

The Western Australian state government has a proud record of achievement in growing apprenticeship and traineeship numbers and reforming the system to meet industry's needs. In 2005 the state government set a target of 30 000 apprentices and trainees by 2009. That target was met in the first eight months of the government's second term. Western Australia is leading the nation in the number of people undertaking traditional apprenticeships, with the National Centre for Vocational Education and Research in its March quarter figures reporting that Western Australia had a 56 per cent participation rate in traditional apprenticeships, compared with 39 per cent nationally.

One of the first things Hon Ljiljanna Ravlich did as Minister for Education and Training was establish the Skills Formation Taskforce to provide advice on reforms required to the apprenticeship and traineeship system to ensure that the system is more responsive in meeting the current skills shortage and the future needs of industry. The Skills Formation Taskforce has achieved some landmark reforms. Under the biggest changes to the apprenticeship system in nearly 100 years, over 34 apprenticeship trades have reduced their nominal apprenticeship duration from four to three or three-and-a-half years, with apprentices able to receive their qualifications when they are competent, rather than when their time has been served. Another significant change is the introduction of eleven two-year trades in the residential housing sector of the building and construction industry.

In Western Australia year 11 and 12 school students have been able to learn about the trades through the highly successful School Apprenticeship Link program. This program was introduced in 2005 and allows students to experience a number of trades through a combination of school, workplace practice and institutional training. To date 210 of the 356 students who commenced the School Apprenticeship Link program in 2005 have secured apprenticeships. A further 580 students commenced the program this year. The introduction of the new courses of study for years 11 and 12 students will provide students with pathways into the trades while still at school, providing them with trade qualifications at a much earlier age.

This Industrial Training Amendment Bill 2006 will amend the Industrial Training Act 1975 to provide for part-time apprenticeships so that school students and others can undertake apprenticeships through a part-time arrangement in trades in which there is industry and union support.

The Skills Formation Taskforce conducted a series of statewide consultation forums early in the year to seek input into reforming the apprenticeship and traineeship system. Nearly 1 000 people attended two metropolitan and eight regional forums. The pressing need to introduce school-based and part-time apprenticeships was one of the key themes that came out of the forums.

In addition to the Skills Formation Taskforce identifying the need to introduce part-time apprenticeships in this state, all governments through the Council of Australian Governments have agreed to remove legislative, regulatory and educational barriers to school students' participation in apprenticeships by 31 December 2006. This bill will ensure that that COAG commitment is met by Western Australia.

Part-time apprenticeships are keenly sought by parents who are looking to return to the work force, but for whom school hours are a consideration, and by employers who are unable to offer a full-time apprenticeship. The hospitality, meat and horticulture industries are three sectors that are keen to introduce part-time apprenticeships. They view the non-existence of part-time apprenticeships as an impediment to apprenticeship growth, because it prevents some employers from employing an apprentice if they are unable to sustain a full-time apprentice.

The availability of part-time apprenticeships in a particular industry area will require the support of the industry and unions to ensure that part-time apprenticeship arrangements are appropriate for the sector. Industries that are supportive of part-time apprenticeships will be required to seek ministerial approval in accordance with clause 28A of the bill.

The Industrial Training Amendment Bill 2006 forms a minor part of an extensive examination to determine what is required to reform this state's training system. This process will result in comprehensive amendments to the legislation governing the training system introduced into Parliament as soon as possible. I commend the bill to the house.

Debate adjourned, on motion by **Mr T.R. Sprigg**.

FINANCIAL MANAGEMENT BILL 2006

Consideration in Detail

Clauses 1 to 12 put and passed.

Clause 13: Treasurer may authorise agencies to open and maintain bank accounts -

Mr T. BUSWELL: A recurrent theme I will raise as we go through the consideration in detail stage is the powers that this bill will give the member for Belmont as the Treasurer. I am not for one minute intimating that the Treasurer would misuse those powers; rather, I am concerned about how those powers will be -

An opposition member interjected.

Mr T. BUSWELL: I am not!

Mr E.S. Ripper: We have to legislate bearing in mind the remote possibility that other people may occupy the position of Treasurer.

Mr T. BUSWELL: I cannot recall that ever happening before in the history of governments of Western Australia, although my awareness extends back only to the early 1980s. Maybe I can remember one or two instances. The Treasurer may be more familiar with those instances than I am. At periodic intervals I will ask about the reporting mechanisms that apply to some of these powers. The first one that comes to mind is the power for the Treasurer to direct agencies to open and maintain bank accounts outside the public bank account. For the public record, will the Treasurer describe when that would be appropriate and how it would apply? Are there any reports of instances in which agencies have opened accounts outside the public bank account?

Mr E.S. RIPPER: My advice is that this happens on rare occasions. I certainly do not have any recollection of this happening frequently during the time that I have been the Treasurer. An example is an overseas office of an agency that does not have access to a branch of the Commonwealth Bank, the bank with which the government presently deals. The agency may therefore seek approval to open a bank account with another bank. The cash in that bank account would be reported as part of the overall cash holding of the agency in its annual report. I am advised that the matter was dealt with by the Public Accounts Committee. I refer the Deputy Leader of the Opposition to page 14 of the Public Accounts Committee's third report, which reviewed the Financial Management Bill 2005 and the Auditor General Bill 2005. It is an excellent report from a quality committee. Table 2.1 on page 14 of the Public Accounts Committee's report lists bank accounts that were opened and maintained outside the public bank account from 2002-03 to 2004-05. The Department of the Premier and Cabinet has bank accounts with the National Bank of Dubai to facilitate the operation of the department's office in Dubai. The Economic Regulation Authority established an outside bank account under section 21 of the Economic Regulation Authority Act 2003. The Fire and Emergency Services Authority has a Commonwealth Bank account to collect donations, bequests, unconditional grants and gifts from the private sector and individuals for the purpose of charitable events. The Corruption and Crime Commission has covert bank accounts to facilitate special operations. I have provided four examples, but page 15 of the report lists another six examples. The examples I have provided will give the house a flavour of the fairly rare circumstances in which such accounts are used.

