate benchmarking against other jurisdictions.

However, in practice, the CUC has proved a difficult concept to apply in the public sector, as evidenced by the removal of the CUC by all other Australian jurisdictions except Victoria. It has not influenced agencies' behaviour in terms of holding and managing assets, and along with Victoria, Western Australia is now the 'odd one out' in terms of interjurisdictional comparability.⁹⁷

DTF advised that abolishing the CUC will have no impact on whole-of-government finances, as the CUC is eliminated on consolidation of agencies' financial statements, reflecting the fact that it is purely an intra-government transaction.⁹⁸

It also advised that the opportunity cost of capital will still be addressed in DTF's publication 'Costing and Pricing Government Services' used for costing of agencies' services.

In response to Committee inquiries about the difficulties encountered in implementing the CUC, DTF noted:

The CUC was successfully implemented. However, while it provided an indication of the cost of capital and full cost of services, the charge has not led to noticeable improvements in the asset management practices of agencies. The charge has also proved to be administratively burdensome from both an agency and DTF perspective.⁹⁹

The OAG highlighted another issue in relation to the CUC. In its submission on the FMB the OAG considered the CUC increased the risk of agencies manipulating their cash balances to

⁹⁷ Department of Treasury and Finance, Discussion Paper, *Replacement of the Financial Administration and Audit Act by the Financial Management Act and the Auditor General Act*, November 2005, p.8.

⁹⁸ *ibid*, p.10.

⁹⁹ Department of Treasury and Finance, provision of additional information, 17 February 2006, p.11.

minimise their exposure to this charge.¹⁰⁰ At the hearing held on 27 February 2006 the OAG advised that:

From an audit perspective it seems to be a good move to reduce that risk [by abolishing the CUC].¹⁰¹

In these circumstances the Committee accepts the need to abolish the CUC.

2.8 Extension of the Public Bank Account to additional statutory authorities

Under the FAAA, not all statutory Authorities conduct their operations through the Public Bank Account (PBA). This will also be the case under the FMB. However, DTF advised that it is proposing to extend the PBA to cover some additional statutory authorities, specifically the Hospital Boards and possibly other statutory authorities.

DTF described the PBA as a single bank account around which Western Australia's public finances have evolved. Most receipts are paid into the PBA and most disbursements are paid out of it.¹⁰²

Most public sector agencies operate within the PBA but a number do not.¹⁰³ DTF noted that significant interest savings can be realised by extending the PBA to more statutory authorities. DTF further noted that statutory authorities would benefit because:

- the proposal would enable them to receive interest on their funds in the PBA; and
- the resources they currently use to invest these funds would instead be able to focus on the authorities' core business.

In addition, the extension of the PBA would enable better monitoring and control of cash as well as a more centralised investment function.

One of the major differences between these two types of agencies is that entities operating outside the PBA pay their employees one day earlier than do entities operating within the PBA. DTF advised the Committee of discussions to bring Hospital Boards into the PBA. The Committee understands that once this happens their payrolls will be paid one day later.

¹⁰⁰ Submission No 2a from Office of the Auditor General, 20 February 2006, p.4.

¹⁰¹ Mr D Cunninghame, Acting Assistant Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.21.

¹⁰² Department of Treasury and Finance, Discussion Paper, *Replacement of the Financial Administration and Audit Act by the Financial Management Act and the Auditor General Act*, November 2005, pp.13-14.

¹⁰³ In additional information provided to the Committee (Department of Treasury and Finance, provision of additional information, 17 February 2006, p.13-14), DTF said about 85 agencies with over 63,000 employees and a total payroll of \$3.8 billion operate within the PBA, about 70 statutory authorities currently operate outside the PBA. The latter group have in the order of 30,000 employees and payrolls totalling some \$2.1 billion. See Appendix 9 for the list of agencies currently operating outside the PBA.

The remainder of non-PBA entities:

*are likely to remain outside of the PBA, depending on their enabling legislation and government policy. Their inclusion within the PBA will need to be reviewed on a case-by-case basis.*¹⁰⁴

This means the employees in these agencies will continue to be paid one day earlier than employees in agencies operating within the PBA.

2.9 Other issues

During its hearings the Committee raised a number of other issues with the Under Treasurer and the Auditor General.

(a) Terminology

Two submissions suggested some of the terminology used in the new bills was out-of-date.¹⁰⁵ Specifically, they recommended replacing the term ‘accounts’ with the term ‘financial report’ where the subject is actually the financial report and not the books and records of an entity.

The submissions also recommended replacing the term ‘financial statement’ with ‘financial report’ on the grounds the latter was more consistent with the current financial reporting framework.

The term ‘accounts’ is used throughout both bills, but usually in a context suggesting it refers to bank accounts. The Acting Assistant Auditor General, Mr Don Cunninghame, indicated the term has been used because it has a broader meaning than the suggested alternative:

*To me, “financial report” has a connotation of the actual financial statement, whereas “accounts”, to me, extends beyond the financial statements to the underpinning ledgers and records. It is a more all-embracing term.*¹⁰⁶

The Committee also asked the Office of the Auditor General to comment on replacing the term ‘financial statement’ with the term ‘financial report’ and was advised that the former term had been deliberately used to help reduce confusion:

One of the reasons “financial statements” was used is that there are a number of other references to other reports in the bill. There are annual reports and the reports we table in Parliament. The term “financial statements” was therefore used. In actual fact, in the accounting standards, in some instances the term “financial report” is used and in other instances “financial statement” is used. At the moment they are quite interchangeable, but

¹⁰⁴ Department of Treasury and Finance, provision of additional information, 17 February 2006, p.14.

¹⁰⁵ Submission No. 4, from the Institute of Chartered Accountants of Australia, 10 February 2006 and Submission No 7 from CPA Australia, March 2006.

¹⁰⁶ Mr D Cunninghame, Acting Assistant Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.15.

I feel that “financial report” is becoming the contemporary terminology. It is certainly what they use in the private sector.¹⁰⁷

In these circumstances the Committee does not recommend any change in the bills although believes the issue should be revisited as part of the proposed legislative review, by which time the accounting profession may have achieved unanimity one way or the other.

A third terminology issue was also raised with reference to defining subsidiary bodies’ control of financial and operating policies. Clause 60 (1) of the FMB states that a ‘subsidiary body’ in relation to an agency means:

(a) a body —

(iii) in respect of which the agency has the capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the body so as to enable the body to operate with the agency in pursuing the agency’s objectives;

The Committee understands that both the FMB and the AGB will be amended to acknowledge that the definition of control may change from time to time. Clause 60 (1) (a) (iii) will therefore be amended to read “over which the agency exerts control, consistent with the definition of control in Australian Accounting Standards AASB 127 - consolidated and Separate Financial Statements”.

(b) Chief Finance Officer

Two submissions raised questions about the Chief Finance Officer (CFO) position. This position was created in the *Financial Administration Legislation Amendment Act 2005* (FALAA) to replace the Principal Accounting Officer (PAO) position.

FALAA also effected a significant change in function. While the PAO had a bookkeeping and supervision focus, the CFO was intended to be a strategic advisor on financial management issues, and the ‘routine duties’ associated with bookkeeping and supervision will be transferred to the host agencies of the new shared corporate service clusters.¹⁰⁸

The FMB has retained the position of CFO as set out in the FALAA. The Institute of Chartered Accountants in Australia (ICAA) raised concerns about the future role and responsibilities of CFOs, in particular putting forward the view that the “provision of advice” aspects of the role were “vague and loose”.¹⁰⁹ ICAA put forward a similar view when the FALAA was being

¹⁰⁷ *ibid.*

¹⁰⁸ Department of Treasury and Finance, Discussion Paper, *Replacement of the Financial Administration and Audit Act by the Financial Management Act and the Auditor General Act*, November 2005, p.10.

¹⁰⁹ Submission No. 4, from the Institute of Chartered Accountants of Australia, 10 February 2006, p.2. Clause 57 (b) of the Financial Management Bill 2005 refers to the provision of advice on the effectiveness of accounting and financial management information systems and financial controls in meeting the requirements of the agency and (c) to the provision of advice concerning the financial implications of, and financial risks to, the agency’s current and projected services.

considered in 2005. In its evidence to the current review, DTF indicated its view on this matter had not changed:

One of the specific accountabilities of the CFO position in clause 57 is the provision of advice on the effectiveness of accounting and financial management information systems and financial controls in meeting the requirements of the agency. That is specifically addressed in clause 57.

Clause 57 also makes it clear that the CFO is accountable for the preparation of financial information to facilitate the discharge of the statutory reporting obligation of the agency. It basically means that the CFO signs off on the agency's annual accounts. That is in clause 57. In our view those accountabilities are very clear. They are much more high level and critical to the agency than the old PAOs' roles and responsibilities.

Another key factor.....is the need for a clear distinction between the accountabilities of the CFO and the accountabilities of the CEO. The CEO accountabilities are spelt out in clause 53 of the Financial Management Bill. We have been very careful to make sure that there is no blurring of the accountabilities between these two positions....It is very important for accountability to have clearly defined and distinguished roles and responsibilities, which we believe the FMB does..¹¹⁰

CPA Australia made a submission which raised similar concerns to ICAA's.¹¹¹ However, for the reasons put forward by DTF, the Committee believes the government should be allowed to introduce the new arrangements as set out in the FMB, although notes the bill makes provision for a review of the legislation in five years. Such a review would enable this issue to be revisited by interested parties at that time.

2.10 Legislative review

The FMB includes a provision for a Ministerial review of the operation and effectiveness of the legislation "as soon as is practicable after the expiry of 5 years from the commencement of this Act".¹¹² The provision goes on to stipulate that:

In the course of that review the Minister is to consider and have regard to —

- (a) whether there is a need for the Act to continue; and*
- (b) any other matters that appear to the Minister to be relevant to the operation and effectiveness of the Act.¹¹³*

Clause 85 also requires the Minister to prepare a report based on the review, and to make it public by causing it to be tabled in each House of Parliament.¹¹⁴

¹¹⁰ Mr M Barnes, Acting Executive Director (Finance), Department of Treasury and Finance, *Transcript of Evidence*, 27 February 2006, p.24.

¹¹¹ Submission No 7 from CPA Australia, March 2006.

¹¹² Clause 85(1) Financial Management Bill 2005.

¹¹³ Clause 85(2) Financial Management Bill 2005.

The Committee supports the idea of a Ministerial review but believes the report should be formally referred to the Public Accounts Committee of the day to enable detailed consideration of any issues it identifies, as well as those mentioned in this report.

As stated at the beginning of this chapter, the FMB is designed to be one of the cornerstones of the legislative framework under which WA's public finances are generated, administered and expended. The FMB will set out the high level principles and rules for day-to-day management of most public moneys. It will also set out most of the rules for ensuring Parliament has all the information it needs to hold the government of the day accountable for such management.

The FMB has introduced new provisions which are likely to require some time to bed down and the Committee acknowledges these have the potential to enhance accountability in this area. As this review has pointed out, they also involve some risks or raise issues that the Committee believes should be re-examined in detail with the benefit of knowing how they have been resolved in practice. Some of these issues go to the heart of the relationship between the Executive and Parliament and the Committee believes Parliament, more particularly the Public Accounts Committee or its successor, should conduct its own review.

The Committee considered a number of options to operationalise this view and resolved that it would require only a minor amendment to the bill, namely to require the Minister's report of his review be referred to the Public Accounts Committee for its consideration and advice to Parliament as the Committee sees fit.

The Committee recommends that:

Recommendation 4

Clause 85(3) of the Financial Management Bill 2005, which provides for a Ministerial review of the operation and effectiveness of the legislation after the expiry of 5 years, be amended to read:

- (3) The Minister is to prepare a report based on the review and, as soon as is practicable after the report is prepared, is to cause it to be laid before each House of Parliament and to refer it to the Public Accounts Committee.
- (4) The Public Accounts Committee review of the Minister's report is to consider and have regard to:
 - (a) the appropriateness of extending to the corporatised entities the same timely disclosure regime envisaged for the budget sector entities in Clause 82 of the Financial Management Bill 2005;
 - (b) the adequacy of the reporting regime for discretionary budget mechanisms;
 - (c) the appropriateness of the controls and accountability relating to the transfer of "excess amounts" under Clause 20 of the Financial Management Bill 2005;
 - (d) the application of Clause 82 to significant or material information relating to the conduct or operation of an agency, regardless of whether that information is protected by a confidentiality agreement;
 - (e) the terminology used in the legislation;
 - (f) the role of the Chief Financial Officer; and
 - (g) such other issues relating to the report as the Public Accounts Committee considers appropriate.
- (5) The Public Accounts Committee is to prepare a report based on its review and, as soon as is practicable after the report is prepared, is to cause it to be laid before the Legislative Assembly.

CHAPTER 3 THE AUDITOR GENERAL BILL 2005

3.1 Introduction

As stated in the previous chapter, the laws guiding the activities of the Auditor General are currently enshrined in the FAAA. The creation of the Auditor General Bill 2005 (AGB) is aimed at enhancing the Auditor General's independence, and is consistent with recommendations from the 1992 Royal Commission into the Commercial Activities of Government (WA Royal Commission), the 1995 Commission on Government (COG) and a 1996 report of the Public Accounts and Expenditure Review Committee.

Audit is one of the main accountability mechanisms for maintaining transparency and the importance of probity in government cannot be underestimated.

