



# ***PUBLIC ACCOUNTS COMMITTEE***

## **ANNUAL REPORT 2006-07**

### **Report No. 7**

**in the 37<sup>th</sup> Parliament**

**2007**

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## **ANNUAL REPORT 2006-07**

### **Report No. 7**

Presented by:

**Mr J.R. Quigley, MLA**

Laid on the Table of the Legislative Assembly  
on 18 October 2007



## COMMITTEE MEMBERS

<b>Chairman</b>	Mr J.R. Quigley, MLA Member for Mindarie
<b>Deputy Chairman</b>	Dr S.C. Thomas, MLA Member for Capel
<b>Members</b>	Mr D.T. Redman, MLA Member for Stirling
	Mr P.B. Watson, MLA Member for Albany
	Mr B.S. Wyatt, MLA Member for Victoria Park

## COMMITTEE STAFF

<b>Principal Research Officer</b>	Ms Liz Kerr, BA, PG Dip Pol St (Until 5.6.07)
	Dr Julia Lawrinson, BA (Hons), Grad Dip Ed, PhD (From 23.7.07)
<b>Research Officer</b>	Ms Nicole Burgess, BA (Until 1.12.06)
	Ms Dawn Dickinson, BSc (Hons), MURP (From 9.2.07)

## COMMITTEE ADDRESS

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

Tel: (08) 9222 7494  
Fax: (08) 9222 7804  
Email: [lapac@parliament.wa.gov.au](mailto:lapac@parliament.wa.gov.au)  
Website: [www.parliament.wa.gov.au](http://www.parliament.wa.gov.au)



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## COMMITTEE'S FUNCTIONS AND POWERS

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

The Committee may -

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



## CHAIRMAN'S FOREWORD

I am pleased to present the third annual report of the Public Accounts Committee (the Committee) in the 37<sup>th</sup> Parliament. In the year under review, the Committee completed an Inquiry into Local Government Accountability in Western Australia. The Inquiry involved an extensive investigation aimed at addressing deficiencies in local government accountability mechanisms, which in turn impact on state government expenditure. A number of recommendations were tabled which encourage greater accountability in the local government sector particularly with respect to audit arrangements, and reflect the Committee's overall commitment to ensuring sound procedures are followed in the expenditure of public funds.

The Committee also tabled an inaugural review of Reports of the Auditor General. This was the first of what is intended to be an annual consolidated report detailing the Committee's process of following up state government agencies subject to performance examination by the Auditor General. In maintaining this follow up practice, the Committee continues to 'add value' to the work of the Auditor General by reviewing the progress of state government agencies towards implementing the recommendations made in the Auditor General's Reports.

In the year under review, the Committee also commenced an Inquiry into the Funding Arrangements for Western Australian Infrastructure Projects. The Inquiry will examine the adequacy of funding arrangements for selected major projects with an emphasis on the federal-state funding relationship. This is particularly timely given the state's rapidly expanding resource sector and the Inquiry seeks to achieve a better outcome for infrastructure in this state.

I would like to thank the Committee members for their sustained contribution, namely the Deputy Chairman, Dr Steve Thomas (Member for Capel); Mr Terry Redman (Member for Stirling); Mr Peter Watson (Member for Albany); and Mr Ben Wyatt (Member for Victoria Park). On behalf of the Committee, I wish to thank the previous Principal Research Officer, Ms Liz Kerr, and welcome her successor, Dr Julia Lawrinson. My appreciation also goes to the current Research Officer, Ms Dawn Dickinson and her predecessor, Ms Nicole Burgess.

I commend this report to the House.

A handwritten signature in black ink, appearing to read 'J.R. Quigley', with a stylized flourish extending from the end.

MR J.R. QUIGLEY, MLA  
CHAIRMAN



## CHAPTER 1 COMMITTEE ACTIVITIES

### 1.1 Introduction

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

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

- Conducted two inquiries;
- Held 20 deliberative meetings;
- Heard evidence from, or was briefed by, 10 persons;
- Attended one conference; and
- Hosted a Treasury information session on State Budget Estimates for all members of Parliament on Tuesday 15 May 2007.