Mr T. Buswell: I would assume, for example, that the trade office that the government operates in India has a Commonwealth Bank account or whatever. These outside bank accounts are opened when the Commonwealth Bank cannot provide a service.

Mr E.S. RIPPER: I am not familiar with that level of detail. However, I imagine that if an agency has access to a Commonwealth Bank branch -

Mr T. Buswell: I was reading the export figures last week and I noticed that Indian exports had dropped by 18 per cent. That has nothing to do with this bill; I just thought I would throw that in out of interest.

Mr E.S. RIPPER: I am interested. The Deputy Leader of the Opposition also asked whether these bank accounts are separately reported. They are not separately reported. The cash in the accounts is reported as part of the cash holdings in the annual reports of the agencies.

Clause put and passed.

Clause 14: Bank accounts not to be overdrawn unless approved by Treasurer -

Mr T. BUSWELL: As an aside, Treasurer, it was interesting to note last week that exports to India had dropped by about 20 per cent. I know the Premier is very interested in India; he came in last year and asked us all these questions about it.

Mr E.S. Ripper: Is that an argument to encourage us to double our efforts or to close the office?

Mr T. BUSWELL: We will look at the KPI agreements later! I think that it is because gold exports have dropped away.

Clause 14 deals with overdrawn bank accounts. I assume, of course, that the public bank account would not be overdrawn. Would the bank accounts not to be overdrawn be those other than the public bank account? Once again I ask: are accounts that become overdrawn reported?

Mr E.S. RIPPER: The public bank account itself as a whole would not be overdrawn. If the government borrows for capital works purposes, it achieves that under other authorities, not by overdrawing the public bank account. Individual agency accounts inside the public bank account may be temporarily overdrawn. An example that has been given to me is the Forest Products Commission, which has awkward timing of its cash

flows; consequently, for some periods it may be overdrawn. However, that would be made up by the timing of the relevant cash flow at a later period.

Mr T. Buswell: Clause 14 states “Except with, and in accordance with, the prior approval of the Treasurer”. In other words, would the Treasurer, within reason, be notified prior to any bank account going into overdraft?

Mr E.S. Ripper: Yes, but I think the advice would go to the Department of Treasury and Finance under delegated authorities rather than directly to me.

Clause put and passed.

Clause 15 put and passed.

Clause 16: Agency special purpose accounts -

Mr E.S. Ripper: I have an amendment to clause 16(1)(d). I apologise that it is not on the notice paper but it is a minor technical amendment. I move -

Page 10, lines 28 to 30 - To delete “for the agency by the Treasurer as an agency special purpose account for the purposes approved by the Treasurer” and substitute -

by the agency for the purposes approved by the Treasurer and determined by the Treasurer to be an agency special purpose account

Members may want some time to examine this because it was not on the notice paper and it would have been preferable if it had been.

Mr T. Buswell: Is this amendment just to delete “for -

Mr E.S. Ripper: Yes. I will give an explanation, but if members are at all concerned, I can adjourn debate on this clause. Let me give members the explanation. This clause relates to agency special purpose accounts. The State Solicitor’s Office has advised the Department of Treasury and Finance that the current wording of the clause could lead to confusion. Together with the Parliamentary Counsel’s Office, the State Solicitor’s Office has recommended a minor amendment to clarify the intent of the provision. Currently clause 16(1)(d) states -

any account established for the agency by the Treasurer as an agency special purpose account for the purposes approved by the Treasurer.

To remove any confusion, this needs to be amended to reflect the fact that, firstly, an agency special purpose account will be established by the agency, not “for the agency by the Treasurer” as the current wording provides. Secondly, any agency special purpose account that is not established for the purposes of the agency’s operations or under a written law needs to be determined by the Treasurer to be an agency special purpose account. The amendment addresses these two points and provides for an alternative clause 16(1)(d) as follows -

any account established by the agency for the purposes approved by the Treasurer and determined by the Treasurer to be an agency special purpose account.

I am quite happy to provide members with the explanation. I am sorry that that amendment was not on the notice paper, but I think it is a very minor matter that we are undertaking on the basis of that legal advice.

Amendment put and passed.

Mr T. Buswell: I want to raise one of my pet issues, Treasurer, because I am allowed to do that occasionally. By the way, India is now fifth on the list of Western Australian export destinations. It is behind Japan, China, Korea and the United Kingdom. I just thought I would let the Treasurer know.

Mr E.S. Ripper: Has the member for Vasse boned up on who the Prime Minister of India is?

Mr T. Buswell: I knew that, too - Sachin Tendulkar!

Mr E.S. Ripper: Yes, he should be!

