

**JOINT AUDIT COMMITTEE**

*First Report — “Second Review of the Financial Management Act 2006” — Tabling*

**DR A.D. BUTI (Armadale)** [10.00 am]: I present for tabling the first report of the Joint Audit Committee, titled “Second Review of the Financial Management Act 2006”.

[See paper 2447.]

**Dr A.D. BUTI:** The report that I have just tabled advises the house of the outcomes of the Joint Audit Committee’s review of the Treasurer’s “Review of the Financial Management Act (2006): December 2017 Report”. In general, the committee supports the recommendations in the latest Treasurer’s report. I should say just a few words about the committee. The Joint Audit Committee was re-established on 13 June 2017 to undertake the following statutory functions: to review the minister’s review of the operation and effectiveness of the Financial Management Act 2006; to review the operation and effectiveness of the Auditor General Act 2006; to make recommendations to the Treasurer on the budget of the Office of the Auditor General; and to inquire into and report on any motion for suspension or removal of the Auditor General referred by either house of Parliament.

The Treasurer provided to the committee on 21 June 2018 a copy of his review of the operation and effectiveness of the Financial Management Act. This report contains an examination of the Treasurer’s report and the FMA more broadly. In this regard, this report fulfils one of the committee’s statutory functions noted above. In addition, this report reflects on the broader financial management framework, examining matters that arose in the course of the committee’s examination of the Treasurer’s report, the previous report on the FMA, and reports prepared by the committee of the thirty-ninth Parliament.

As I mentioned, we are generally supportive of the recommendations of the latest Treasurer’s report. However, the committee does not support recommendation 14, which seeks to remove the need for Parliament to approve spending made under the Treasurer’s advance arrangements under section 27 of the Financial Management Act 2006. This report also reflects on the broader financial management framework, examining matters that arose in the course of the committee’s examination of the Treasurer’s report, the first review of the Financial Management Act 2006, and reports prepared by this committee in the thirty-ninth Parliament.

I would like to highlight some of those recommendations. In recommendation 1, we recommended that the Financial Management Act 2006 should be retained. Recommendation 2 was that the Financial Management Act 2006 should be reviewed every 10 years. In recommendation 7 we recommended that —

The Treasurer include a complete list of agencies that breach their expense limit in the Annual Report on State Finances.

Recommendation 10 states —

The Treasurer amend section 82(2) of the *Financial Management Act 2006* to require Ministers to include the reasons for making a decision not to provide information to Parliament in the notice to Parliament and the Auditor General.

Recommendation 11 states —

The Treasurer amend the *Financial Management Act 2006* to require Ministers to advise Parliament of notices of financial difficulty and the proposed response to the issue.

Recommendation 15 states —

The Treasurer assess, as part of the review of the governance and accountability arrangements of Government Trading Enterprises, whether Government Trading Enterprises should be subject to standardised provisions requiring them to notify the Minister in the event of financial difficulty.

Recommendation 16 states —

The Government continue to explore an overarching risk management strategy for agencies.

Recommendation 17 states —

The Premier direct the Public Sector Commission to undertake a review of the categories of agencies and other organisations to establish key organisational principles to underpin future review and reform of the Western Australian public sector.

We also recommended at recommendation 12 that —

The Treasurer consider whether it is appropriate for the Governor to retain responsibility for approving act of grace payments under section 80(2) of the *Financial Management Act 2006*.

I am sure that members of the public often wonder why act of grace payments are awarded to people for certain things, so it would be good if that became clearer and to establish whether the Governor should still have a role to play.

The final recommendation, recommendation 20, is an interesting one. It recommends that —

The Treasurer amend the *Auditor General Act 2006* to remove the requirement to have a Joint Standing Committee on Audit and transfer its prescribed functions to the Legislative Council Standing Committee on Estimates and Financial Operations.

Alternatively, the Treasurer should review and rationalise the functions allocated to each Committee under the *Auditor General Act 2006*.

That is an interesting recommendation. We query the need for and effectiveness of the Joint Audit Committee, so we look forward to the Treasurer's response to that.