**Table 1.1**

**Summary of activities of the Public Accounts Committee, 1 July 2006 - 30 June 2007**

Description	Activity
Briefings	3
Deliberative meetings	10
Formal evidence hearings	2
Witnesses appearing	6
Reports tabled	3
Report findings tabled	16
Report recommendations tabled	6

## 1.2 Public Hearings

Pursuant to Assembly Standing Order 264, the Committee has power to send for persons, papers and records. During the period 1 July 2006 - 30 June 2007, the Committee conducted two public hearings, taking evidence from six witnesses to assist with its investigations (Table 1.2).

**Table 1.2**

**Public Hearings of the Public Accounts Committee, 1 July 2006 - 30 June 2007**

Date	Witness	Position	Organisation
23.8.2006	Mr Quentin Harrington	Director Governance and Statutory Support	Department of Local Government and Regional Development
	Ms Jennifer Law	A/Manager Local Government Support and Development	Department of Local Government and Regional Development
	Mr Brendan Peyton	A/Manager Compliance and Advice	Department of Local Government and Regional Development
16.5.2007	Mr Peter Viney	Deputy Director General	Department of Industry and Resources
	Ms Janet Want	Project Officer, Program Management Branch	Department of Industry and Resources
	Mr Chris Williams	Manager Regional Assistance Unit, Program Management Branch	Department of Industry and Resources

## 1.3 Briefings

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

**Table 1.3****Briefings provided to the Public Accounts Committee, 1 July 2006 - 30 June 2007**

<b>Date</b>	<b>Name</b>	<b>Position</b>	<b>Organisation</b>
18.10.2006	Professor Greg Craven	Chair in Government and Constitutional Law	Curtin University of Technology
21.3.2007	Mr Colin Murphy	A/Auditor General	Office of the Auditor General
	Ms Jacquie Stepanoff	Manager, Planning and Coordination	Office of the Auditor General
9.5.2007	Mr Richard Mann	Director - City Project	Public Transport Authority

## 1.4 Conferences

In the period under review, the Committee attended the Australasian Council of Public Accounts Committees (ACPAC) 9<sup>th</sup> Biennial Conference, *Challenges Facing Contemporary Public Accounts Committees*. The conference was hosted by the Commonwealth Joint Committee of Public Accounts and Audit at Parliament House, Canberra from 11 - 14 April 2007. At the conference, the Committee presented its paper, *Different models for Public Accounts Committees in reviewing the work of auditors. How best to add value to their work: A Western Australian Perspective*. The conference provided the opportunity to exchange information with interstate and international counterparts. As a result, the Committee was able to gain valuable insight into the interrelationship between Public Accounts Committees and Auditors General, as well as a greater understanding of how the oversight role of Public Accounts Committees may be enhanced.

At the conclusion of the conference, the ACPAC accepted the Committee's offer to host the conference in 2011, on behalf of Western Australia.

## 1.5 Reports Tabled

The Committee tabled three reports during the period 1 July 2006 - 30 June 2007, as follows:

- Report No. 4 - Local Government Accountability in Western Australia;
- Report No. 5 - Annual Report 2005-2006;
- Report No. 6 - Review of the Reports of the Auditor General 2005-2006.

**(a) Local Government Accountability in Western Australia**

The Inquiry into Local Government Accountability in Western Australia was initiated by the Committee on 17 August 2005 following discussions with the Auditor General about some of the financial problems affecting the local government sector. Over the course of the Inquiry, the Committee received significant public input via submissions and evidence collected at hearings and briefings in both metropolitan and regional locations. Investigative travel was also undertaken to obtain comparative information on local government accountability mechanisms in other state jurisdictions.