Mr T. Buswell: I am referring specifically to trust funds or trust accounts, which are now encapsulated in this definition, as I understand it, as special purpose accounts within agencies. Has the Treasurer given any more consideration to the issue which we raised during the second reading debate and which I think we also raised last year when we debated another bill of the reporting of agency trust account balances? The reporting of the balances is no longer included in a consolidated form in the Treasurer’s annual statements - those wonderful documents - but will now be found in the various agency annual reports. I wish to highlight, once again, for the public record, the inherent difficulty in having to trawl through every agency’s annual report to find a list that was previously quite succinctly presented in the Treasurer’s annual statements. Since we are dealing with divisions 3 and 4, the clauses of which deal with those accounts, I thought I would ask the question.

Mr E.S. Ripper: Next week the government will be releasing the audited annual report on state finances, as that is required to be done by 30 September.

Mr T. Buswell: It is, and I've been waiting for that.

Mr E.S. Ripper: The document will include, as an appendix, information on the overall - not individualised - balance of trust accounts. It will also include an indication of which agencies have drawn on the Treasurer's advance account. The information will not be in the same form as it was in the Treasurer's annual statement; nevertheless, members do have the opportunity to go to the annual reports of agencies that they are particularly interested in and find all the information there. I understand that all those annual reports are on the Internet, so it should be relatively easy for members of Parliament pursuing matters in their own shadow portfolios or matters of particular interest to them to find information about the trust accounts.

Mr T. Buswell: I thought I would quickly read a quote from another overseas person who has inspired me - not the Treasurer's favourite one, William Weld - a chap called Professor Gordon Reid. His view was published in a document titled "The Politics of Financial Control: The Role of the House of Commons" in a fantastic year for the production of things - 1966 - the year of my birth! The current Public Accounts Committee quoted his view in its third report as follows -

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.

I just read that into the record because I maintain that having to search through a maze of minor detail in all those annual reports - wonderful documents as they are - may well mean that some major facts are obscured. However, I understand the Treasurer's position.

Clause, as amended, put and passed.

Clauses 17 to 19 put and passed.

Clause 20: Transfer of excess amounts from special purpose accounts -

Mr T. Buswell: This again begs one of those questions about reporting. Although the Public Accounts Committee did not raise this as a recommendation in its deliberations, it did pay some attention to the Treasurer's new power to transfer excess amounts from special purpose accounts back into the consolidated account. That is the detail of the power provided to the Treasurer. I support that. It is a good idea for a range of reasons. I do not need to go into those reasons, as they were articulated during debate at the second reading stage. However, I fail to see why agencies should keep moneys that they have not spent or moneys that have resulted from revenues over and above that which they had originally anticipated. As has been the case previously, this clause will give a little more control to Treasury, which is where financial control should be. My observations are that Treasury does a good job, or the best it can, at controlling recurrent expenditure growth. The Public Accounts Committee touched on the point of reporting on harvesting; that is, how much and from which agency money is transferred into the consolidated fund. Again, if that information were made available, it would perhaps give a useful indication of the financial management and performance of some agencies.

Mr E.S. Ripper: This is a new power, as the Deputy Leader of the Opposition pointed out. I am advised that should a transfer of an excess amount from a special purpose account occur, it would be recorded in an agency's annual report as a contribution back to the owner. I have endeavoured, in quick discussions with my advisers, to ascertain whether there is any other document in which it would be summarised, but it appears that the annual report is the document in which it will be found.

Mr T. Buswell: Yes; wonderful!

Mr E.S. Ripper: I suspect that members who pursue these arguably esoteric matters will have to become avid readers of the financial statements at the end of agencies' annual reports.

Mr T. Buswell: Would you agree that if substantial amounts were transferred back into consolidated revenue from an agency, that a person with an interest in financial management - not so much an esoteric interest - should at least get the Treasurer's antenna going in that general direction to find out why that happened; it could be an underspend on service delivery. I make the point that it may not be an esoteric interest; it may be actually a meaningful interest.

Mr E.S. Ripper: I think if a substantial amount were transferred back to the consolidated account, there might be an argument that there ought to be some disclosure of that, to give the Parliament and the public an accurate appreciation of how much money had been devoted to the purposes of that agency. If it were a significant amount, that disclosure could be accomplished in a variety of ways; for example, by a brief ministerial statement or by some reference in the budget speech to what had occurred in the preceding financial year. There are a variety of ways in which it could be achieved. It is possible that summary information of amounts transferred could be included in the appendix to the annual report on state finances in future. If that summary information were included and referred to a significant amount of money, a member of Parliament might then conceivably ask the Treasurer for a breakdown of that and then follow the trail. I will investigate with officers of the

Department of Treasury and Finance whether in future annual reports on state finances summary information can be included, which would then provide a trigger for members to ask further questions if they were interested. Some of these transfers will be relatively small amounts of money; therefore, there will not be much concern. However, if an amount of \$20 million had been transferred, arguably that could be the subject of some statement to the house at some stage.

Mr T. BUSWELL: Yes. I make the point, as I am looking through my notes, that from 2001 to the end of the 2005 financial year the balance that has accrued in agencies that will be subject to this transference provision has increased by almost \$220 million. There are, therefore, substantial funds in what the Treasurer would term excess bank accounts.

Mr E.S. RIPPER: In the current economy, sometimes agencies are allocated money for initiatives and then it proves difficult to recruit the people to implement them, so the unexpended money on salaries stays in the agency's account. I will have to be a bit careful about how often I use this power. I do not want to go back to the old days in which agencies hurried to shovel the money out the door so that Treasury did not get it back.