3.2 Major changes

In a submission to the review, the Auditor General highlighted eight key changes in the AGB:

1. Separate financial management and audit acts;
2. Enhanced independence;
3. A stronger relationship with Parliament;
4. Wider audit powers;
5. Increased accountability of the Auditor General;
6. A stronger structure for the Office of the Auditor General;
7. Alignment with the FMB; and
8. Alignment with contemporary audit practice.

As mentioned in the previous chapter, item 1 in this list represents the formal adoption of a recommendation by the COG and the Committee considers this an appropriate change.

Item 7 highlights the changes flowing from the FMB and largely deals with alignment of language, definition and procedure. For example, Clause 12 of the AGB directs that the Auditor General is to audit the 'Public Ledger', the new term introduced in the FMB to describe the Treasurer's Accounts.

The Committee therefore focused on reviewing the remaining changes as well as other issues it considered relevant in the context of this review.

3.3 Coverage

The Auditor General's jurisdiction as defined within the AGB will align with the current FAAA. With one exception¹¹⁵ the Auditor General's jurisdiction is limited to agencies which are defined by cross reference to the FMB.¹¹⁶ This means it is limited to budget-sector entities, namely departments, sub-departments and the statutory authorities referred to in Appendix 4 and 5 of this report.

In a submission to the review, the Australasian Council of Auditors-General (ACAG) expressed the view that there may be some doubt about whether the Auditor General's jurisdiction extended to corporate entities established under the control of a Minister.¹¹⁷ DTF confirmed (at section 2.3(a)) that the Auditor General's access to corporatised entities is established in their individual enabling statutes.

ACAG further suggested there was a need to clarify whether the Auditor General's jurisdiction extended to cover all bodies defined as a 'public sector body' in the *Government Financial Responsibility Act 2000* (GFRA).

The GFRA establishes the framework for government financial planning and reporting. Section 4 of that Act defines 'public sector body' as:

- (a) a department established under section 35 of the *Public Sector Management Act 1994*;
or
- (b) a body, whether corporate or unincorporated, or the holder of an office, post or position, being a body, office, post or position that is established or continued for a public purpose under a written law.

The Committee took the opportunity during its hearings to determine whether the Auditor General's jurisdiction may need to be clarified. The Auditor General indicated satisfaction with the way the OAG's jurisdiction is defined in the FMB:

We are aware that some parties have raised that issue. However, on reflection, we are fortunate in Western Australia, given the amendments to the FAAA in about 1989 or 1990 that introduced universal coverage of all entities subject to control of departments or authorities. We have not experienced any exceptions in the past decade so we are as confident as we can be that the bill adequately provides that cover.

*[Corporate entities established under the control of Ministers] are in the same category. In our view, the bill requires any entity to exercise control by appointing the Auditor General as auditor.*¹¹⁸

¹¹⁵ See below under 'Wider audit powers' section 3.6.

¹¹⁶ Clause 4(2) and (3) *Auditor General Bill 2005*.

¹¹⁷ Submission No 1 from Australasian Council of Auditors-General, 27 January 2006, p.2.

¹¹⁸ Mr D Pearson, Auditor General, *Transcript of Evidence*, 27 February 2006, p.2.

Based on the evidence provided to the review, the Committee is satisfied that all departments and relevant entities in the WA public sector are covered by the FMB and will therefore fall within the Auditor General's jurisdiction.

A submission from the Chamber of Commerce and Industry suggested the AGB may extend the Auditor General's jurisdiction too far by providing the power to audit "related entities".¹¹⁹ This is a new power and is discussed, along with the concern raised in the submission, in the section headed 'Wider audit powers' at section 3.6 (a) (iii) below.

3.4 The independence of the Auditor General

The Committee is of the view that independence is fundamental to all audits, not just those undertaken in the public sector. The 1995 Commission on Government (COG) noted that:

*Any audit opinion issued as a result of a review where the independence of the auditor is open to question will not engender the confidence of its users and will generally lack credibility.*¹²⁰

In the public sector, Auditors General have not always been independent of the Executive or had a close relationship with the Parliament:

*Prior to the nineteenth century.....Auditors General were employed by the Executive to conduct audits for the Executive. In fact, Auditors General were often seen as subordinate to the Treasury. The doctrines of auditor independence and audit of the Executive on behalf of parliament accompanied the reformation of the system of parliamentary appropriations in the late 1800s. It was then that the "independent audit of the state's expenditure" became a crucial element in parliament's control of the public purse."*¹²¹

The FAAA includes a number of provisions that were designed to insulate Auditors General from outside pressures, particularly those that can arise from within the Executive.¹²² These provisions cover the appointment of the Auditor General, salary and entitlements, tenure, and suspension and removal from office.

The AGB has made a number of changes to these provisions that largely echo the recommendations made by the COG.¹²³

The Committee notes that there are a number of new provisions in the AGB that have the potential to significantly enhance the Auditor General's independence.¹²⁴ For example, Clause 7(1)

¹¹⁹ Submission No 5 from Chamber of Commerce and Industry, 17 February 2006, p.3.

¹²⁰ Commission on Government, Western Australia, *Report No 1*, 1995, p.226.

¹²¹ *ibid*, p.227.

¹²² Sections 71 to 75 *Financial Administration and Audit Act 1985*.

¹²³ Commission on Government, Western Australia, 1995-96.

¹²⁴ Submission No 2 from the Office of the Auditor General, 27 January 2006, p.1.

explicitly identifies the Auditor General as an independent Officer of Parliament and clearly enunciates the practical implications of this status.

Further, Clause 7(6) states:

In particular, the Auditor General is not subject to direction from anyone in relation to:

- (a) whether or not a particular audit is to be conducted;*
- (b) the way in which a particular audit is to be conducted;*
- (c) whether or not a particular report is to be made;*
- (d) what is to be included in a particular report; or*
- (e) the priority to be given to any particular matter.*

Clause 19 replaces the Treasurer's power to *require* the Auditor General to conduct an audit with a power to *request* an audit.¹²⁵

Clause 9 limits the application of the *Public Sector Management Act 1994* (PSMA) to the Auditor General and to the OAG. The FAAA also limits the PSMA's application, but less explicitly. At the public hearing the Committee was advised that the OAG is not exempt from the Human Resources standards embodied in the PSMA. Rather the OAG is exempt from review of its compliance with those standards by the Public Sector Standards Commissioner, who is subject to audit by the OAG. The Committee agrees with this in principle, but proposes to discuss this matter further with the Auditor General to establish a process of review by the Public Accounts Committee.

Clause 42 requires the Treasurer to have regard to any recommendations made by the Public Accounts Committee when determining the budget of the OAG.¹²⁶ For a detailed discussion on the OAG's budget see section 3.8(c).

3.5 A stronger relationship with Parliament

The preceding discussion highlights a consistent theme in the drafting of the AGB: an enhanced role for Parliament generally and for this Committee in particular. Regarding Parliament's role, the Committee refers to the new powers to request audits outlined below at section 3.5(c).

In addition to identifying the Auditor General as an independent Officer of Parliament, the AGB spells out the practical implications arising from that independent status. Although Clause 7(6)(e) provides that the Auditor General is not subject to direction from anyone in relation to "the priority to be given to any particular matter", Clause 8 states:

¹²⁵ Section 78(3) *Financial Administration and Audit Act 1985*, emphasis added.

¹²⁶ Under Clause 42 (2) the Treasurer is also required to have regard to Public Accounts Committee recommendations on the OAG's organisational structure and resources.

.... *the Auditor General must have regard to the audit priorities of Parliament as determined by -*

(a) either House of Parliament; or

(b) the Public Accounts Committee¹²⁷

The Committee foresees its own audit priorities being determined on a case-by-case basis and notes this is consistent with the approach foreshadowed by the Auditor General (see section 3.5(c)).

(a) Appointment of the Auditor General

The process for appointing the Auditor General under the AGB also illustrates the enhanced role for Parliament.

Schedule 1 Clause 1(2) of the AGB provides that future Auditors General will be appointed by the Governor on a recommendation from the relevant Minister. The clause also requires the Minister to first consult “with the parliamentary leader of each party in Parliament and with the Public Accounts Committee”.¹²⁸

The WA Royal Commission and COG both recommended Parliament play a direct role in the appointment of the Auditor General.¹²⁹ Both, however, saw this role being played by a Joint Standing Committee:

....especially in the light of the responsibility of the Auditor General to report to the Parliament as a whole.¹³⁰

Two submissions to this review commented on the AGB appointment process. Both suggested it would be appropriate to involve a Committee of only one House, specifically a lower house committee, although they also suggested the Committee should have the power to formally approve or endorse the final nominee rather than merely be consulted.

The ACAG stated:

The mechanism by which the Auditor General is appointed is acceptable. However, we prefer the model whereby the Parliament should select and recommend the Auditor General for appointment by the Governor. As a minimum, the appointment of the Auditor-

¹²⁷ Clause 8 Auditor General Bill 2005.

¹²⁸ See section 3.5 (b) for a discussion on what is meant by the term “Party in Parliament”.

¹²⁹ Royal Commission into Commercial Activities of Government and Other Matters, *Report Part II*, Western Australia, 1992, p.3-18 & Commission on Government, Western Australia, *Report No 1*, 1995, p.241.

¹³⁰ Royal Commission into Commercial Activities of Government and Other Matters, *Report Part II*, Western Australia, 1992, II 3.10.13.

*General should require explicitly the approval of the nominee by the Public Accounts Committee, as in the Commonwealth Auditor-General Act 1997.*¹³¹

Dr Harry Phillips, Parliamentary Fellow (Education) and Adjunct Professor at Edith Cowan University and Curtin University of Technology, noted the potential for the Office of Auditor General to become engaged in the ‘political thicket’ and expressed the view that:

In practice ‘consult’ tends to mean ‘show’.... and the 10 year Auditor General contract hence will become a Government Appointment. Given the sensitivity of the appointment it is my view that the appointment by the Governor, on the recommendation of the Minister, should be approved and/or endorsed by:

- *The Public Accounts Committee; and*
- *Leader of the Opposition, and Leader(s) of each group with party status in the Legislative Assembly and Legislative Council.*¹³²

As the above discussion indicates, there is room for in-principle disagreement on this matter. The Committee, however, believes the AGB has achieved a balance between the proper roles of the Executive and the Parliament. The Committee is aware of only one position in the Western Australian public sector which is subject to any sort of formal Parliamentary veto and that is in relation to the appointment of the Corruption and Crime Commissioner.

The *Corruption and Crime Commission Act 2003* sets out a process that involves a designated panel of experts putting together a list of 3 suitable candidates that it then submits to the Premier.¹³³ The Premier then has the responsibility of choosing someone from that list to recommend to the Governor. The Premier’s choice for the position must also have the support of the majority of the Joint Standing Committee on the Corruption and Crime Commission and bipartisan support.¹³⁴ In the context of that Act ‘bipartisan support’ means the support of:

- (a) *members of the Standing Committee who are members of the party of which the Premier is a member; and*
- (b) *members of the Standing Committee who are members of the party of which the Leader of the Opposition is a member.*¹³⁵

The Committee endorses the proposal to give Parliament a say in the appointment process for the Auditor General but does not believe there is any imperative for Parliament to have a veto over the Executive’s nominee. The Committee is of the view that the AGB provides a sound foundation

¹³¹ Submission No 1 from Australasian Council of Auditors-General, 27 January 2006, p.7.

¹³² Submission No 3 from Dr Harry Phillips, Parliamentary Fellow (Education) and Adjunct Professor, Edith Cowan University and Curtin University of Technology, 9 February 2006, p.1.

¹³³ The nominating Committee must be made up of the Chief Justice, the Chief Judge of the District Court, and a person appointed by the Governor to represent the interests of the community

¹³⁴ Part 2, Division 1, Section 10, *Corruption and Crime Commission Act 2003*.

¹³⁵ Part 1, Division 1, Section 3, *Corruption and Crime Commission Act 2003*.

for ensuring the Auditor General operates independently of the Executive.¹³⁶ As far as the appointment process is concerned, the Committee would prefer to see how the proposed arrangement works out in practice. To that end the Committee refers to its recommendation for a Parliamentary review of the AGB at section 3.10 of this report.

(b) Definition of the term ‘party’

In his submission to this review, Dr Phillips drew the Committee’s attention to a further issue arising in relation to the appointment of the Auditor General. This was the lack of a definition of the term ‘party’ for the purposes of determining with whom the Minister has to consult prior to making his recommendation to the Governor.¹³⁷

Schedule 1 Clause 1 of the Auditor General Bill 2005 states:

Appointment of Auditor General

- (1) *The Auditor General is to be appointed by the Governor on the recommendation of the Minister, and is to hold office as Auditor General in accordance with this Schedule.*
- (2) *Before making a recommendation under subclause (1), the Minister must consult with the parliamentary leader of each party in Parliament and with the Public Accounts Committee [emphasis added].*

Part IIIA of the *Electoral Act 1907* covers the registration of political parties and includes a section on definitions and interpretation. Section 62C (1) of that Act provides that:

“eligible political party” means a political party that has at least 500 members who are electors and that has a constitution that specifies as one of its objects or activities the promotion of the election to the Parliament of the State of a candidate or candidates endorsed by it;

“parliamentary party” means a political party of which at least one member is a member of the Assembly or the Council;

To further complicate the issue, the Committee understands that the DPC determines the policy on party status using the number of parliamentary members required in the Legislative Assembly for recognition as a minor party. Currently this stands at 5 members and is used in determining minor party entitlements.

