

Mr David Michael; Mr John McGrath; Mr Chris Tallentire; Mr Shane Love; Mrs Lisa O'Malley; Ms Cassandra Rowe; Mr Yaz Mubarakai; Mr David Templeman; Mr Tony Krsticevic

LOCAL GOVERNMENT AMENDMENT (AUDITING) BILL 2017

Second Reading

Resumed from 28 June.

MR D.R. MICHAEL (Balcatta) [10.29 am]: I want to conclude my remarks on the Local Government Amendment (Auditing) Bill 2017. Yesterday, I talked about the City of Stirling audit committee, on which I spent several years as the presiding member. Often a local government has good intentions and goodwill, and services and functions are tacked onto the organisation over many years—in the case of the City of Stirling, over nearly 150 years, since 1871—but not a lot of thought goes into looking at the organisational structure of that local government. I want to commend the officers of the City of Stirling, and particularly the audit committee, who are continuing, as I understand it, to go through an organisational and services review. I do not agree with some parts of that review, but I am sure it will result in a more customer-focused and efficient council.

As was mentioned yesterday, the world is changing rapidly. The world changes every six months. There is disruption in all parts of the world in various sectors. Local government needs to reform to adapt to that change. The expectations of the community about the level and cost of services provided by local government, and the level of transparency of local government, are also changing. It might be easy for a local government to show that costs are reducing, but if that is because the level of services has decreased, that is not good enough. I will not talk too much about transparency, because the member for Perth did so quite a bit yesterday.

I will outline some areas in which local governments need to change. All local governments should be required to record the votes of councillors. In some councils, that does not happen. All local governments should also be required to ensure that either live streaming or audio or video of council meetings is available for download by the public. The City of Stirling does not do that at the moment, despite our best efforts. It is often difficult for members of the public to attend council meetings if they take place mid-afternoon when people are at work, or if they live in the regions and a long way from the council chamber.

Performance audits, which are the second part of what the Auditor General can look into, are an important part of this bill. Performance audits are a way of achieving local government reform from the bottom up, rather than from the top down, as we saw under the former government. Performance audits enable local governments to compare themselves with like councils, as is done in Victoria, and the community and councillors and officers can look at the deficiencies and at ways of fixing those deficiencies. There will always be deficiencies. A council may fall behind in a particular area. One way of fixing a deficiency may be by going into partnership with an adjoining local government, maybe not as a merger, but for service delivery, as already happens in the metropolitan area with meals on wheels.

I have to say that I am not a supporter of the MyCouncil website, which was launched by the former government and which this government has inherited. I think the Victorian model is much better, and I hope the department will look at the Victorian model and see whether the MyCouncil website can be changed. The Victorian model looks at things other than just financial ratios. Financial ratios are incredibly important. However, there are many other issues of concern for the community. Recently, I have done a lot of doorknocking in the City of Stirling. There is a lot of concern about the planning and compliance departments, and also the parks and reserves department and some of the other service levels, in the City of Stirling. That is being well played out in the *Stirling Times*. Councillors and council candidates and the community need to know what their local government is good at and what it is falling behind on, based on the like council average, so that it can work towards improving its performance; and, if it does not work towards improving its performance, the department might be able to give it assistance and training to enable that to happen. The local government sector has a concern about the cost of performance audits and who will pay for those audits, and I hope that when the minister wraps up this debate, he will talk about that.

As I have said, the world is changing rapidly. I have found that although many people in local government have the best intentions, they basically say this is the way it is done and this is the way it will always be done. That is no longer the way any sector, company or department can work, and particularly not local government. The culture within local government needs to be one of continual improvement. Some departments in the City of Stirling already have that culture. However, it needs to be promoted and increased.