Mr T. BUSWELL: I accept that point. Of course, one of the reasons some agencies cannot get staff is that there is nowhere for them to live. However, that is an argument for another day.

Mr E.S. Ripper: Of course, we have a shortage of people to build the houses as well.

Mr T. BUSWELL: It is a chicken and egg situation. As members from the northern suburbs may attest, the housing market in the northern suburbs has somewhat turned. In fact, in a recent newspaper I saw guarantees that houses can be built in seven or eight months or a certain amount of money will be reimbursed to the homebuyer. That is perhaps an interesting indication of change in the supply of tradespeople.

To give some clarity to the agencies on this perspective, will the Department of Treasury and Finance work with agencies to develop some sort of guidelines or policy to ensure that plus or minus a certain amount of money will be left in the account for working capital? It was the Auditor General in a submission to the Public Accounts Committee who highlighted the need for any transfers to be documented and reported, along with the provision of the rationale for the transfers.

Mr E.S. RIPPER: If we exercise this power, it will not be in an arbitrary and draconian fashion. I imagine that it will be exercised by way of a submission to the expenditure review committee and a decision made across a range of government agencies according to a framework. We have not had this power before, so procedures for using it are still to be developed. To get good financial management across government we must have the cooperation of agencies, and agencies must take ownership in attempting to meet the government's financial management target. The Department of Treasury and Finance tries to work in cooperation with agencies and to adopt approaches that agencies recognise as being reasonable and having some sort of rationale, even if they do not entirely agree with them.

Mr T. Buswell: They are given an offer they can't refuse!

Mr E.S. RIPPER: It is an offer that they can at least understand and know that it is being applied to other agencies according to the same rules.

Mr T. Buswell: I admire the job you are doing - in that area.

Clause put and passed.

Clauses 21 to 24 put and passed.

Clause 25: Transfers of appropriations -

Mr T. BUSWELL: I am keen to explore the transferring of appropriations. I hate to harp on about reporting but, in opposition, members become very interested in movements that are not perhaps what they would define as normal. Normal for us is the expenditure of money and/or appropriations of money that we see approved in this house through the budget process. How will the transference of appropriations be reported? Will it be in Appropriation (Consolidated Fund) Bills No 3 and No 4, in which we see those ins and outs in some of the line items? I am intrigued about where transfers will be recorded post budget.

Mr E.S. RIPPER: Usually these transfers of appropriations occur as part of much broader changes in government. For example, if a department is split or amalgamated, or the much publicised transfer of a function from one agency to another occurs, appropriations are transferred as the administrative consequence of the decision. Nevertheless, the Public Accounts Committee dealt with this issue. My comments in the second reading speech of this bill are as follows -

The government accepts recommendation 2 for the need for a more timely reporting regime for discretionary budget mechanisms such as the Treasurer's advance and clause 25 transfers of appropriations between agencies. In response to this recommendation, the existing quarterly whole-of-government financial results reports, which are required to be tabled in Parliament within 60 days of the end of the quarter, will include a new appendix listing amounts drawn against the Treasurer's advance

account and transfers of appropriations during the quarter. This will supplement the existing annual reporting framework.

That information will be in the quarterly whole-of-government financial results reports. In most cases, members will be aware that a transfer of appropriation may be required because the government will have announced the administrative rearrangement that has given rise to the necessity for transferring the appropriation.

Mr T. BUSWELL: Thank you, Treasurer, for highlighting that; that is a welcome initiative. Sixty days after the end of the June quarter I got very excited because I did not think the quarterly financials had been produced. When I read the act, I discovered that they are due 90 days after the June quarter because they are part of the consolidated fund for the year. For one instant I was excited and then I was back in the doldrums of opposition!

Mr E.S. Ripper: Did you bin that press release?

Mr T. BUSWELL: I write very few press releases; I am too busy reading all the Treasurer's press releases on the government's wonderful achievements.

Mr J.J.M. Bowler: Everyone knows that *The West* dutifully repeats what he says!

Mr E.S. Ripper: "Would you like to say this?", *The West* asks.

Mr T. BUSWELL: I do not think so. I am looking forward to the day when I have an opportunity to venture back into what we call the area of industrial relations when things need to be said about the clear, obvious and present failings of the minister, whoever is in that role. It escapes me at the moment because I am not his shadow. I am waiting until I bump into him again one day.

I noticed recently an advertisement in *The West Australian* for 11 senior positions in the Office of State Revenue. I checked the current budget papers and I could not see any indication of what I am assuming is a new layer of management in the Office of State Revenue. Will that be reported as a transfer of appropriation? How does the Treasurer justify 11 extra staff in the Office of State Revenue?

Mr E.S. RIPPER: There is no transfer of appropriation or as, I understand it, supplementary funding to the Office of State Revenue. A range of positions in the Office of State Revenue have been reclassified from level 7 to level 8. Rather than the people concerned simply transferring to the new classification, there is open competition for people to be appointed to the new level 8 positions, which replace the disappearing level 7 positions.

Clause put and passed.

Clause 26: Transfers to suspense account -

Mr T. BUSWELL: I was very excited when I saw those 11 positions advertised. The advertisement referred to new positions. I accept what the Treasurer is saying; I suspect it may be the case. However, we lived in hope that a whole new layer of revenue collection bureaucracy had been inserted into the Office of State Revenue! I was very excited about the prospect of extra revenue being provided to help out.