The Committee tabled its report on 28 September 2006. The report made 16 Findings, including but not limited to: deficiencies identified in the Compliance Audit Return system used by local governments for compliance checks with respect to non financial matters; inadequate minimum requirements which limit local government audits to straight financial checks; and a perception of insufficient monitoring and support of the sector by the state. Six recommendations were made including: a review of the Compliance Audit Return mechanism; and a greater role for the Auditor General in auditing local governments. In this regard it was recommended that the state government investigate the benefits of Auditor General involvement in line with the Queensland model of local government audit. Audit by the Auditor General of about 15 per cent of councils on a rotating basis was also recommended, as well as parameters for local government audits to be set by the Auditor General to enable greater consistency of reporting across the state.

The Government Response to the Committee's report, tabled on 20 March 2007, acknowledges that the Queensland model of local government audit has beneficial aspects which could be adopted to the advantage of this state. However, the Response indicates that it would be unnecessary to adopt the model wholesale or for audit responsibilities to be split between the Auditor General and the Department of Local Government and Regional Development in order to achieve the same benefits. Instead, an audit model is proposed for Western Australia which will achieve all the benefits and solutions of the Queensland model at lower cost.

**(b) Review of the Reports of the Auditor General 2005-2006**

In 2003, following an examination of the 2001-2002 Annual Report of the Office of the Auditor General, the then Public Accounts Committee established a process to follow up recommendations made in Auditor General reports with respect to government agencies. Upon its establishment in May 2005, this Committee resolved to continue the practice of following up on the reports of the Auditor General. Agencies are requested to provide details to the Committee within 12 months of the tabling of a performance examination by the Auditor General as to what actions have been taken to implement the Auditor General's recommendations.

The first review of this process was tabled on 30 November 2006, and consisted of an examination of the findings and recommendations made by the Auditor General in Public Sector Performance Examinations during the 2005-2006 financial year. The report documented agency responses to the Committee's requests for information regarding action(s) taken to address the recommendations, and the Committee's comments and/or further actions such as requests for



additional information or briefings/hearings. An overview was also provided of the reviews to be completed in 2007.

## **1.6 Work in Progress**

### **(a) Inquiry into Funding Arrangements for Western Australian Infrastructure Projects**

On 1 November 2006, the Committee resolved to conduct an Inquiry into the funding arrangements for selected major infrastructure projects in Western Australia. The Committee adopted the following Terms of Reference:

The Public Accounts Committee will examine and report on:

1. The funding arrangements, including State and Federal agreements, of selected major infrastructure projects and proposed projects in Western Australia;
2. The adequacy of those arrangements in meeting the needs of the State, in particular its rapidly expanding resource sector;
3. The level of Federal and State investment in and control over major infrastructure projects and the long term impacts of those levels;
4. Changes or mechanisms that would enhance infrastructure funding outcomes for the State; and
5. Other matters deemed relevant by the Committee.

The Committee produced a Discussion Paper to supplement the Terms of Reference and facilitate discussion of the key issues surrounding the provision of infrastructure in Western Australia, particularly in relation to the resource sector. A call for submissions in March/April 2007 has yielded 21 responses to date, principally from government agencies and peak bodies representing local government, business, and the resource sector.

The Committee intends to conclude this Inquiry and table its report in 2008.

### **(b) Follow up of Auditor General Reports**

The Committee has continued to follow up on Performance Examinations undertaken by the Auditor General in the 2006-2007 financial year. It is the intention of the Committee to table a consolidated report outlining the agencies examined in the period under review prior to the close of the 2007 Parliamentary year.

## **1.7 Post-Budget Briefing**

Each year the Committee hosts the Department of Treasury and Finance post-budget briefing for members in order to assist members to effectively utilise the documents that make up the budget papers. This has proven to be particularly helpful in the lead up to the annual estimates process. In the period under review, the post-budget briefing was conducted on 15 May 2007.

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

## CHAPTER 2 FINANCIAL STATEMENT

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

The Committee's expenditure for the financial year 1 July 2006 - 30 June 2007 (in accordance with Standing Order 276) is detailed below:

**Table 2.1**

**Expenditure Items of the Public Accounts Committee, 1 July 2006 - 30 June 2007**

Expenditure Item	\$
Advertising	3 400
Conference Fees	1 700
Travel	26 900
Protocol	1 100
Printing	2 400
<b>TOTAL</b>	<b>35 500</b>

Notes:

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