Before I sit down, with your indulgence, Madam Acting Speaker, I would like to talk about a person in my electorate, Renato “Steve” Leandri, who passed away last week. Steve was an environmental health officer at the City of Stirling. He had retired by the time I was elected to the council, but he taught me a lot about the inner workings of the council. When I made my speech yesterday, I wore this tie. It is the 1970s version of the City of Stirling tie. Steve was a lovely gentleman. He and his wife, Barbara, lived in Doubleview. I learned a lot from Steve. As well as having been a long-time employee of the City of Stirling, he was a volunteer for Men of

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the Trees. I also had dealings with him as a volunteer for the Australian Republican Movement. I want to pass on my condolences to Steve's family and friends. Thank you.

MR J.E. McGRATH (South Perth) [10.35 am]: I rise to make a fairly brief contribution to the Local Government Amendment (Auditing) Bill 2017. I will preface my remarks by saying that, unlike a lot of state and federal members of Parliament, I have no background in local government. In fact, until I was elected in 2005 as the member for South Perth, I had never been to a council meeting.

Mr D.A. Templeman: You've been to a few since!

Mr J.E. McGRATH: I keep away from them as much I can!

Mr D.A. Templeman: What is your view on the proposed Westralian centre?

Mr J.E. McGRATH: I am going to talk about the Westralian centre.

My wife and I lived in Belmont for 22 years and raised two children in Belmont. I wanted to build a house, and when I said to the builder, "We hear you're a pretty good builder; we would like you to build a house for us", he asked me where I wanted this house built, and when I said Belmont, he said, "Oh, no! Belmont is a very tough council." I was happy about that, because I thought if this guy is going to build me a house and I have a council that will be vigilant in making sure he builds it right and complies with all the requirements, that is what I want.

As I have said, I do not have a background in local government. The Minister for Local Government's second reading speech outlines the reason for these changes. I have to say that in my 12 years in this place, I have seen the need for reform in the local government sector. The minister said in his speech —

The McGowan government is committed to ensuring a good and just government for the benefit of all Western Australians. In particular, it is committed to taking steps to improve the transparency and accountability of local governments, —

We all agree with that —

regional local governments and regional subsidiaries. This bill introduces changes to broaden the Auditor General's scope of powers to undertake and report on local government financial and performance audits and to provide for the independent oversight of the local government sector.

Someone in my electorate said to me that there was a time when the Auditor General used to do all the local government audits. However, the government of the day—I think it might have been the government of Sir Charles—said, "Why is the government doing all these audits for local councils? If they could contract them out, it would save our Auditor General a lot of time." That led to the situation in which all local governments now contract out their auditing.

The minister said also —

In light of recent Corruption and Crime Commission investigations into a number of local governments for allegations of serious misconduct and corruption, the need to address structural weaknesses within the local government sector has become increasingly important and critical.

I agree with that to a point. However, I am not sure that it requires such a massive overhaul and oversight of every local government authority. I am sure that if we did a review of all the local governments in Western Australia, we would find that some of them are very well run and have high standards of accountability. One of the recommendations made by the Corruption and Crime Commission was that the Auditor General be responsible for auditing local governments. That was similar to the recommendation made by the Public Accounts Committee of this house.

The local government in my electorate is the City of South Perth. Unlike the City of Mandurah, which takes in two state electorates, Dawesville and Mandurah, the City of South Perth is the only local government authority in my electorate. It was formed in 1892 as the South Perth Road Board, so it has been around for a long time—125 years. Some outstanding people and some very good local people have made good contributions to our local city. I think there has been only one case in which the City of South Perth was put into administration. It was not a case of major corruption. I think it was a failure to provide proper compliance in an administrative decision. The mayor of the day was cleared of any gross misconduct. South Perth has always had a popularly elected mayor; I think that is very important. As far as I know, that has always been the case. Those who do not believe there should be popularly elected mayors might argue that if the mayor is elected by the councillors and something happens and he does not perform up to expectations, the councillors can always remove him. That is an argument that can be had when the government does a further review of the Local Government Act, but I personally believe that popularly elected mayors are the way to go. At least the people can say that they elect their mayor. We need to be

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a little bit careful not to bundle all councils into one basket. As I said before, some of them, such as the City of South Perth and, in my experience, the City of Belmont, are very well run and organised.