Clause 26(2) deals with the transfer of an appropriation into a suspense account. I assume that the suspense account is used to meet a commitment in the subsequent financial year. I wonder whether the Treasurer could provide some examples of how that would apply and outline whether it is a power that is frequently used.

Mr E.S. RIPPER: An example of the usage of this power is the occurrence of the twenty-seventh pay every 11 financial years. Agencies are required to put aside a proportion of their appropriation each year so that when a twenty-seventh pay has to be financed, the money is available to do so. This is the power that is used to provide for that. Generally, agencies can carry over the expense from one year to another. If, for example, an agency has not been able to employ the number of staff it anticipated it would employ in that year, it would retain control of those financial resources and could, in principle, expend them in a subsequent financial year. However, we exercise some control over this because we do not want unusual levels of expense to occur in any financial year that may compromise our financial management target of, for example, delivering an operating surplus in each year. Agencies can carry over their financial resources but, depending on the financial year, if they want to use those resources, they have quite often to achieve specific approval to temporarily take their expense limit up to the new higher level.

Clause put and passed.

Clauses 27 and 28 put and passed.

Clause 29: Limits on expenditure -

Mr T. BUSWELL: When the Treasurer said that the capacity to carry forward an appropriation via a suspense account may threaten his financial objective of maintaining an operating surplus, I thought, crikey, it would have to be a pretty big carry-forward, given that the government has a \$2 billion surplus. That would have to be called "slipping under the radar"!

Mr E.S. Ripper: Some people may regard me as excessively cautious.

Mr T. BUSWELL: Yes; heaven forbid.

I would like to clarify something with respect to the Treasurer's advance authorisation, which is one of my favourite topics; but I will not talk about those factors in detail. My understanding is that clause 29(1) refers to three per cent of the previous year's appropriations, which basically means the previous year's expenditures. Is that the case?

Mr E.S. Ripper: It means last year's appropriations rather than last year's expenses. Expenses are financed by not only appropriations but also own-source revenue and carried over financial resources - for example, commonwealth grants.

Mr T. BUSWELL: I appreciate the point the Treasurer made earlier; namely, that he will now report drawings on the TAA as an appendix of quarterly reports. That is a useful innovation. I reiterate the comments made by the Public Accounts Committee regarding the need for consideration of some form of real-time reporting. I know that a quarterly report does not constitute real-time reporting, but I think it is laudable to gather information on a regular basis and to present it in a format that is understandable. When the TAA, which will be set at three per cent of the previous year's appropriations, is overspent, will the Treasurer still bring the same form of Treasurer's Advance Authorisation Bill into the house?

Mr E.S. RIPPER: Clause 29(3) states -

Expenditure that exceeds the limit . . . may be authorised by a Treasurer's Advance Authorisation Act . . .

In other words, if the government wishes to exceed the three per cent limit, it will have to revert to the old practice of bringing in a Treasurer's Advance Authorisation Bill.

Mr T. BUSWELL: That is good, because in previous years there has been an unfortunate creep over the three per cent limit. We therefore look forward to having those debates on a regular basis.

Mr E.S. Ripper: I will threaten my colleagues with the ferocious reception they will get from you if they really want this extra expenditure to occur.

Mr T. BUSWELL: I ask the Treasurer to bring them in, because I support his endeavours - albeit failing endeavours - to rein in the growth in current expenditure. Although the Treasurer cops the blame, I actually blame those others on the front bench opposite. I support the Treasurer's endeavours.

Mr E.S. Ripper: I must accept responsibility.

Mr T. BUSWELL: Of course the Treasurer should! Given that the report will be provided on a quarterly basis as an appendix to the quarterly consolidated funds, will the Treasurer still be required to bring in the Appropriation (Consolidated Fund) Bills (No 3) and (No 4) that deal with the year in question and retrospectively with previous years for capital and operating purposes?

Mr E.S. RIPPER: In accordance with the principle that Parliament must approve expenditures, yes, the government will bring in the two appropriation bills - usually titled Appropriation (Consolidated Fund) Bills (No 3) and (No 4) - to seek parliamentary approval on a retrospective basis for the use of the Treasurer's advance mechanism, whether it is the standard mechanism that is in the act or the hopefully rare exercise of the power to go beyond the act through another Treasurer's Advance Authorisation Act.

Clause put and passed.

Clauses 30 to 36 put and passed.

Clause 37: Investment by Treasurer -

Mr T. BUSWELL: This is one of my favourite clauses. I am very keen to spend some time with the Treasurer exploring the nature of the regulations to be made for the purposes of subclause 37(1), which gives the Treasurer the power to -

. . . invest any money standing to the credit of the Public Bank Account in a manner prescribed by the regulations.

During the second reading debate, I raised the potential for this regulation to expose funds in the public bank account to misuse. I am very keen to work through this matter with the Treasurer - if for no other reason than for the benefit of the public record - to outline what the Treasurer sees as being the objective of regulations that will govern how he will invest an average balance in 2004-05 of \$1.4 billion in the public bank account.

Mr E.S. RIPPER: The public bank account balance should be invested to get the best return for taxpayers consistent with the level of risk that taxpayers are prepared to accept. It is important that there be the right balance between return and risk. It is important that the investment of public bank account moneys not be

compromised by assorted other policy objectives that may be fashionable in government from time to time. I would expect that the investment of the public bank account would be governed by a risk-return balance that was fairly conservative. That is certainly the way in which the public bank account has been invested to date. As Treasurer I do not have any connection with the day-to-day investments of the public bank account. These matters are handled for the government by the Western Australian Treasury Corporation, which is a body with a very sound reputation in the handling of this type of matter.