As noted above, the Auditor General plays a significant role in our system of Government and does so with reference to Parliament as a whole. The Committee therefore believes it would be inappropriate for the term to be defined with reference to the definition of ‘parliamentary party’ in

¹³⁶ See in particular the provisions highlighted in section 3.4 of this report.

¹³⁷ Submission No 3 from Dr Harry Phillips, Parliamentary Fellow (Education) and Adjunct Professor, Edith Cowan University and Curtin University of Technology, 9 February 2006, p.1.

the *Electoral Act 1907* and sees merit in the test suggested by Dr Phillips, namely a party recognised as such in the Legislative Assembly and Legislative Council.

The Committee notes that Parliament took a similar view in the *Corruption and Crime Commission Act 2003* where it stipulated that before a person is appointed to the position of Corruption and Crime Commissioner:

.... *the Premier must consult with -*

(a) the Standing Committee; or

(b) if there is no Standing Committee, the Leader of the Opposition, and the leader of any other political party with at least 5 members in either House.¹³⁸

The Committee agrees that the provision in the AGB is ambiguous and recommends the term 'party' in Schedule 1 Clause 1(2) of the AGB should be clarified.

The Committee finds that:

Finding 4

The term 'party' in Schedule 1 Clause 1(2) of the Auditor General Bill 2005 is unclear and requires clarification.

The Committee recommends that:

Recommendation 5

The words in Schedule 1 - General provisions as to Auditor General, Clause (1)(2) of the Auditor General Bill 2005 which reads:

Before making a recommendation under subclause (1), the Minister must consult with the parliamentary leader of each party in Parliament and with the Public Accounts Committee.

be replaced with the words

Before making a recommendation under subclause (1), the Minister must consult with the parliamentary leader of any political party with party status within the Parliament and with the Public Accounts Committee.

¹³⁸

Part 2, Division 1, Section 10, *Corruption and Crime Commission Act 2003*.

(c) The power to request audits

Clause 20 of the AGB provides a further example of how the AGB strengthens the Auditor General's relationship with Parliament. It states that:

*The Auditor General may carry out any audit that the Public Accounts Committee or the Estimates and Financial Operations Committee requests the Auditor General to carry out.*¹³⁹

As the terms of reference of both committees specifically mention the Auditor General and both operate from a whole of government perspective, there would seem to be little room for disagreement that both Committees should have the power to request audits.

The Committee is also in agreement with the Auditor General that the provision:

*.....does not stop other committees engaging with the Auditor General nor does it stop the Parliament as a whole requesting the Auditor General undertake an audit.*¹⁴⁰

It is also relevant here to note the Auditor General's comments made in response to a series of indicative questions put to him prior to the Committee's public hearing. When asked how the Auditor General would determine the priority of requests from Parliament, Mr Pearson stated:

It is the intention of the Auditor General to consult with appropriate stakeholders in all aspects of his duties and to have regard to the audit priorities of Parliament. The intention of Clause 36(2) is to allow the Auditor General, following such consultations as is deemed appropriate by the Auditor General, to make the ultimate determination as to what is in the public interest to report to Parliament.

*Historically, all requests to undertake audits of financial statements have been accepted, subject to sufficient funding. Requests to undertake more complex audits, performance examinations or other investigations would be considered and prioritised by the Auditor General in view of the materiality of the matter, relevance to the public interest, relevance to audit priorities of Parliament, relation to existing audit priorities and availability of resources.*¹⁴¹

The Committee notes that the AGB has formally recognised Parliament's right to seek assistance from the Auditor General and has given requests a special but not over-riding status by requiring the Auditor General have regard to them.¹⁴² The Committee sees the AGB as achieving a balance between the various interests involved.

¹³⁹ Clause 20 Auditor General Bill 2005.

¹⁴⁰ Mr D Pearson, Auditor General, *Transcript of Evidence*, 27 February 2006, p.3.

¹⁴¹ Office of the Auditor General, Response to Indicative Questions, 20 February 2006, p.2

¹⁴² Clause 8 Auditor General Bill 2005.

3.6 Wider audit powers

The FAAA includes several provisions dealing with the Auditor General's access to information. For example, Section 83(1)(a) gives "full and free access...to all accounts and such other information, documents and records which the Auditor General considers necessary". Section 84 requires banks or other financial institutions to provide account information relating to public moneys, Section 85 gives the Auditor General the power to require individuals to provide information and Section 86 gives the Auditor General the power to examine people under oath.

Previous inquiries have suggested there may still be doubt as to whether access can be had as of right to certain information, specifically cabinet decisions and submissions and information otherwise protected by legal professional privilege. These issues are discussed below.

(a) A general right of access

Division 2 of the AGB, 'Information Gathering Powers', includes Clause 33, which gives the Auditor General a general power to direct a person to provide information. This provision shares many of the features of Sections 85 and 86 of the FAAA. Clause 34 is similar to Section 83 and ensures "full and free access" to "all accounts, information, documents, systems and records that the Auditor General considers to be relevant".¹⁴³

The new features of Division 2 include significantly higher penalties for not complying with requests from the Auditor General for information. Under the FAAA the penalty was \$1000.¹⁴⁴ Under the AGB it is \$50,000.¹⁴⁵

(i) *Legal Professional Privilege*

Another new feature in the AGB is a clear statement in Clause 35 that the duty to give information under Clause 33 overrides both a person's common law right not to self-incriminate and "any duty of secrecy or confidentiality that the person has under *another written law*".¹⁴⁶

Legal professional privilege is a common law rule, not one based on a written law. Given the wording of Clause 35 mentioned above, there would appear to be some doubt as to whether the government or some other public sector agency, or a private person or body, could claim legal professional privilege to prevent the Auditor General gaining access to information.

The WA Royal Commission believed it was reasonable to allow a private person or body who is being examined or asked to produce documents by the Auditor General to claim legal professional

¹⁴³ Clause 34 Auditor General Bill 2005.

¹⁴⁴ See for example Section 83(2) *Financial Administration and Audit Act 1985*.

¹⁴⁵ See for example Clause 34 (5) Auditor General Bill 2005.

¹⁴⁶ Clause 35 Auditor General Bill 2005 (emphasis added).

privilege. However, it did not believe the Government or a public sector agency should be permitted to do so.¹⁴⁷

COG took a similar view and also recognised the need to balance public sector accountability considerations against the acknowledged public interest in full and frank disclosures in lawyer client relations. COG recommended that the Auditor General should not be allowed to include privileged information in a report to Parliament. Rather, the Auditor General should report the information to a Parliamentary committee and that committee would be required to determine *in camera* whether the information should be included in a report to Parliament.¹⁴⁸

In their submission to the review the OAG stated that:

*The FAAA currently provides for the Auditor General to have broad access to information required to perform his duties effectively. Section 35 of the Bill defines this more clearly and ensures that these powers to access documents is notwithstanding their status as confidential, including Cabinet confidentiality, commercial-in-confidence or legal professional privilege. This information is then protected by the confidentiality provisions that the Auditor General and OAG are required to adhere to, via Section 44 of the Bill.*¹⁴⁹

At the public hearing, when questioned whether individuals or agencies will be able to claim legal professional privilege against the Auditor General, the Auditor General stated:

*The proposal is that they should not because it is for the purpose of an audit and to get the information.*¹⁵⁰

The Committee does not believe amendments are necessary in this respect but notes that the proposed Legislative Review (see section 3.10) would provide an opportunity for the access issue to be revisited five years after the commencement of the Act.

(ii) Cabinet Documents

COG's view regarding Cabinet secrecy was similar to its view on legal professional privilege. It believed the Auditor General should have a clear right of access, but only a limited right to disclose any information protected by such privilege, in recognition of the need to balance public sector accountability considerations against the public interest in maintaining the confidentiality of information where this is appropriate.¹⁵¹

¹⁴⁷ Royal Commission into Commercial Activities of Government and Other Matters, *Report Part II*, Western Australia, 1992, p.3.10.

¹⁴⁸ Commission on Government, Western Australia, *Report No 1*, 1995 p.263.

¹⁴⁹ Submission No 2 from The Office of the Auditor General, 27 January 2006, p.4.

¹⁵⁰ Mr D Pearson, Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.16.

¹⁵¹ Commission on Government, Western Australia, *Report No 1*, 1995 p.271.

As stated above, the AGB only overrides any duty of secrecy or confidentiality that the person has under *another written law*. COG linked the confidentiality of Cabinet deliberations and documents to ‘tradition’.¹⁵²

The Auditor General expressed the view that Clause 35 will ensure access to relevant Cabinet documents. During its hearing Mr Pearson restated this view.

*I believe so. We have been given access to date, and this clause is probably marginally tighter.*¹⁵³

At the same time the Auditor General stressed the audit focus would be on the decision-making process, not the policy that flowed from it:

We do not question the decision unless there is a defect in the information leading to that decision. If there were a material defect, we would query not so much the decision but the lack of adequate basis for the decision

It would have to be a material and obvious flaw that you are aware of. My natural intuition, if I saw that sort of gross anomaly, would be to draw it to the attention of the decision-maker and give him the chance to revisit it.....

*Audits tend to look at the deficiencies in controls or applications of criteria or guidelines, and tend not to revisit the guidelines or the content of it.*¹⁵⁴

In light of the above, the Committee does not believe amendments are necessary but again notes that the proposed Legislative Review (see section 3.10) would provide an opportunity for the access issue to be revisited five years after the commencement of the Act.

(b) The power to audit certain accounts of related entities

Under the FAAA the Auditor General’s auditing jurisdiction is largely confined to departments and statutory authorities. Since 1985 a number of inquiries have questioned the adequacy of this jurisdiction given the continuing trend to contract out, commercialise, corporatise and privatise public sector functions.¹⁵⁵

The AGB has introduced a new provision that attempts to address this gap in accountability. Clause 17 states:

1. *If an agency performs any of its functions in one or more of the following ways -*
 - (a) *in partnership or jointly with another person or body;*

¹⁵² ibid p.263.

¹⁵³ Mr D Pearson, Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.16.

¹⁵⁴ ibid, p.17-18.

¹⁵⁵ See Royal Commission into Commercial Activities of Government and Other Matters, *Report Part II*, Western Australia, 1992, 3.10.

(b) through the instrumentality of any person or body;

(c) by means of a trust,

the accountable authority of the agency must give written notice of that fact to the Auditor General, and the person, body or trust is referred to as a “related entity” of the agency.

2. *The Auditor General may audit the accounts and financial statements of a related entity of an agency to the extent that they relate to functions that are being performed by the related entity -*

(a) on behalf of the agency;

(b) in partnership or jointly with the agency; or

(c) as the delegate or agent of the agency;

A submission to the review from the Chamber of Commerce and Industry (CCI) expressed concern about Clause 17. The CCI’s Chief Executive, Mr John Langoulant, stated:

Specifically it is unclear whether the current wording of Section 17 provides the Auditor General with the powers to audit private companies that operate independent of government.

In the interests of clarity, CCI recommends that the Public Accounts Committee review this specific clause to determine whether the draft legislation as it stands provides the Auditor General with such powers, and the reasons why the Auditor General should be provided such powers.

In CCI’s view, private companies that operate independently of government should not be within the scope of the Auditor General’s powers under Clause 17 and this clause should be amended accordingly.¹⁵⁶

The Committee had previously identified this Clause as one of interest for similar reasons to those identified by CCI. However, an examination of the history behind Clause 17 and evidence given to the review by the Auditor General has satisfied the Committee that the new power is justified. The Committee was also satisfied that the limitations set out in Clause 17 will prevent any improper intrusion.

In the Committee’s opinion the Clause correctly recognises the need for all public sector bodies, programmes and activities involving any use of public resources to be subject to audit by the Auditor General, regardless of whether they are delivered by public sector agencies or by the private sector.

¹⁵⁶

Letter from Mr John Langoulant, Chief Executive, Chamber of Commerce and Industry, 17 February 2006, p.1.

Clause 17 limits such audits to “the accounts and financial statements of the related entity” and “to the extent that they relate to” the public sector functions being performed by the related entity. The net effect was summed up by the Auditor General as follows:

I consider that the bill allows the Auditor General to track the dollar into the private entities' accounts. However, the bill does not empower the Auditor General to externally audit that private sector organisation.¹⁵⁷

The Committee acknowledges that there can be a range of views regarding when funds cease to be public and therefore no longer require scrutiny by the Auditor General. After considering this matter the Committee believes Clause 17 has achieved an acceptable balance between public accountability and private interests. The Committee intends to reconsider the matter in the context of its proposed Parliamentary review of the AGB (see section 3.10).

(c) Ministerial decisions not to disclose information to Parliament

As mentioned in the previous chapter, Ministerial decisions not to disclose information to Parliament are addressed in Clause 82 of the FMB and Clause 36 of the AGB. The latter Clause states that

36. Powers extend to confidential information

(1) The provisions of this Division extend to information that is the subject of a notice under the Financial Management Act 2005 section 82(1).

(2) If it would not be in the public interest for information mentioned in subsection (1) to be disclosed, the Auditor General is not to include it in a report to Parliament but may report it to the Public Accounts Committee.¹⁵⁸

As noted in Section 2.6 of this Report, Clause 36 is similar to the related COG recommendation. There are differences, however, which the Committee believed raised some important issues.