The other aspect that I could never quite come to terms with was clear after coming to this place and having had no restrictions placed on me by the former Premier as a member of Parliament. Even when we were in government there were occasions when, as a local member, I spoke out about some decisions that had been made by the government of the day—my government. One of those decisions was the attempt to amalgamate the City of South Perth and the Town of Victoria Park. My residents did not want that, so I spoke out about it.

Mr D.A. Templeman: You were very forthright.

Mr J.E. McGRATH: I was and that did not happen.

I do not see the same thing happening with local government councillors.

Mr P. Papalia: How did you go with the South Perth station?

Mr J.E. McGRATH: I can talk for as long as the member for Warnbro likes on South Perth. We are an electorate in great need at the moment.

I get local councillors saying things to me and I ask them why they do not go to the paper and say something about it. They tell me that they are not allowed to. Although the City of South Perth does not gag councillors, it has a policy by which only the mayor, or the deputy mayor if the mayor is not there, can speak on council matters. That is fair enough; it is like cabinet solidarity and things like that. Cabinet ministers would not go out and criticise the decision of the cabinet unless they did not want to stay in cabinet for very long! Members of the Labor Party do not criticise the decisions of this government; otherwise they might find themselves in Siberia, and none of them would like to see that happen. We can be a little bit more open in our comments on our side of the chamber.

Mr P. Papalia: Rubbish!

Mr J.E. McGRATH: We can.

Mr P. Papalia: When you were in government?

Mr J.E. McGRATH: Yes, we often spoke. Of course—but not in cabinet.

Mr P. Papalia: Government members could not speak in cabinet.

Mr J.E. McGRATH: That is only hearsay!

Councillors can make a comment on something and say that it is their personal view and that they are not speaking on behalf of the council. Councillors can say that they are speaking on behalf of their ward constituents. I think that is something that we can look at.

Mr D.A. Templeman: Can I ask you: what is your view on wards?

Mr J.E. McGRATH: I do not think it would matter whether a city like mine had wards or not. I do not think we need wards. There was a time when people went around on the back of a truck with a loudhailer during elections because that was the best way to communicate. We have moved on from those things.

Mr D.A. Templeman: You don't do that anymore?

Mr J.E. McGRATH: I do not do it anymore.

I do not think that metropolitan councils need wards. The City of South Perth is like one big village. People used to say that if you lived in Manning, it was a tale of two cities because all the money was spent on the Mill Point foreshore. That is not the case anymore. I can have a lot of conversations with the Minister for Local Government and I am sure that he is keen to do that as part of this review of local government.

Mr D.A. Templeman: Absolutely. I welcome your submission.

Mr J.E. McGRATH: I will make a submission, of course.

Members have spoken a lot about transparency. I spoke to a councillor the other day who runs a business alongside the watchmaker that the member for Mandurah visited when he snuck into my electorate to do a bit of polling. He spoke to me about transparency. He told me that he had been elected to the council in the 1970s and that when it had briefings, the public were not allowed in. The doors were shut and everything was done behind closed doors. The only time that the public could have any glimpse of what the council was doing was on council nights when they could sit in the gallery. He is not on the council now, but he told me that every briefing session is now open to the public. Nothing happens without the public being involved. If someone wants to build something or do any development on a street, the whole street is contacted by the city and we all get a say.

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I will talk about the Westralian centre. It was an idea of the City of South Perth. The city put it forward and came to see me and the federal member for Swan, and I think they spoke to Hon Kate Doust. The city asked me what I thought and at the time I told them that Sir James Mitchell Park had always been a no-go zone, so it might have problems with the ratepayers. I told the city that I was happy for it to put the idea forward but that it would have to go through the process, which included wide public consultation. Those in the community who were not in favour of the Westralian centre called a ratepayers meeting. It was a massive meeting that was attended by 450 to 500 people. I attended and I knew that night that it would not go ahead. That decision was made on Tuesday night; the city has called it off. That is all about transparency. On that night, the CEO of the city spoke for 40 minutes and filled in all those people on what was planned and how much it would cost. The big question was that if the city got state and federal government money to build it, what would happen about the ongoing maintenance and ongoing charges for ratepayers. He had to address all those issues. He spoke for 40 minutes and the ratepayers got a good understanding of what the council wanted to do. They voted overwhelmingly against it on the night. On Tuesday night the council met and said that, having reviewed everything, it would not proceed. That is a reasonable outcome. A lot is happening on Mends Street at the moment. The precinct is changing and it will take a couple of years for the new buildings to be built. There will be a new jetty at Mends Street and more ferry transport, provided the Minister for Transport comes on board. The Westralian centre can be a subject for another day.