The issue that is of interest to me is the difference between these arrangements and the previous arrangements. In the previous legislation the investment classes were specified. The change here is that the investment classes will be prescribed by the regulations. Although I do not have this role with the public bank account, I do have to sign off on the prudential guidelines for investments by the Government Employees Superannuation Board as well as the prudential requirements for investments by the Insurance Commission of Western Australia. As I have had the experience of signing off on those two sets of guidelines, I can report that there is a need, from time to time, to change the guidelines in order to get best value from the management of those investments. If, on every occasion when a change was warranted, the legislation had to be altered, in many cases I think the investment opportunity would be missed or the return would be compromised. Therefore, the additional flexibility to change the guidelines by regulations could be a factor in marginally improving the returns on the public bank account investment. It certainly would be my intention to maintain a conservative bias in the way in which these funds are invested. We are not intending to use the public bank account for any policy objective other than a return to the taxpayer. We will be conservative about the amount of risk that the public bank account is exposed to.

Mr T. BUSWELL: My understanding is that, at the moment, under the Financial Administration and Audit Act, moneys can be invested in certain authorised investment classes. Those classes are cash, bank deposits, bills and government-backed bonds. We are moving from a situation in which the public bank account has to be invested in cash, bank deposits, bills and government-backed bonds - in other words, cash-backed securities that present almost no opportunity for default. We will now enable investments to be made in a manner defined by regulation such that those moneys may be invested in a manner as directed by part III of the Trustees Act 1962. That is all that is stated in this legislation. I looked at section 17(a) of that act. The Trustees Act allows trustees to invest in any instrument other than those expressly prohibited by the trust enabling document. It does not really say a lot. It basically states that an investment can be made in any instrument. We need to tease this out for the public record. I have previously had advice from Treasury about what it intends the regulations will deliver. However, I would like to hear on the public record from the Treasurer so that the house and people down the track are aware of his intentions. It is quite clear that the powers of the regulation will draw almost nothing from the Public Trustee Act. I am very keen to understand what the regulation will enable the Treasury or the Treasury Corporation to invest public moneys held in a public bank account in. So far, the Treasurer has told me that the regulations will achieve two main outcomes: a risk-return balance that is fairly conservative and/or other investment options that are fashionable to government from time to time. These are the indications the Treasurer gave earlier about where he thought the moneys might be invested according to the regulations. I do not think that is enough. I would like more detail about what guidelines the regulations will establish concerning how the moneys will be invested. Let us not forget that we are talking about substantial amounts of money and a significant amount of interest. To give an indication, the average balance of the public bank account over the past two or three financial years has increased from \$1.2 billion in 2003-04 to \$1.4 billion in 2004-05. That is a significant amount of taxpayers' money that we are looking to invest.

Mr E.S. RIPPER: I can provide information about the only addition to investments that is proposed in the regulations that are being prepared. It is proposed that it be possible to invest in debt securities issued in Australia by a corporation listed on a recognised stock exchange with a credit rating equal to or higher than an A rating by Standard and Poor's Investment Advisory Services or an A2 rating by Moody's Investors Service. That is the only addition to the type of investments that are made now that is proposed for the regulations that are to be presented to Parliament at a later stage. There is a second safeguard. The regulations will contain words to the effect that investments made under the regulation must be in accordance with the criteria specified in an investment policy approved by the Treasurer. There will be the Trustees Act and the regulation. The regulations will state that if there are investments in debt securities with a corporation, that corporation must be listed on a recognised stock exchange and have A credit ratings. In addition, the investment has to be made in accordance with an investment policy approved by the Treasurer. With regard to the investment policy that the Treasurer approves, I see no reason that it could not be made publicly available so that people can see what investment policy applied to the bank account. In addition, I gave a commitment in the second reading debate that we will publish the investments made under the public bank account arrangements. I just need to be reminded of the vehicle through which they will be published. No wonder I do not recall the mode of publication, because I am advised that I did not specify it in my undertaking. The proposal at the moment is for them to be either placed in the quarterly financial reports or reported directly on the Department of Treasury and Finance web site. I want to assure the house that this government will have absolutely no truck with any suggestion that we should do

anything risky with the public bank account. We will invest the public bank account properly and safely to get value for money with no more than appropriate levels of risk for such a serious matter for taxpayers.

Mr T. BUSWELL: I have a couple of supplementary questions. The Treasurer mentioned that there would be investments in debt securities issued in Australia by companies listed on a recognised stock exchange provided they meet certain criteria, such as Standard and Poor's A rating.

Mr E.S. Ripper: The corporation has to meet those ratings.

Mr T. BUSWELL: When the Treasurer talks about "a recognised stock exchange", I take it he means any corporation and that it is not limited to Australian corporations. I am assuming that international companies that may issue securities in Australia from time to time for people to invest in will not be excluded. The second point is that the Auditor General made a comment in regard to the need to make a regular review of the regulation defining these classes of investment to ensure that risk classifications are still valid and the risk remains low or moderate. Has any consideration been given to a regular review of that regulation to make sure that it provides the risk return profile, which the Treasurer defined earlier as being "fairly conservative"? With the Treasurer being a philosophical radical, his definition of "fairly conservative" may be widely divergent from that of members on the more conservative side of the chamber. I am interested to know what the "fairly conservative" risk and return balance is, coming as it does from a Treasurer who was a student radical and a firebrand, or so I am led to believe. Perhaps the Treasurer could elaborate on that and then we will move on.