(i) The decision-maker

Clause 36(2) does not identify, at a critical point in the process of handling confidential information, who has determined if information should not be disclosed. The Clause appears to serve two purposes:

- to give the Auditor General the power to report to the Public Accounts Committee any information that a Minister has decided should not be disclosed to Parliament; and
- to otherwise prohibit the Auditor General from including confidential information in any report to Parliament.

¹⁵⁷ Mr D Pearson, Auditor General, *Transcript of Evidence*, 27 February 2006, p.2.

¹⁵⁸ Auditor General Bill 2005.

However, in the passage ‘if it would not be in the public interest ...’ the word ‘it’ could refer to a decision made by either the Auditor General or a Minister. The Committee assumes the relevant decision-maker at this point is the Minister because the rest of the passage refers to ‘information mentioned in subsection (1)’, which is information that has already been classified by the Minister as confidential.

When asked how the discretion under Section 36(2) would be exercised, the Auditor General indicated that:

It is the intention of the Auditor General to consult with appropriate stakeholders in all aspects of his duties and to have regard to the audit priorities of Parliament. The intention of s.36(2) is to allow the Auditor General, following such consultation as is deemed appropriate by the Auditor General, to make the ultimate determination as to what is in the public interest to report to Parliament.¹⁵⁹

Finding 5

Clause 36(2) of the Auditor General Bill 2005 does not clearly identify who determines when information deemed by the Minister to be confidential should not be disclosed to Parliament.

In contrast, the COG recommendation states that:

Where a minister, the executive or any public sector agency claims that it would not be in the public interest to disclose to the Parliament information regarding the activities of a public sector agency, the Auditor General shall not include that information in a report to the Parliament.....¹⁶⁰(Emphasis added)

The Committee believes there should be no doubt about who has made the determination at this point in the process. It therefore recommends that:

¹⁵⁹ Response to Indicative Questions, Office of the Auditor General, 20 February 2006, p.2.

¹⁶⁰ Commission on Government, Western Australia, *Report No 1*, 1995 p188.

Recommendation 6

Clause 36(2) of the Auditor General Bill 2005, which reads:

If it would not be in the public interest for information mentioned in sub-section (1) to be disclosed, the Auditor General is not to include it in a report to Parliament but may report it to the Public Accounts Committee.

be replaced with the words

Where the Minister decides that it would not be in the public interest for information mentioned in sub-section (1) to be disclosed, the Auditor General is not to include it in a report to Parliament but may report it to the Public Accounts Committee.

(ii) Parliamentary access to undisclosed information

Under the AGB the Auditor General will have the discretion to report the undisclosed information to the Public Accounts Committee.

As discussed above, Clause 36(2) provides that the Auditor General *may* report the information to the Public Accounts Committee.¹⁶¹ The AGB is silent, however, about how the Public Accounts Committee should handle the information.

The Committee took the opportunity to establish how such information is handled in other Australian jurisdictions, in particular the Commonwealth, Victoria and Queensland (QLD).

(iii) Other jurisdictions

Victoria

In Victoria the Auditor General has an unfettered power to include any material in reports to Parliament.¹⁶² Section 12(3) of the Victorian *Audit Act 1994* as amended provides:

The Auditor-General may include in a report any information which has come to his or her knowledge in the course of performing functions under this or any other Act if the Auditor-General considers that -

(a) the information is relevant to the subject matter of the report; and

(b) the inclusion of the information in the report is in the public interest.

¹⁶¹ Auditor General Bill 2005.

¹⁶² Joint Committee of Public Accounts and Audit, *Report 386 Review of the Auditor-General Act 1997*, The Parliament of the Commonwealth of Australia, Canberra, August 2001.

Commonwealth

By virtue of Section 37 of the Commonwealth *Auditor-General Act 1997*:

- The AG cannot include information in his reports if it is considered disclosure of the information would be contrary to the public interest as defined in the Act or if the Attorney General issues a certificate stating that view;
- If information is omitted because the Attorney General has issued a certificate, the Auditor General must state in the report that information has been omitted and give the reasons; and
- In either case the Auditor General has a discretion to prepare a report including the information which must be provided to the Prime Minister, the Finance Minister and the responsible Minister or Ministers (if any).

The Committee understands that up until 2001 Section 37 had never been invoked.¹⁶³ Since then there appears to have been only one use of the provision by the Auditor General in a report on “Protecting Australian Missions and Staff Overseas”. In his 04-05 Annual Report the Auditor General stated:

*The reason for [the omission] was that the information would prejudice the security, defence or international relations of the Commonwealth (Section 37(2)(a)). A separate report, including the omitted information, was prepared and copy provided to the prime Minister, the Finance Minister and the Ministers for Foreign Affairs and Trade, in accordance with Section 37(5) of the Act..*¹⁶⁴

Queensland

Section 104 of the QLD *Financial Administration and Audit Act 1977* deals with sensitive information. The section was added in 1993 and the explanatory notes to the bill stated that:

*Proposed section 104 allows for confidential reporting by the Queensland Auditor-General to the Public Accounts Committee where open reporting to the Legislative Assembly might reveal commercially sensitive information, damage inter-governmental relationships or prejudice legal proceedings.*¹⁶⁵

The QLD Public Accounts Committee has received 3 referrals under section 104 of the FAAA. On each occasion, the Auditor-General wrote to the Public Accounts Committee and reported to Parliament the decision to invoke section 104.

The approach taken by the QLD Committee is to write to the relevant minister to:

¹⁶³ *ibid*, p.36.

¹⁶⁴ Mr P Barrett, Commonwealth Auditor General, *The Auditor General - Annual Report 2004-2005*, p.23.

¹⁶⁵ Queensland Audit Legislation Amendment Bill 1992 Explanatory Notes, <http://www.legislation.qld.gov.au/Bills/47PDF/1992/AuditLegislationAmdB92E.pdf>, p10.

- seek an assurance that the matter has been resolved; and
- request details of action taken in relation to the matter.

The QLD Committee includes limited details of those occurrences in its annual report to Parliament.¹⁶⁶

(iv) Western Australia

COG recommended that the Auditor General should be *required* to report the ‘secret’ information to a proposed Upper House Committee which should, in turn, be *required* to review the Minister’s claim *in camera*.¹⁶⁷ The recommendation stated that:

...the Auditor General shall report it to the Legislative Council Standing Committee proposed in Section 5.3 The proposed Legislative Council Standing Committee shall determine ‘in camera’, whether the information shall be included in a report to be tabled in Parliament.¹⁶⁸ [emphasis added]

As noted in Section 2.6 of this Report, the net effect of the COG recommendations would be to subject secrecy claims to scrutiny by someone other than the Executive. The Committee believes the broad structure outlined in the bills under review will achieve these objectives, and does not see a compelling need to adopt the COG recommendation that the Auditor General report to an Upper House Parliamentary Committee.

Further, the Committee does not see a need to *require* the Auditor General to report. As stated by the former Auditor-General for the Commonwealth, Mr Pat Barrett:

It is the duty of Auditors General to advise Parliament on those matters that have been identified in the audit process about which Parliament should know. That duty, more than any other, distinguishes the public sector audit from its private sector equivalent.¹⁶⁹

The Committee sought the Auditor General’s views about these Clauses and was advised that there needed to be a review mechanism for decisions not to disclose to Parliament.

The Auditor General also commented on the process the OAG would be likely to follow after receiving the notification from the Minister of a decision not to disclose information to Parliament:

I read an obligation that if it is coming to us, we should run the rule over it and essentially agree that it should remain confidential, in which case there would be an added assurance

¹⁶⁶ Queensland Public Accounts Committee Report 63 Annual Report 2002-03, p.2. & Queensland Public Accounts Committee Report 70, Annual Report, p.3.

¹⁶⁷ Commission on Government, Western Australia, *Report No 1*, 1995, p.188.

¹⁶⁸ *ibid*, p.188.

¹⁶⁹ Mr P Barrett AM, ‘A’, *Are There Gaps in Public Sector Accountability?* 2002, Australasian Council of Public Accounts Committees, 2003, p.31. Available at www.anao.gov.au - accessed on 7 March 2006.

that it was justified or, if we ran the rule over it and found a problem, it would be a question of going back to the minister and challenging the proposal. It is not always easy, but that is the role of the auditor.¹⁷⁰

During the public hearings the Committee explored the idea of how it would handle confidential information received from the Auditor General. The Auditor General noted that:

If [the Committee] concur with the minister, there is not a problem. If they disagree with the minister, then I imagine that, in camera, that can be negotiated and at the end of the day democracy has to work.¹⁷¹

The Committee agrees that its decision on how to handle that information should recognise the confidential or sensitive nature of the information. The Committee believes, however, that the current provisions within Standing Orders that prevent disclosure of Committee deliberations are sufficient to protect against inappropriate disclosure of such information.¹⁷²

Based on the above, the Committee is satisfied in relation to Clause 36(2) of the AGB.

3.7 Accountability of the Auditor General

(a) Natural justice

One of the new clauses in the AGB sets out a process for ensuring organisations and individuals who are the subject of the examination or investigation have an opportunity to comment. Clause 25(2) indicates that before signing a report proposed to be submitted to Parliament or the Public Accounts Committee, the Auditor General must:

- (a) give a summary of findings to the Treasurer, agency or audited local subsidiary, as the case may be, and any other person who, in the Auditor General's opinion, has a special interest in the report; and*
- (b) by written notice, invite the Treasurer, the accountable authority of the agency, the audited local subsidiary or that other person, as the case may be, to make submissions or comments on the content of the summary of findings before a specified day, being not more than 14 days after the summary of findings is given to the Treasurer, agency, audited local subsidiary or person.*
- (3) The Auditor General must include in a report ... any submissions or comments made under subsection (2) ... or a fair summary of them.¹⁷³*

¹⁷⁰ Mr D Pearson, Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.6.

¹⁷¹ *ibid*, p.5.

¹⁷² Standing Order 270, *Standing Orders of the Legislative Assembly of the Parliament of Western Australia*, June 2005, p. 120.

¹⁷³ Clause 25(2) and (3) Auditor General Bill.

The Auditor General informed the Committee that Clause 25(2) formalises the OAG's current natural justice processes for performance examinations but that Clause 25(3) is new.

This new practice will ensure not only a more fair and balanced process, but will also provide the opportunity for Parliament and the public to hold agencies accountable for their proposed responses to audit findings. This provision is in line with the majority of other Australian audit jurisdictions.¹⁷⁴

Based on this evidence, the Committee is satisfied with Clause 25, including sub-section 3.

(b) Limited tenure of Auditor General

The AGB will introduce for the first time a fixed (ten-year), non-renewable term for future Auditors General. The Auditor General's submission highlighted the fact that:

This preserves the independence of the position, but is in line with more contemporary attitudes to accountability. Current arrangements appoint an Auditor General for an unlimited period, subject to appropriate termination and resignation provisions.¹⁷⁵

The new provision reflects the view expressed by COG which provided the following rationale

Appointments for an extended period, rather than life, permit the introduction of new ideas to the OAG. It is important to balance the need to protect the Auditor General from a disgruntled executive whilst ensuring that the benefits of limited tenure are available to both the incumbent and the State..... There is potential for the independence of the Auditor General to be compromised if the opportunity to serve more than one term is available. Pressure could be placed upon the incumbent to 'go softly' or face non-renewal. As such, we believe that a term contract must not be renewable.¹⁷⁶

The Committee is satisfied with provisions relating to tenure of the Auditor General within the AGB.

3.8 Office of the Auditor General

The OAG provides the Auditor General with the assistance required to carry out the functions of the Office. The Committee is of the view that it is important that the OAG is, and is seen to be, independent from the Executive.

The AGB has introduced new provisions to improve two aspects of the OAG's independence: the OAG's executive structure and the Auditor General's power to delegate.¹⁷⁷ As part of this review the Committee also considered the determination of the OAG's budget.

¹⁷⁴ Submission No 2 from Office of the Auditor General, 27 January 2006, p.5.

¹⁷⁵ Schedule 1(1) Auditor General Bill 2005.

¹⁷⁶ Commission on Government, Western Australia, *Report No 1*, 1995, p.237.

¹⁷⁷ Submission No 2 from Office of the Auditor General, 27 January 2006, p.5.

(a) Executive structure of the Office of the Auditor General

Clause 10 of the AGB creates a new position of Deputy Auditor General within the OAG, to perform such functions as the Auditor General directs. The Auditor General indicated this will help boost “the robustness and sustainability of the position of Auditor General” by providing additional support, and highlighted additional related accountability provisions within the AGB:

This strengthened structure and independence is balanced by new provisions for the appointment of an Acting Auditor General (Schedule 1(8) and (9)) ensuring accountability and enabling Executive Government to intercede if necessary.¹⁷⁸

(b) Delegation powers

Clause 30 of the AGB provides the Auditor General with a new power to delegate to members of staff of the OAG any power or duty under the AGB, other than those relating to the signing of annual reports, performance examinations and the use of coercive powers. Adequate delegation powers are considered essential to allow the Auditor General to effectively perform his or her duties, given the increases in scale of the public sector audit function:

The FAAA does not specifically provide for the delegation of audit functions. The Bill would establish these powers, and extends them from current practice to allow the delegation of the majority of duties, including signing of opinions. However, the signing of Reports to Parliament would be restricted from delegation and allowed to be executed only by the Auditor General. The Auditor General would remain accountable for all decisions made under the delegations.¹⁷⁹

The Auditor General advised the Committee of four other jurisdictions - the Commonwealth, Victoria, Queensland and Tasmania - that allow the Auditor General to delegate the power to sign opinions, and one - South Australia - that does not.¹⁸⁰

(c) The Office of the Auditor General’s budget

The current process for determining the OAG’s budget is similar to that for any other public sector entity. The Executive determines the OAG’s budget, which is included in the annual appropriations bills. The AGB will give Parliament, through the Public Accounts Committee, the opportunity to make recommendations on the funding of the OAG and will require the Treasurer to have regard to these recommendations.¹⁸¹

In evidence to the review, the Auditor General acknowledged the choice of an appropriate mechanism for ensuring an appropriate separation of powers between Parliament and the government, whilst providing due recognition of the independence of the position:

¹⁷⁸ ibid.