In conclusion, the committee would like to thank the Department of Treasury and the Office of the Auditor General for their assistance with this review. We also thank the committee secretariat, Mr Andrew Hawkes and Mr David Graham. I also join my colleagues in thanking all members who have sat on this committee. This review has been, at times, a very hard and laborious exercise to go through, but we hope that the Treasurer and the government find it to be of some use. Members of the committee include Mr Dean Nalder, member for Bateman; Mr Vince Catania, member for North West Central; Mr Simon Millman, member for Mount Lawley; Ms Lisa O'Malley, member for Bicton; and the members from the other place.

I commend this report to the house.

**MR S.A. MILLMAN (Mount Lawley)** [10.06 am]: I just want to echo the sentiments expressed by the deputy chair of the committee in the tabling of this report, and add my vote of thanks to the other members of the committee in this place, particularly the member for Bateman, and some of the members from the Legislative Council. Hon Tjorn Sibma was very active in this committee; I thought Hon Diane Evers and Hon Aaron Stonehouse also did a very good job. I commend the work of the chair of the committee, Hon Alanna Clohesy.

There are really only two things in the report that I want to bring to members' attention. On pages 36 and 37 we outlined some of our concerns about the fact that there are currently six appropriation supplementary bills in the Parliament that seek to approve outstanding spending. I make this comment in the context of what the Financial Management Act is designed to do. People sometimes lose sight of the fact that the executive is accountable to Parliament. The Financial Management Act makes sure that Parliament has the final say on the spending of government. I am getting strange looks from the front bench—probably unsurprisingly!

One of the things that we noted was that there are a number of outstanding appropriation supplementary bills. Finding 8 on page 37 lists them: the Appropriation (Recurrent 2010–11 to 2015–16) Supplementary Bill 2017; the Appropriation (Capital 2010–11 to 2015–16) Supplementary Bill 2017; the Appropriation (Recurrent 2016–17) Supplementary Bill 2017; the Appropriation (Capital 2016–17) Supplementary Bill 2017; the Appropriation (Recurrent 2017–18) Supplementary Bill 2018; and the Appropriation (Capital 2017–18) Supplementary Bill 2018.

That is the first thing that I would like to draw to members' attention. The second thing is appendix 1 at the back of the report. The Financial Management Act establishes that the review is to be conducted every five years. After the act was established on 1 February 2007, the first review of the operation and effectiveness of the act was supposed to take place in February 2012. Unfortunately, for reasons about which I can only speculate, the committee's report was not tabled in Parliament until August 2016. The review should have been completed in 2012, but the report was not tabled in Parliament until 2016. On 1 February 2017, it was the 10-year anniversary of the act and, according to the provisions of the act, the second review was due to start. Members will remember that we were all very busy on 1 February 2017. It was five weeks out from the state election on 11 March 2017, which I will come back to before I conclude my remarks. In August 2017, the Treasurer endorsed the department to undertake the review of the Financial Management Act. That review was completed in December 2017 and was provided to the committee in 2018. The committee commenced its review in late 2018 and the committee has now, in 2019, tabled its report in response to that review.

The first point I will make is that the review of the Financial Management Act every five years, as required by the legislation, is generally back on track. As I said at the start, that is a credit to both the chair and members of the committee and the Treasurer and his department in making sure that this process takes place. The second point is that Parliament's role in reviewing the Financial Management Act and appropriation and expenditure has been restored; and, in that regard, credit must go to the Treasurer. We now have a government that is paying close attention to its financial obligations. Budget repair is on track and the state's finances are being restored. Credit for that goes to the government, but also to the people of Western Australia, who have shouldered some of the burden of restoring the state's finances.

I can only speculate why this review process fell off track during the term of the last government. Perhaps it was an oversight. Perhaps it was interested in other things. Perhaps it was not a priority. Perhaps good financial management was not a priority. Perhaps it was the succession of Treasurers—Troy Buswell, then Colin Barnett, then Christian Porter, then Colin Barnett, then Troy Buswell, then Colin Barnett and then Mike Nahan. Perhaps the role of Parliament was not properly respected.

Several members interjected.

**The ACTING SPEAKER (Ms J.M. Freeman):** You are not in your seat, member. Thank you very much.

**Mr J.E. McGrath** interjected.

**The ACTING SPEAKER:** Member for South Perth, you have been called for the first time.

**Mr S.A. MILLMAN:** Not the member for South Perth!

Perhaps that is why the state finances were left in such a terrible state of disrepair, and that is why the McGowan government was elected in a landslide in March 2017.