Mr E.S. RIPPEN: Whatever my positions might have been on various social issues, I have always been very conservative financially. My colleagues sometimes are wont to complain about that conservative financial approach. They knew what they were doing when they selected me as Treasurer. The Public Accounts Committee made a recommendation with regard to this, and in my second reading speech I said that the government noted and accepted recommendation 3, which involved the Public Accounts Committee conducting regular reviews of the regulations covering investment of public bank account moneys to ensure that the overall risk remained low. We accept that the Public Accounts Committee can have a role in conducting regular reviews of the investment guidelines. In any case, this would be done as a matter of course inside the bureaucracy. I regularly receive the results of reviews of investment guidelines for the Government Employees Superannuation Board and the Insurance Commission. There is a review at least every year, and quite often more frequently than that.

It is also worthwhile pointing out that the public bank account, which might reach \$2.5 billion, for example, actually represents a smaller investment task than the assets of GESB or the Insurance Commission. Each of those organisations would have substantially more funds invested than the public bank account. I am saying that if people are concerned about government investment policies, they need to look not only at the public bank account but also at the way in which Insurance Commission and GESB funds are invested. They are also invested properly.

Clause put and passed.

Clauses 38 and 39 put and passed.

Clause 40: Accountable authorities of statutory authorities to prepare and submit annual estimates -

Mr M.W. TRENORDEN: The Treasurer will not be surprised by what I am going to say. I would like to talk about structure. I will break the rules for a few minutes, Mr Acting Speaker, (Mr O'Gorman) and point out that even in the bad old days of WA Inc, Treasury operated very well. We should never be lax about the operations of Treasury, but we have always had a very strong internal operation in Treasury. GESB went under a different name in those days, but it had a major crisis, as did the SGIC. Treasury did not have those same crises and that should be recognised, and someone with grey hair now has the opportunity to say that.

In relation to clause 40, in my contribution to the second reading debate I spoke about the process of authorities preparing annual estimates. Preparing to submit annual estimates is an important part of the process. The bids go to Treasury and are examined, and the Treasurer has the opportunity to accept or reject them. This goes back to my request to look closely at outcome-based audits, both internally and externally. One of the problems I would like the Treasurer to discuss - I have been a member for a fair while and have watched this process - is that often Treasury and the Treasurer have difficulty interacting with some programs. Having never been in the Treasurer's position, and never having been in cabinet, I wonder how the Treasurer and Treasury go about the process of making sure that every bid that comes in within agencies, not just the whole bid, is scrutinised hard enough to make sure that the Treasurer's instructions are able to impact strongly on those programs. Can the Treasurer give me some indication as to how he sees that happening? Is it different from the Financial Administration and Audit Act process? Page 17 refers to the FAAA requirement being transferred to Treasurer's instructions. Personally, I have no problems with its being moved to Treasurer's instructions, but I am curious as to how it is intended that the bids coming in, the annual estimates, will be very tightly scrutinised.

Mr E.S. RIPPER: I think the member is actually asking me about the budget process. This clause extends to certain statutory authorities the sorts of requirements that are imposed on government departments in the budget process. In the first instance -

Mr M.W. Trenorden: I am not asking about the budgetary process; I am trying to establish in my own mind that the estimates come to Treasury, and the Treasurer has a final look at the process. Have you made any changes at all to that process?

Mr E.S. RIPPER: I am advised, no.

Mr M.W. Trenorden: That is what I am trying to say. In the future I would like to talk to you about making some minor changes.

Mr E.S. RIPPER: With regard to bids for the application of taxpayers' resources, the minister responsible for the agency has to prioritise the agency's bids and take responsibility for the bid being prepared on a reasonable basis. Of course, there is a role for the CEO and the principal finance officer in the agency as well. Agencies' bids are scrutinised by the agency and resources division of the Department of Treasury and Finance, which subjects those bids to intense and rigorous analysis. The department goes back to the agencies and asks for additional justifying information. Comparisons are applied based on interstate levels of expenditure, and the department uses other comparable information to make judgments about whether a bid is reasonable. All bids come before the Expenditure Review Committee and large bids will be subjected to a fair amount of discussion in that committee with senior ministers, supported by Treasury and Treasury officers themselves asking questions directly of the minister and the agency representatives as to the merits of the proposal, and the requirements, priority, costings, operational feasibility, and risk levels associated with the proposal. We try to get this right, but we do not always succeed.

Mr M.W. TRENORDEN: That is the point I am making. I am not having a go at the Treasurer. I have a genuine interest in trying to change this. The Treasurer will be aware - because he has sat and watched them - of some great *Yes Minister* programs on just this process. Under the process that the Treasurer has just described, it means that not even the Treasury people have a full understanding of each program that goes through the department. Nobody is a master of all those things. What I debated in my second reading contribution and what I am attempting to convince the Treasurer and other people is that perhaps a few extra small processes could be included as part of the Treasurer's instructions as to how information comes in. Some programs live forever. They live through chief executive officers and through ministers; they just keep living. Often, there is a suspicion about some of those programs, but on occasions the information is not detailed enough perhaps not to scrap some of those programs, but to change the way they operate. That is why there is currently a debate about conducting an outcomes review. When a program is born in an agency, there is a mission statement and all the reasons for it being born. There are performance audits, or key performance indicators if it is a big enough program, to tell people how it is operating. However, the reality is, if we are all being honest with each other, that agencies can still kid people with those performance indicators. CEOs will not say to a minister, "This million-dollar program that we put up last year is a crock of manure." We never read that in the budget. They put in a bit of their own language. We need to make sure that we have a robust system. I have just praised Treasury; I am not anti-Treasury in this state at all. I believe Treasury has an outstanding record in this state. However, I would like to add a bit of extra horsepower.