¹⁷⁹ ibid.

¹⁸⁰ Response to Indicative Questions, Office of the Auditor General, 20 February 2006, p.1.

¹⁸¹ Clause 42 Auditor General Bill 2005.

At the moment [the OAG] sits off the side somewhere between the executive and the Parliament. This recommendation power seems to be a happy balance that provides the check and balance in the process between the executive and the office.¹⁸²

The Committee acknowledges that operational independence is fundamental to the Auditor General's role in providing Parliament and the public with assurance regarding the propriety of government activities. However, it takes the view that the AGB has achieved a balance between the need to protect the Auditor General's independence and the need to recognise the government's right to allocate and manage the State's financial affairs as it sees fit. The Committee is therefore satisfied that the provision in Clause 42 is appropriate.

(i) Supplementary funding

The COG saw a need to have a formal Parliamentary process through which the Auditor General could apply to a Joint Standing Committee to obtain supplementary funding for audits requested by Parliament.¹⁸³ The AGB is silent on this matter.

The Committee questioned whether there should be a formal requirement for supplementary funding where there is a Parliamentary request for the OAG to carry out an audit. The Auditor General indicated that:

[the] expectation would be that if there is a request to do a significant audit that involved significant funds, it would become a recommendation when we went to the Treasury to get the resources to do that task. Again, it comes back to the separation of powers.¹⁸⁴

The Committee understands that on at least one occasion, when passing the *Dampier to Bunbury Pipeline Act 1997*, the Parliament inserted a clause that requested the Auditor General carry out a review of the sale document and make a specific report.¹⁸⁵ When questioned as to whether he was satisfied with that arrangement the Auditor General stated:

Yes.....it worked very well with the Dampier to Bunbury pipeline audit, which was a significant task. It was [conducted] on the basis of the parliamentary request that went to Treasury, and it allocated resources to do the task.¹⁸⁶

(ii) Adequacy of resources

During the public hearing the Committee took the opportunity to obtain an update on the adequacy of the Auditor General's current level of resourcing. The Committee was mindful of a number of factors, such as the changes introduced in the *Financial Administration Legislation Amendment*

¹⁸² Mr D Pearson, Auditor General, *Transcript of Evidence*, 27 February 2006, p.4.

¹⁸³ Commission on Government, Western Australia, *Report No 1*, 1995, p.241.

¹⁸⁴ Mr D Pearson, Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.4.

¹⁸⁵ Section 53 (1) *Dampier to Bunbury Pipeline Act 1997*.

¹⁸⁶ Mr D Pearson, Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.4.

Act 2005, new accounting standards and the shorter 90-day deadline for agencies to table their annual reports, which might be having adverse impacts on the resources of the OAG.

The Auditor General advised that extra work will be required in relation to the first two matters but this was likely to be only during the transition period. The Auditor General had ‘a slight reservation’ regarding the impact of the shorter reporting deadlines because:

*.... it is a question of how much we can fit into the window of 90 days. There is a physical limit. Indications are that it will create a bit of an impost.*¹⁸⁷

The Auditor General noted the difficulty in estimating in advance what extra resources might be required but advised that the OAG is negotiating with DTF on the issue.

The Auditor General went on to alert the Committee to another issue that might increase the costs of audit in the public sector. Since October 2005, 15 of the OAG’s attest auditors have ceased employment with the Office. This works out at a 33 per cent turnover rate.

While some attrition was inevitable, the Auditor General suggested the booming economy was making matters worse:

About three years ago we had a similar run and 18 or 20 of our staff had fewer than three years’ experience. Although they now have the experience, they are very marketable. The problem is that we are losing them when they come on stream.....

*In light of public service pay rates, we lose about half our staff within the public sector and half to the private sector. It is not a lot of assurance, but the big accounting practices down the street have the same problem because they are losing staff to the mining companies. That will put more pressure on us because the fundamental issue is that we cannot get auditors off the street and put them on the job tomorrow. They require training and working up. We will have to rely a lot more on contract firms in the near future, which is a dearer way of providing services.*¹⁸⁸

The Committee queried whether the AGB would have a material impact on the human or other resources at the OAG and was advised that any problem was more likely to be due to the Western Australian labour market rather than the legislation.

3.9 Alignment with contemporary audit practice

(a) The power to waive audits

The Auditor General does not currently perform audits where small entities and subsidiaries become dormant or are otherwise not operational in a given audit period. Clause 14 of the AGB

¹⁸⁷ *ibid*, p.22.

¹⁸⁸ Mr D Pearson, Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.23.

has formalised this practice and added some additional checks and balances. Specifically, Clause 14 will require the Auditor General to:

- Conduct an audit at least every 3 years;
- Consult with the Treasurer before waiving the audit; and
- Notify the Public Accounts Committee.

The submission from the ICAA was critical of this power and stated:

*The Institute cannot foresee circumstances where the dispensation of all or part of the audit activity, largely at the Auditor General's discretion, would be appropriate. This clause seems to create the potential for a real or perceived weakness in the accountability process.*¹⁸⁹

The Committee sought additional information about how the Auditor General might exercise this power and was advised that an agency was considered 'dormant' if it had not had transactions in the financial year:

*In the 2005 audit cycle, only 3 such subsidiary entities were identified, namely: MS Biotechnology Pty Ltd (a subsidiary of Murdoch University), University Company Pty Ltd (another subsidiary of Murdoch University) and WA Mint Pty Ltd (Perth Mint).*¹⁹⁰

The Auditor General suggested that waiving audits was a common practice within commerce and industry where the audit entity was a dormant company with no transactions.

In these circumstances the Committee does not consider the power has the potential indicated by ICAA. In addition the provision requiring the Auditor General to notify the Public Accounts Committee ensures the exercise of the power will be transparent.

(b) Auditing standards

The FAAA sets out the duties of the Auditor General in relation to audits in Section 79, which states:

- 1) *The Auditor General shall perform the audits which he is required to perform under this Act in such manner as the Auditor General thinks fit in accordance with auditing standards and practices and having regard to the character and effectiveness of the internal control and internal audit of the relevant department, statutory authority or other body.*

¹⁸⁹ Submission No 4 from The Institute of Chartered Accountants in Australia, 10 February 2006, p.3.

¹⁹⁰ Office of the Auditor General, Response to Indicative Questions, 20 February 2006, p.3.

- 2) *In the performance of audits under this Act, the Auditor General shall consider whether the requirements of this Act and every other relevant written law have been complied with.*¹⁹¹

The equivalent provision in the AGB is Clause 27 which states:

- 1) *The Auditor General is to carry out an audit in such manner as the Auditor General thinks fit having regard to —*
- a) *Auditing and Assurance Standards; and*
 - b) *the character and effectiveness of the internal control and internal audit of the relevant agency, person or body.*
- 2) *In carrying out an audit the Auditor General is to consider whether the requirements of relevant enactments have been complied with.*¹⁹²

The AGB defines the term ‘Auditing and Assurance Standards’ as the standards in force under section 336 of the *Commonwealth Corporations Act 2001*.¹⁹³

The Auditor General pointed out that the principal difference between these two provisions relates to the application of the Auditing and Assurance Standards. While the FAAA requires the Auditor General to comply with those standards, the AGB gives more flexibility by merely requiring the Auditor General ‘to have regard’ to them:

*[Clause 27] will provide the Auditor General with the responsibility to apply Standards in a manner sensitive to the operating context of the public sector, and also the Western Australian jurisdiction. This aligns legislation with a more contemporary practice, where the Auditor General can use judgement and broader notions of public accountability and probity to influence interpretation and implementation of Auditing Standards.*¹⁹⁴

The Committee received two other submissions that commented on the Auditor General’s duties. The first, from ACAG, indicated support for greater flexibility regarding the way in which the power is exercised, subject to appropriate transparency:

*We note that the existing arrangement in Western Australia, whereby the Auditor-General is required to inform Parliament of any major change in the extent or character of his or her audits, seems to have proved quite satisfactory and a continuation of that approach appears to be countenanced by clause 24(2)(b) of the Bill.*¹⁹⁵

¹⁹¹ Section 79 *Financial Administration and Audit Act 1985*.

¹⁹² Clause 27 Auditor General Bill 2005.

¹⁹³ Clause 4(1) Auditor General Bill 2005.

¹⁹⁴ Submission No 2 from Office of the Auditor General, 27 January 2006, p.6.

¹⁹⁵ Submission No 1 from Australasian Council of Auditors-General, 27 January 2006, p.6. Clause 24(2)(b) of the AGB states that the Auditor General is to report to Parliament on the “particulars of any major change of approach made by the Auditor General in relation to the extent or character of the audit function.”

The second, from ICAA, rejected the idea of any flexibility:

The wording in [Clause 27(1)] can be contrasted with that of Clause 40 - 'Duties of independent auditor as to audits'. Clause 40 deals with the independent audit of the Office of the Auditor General and states: 'The independent auditor is to carry out an audit under this part in accordance with Auditing and Assurance Standards.

The wording of Clause 40 leaves no room for discretion; the auditor is bound to conduct the audit in accordance with Auditing Standards. Whereas the wording of clause 27 allows the Auditor General to conduct audits as he thinks fit; only having regard to Auditing Standards. It seems if the Auditor General considered it appropriate, he would not necessarily need to perform an audit in accordance with the Auditing Standards.

The Institute recommends that clause 27 is reworded, clearly stipulating a requirement for audits to be conducted in accordance with Auditing Standards.

In response to a request for additional information, the Auditor General noted that the independent auditor of the OAG only audits the accounts of the Office and does not conduct efficiency and effectiveness examinations. In these circumstances the Committee considers it appropriate for Clause 40 to require the independent auditor to comply with Auditing and Assurance Standards.

Clause 27 sets out the duties of the Auditor General in relation to both audits of accounts (the more traditional type of audit) and examinations (also called value-for-money audits). The latter are a more recent development in auditing and the Committee notes that the relevant auditing benchmarks are still evolving.

In these circumstances the Committee is in agreement with ACAG that flexibility is required and that the risks this may entail are adequately countered by the requirement in Clause 24 that the Auditor General report to Parliament "any major change of approach". The Auditor General advised the Committee that the OAG's approach, as set out in its published audit practice statement, is to apply the Australian Auditing and Assurance Standards:

...it would be very much the exception that we would not do that. Mr Cunninghame might remember a situation in the mid 1990s when we ended up having to give a two-part opinion on financial statements. I think it was when net appropriations were introduced, and there was an issue of control. We gave a clear opinion under the FAAA, and a qualified opinion under the standards. In that sort of situation, I think with hindsight we might advise the Parliament of the circumstances and set an approach and give a straightforward opinion.¹⁹⁶

The Auditor General also expressed the view that Clause 27 provides due recognition of the independence of the Western Australian Parliament:

To be honest I suppose [Parliament] could say that you will follow Australian auditing and assurance standards, whereas my strong view is that the inclusion of the words "having regard to" makes us accountable for either following them or, if we have not followed

¹⁹⁶

Mr D Pearson, Auditor General, Office of the Auditor General, *Transcript of Evidence*, 27 February 2006, p.11.

*them, explaining why we have not followed them. I think that respects the jurisdiction of the Western Australian Parliament, because they are not legislation, but they are standards made under the Corporations Act.*¹⁹⁷

(c) Legislative status for current operational practices

The Auditor General's submission highlighted four sections of the AGB as giving legislative status to a number of current practices, thereby:

*ensuring a clearer public understanding of the responsibilities of the Auditor General in the performance of these functions and providing protection from liability as per [Clause] 43 of the Bill.*¹⁹⁸

The four clauses are listed below:

- Clause 5 states that:

(1) A reference in this Act to the Auditor General's functions includes a reference to functions given to the Auditor General under other written laws.

*(2) The provisions of this Act extend to audits that the Auditor General is authorised to carry out under other written laws.*¹⁹⁹

This is a new provision but one the Committee believes is unexceptional.

- Clause 22 expressly authorises the Auditor General to enter into arrangements with third parties to conduct an audit or provide other services. The Auditor General provided information on audit work currently conducted under such arrangements.²⁰⁰ As stated in the Auditor General's Ministerial Portfolio report series, the power enables the Auditor General to certify financial and statistical information produced by departments and statutory authorities:

*This assists agencies to discharge conditions of Commonwealth funding, grants or other legislation. This service to agencies ensures that they meet conditions of their funding agreements in a timely manner and are in a position to receive ongoing funding or apply for future funding under existing or new arrangements.*²⁰¹

The Committee believes this provision is also unexceptional.