The argument is that if the minister and the agency, when submitting their bids, had to have an outcomes audit of that program to show what that program delivered, even if it were an internal process and we never saw it in this place, it would help Treasury and help cabinet in the process of deciding what will and will not survive. I have been trying to talk to the Treasurer about that for several years. I have spoken to academics about it. I have been to Victoria and spoken to a range of academics there. There was a mood to do this. As the Treasurer is probably aware, when the Financial Administration and Audit Act was introduced, an outcome audit was always meant to be a part of the process, but we never got there because we have never quite perfected performance auditing. Agencies can still kid Treasury with a performance audit. Therefore, it needs to be completed. The argument is about where in that process we should bring in an outcomes-based review, whereby we say that we want an internal report on a program so that Treasury and cabinet have more information on which to make a decision about that program. That is the point I am making. There is an appetite now to do it. We have had 20 years of performance auditing, and we will probably not get any better at it than we are now. In some cases, people would say that it is very good, but in the social areas, such as police and the Department for Community Development, there is a great argument that a performance audit is very difficult to do.

Mr E.S. RIPPER: Every year we internally review the budget process. The Department of Treasury and Finance talks to the ministers on the expenditure review committee and to stakeholders in agencies about ways in which we can improve the budget process. We are attempting increasingly to have more focus on the total spend of agencies rather than on just the incremental moneys that they seek in each budget process. When the Department of Treasury and Finance has concerns about a program, and suspicions that perhaps the program is not delivering, further information about the objective performance of the program will be sought. Sometimes

the information that is available is not adequate, but, nevertheless, it will be taken into account by the Department of Treasury and Finance and by the ministers on the expenditure review committee.

We are always interested in improving the budget process to get better prioritisation of decisions. When we have \$15 billion of recurrent expenditure across the range of activities that the state government is responsible for, there will be areas of specialist expertise in which it will not be easy for Treasury or ministers to make a judgment about whether the level of expenditure is right or wrong. No-one in Treasury is an expert on brain surgery and can second-guess the health department about the number of people who need to be present in an operating theatre when someone's brain is being operated on. That is a matter that health professionals will have to advise upon.

I will make a couple of other comments. Rather than simply focusing on the process in the Department of Treasury and Finance, I believe we also need to look at other responsibilities in the system. There are responsibilities for management in the agencies. The government's financial management targets are not Treasury targets; they are government policy for the entire public sector, and every public servant and, in particular, every public sector manager should be managing to assist the government to meet those financial management targets. It is important, therefore, that we take action to strengthen public sector leadership and management. I make these comments because this morning I launched the government's leadership development program for managers and leaders in the public sector. First of all, we need to say that other people are responsible also. Secondly, we need to take steps to improve their capacity to exercise those responsibilities.

The other comment I make is that ministers also have a responsibility in their own portfolios to superintend the financial management of the agencies for which they are responsible. Yes, we can improve the budget process; yes, the Department of Treasury and Finance can do different things; but let us also say that the agency personnel, the agency CEOs and the individual line agency ministers have responsibilities in financial matters also.

Mr M.W. TRENORDEN: Again, *Yes Minister* had some good programs on that also. I am not arguing with the Treasurer. However, I argue that if we were able to bring in a new attitude, it would make those CEOs and ministers sharper on programs that they do not want to get rid of. We all know that agencies hang on to things which are important to them but which are not necessarily important to the public and not necessarily important to the administration of the day. All of us in this chamber know that. We all know that in any given cabinet there are really good ministers, average ministers and terrible ministers. Some departments in Western Australia have never been placed under any reasonable control. All I am saying to the Treasurer is that I will be interested to talk to him about these matters. I will speak for one minute before we go into question time. There are ways in which to make CEOs, and even ministers, sharper in the process and to make sure that when they report to the Treasurer, these things are not as easy to hide.

Clause put and passed.

Clauses 41 to 47 put and passed.

Clause 48: Write-offs -

Mr T. BUSWELL: I am interested to understand what reporting mechanisms will be put in place whereby approval will be given for departments to write off certain items. I am interested in, for example, some of the write-offs that were recorded in the Public Accounts Committee report, and I will get to those in a moment. However, can the Treasurer explain how they will be reported?

Debate interrupted, pursuant to standing orders.

[Continued on page 6365.]

QUESTIONS WITHOUT NOTICE

NATIVE TITLE - PERTH METROPOLITAN AREA

640. Dr K.D. HAMES to the Premier:

I refer to yesterday's Federal Court decision that native title exists in the Perth metropolitan area and surrounding areas.

- (1) Will the existence of native title in the metropolitan area and surrounding areas create further delays in the release of crown land for housing, capital works and other public and private development?
- (2) Will the Premier be appealing this ruling?

Mr A.J. CARPENTER replied:

I thank the member for the question. I noted his comments on radio today, and I hope that everybody else noted them as well.