¹⁹⁷ *ibid.*

¹⁹⁸ Submission No 2 from Office of the Auditor General, 27 January 2006, p.6.

¹⁹⁹ In Submission No 2 from Office of the Auditor General, 27 January 2006, p6, the OAG refers to Clause 8. It subsequently advised the Committee that this should have read Clause 5.

²⁰⁰ See Appendix 10.

²⁰¹ Auditor General for Western Australia, *Audit Results Report by Ministerial Portfolio at 11 November 2005: Report 12*, Office of the Auditor General, November 2005, p.42.

- Clause 21 empowers the Auditor General to charge fees. There is a similar power in the FAAA but the latter effectively gives the Treasurer a veto over fees charged to:

*any department or authority that operates directly on the Consolidated Fund or is substantially financed from moneys standing to the credit of that Fund.*²⁰²

The AGB has removed that veto, a change the Committee considers consistent with one of the bill's main themes, namely to enhance the Auditor General's independence.

- Clause 23 expressly empowers the Auditor General to provide advice or information outside of the context of an audit provided it is in the State's interests and will not compromise the Auditor General's independence. The Auditor General's submission stated:

*This may include Parliamentary briefings, industry liaison and a number of other stakeholder functions.*²⁰³

In these circumstances the Committee considers the provision unexceptional but it proposes to monitor the actual exercise of this power over the longer term.

3.10 Legislative review

Clause 85 of the FMB requires a Ministerial review of the operation and effectiveness of the legislation "as soon as is practicable after the expiry of 5 years from the commencement of this Act".²⁰⁴ The provision goes on to stipulate that:

In the course of that review the Minister is to consider and have regard to —

(a) whether there is a need for the Act to continue; and

*(b) any other matters that appear to the Minister to be relevant to the operation and effectiveness of the Act.*²⁰⁵

Clause 85 also requires the Minister to prepare a report based on the review, and to make it public by causing it to be tabled in each House of Parliament.²⁰⁶

The AGB does not include a provision similar to Clause 85 of the FMB. Given the symbiotic nature of the two bills the Committee considers this inconsistent and a significant omission.

²⁰² Section 92(2) *Financial Administration and Audit Act 1985*.

²⁰³ Submission No 2 from Office of the Auditor General, 27 January 2006, p.6.

²⁰⁴ Clause 85(1) *Financial Management Bill 2005*.

²⁰⁵ Clause 85(2) *Financial Management Bill 2005*.

²⁰⁶ Clause 85(3) *Financial Management Bill 2005*.

Finding 6

The Auditor General Bill 2005 does not include a provision for a review of the operation and effectiveness of the legislation.

For the reasons stated above, the Committee strongly supports the idea of a review of the AGB with similar terms of reference and believes it should be done at the same time as the review of the FMB. However, the Committee does not believe the review of the AGB should be done by the Minister, because of the over-riding importance of protecting the independence of the Auditor General. The Committee therefore recommends the AGB be amended to require a review of the legislation by the Public Accounts Committee in conjunction with the review referred to in Recommendation 2.10.

The Committee recommends that:

Recommendation 7

The Auditor General Bill 2005 be amended to include the following clause in Part 6 Miscellaneous, with a consequential renumbering of all subsequent clauses:

46. Review of Act

- (1) The Public Accounts Committee is to carry out a review of the operation and effectiveness of this Act as soon as is practicable after the expiry of 5 years from the commencement of this Act.
- (2) In the course of that review the Committee is to consider and have regard to:
 - (a) whether there is a need for the Act to continue;
 - (b) how the process for appointing an Auditor General has operated in practice;
 - (c) whether the Auditor General's Information Gathering Powers are adequate, particularly in relation to claims of legal professional privilege and cabinet documents;
 - (d) the impact of any exercise of the power to audit certain accounts of related entities;
 - (e) the efficiency and effectiveness of the new framework for dealing with confidential information; and
 - (f) any other matters that appear to the Public Accounts Committee to be relevant to the operation and effectiveness of the Act.
- (3) The Public Accounts Committee is to prepare a report based on the review and, as soon as is practicable after the report is prepared, is to cause it to be laid before the Legislative Assembly.

APPENDIX ONE

PUBLIC HEARINGS HELD

Date	Name	Position	Organisation
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
	Mr Michael Jolob	Acting Director Financial Policy	Department of Treasury & Finance
	Mr Josef Netolicky	Assistant Director	Department of Treasury & Finance

APPENDIX TWO

SUBMISSIONS RECEIVED

No.	Date	Name	Position	Organisation
1	27.01.2006	Mr Frank McGuinness	Chairperson	ACAG Financial Reporting Group
2	27.01.2006	Mr Des D.R. Pearson	Auditor General	Office of the Auditor General (Western Australia)
2a	17.02.2006	Mr Des D.R. Pearson	Auditor General	Office of the Auditor General (Western Australia)
3	9.02.2006	Dr Harry Phillips	Parliamentary Fellow (Education)	
4	10.02.2006	Mr Con Abbott	General Manager	The Institute of Chartered Accountants in Australia
5	17.02.2006	Mr J.L. Langoulant	Chief Executive Officer	Chamber of Commerce and Industry
6	16.02.2006	Mr Michael Barnes	A/Executive Director - Finance	Department of Treasury & Finance
7	9.03.2006	Mr Geoff Rankin	Chief Executive Officer	CPA Australia

APPENDIX THREE

LEGISLATION REFERRED TO WITHIN REPORT

Legislation	Jurisdiction
<i>Audit Act 1994</i>	Victoria
<i>Auditor General Act 1997</i>	Commonwealth
<i>Constitution Act 1889</i>	Western Australia
<i>Constitution Act Amendment Act 1899.</i>	Western Australia
<i>Corporations Act 2001</i>	Commonwealth
<i>Corruption and Crime Commission Act 2003</i>	Western Australia
<i>Dampier to Bunbury Pipeline Act 1997</i>	Western Australia
<i>Electoral Act 1907</i>	Western Australia
<i>Economic Regulation Authority Act 2003</i>	Western Australia
<i>Financial Administration and Audit Act 1977</i>	Queensland
<i>Financial Administration and Audit Act 1985</i>	Western Australia
<i>Financial Administration Legislation Amendment Act 2005</i>	Western Australia
<i>Government Financial Responsibility Act 2000</i>	Western Australia
<i>Public Sector Management Act 1994</i>	Western Australia
<i>Trustees Act 1962</i>	Western Australia
<i>Water Corporation Act 1995</i>	Western Australia

APPENDIX FOUR

DEPARTMENTS

Departments²⁰⁷
Department for Community Development
Department for Planning and Infrastructure
Department of Agriculture
Department of Conservation and Land Management
Department of Consumer and Employment Protection
Department of Corrective Services
Department of Culture and the Arts
Department of Education and Training
Department of Education Services
Department of Environment
Department of Fisheries
Department of Health
Department of Housing and Works
Department of Indigenous Affairs
Department of Industry and Resources
Department of Land Information
Department of Local Government and Regional Development
Department of Racing, Gaming and Liquor
Department of Sport and Recreation
Department of the Attorney General

²⁰⁷ Department of the Premier and Cabinet, Available at: <http://www.wagiv.wa.gov.au/index.cfm?event=aToZOOfAllCurrentEntities&type=DEPT> Accessed on 15 March 2006.

Departments²⁰⁷
Department of the Premier and Cabinet
Department of the Registrar Western Australian Industrial Relations Commission
Department of Treasury and Finance
Department of Water
Disability Services Commission
Office of Energy
Office of the Auditor General
Office of the Director of Public Prosecutions
Office of the Inspector of Custodial Services
Office of the Public Sector Standards Commissioner
Western Australian Electoral Commission
Western Australia Police Service

APPENDIX FIVE

FAAA STATUTORY AUTHORITIES

Statutory Authorities²⁰⁸
Agricultural Practices Board of Western Australia
Agricultural Produce Commission
Animal Resources Authority
Armadale Redevelopment Authority
Botanic Gardens and Parks Authority
Building and Construction Industry Training Board
Bunbury Water Board
Busselton Water Board
Central TAFE
Central West TAFE
Challenger TAFE
Coal Industry Superannuation Board
Commissioner of Main Roads
Construction Industry Long Service Leave Payments Board
Corruption and Crime Commission
Country High School Hostels Authority
Country Housing Authority
Curriculum Council
Curtin University of Technology
C Y O'Connor College of TAFE

²⁰⁸

Financial Administration and Audit Act 1985 Reprint 9: The Act as at 10 February 2006. Schedule 1 List of Statutory Authorities pp 87 - 89.

Statutory Authorities²⁰⁸
Disability Services Commission
East Perth Redevelopment Authority
Economic Regulation Authority
Edith Cowan University
Fire and Emergency Services Authority of Western Australia
Fire and Emergency Services Superannuation Board
Forest Products Commission
Gaming and Wagering Commission of Western Australia
Gascoyne Development Commission
Gold Corporation
Goldfields-Esperance Development Commission
Government Employees' Housing Authority
Government Employees Superannuation Board
Great Southern Development Commission
Great Southern TAFE
Heritage Council of Western Australia
Agency established under section 7B of the <i>Hospitals and Health Services Act 1927</i>
Hospital Boards constituted under section 15 of the <i>Hospitals and Health Services Act 1927</i> and the Minister in relation to any public hospital controlled by him under section 7 of that Act
Insurance Commission of Western Australia
Keep Australia Beautiful Council (W.A.)
Kimberley TAFE
Kimberley Development Commission
Landcare Trust
Law Reform Commission of Western Australia
Legal Aid Commission of Western Australia

Statutory Authorities²⁰⁸
Legal Contribution Trust
Legal Costs Committee
Local Health Authorities Analytical Committee
Lotteries Commission
Metropolitan Cemeteries Board
Midland Redevelopment Authority
Mid West Development Commission
Minerals and Energy Research Institute of Western Australia
Murdoch University
Office of Health Review
Parliamentary Inspector of the Corruption and Crime Commission
Peel Development Commission
Perth International Centre for Application of Solar Energy
Perth Market Authority
Perth Theatre Trust
Pilbara Development Commission
Pilbara TAFE
Potato Marketing Corporation of Western Australia
Professional Combat Sports Commission
Professional Standards Council
Public Transport Authority of Western Australia
Public Trustee
Racing and Wagering Western Australia
Racing Penalties Appeal Tribunal of Western Australia
Real Estate and Business Agents Supervisory Board

Statutory Authorities²⁰⁸
Recreation Camps and Reserve Board
Rottnest Island Authority
Rural Business Development Corporation
Screen West (Inc.)
Settlement Agents Supervisory Board
Small Business Development Corporation
South West Development Commission
South West Regional College of TAFE
State Government Insurance Corporation
State Supply Commission
Subiaco Redevelopment Authority
Swan Bells Foundation Incorporated
Swan River Trust
Swan TAFE
The Aboriginal Affairs Planning Authority
The Agriculture Protection Board of Western Australia
The Anzac Day Trust
The Board of the Art Gallery of Western Australia
The Burswood Park Board
The Coal Miner's Welfare Board of Western Australia
The Eastern Goldfields Transport Board
The Library Board of Western Australia
The National Trust of Australia (W.A.)
The Queen Elizabeth II Medical Centre Trust
The State Housing Commission

Statutory Authorities²⁰⁸
The University of Western Australia
The Western Australian Museum
Trustees of the Public Education Endowment
Water and Rivers Commission
West Coast TAFE
Western Australian Alcohol and Drug Authority
Western Australian Building Management Authority
Western Australian Coastal Shipping Commission
Western Australian Gas Disputes Arbitrator
Western Australian Greyhound Racing Association
Western Australian Health Promotion Foundation
Western Australian Institute of Sport
Western Australian Meat Industry Authority
Western Australian Planning Commission
Western Australian Sports Centre Trust
Western Australian Tourism Commission
Western Australian Treasury Corporation
Wheatbelt Development Commission
Workcover Western Australia Authority
Zoological Parks Authority

APPENDIX SIX

CORPORATISED ENTITIES

Corporatised Entities Not Subject to the FAAA²⁰⁹	Governing Legislation
Albany Port Authority	Port Authorities Act 1999
Broome Port Authority	Port Authorities Act 1999
Bunbury Port Authority	Port Authorities Act 1999
Dampier Port Authority	Port Authorities Act 1999
Esperance Port Authority	Port Authorities Act 1999
Fremantle Port Authority	Port Authorities Act 1999
Geraldton Port Authority	Port Authorities Act 1999
Independent Market Operator	Electricity Industry (Independent Market Operator) Regulations 2004
Port Hedland Port Authority	Port Authorities Act 1999
Water Corporation	Water Corporation Act 1995
Western Australian Land Authority	Western Australian Land Authority Act 1992
Western Power	Electricity Corporation Act 1994

²⁰⁹

List of Corporatised entities provided by Mr Michael Jolob, Department of Treasury and Finance in Email to Committee dated 27 February 2006.

APPENDIX SEVEN

TRADE AND REGULATORY BODIES

Trade and Regulatory Bodies²¹⁰
Architects Board of Western Australia
Builders Registration Board of WA
Hairdressers Registration Board of WA
Nurses Board of Western Australia
Painters Registration Board
Pharmaceutical Council of Western Australia
Veterinary Surgeons Board

²¹⁰ List of Trade and Regulatory Bodies provided by Mr Michael Jolob, Department of Treasury and Finance in Email to Committee dated 27 February 2006.

APPENDIX EIGHT

BOARDS AND COMMITTEES

Notes to Appendix 8:

1. The Department of Treasury and Finance provided a list of the corporatised entities (Appendix 6) as well as the seven trade and regulatory bodies (Appendix 7) but referred the Committee to the WA Government Information Vault for a list of the “non-FAAA” boards and committees. However, the Vault does not separately identify “non-FAAA” bodies. Appendix 8 was put together by cross checking with the entities referred to in the list of entities in Schedule 1 to the FAAA. Appendix 8 should therefore be considered indicative only.
2. The Committee understands that many of the entities in Appendix 8 are indirectly covered by the FAAA (and will also be in the FMB) because they operate under the umbrella of a department.

Boards and Committees²¹¹
Abalone Management Advisory Committee
Aboriginal Affairs Co-ordinating Committee
Aboriginal and Remote Communities Power Supply Project Steering Committee
Aboriginal Cultural Material Committee
Aboriginal Education and Training Council
Aboriginal Housing and Infrastructure Council
Aboriginal Lands Trust
Abrolhos Islands Management Advisory Committee (AIMAC)
Active Ageing Consultative Committee
Adoption Applications Committee
Advisory Committee for wind-up of the Perth International Centre for the Application of Solar Energy
Advisory Council On The Prevention Of Deaths Of Children And Young People
Aged Care Advisory Council

²¹¹ Department of the Premier and Cabinet: WA Government Information Vault. Available at: www.wagiv.wa.gov.au/index.cfm?event=aToZOofBoardAndCommittees Accessed on 15 March 2006.

Boards and Committees²¹¹
Agricultural Research Institute Advisory Board
Albany Cemetery Board
Anaesthetic Mortality Committee
Appeal Costs Board
Aquaculture Development Council
Araluen Botanic Park Board
ArtsWA Peer Assessment Panel - Designer Fashion
ArtsWA Peer Assessment Panels - Arts Development
ArtsWA Peer Assessment Panels - Contemporary Music
ArtsWA Peer Assessment Panels - Indigenous Arts
ArtsWA Peer Assessment Panels - Young People and the Arts
Ashburton Land Conservation District Committee
Avon Industrial Park Advisory Board
Avon Waterways Committee
Beekeepers Consultative Committee
Binnu Land Conservation District Committee
Board of Examiners (Mine Managers and Underground Supervisors)
Board of Examiners (Quarry Managers)
Board of Examiners (Winding Engine Drivers)
Board of Valuers
Bridgetown-Greenbushes Land Conservation District Committee
Brookton Land Conservation District Committee
Broome Groundwater Advisory Committee
Broomehill Land Conservation District Committee
Bruce Rock Land Conservation District Committee

PUBLIC ACCOUNTS COMMITTEE

Boards and Committees²¹¹
Building and Construction Advisory Council
Building Disputes Tribunal
Building Regulations Advisory Committee
Bunbury Cemetery Board
Burakin-Bunketch Land Conservation District Committee
Bush Fire Service Consultative Committee
Calingiri-New Norcia Land Conservation District Committee
Canning-Wungong-Southern River Irrigation Advisory Committee
Capel Land Conservation District Committee
Caravan Parks and Camping Grounds Advisory Committee
Care for Children and Young People Advisory Committee (CCYPAC)
Carers Advisory Council
Carnamah Land Conservation District Committee
Carnarvon Land Conservation District Committee
Carnarvon Water Allocation Advisory Committee
Case Review Panel
Cattle Industry Compensation Act Research Fund Advisory Committee
Centres of Excellence State Funding Advisory Committee
Chapman Valley Land Conservation District Committee
Charitable Collections Advisory Committee
Chicken Meat Industry Committee
Child Care Advisory Committee
Child Death Review Committee
Chiropractors Registration Board
Chittering Valley Land Conservation District Committee

Boards and Committees²¹¹
Chowerup Cemetery Board
Coal Industry Tribunal of Western Australia
Coastal Planning and Coordination Council
Cockburn Groundwater Advisory Committee
Cockburn Sound Management Council
Collie Recovery Committee
Commission for Occupational Safety and Health
Community Cultural and Arts Facilities Fund Assessment Panel
Community Safety and Crime Prevention Council
Conservation Commission of Western Australia
Constitutional Centre of Western Australia Advisory Board
Consumer Products Safety Committee
Contaminated Sites Committee
Control of Vehicles (Off Road Areas) Act Advisory Committee
Coolup Land Conservation District Committee
Coral Coast Parks Advisory Committee
Core Consultative Committee on Waste (3C)
Council of Official Visitors
Council of The National Trust of Australia (W.A.)
Course Assessment Panel
Criminal Injuries Compensation
Cue Land Conservation District Committee
Dampier Archipelago Cape Preston Marine Conservation Reserve Advisory Committee
Dandalup-Murray Land Conservation District
Dardanup Land Conservation District Committee

Boards and Committees²¹¹
De Grey Land Conservation District Committee
Denbarker Soil Conservation District Advisory Committee
Dental Board of Western Australia
Dental Charges Committee
Dental Prosthetists Advisory Committee
Donnybrook Balingup Land Conservation District Committee
Dudinanning Cemetery Board
Dumbleyung Land Conservation District Committee
Dwellingup Cemetery Board
East Ballidu Land Conservation District Committee
East Rockingham Industrial Park Community Advisory Committee
East Yornaning Land Conservation District Committee
Electrical Licensing Board
Electricity Access Consultation Committee
Electricity Access Steering Committee
Electricity Generation Corporation Board
Electricity Networks Corporation Board
Electricity Reform Implementation Steering Committee (ERISC)
Electricity Retail Corporation Board
Ellenbrook Joint Venture Board
Engineering Evaluation Initiative Steering Committee
Environmental Education Advisory Committee
Environmental Protection Authority
Esperance Land Conservation District Committee
Family and Domestic Violence Coordinating Committee

PUBLIC ACCOUNTS COMMITTEE

Boards and Committees²¹¹
FarmBush Advisory Committee,
Fire and Rescue Service Consultative Committee
Fitzgerald River National Park Advisory Committee
Fitzgerald River National Park Fire Advisory Group
Fluoridation of Public Water Supplies Advisory Committee
Food Advisory Committee
Frankland Below Gordon Land Conservation District Committee
Gaming Community Trust
Gender Reassignment Board
Geographe Catchment Council (GeoCatch)
Geographic Names Committee
Geraldton Cemetery Board
Gingin Dandaragan Water Resource Management Committee
Gingin Land Conservation District Committee
Gnowangerup Land Conservation District Committee
Goodlands Land Conservation District Committee
Government Domain Reserve Board
Government House Foundation Council
Grain Licensing Authority
Greater Bunbury Region Planning Committee
Greenhouse and Energy Taskforce
Greenough Land Conservation District Committee
Halls Creek-East Kimberley Land Conservation District
Harvey River Land Conservation District
Herdsman Lake Regional Park Advisory Committee

Boards and Committees²¹¹
Home Buyers Assistance Advisory Committee (HBAAC)
Housing Advisory Committee
Hyden-Karlgarin Land Conservation District Committee
Indigenous Affairs Advisory Committee (IAAC)
Indigenous Women's Congress
Industry Reference Group
Information And Communications Technology Industry Development Forum
Infrastructure Coordinating Committee
Integrated Fisheries Allocation Advisory Committee (IFAAC)
Irwin Land Conservation District Committee
Kalgan Land Conservation District Committee
Kalgoorlie/Boulder Cemetery Board
Kalgoorlie Campus Council (Western Australian School of Mines - Board)
Kangaroo Management Advisory Committee
Katanning Land Conservation District Committee
Kellerberrin Land Conservation District Committee
Kent Recovery Team
Kent River Land Conservation District Committee
Keystart Board of Directors
Kwinana Industries Coordinating Committee (KICC)
Lake Grace Land Conservation District
Landstart Board
Land Surveyors Licensing Board
Land Valuers Licensing Board
Lane Poole Reserve Advisory Committee

Boards and Committees²¹¹
Law Reporting Advisory Board
Leeuwin Naturaliste National Park Advisory Committee
Legal Practice Board
Legal Practitioners Complaints Committee
Leschenault Catchment Council
Leschenault Inlet Management Authority
Local Government Advisory Board
Lower Blackwood Land Conservation District Committee
Lyndon Land Conservation District Committee
Manjimup Land Conservation District Committee
Marine Parks and Reserves Authority
Maternal Mortality Committee
Medical Board of Western Australia
Mental Health Review Board
Mentally Impaired Defendants Review Board
Merredin Land Conservation District Committee
Minerals Research Advisory Committee
Mines Survey Board
Mingenew Land Conservation District Committee
Ministerial Advisory Council On Child Protection (MACoCP)
Ministerial Advisory Council on Disability
Morawa Land Conservation District Committee
Motor Vehicle Industry Board
Motor Vehicle Theft Steering Committee
Mt Magnet Land Conservation District Committee

Boards and Committees²¹¹
Mt Marshall Land Conservation District Committee
Municipal Building Surveyors Qualifications Committee
Murchison Land Conservation District Committee
Muresk Board of Management
Narembeen Land Conservation District Committee
Narrogin Land Conservation District Committee
Natural Resource Management Council
Northam Land Conservation District Committee
Northampton Land Conservation District Committee
North Stirlings Land Conservation District Committee
North Swan Land Conservation District Committee
Nugadong West Land Conservation District Committee
Nullarbor-Eyre Highway Land Conservation District Committee
Nungarin Land Conservation District Committee
Occupational Safety and Health Tribunal
Occupational Therapists Registration Board of Western Australia
Optometrists Registration Board
Ord Enhancement Scheme Management Committee
Osteopaths Registration Board of Western Australia
Parliamentary Reserve Board
Parliamentary Services Committee
Parliamentary Superannuation Board
Parliament House Precinct Committee
Parole Board of Western Australia
Pastoral Lands Board

PUBLIC ACCOUNTS COMMITTEE

Boards and Committees²¹¹
PathCentre Board
Pearling Industry Advisory Committee
Peel Inlet Management Council
Peel Region Planning Committee
Perinatal and Infant Mortality Committee
Pesticides Advisory Committee
Physiotherapists' Registration Board
Piawaning-Yerecoin Land Conservation District Committee
Pingelly Land Conservation District Committee
Pithara-Dalwallinu Land Conservation District Committee
Plumbers Licensing Board of Western Australia
Podiatrists Registration Board
Poisons Advisory Committee
Police Appeal Board
Port Kennedy Management Board
Premier's Science Council
Premier's Water Foundation
Prison Officers Appeal Tribunal
Problem Gambling Support Services Committee
Psychologists Board of Western Australia
Public Housing Review Panel
Public Service Appeal Board
Quadriplegic Centre Board
Quairading Land Conservation District Committee
Radiological Council

Boards and Committees²¹¹
Railway Appeal Board
Railways Classification Board
Ravensthorpe Land Conservation District Committee
Recreational Fishing Advisory Committee
Regional Appeals Committee
Regional Development Council
Regional Electricity Supply Committee
Regional Power Corporation Board
Regional Power Procurement Steering Committee
Renewable Energy Access Working Group
Retail Shops Advisory Committee
Road Safety Council of Western Australia
Roadside Conservation Committee
Rock Lobster Industry Advisory Committee
Roebourne-Port Hedland Land Conservation District Committee
Rural and Remote Education Advisory Council
Rural, Remote and Regional Women's Network
Rural Water Supply Coordinating Committee
Salaries and Allowances Tribunal
School Education Advisory Panels
Serpentine-Dandalup-Murray Rivers Irrigation Advisory Committee
Serpentine-Jarrahdale Land Conservation District Committee
Shark Bay Land Conservation District Committee
Shark Bay World Heritage Property Community Consultative Committee
Shark Bay World Heritage Property Scientific Advisory Committee

PUBLIC ACCOUNTS COMMITTEE

Boards and Committees²¹¹
Skills Formation Taskforce
Soil and Land Conservation Council (in recess)
South Caroling Cemetery Board
South West Region Planning Committee
State Administrative Tribunal (SAT)
State Emergency Management Committee (SEMC)
State Emergency Service Consultative Committee
State Mitigation Committee
State Records Advisory Committee (SRAC)
State Records Commission
State Regional Marine Planning Stakeholders Group
State Tenders Committee
State Training Board
State Underground Power Steering Committee
Statutory Planning Committee
Supervised Release Review Board
Supported Accommodation Assistance Program (SAAP) State Advisory Committee
Sussex Land Conservation District Committee
Sustainability Round Table
Sustainable Energy Development Office Grants Committee
Swan Groundwater Advisory Committee
Swan Valley Planning Committee
Tambellup Land Conservation District Committee
Tammin Land Conservation District Committee
Taxi Industry Board

Boards and Committees²¹¹
Technology Precinct Management Board
Threatened Species Scientific Committee (TSSC)
Toodyay Land Conservation District Committee
Training Accreditation Council
Transition Advisory Committee (TAC)
Trayning Land Conservation District Committee
Tunney Land Conservation District Committee
Union Consultation Committee
Upper Gascoyne Land Conservation District Committee
Upper Preston Cemetery Board
Vasse-Wonnerup Land Conservation District Committee
Volunteer Marine Rescue Services Consultative Committee
WA Bicycle Committee (WABC)
Waddi Forest Land Conservation District Committee
Wagin Land Conservation District Committee
Walking WA Committee
Walpole-Tingledale Land Conservation District Committee
Wanneroo Groundwater Advisory Committee
Warren Recovery Committee
Warren Water Management Area Advisory Committee
Waste Management Board
WA Telecentre Advisory Council
Water Resources Allocation Committee
Water Resources Management Committees
Wellesley Land Conservation District Committee

PUBLIC ACCOUNTS COMMITTEE

Boards and Committees²¹¹
West Arthur Land Conservation District Committee
West Ballidu Land Conservation District Committee
Western Australian Boxing Commission
Western Australian College of Teaching
Western Australian Fisheries Adjustment Scheme (General Scheme) - Committee of Management
Western Australian Gas Review Board
Western Australian Hazardous Materials Emergency Management Scheme Coordination Committee
Western Australian Higher Education Council
Western Australian Local Government Grants Commission
Western Australian Marine Manning Committee
Western Australian Reproductive Technology Council
Western Australian Technology and Industry Advisory Council
Western Australian Threatened Species and Communities Consultative Committee
West Koojan-Gillingarra Land Conservation District Committee
Wetlands Coordinating Committee
Wheat Products (Price Fixation) Committee
Whicher Water Resource Management Committee
Wilson Inlet Management Advisory Group
Woodanilling Land Conservation District Committee
Wooroloo Brook Land Conservation District Committee
Wyalkatchem Land Conservation District Committee
Yalgoo Land Conservation District Committee
Yallingup Land Conservation District Committee
Yanchep National Park Advisory Committee

PUBLIC ACCOUNTS COMMITTEE

Boards and Committees²¹¹
Yilgarn Land Conservation District Committee
York Land Conservation District Committee

APPENDIX NINE

ENTITIES OUTSIDE THE PUBLIC BANK ACCOUNT

Note to Appendix 9:

The payroll data has been compiled from the Treasury Information Management System and annual reports of the hospital boards. The publication *Profile of the Western Australian State Government Workforce as at 30 June 2005* published by the Department of the Premier and Cabinet is the source for the employee numbers. The publication does not provide a comprehensive list of all State Government entities, hence there are some gaps in the table.

Entity	Payroll \$,000	No. of employees ²¹²
Agricultural Practices Board of Western Australia		
Agricultural Produce Commission	10	
Animal Resources Authority	1,995	50
Armadale Redevelopment Authority	549	
Botanic Gardens and Parks Authority	5,464	129
Building and Construction Industry Training Board	446	8
Bunbury Water Board	1,561	31
Busselton Water Board	1,072	23
Central Tafe	54,180	896
Central West Tafe	11,010	188
Challenger Tafe	33,919	543
Coal Industry Superannuation Board		
Construction Industry Long Service Leave Payments Board		
Curtin University of Technology		
East Perth Redevelopment Authority	2,426	28

²¹²

Department of Treasury and Finance, provision of additional information, 17 February 2006, p.66-67

PUBLIC ACCOUNTS COMMITTEE

Entity	Payroll \$,000	No. of employees²¹²
Economic Regulation Authority	2,467	23
Edith Cowan University		
Fire and Emergency Services Authority of Western Australia	76,674	1,161
Fire and Emergency Services Superannuation Board		
Gold Corporation	8,459	167
Government Employees Housing Authority	2,020	
Great Southern Tafe	9,366	169
Hospital Boards - Metropolitan Health Services	1,344,000	17,826
Hospital Boards - South West Health Services	78,000	1,113
Hospital Boards - Country Health Services	298,000	4,367
Hospital Boards - Peel Health Services	8,000	57
Keep Australia Beautiful Council (WA)	336	
Kimberley Tafe	9,493	129
Landcare Trust		
Legal Contribution Trust		
Local Health Authorities Analytical Committee		
Lotteries Commission	10,505	159
Metropolitan Cemeteries Board	5,095	101
Midland Redevelopment Authority	615	8
Minerals and Energy Research Institute of Western Australia	94	2
Murdoch University		
Office of Health Review	771	
Perth International Centre for Application of Solar Energy		

PUBLIC ACCOUNTS COMMITTEE

Entity	Payroll \$,000	No. of employees²¹²
Perth Market Authority	398	3
Pilbara Tafe	16,537	191
Potato Marketing Corporation of Western Australia	1,234	11
Racing and Wagering Western Australia	18,610	268
Real Estate and Business Agents Supervisory Board		
Recreation Camps and Reserve Board	1,424	19
Rottnest Island Authority	7,181	100
Screen West (Inc.)		
Settlement Agents Supervisory Board		
Small Business Development Corporation	3,324	46
South West Regional College of Tafe	13,902	220
State Government Insurance Corporation		
Subiaco Redevelopment Authority		34
Swan Bells Foundation Incorporated		
Swan Tafe	54,868	943
The Burswood Park Board	312	5
The Coal Miner's Welfare Board of Western Australia		
The Eastern Goldfields Transport Board	1,125	
The National Trust of Australia (W.A.)	1,550	19
The Queen Elizabeth II Medical Centre Trust		
The University of Western Australia		
Trustees of The Public Education Endowment	73	
West Coast Tafe	18,832	308
Western Australian Alcohol and Drug Authority		

PUBLIC ACCOUNTS COMMITTEE

Entity	Payroll \$,000	No. of employees²¹²
Western Australian Building Management Authority		
Western Australian Coastal Shipping Commission	55	
Western Australian Gas Disputes Arbitrator	31	
Western Australian Greyhound Racing Association	4,048	
Western Australian Institute of Sport	3,111	48
Western Australian Meat Industry Authority	655	10
Western Australian Tourism Commission	9,300	155
Western Australian Treasury Corporation	4,526	49
Total	2,127,623	29,607

APPENDIX TEN

LIST OF CERTIFICATIONS - AUDITS CONDUCTED BY ARRANGEMENT IN 2005

Agency²¹³	Audit	Issued
Department of Health	Australian Health Care Agreement: Public hospital expenditure data 2004-05	20/12/05
Commissioner of Main Roads	Australian Land Transport Development Act 1988: Statement of amounts expended or set aside for expenditure in accordance with the Act for the year ended 30/06/05	11/11/05
Department of Education and Training	Australian Vocational Education and Training (VET) Management Information Statistical Standard: Assessment of 2004 Australian National Training Authority scope and boundary expenditure during 2003 - 31 Dec 04 Summary of Australian VET management information statistical standard for VET financial data during 2003 - 31 Dec 04	12/07/05 12/07/05
Combined Universities Centre for Rural Health	Combined Universities Centre for Rural Health, Geraldton: Financial statement for grant received from Commonwealth Department of Health and Aged Care for year ended 30/6/05	
Department of Housing and Works	Commonwealth State Housing Agreement 1999: Financial statements on use of housing assistance assets and funds for year ended 30/06/05	21/12/05

213

Response to Indicative Questions, Office of the Auditor General, 20 February 2006, pp.7-8.

PUBLIC ACCOUNTS COMMITTEE

Agency ²¹³	Audit	Issued
Disability Services Commission	<p>Commonwealth-State /Territory Disability Agreement:</p> <p>Acquittance of revenue and expenditure for the jurisdiction of Western Australia for year ended 30/06/05</p>	11/11/05
Western Power Corporation	<p>Electricity Corporation Act 1994:</p> <p>Issue of an independent audit report for the year ended 30/6/05 on each of the special purpose financial reports for:</p> <p>South West Electricity Distribution System</p> <p>South West Electricity Transmission System</p> <p>North West Electricity Distribution System</p> <p>North West Electricity Transmission System</p> <p>Regional Electricity Distribution System</p>	
Department of Agriculture	<p>FARMBIS 2 Program and Rural Adjustment Act 1992:</p> <p>Farm Business Improvement Program 2 financial return for year ended 30/6/05</p>	09/11/05
Family Court of Western Australia	<p>Family Law Act 1975:</p> <p>Statement of receipts and payments for year ended 30/06/05</p>	11/11/05
The University of Western Australia	<p>Federal Family Education Loan (FFEL) Program:</p> <p>Compliance with United States Department of Education requirements for US students studying at foreign universities receiving FFEL funding for three years ending 31/12/2000 to 31/12/2002</p>	
Curtin University of Technology	<p>Higher Education Funding Act 1988:</p> <p>Part of the Higher Education Research Data Collection being the total amount of research income reported in Table 1 as Australian competitive research grants, other public sector research funding; and industry and other funding for research for year ended 31/12/04</p>	24/06/05

Agency ²¹³	Audit	Issued
Edith Cowan University	<p>Higher Education Funding Act 1988:</p> <p>Part of the Higher Education Research Data Collection being the total amount of research income reported in Table 1 as Australian competitive research grants, other public sector research funding; and industry and other funding for research for year ended 31/12/04</p>	29/06/05
Murdoch University	<p>Higher Education Funding Act 1988:</p> <p>Part of the Higher Education Research Data Collection being the total amount of research income reported in Table 1 as Australian competitive research grants, other public sector research funding; and industry and other funding for research for year ended 31/12/04</p>	27/06/05
The University of Western Australia	<p>Higher Education Funding Act 1988:</p> <p>Part of the Higher Education Research Data Collection being the total amount of research income reported in Table 1 as Australian competitive research grants, other public sector research funding; and industry and other funding for research for year ended 31/12/04</p>	24/06/05
Curtin University of Technology	<p>Indigenous Education Strategic Initiatives Program (IESIP):</p> <p>Year ended 31 Dec 03</p>	16/08/05
Commissioner of Main Roads	<p>Interstate Road Transport Act 1985:</p> <p>Statement of amounts expended or set aside for expenditure in accordance with the Act for the year ended 30/6/05</p>	11/11/05
Department of Local Government and Regional Development	<p>Local Government (Financial Assistance) Act 1995:</p> <p>Statements of quarterly payments by State of Western Australia to local government authorities of Commonwealth funding to 30/06/05</p>	07/10/05
Police Service	<p>National Handgun Buyback Act 2003:</p> <p>Compliance with accountability and administrative procedures for National Handgun Buyback Scheme funded by the Commonwealth Government</p>	

PUBLIC ACCOUNTS COMMITTEE

Agency ²¹³	Audit	Issued
Fire and Emergency Services Authority	<p>Natural Disaster Mitigation Programme Agreement:</p> <p>Statement of receipts and payments for year ended 30/6/05 by the State under the Agreement provided to the Commonwealth Department of Transport and Regional Services</p>	11/10/05
Fire and Emergency Services Authority	<p>Natural Disaster Relief Arrangements:</p> <p>Claim by State of Western Australia for assistance in respect of its budget for outlay during the year ended 30/06/05</p>	11/10/05
Fire and Emergency Services Authority	<p>Natural Disaster Risk Management Studies Programme:</p> <p>Statement of Receipts and Payments for programme funding during the year ended 30/06/05</p>	11/10/05
Department of the Premier and Cabinet	<p>Network WA:</p> <p>Financial statements for year ended 30/6/03 for funding as part of the National Communications Fund under funding deed with the Commonwealth Department of Communications, Information Technology and the Arts</p>	24/08/05
Department of the Premier and Cabinet	<p>Network WA:</p> <p>Financial statements for year ended 30/6/05 for funding as part of the National Communications Fund under funding deed with the Commonwealth Department of Communications, Information Technology and the Arts</p>	24/08/05
Rural Business Development Corporation	<p>Rural Adjustment Scheme 1985-88 and 1992:</p> <p>Rural Adjustment Scheme financial return for year ended 30/6/05 (Rural Business Development Corporation)</p>	21/12/05
Department of Treasury and Finance	<p>State Grants (Petroleum Products) Act 1965:</p> <p>For period 1/7/02 - 30/6/03</p>	11/07/05
	<p>For period 1/7/03 - 30/6/04</p>	11/07/05
	<p>For period 1/7/04 - 30/6/05</p>	11/11/05

Agency ²¹³	Audit	Issued
Trustee of Coal Industry Superannuation Board	<p>Superannuation Industry (Supervision) Act 1993:</p> <p>Independent audit report on financial statements and compliance audit of the Coal Industry Superannuation Board for the year ended 30/6/05 in the format required for submission to the Australian Prudential Regulation Authority</p>	
Trustee of the Curtin University of Technology Superannuation Scheme 1968-1993	<p>Superannuation Industry (Supervision) Act 1993:</p> <p>Independent audit report on financial statements and compliance audit of the Curtin University of Technology Superannuation Scheme 1968-1993 for the year ended 30/6/05 in the format required for submission to the Australian Prudential Regulation Authority</p>	
Trustee of the Fire and Emergency services Superannuation Board	<p>Superannuation Industry (Supervision) Act 1993:</p> <p>Independent audit report on financial statements and compliance audit of the Fire and Emergency services Superannuation Board for the year ended 30/6/05 in the format required for submission to the Australian Prudential Regulation Authority</p>	
The University of Western Australia	<p>Western Australian Centre for Remote and Rural Medicine (WACRRM):</p> <p>Summary of WACRRM program expenditure 01/07/04 - 30/06/05 and statement of receipt and payments for WACRRM's Rural Workforce Agency activities</p>	20/10/05
Department of Education and Training	<p>Western Australian Department of Education and Training - Commonwealth sourced VET Funds:</p> <p>Statement of receipts and payments for year ended 31/12/04 for Commonwealth sourced vocational education and training (vet) funds through Australian National Training Authority</p>	05/08/05