The City of South Perth has a very strong auditing process; it costs a lot of money. I am told that the City of Swan, which is much bigger than the City of South Perth, spends \$150 000 a year on audits. I know the minister wants to hear me. The City of Swan spends \$150 000 a year on audits; that is a lot of money. I support what the government is trying to do to make sure that none of these councils slips through the cracks. Might I say that the problems that have occurred recently have been in the country, where councils probably do not have the resources and rely a lot on people in the community who are probably busy on their farms or whatever. I am not sure whether that led to the situations that occurred, but when a council like the City of Swan is spending \$150 000 a year on this, I would like to know, when we go into consideration in detail, what would be the possibility of ratepayers in councils like mine having to stump up more money for these audits by the Office of the Auditor General. We might be able to flesh that out in consideration in detail.

I have been told that in the large councils that already do these audits, they are internal documents that go to a committee of council and they are confidential, and the agreed action then forms part of the future year's work through the corporate business plan as part of the integrated planning framework, which is a requirement of the Local Government Act. The worry of some people in local government is that, under changes proposed to the act, these audits, which are now confidential, will become public knowledge and, suddenly, local groups, the nimby-type groups that are growing in number might say, "They're not planning to do this, are they?", and before the council can start any reasonable work on something, there will be protest groups formed and meetings held that could be seen as stymying development that could be beneficial to the area. I would like some clarification on that and whether making public some of those business plans that are now confidential could make it more difficult for development to go ahead. I guess the Westralian Centre was a little like that, because it has been in the melting pot for a long time as the City of South Perth was doing some work on it.

It is good to see the minister progressing on this, having taken advice and acted on the reports of the Corruption and Crime Commission and the Joint Standing Committee on the Corruption and Crime Commission, and the opposition is supporting it. Our very capable shadow Minister for Local Government is all wound up and ready to go in consideration in detail and we look forward to getting a good outcome.

MR C.J. TALLENTIRE (Thornlie — Parliamentary Secretary) [10.52 am]: I rise to add my support to the Local Government Amendment (Auditing) Bill 2017 and congratulate the government and the Minister for Local Government on bringing it forward. I cast my mind back to my early days in this place in 2008 when I was lucky enough to be a member of the Public Accounts Committee, along with the member for Carine. It was one of the issues we discussed, but at the time we did not report into the need for state government oversight and the auditing of activities of local government.

My electorate is located wholly in the City of Gosnells, which is a very well-run local government. Our CEO, Mr Ian Cowie, heads up a very professional team. The city does a great job in many areas. Even with such a well-run local government, I receive questions from constituents about the clarity and manner in which rates are received and money expended, especially around the way that rates are charged. A degree of consternation exists over the calculations upon which individual households are charged. I acknowledge the work of the late Donald Lill, who looked at this issue with great care and attention and was constantly coming to my office and to the office of the City of Gosnells and making comparisons between the City of Gosnells and other local governments. One of the things that involving the state Auditor General can help us achieve is consistency across all local governments in the manner in which local government finances are reported. One of the issues that Mr Lill was particularly focused on was the excess revenue collected from minimum rates. Local governments have the

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power to charge a minimum rate, which can enable them to achieve a profit. They can charge an amount that is greater than the amount that is expended on servicing properties. It is very important we know how much that profit is. It was very difficult for that figure to be presented and for comparisons to be made with other local government areas. The implication being that in an area like the City of Gosnells, which is composed of a lot of people who are perhaps lower income earners, it is important we see what sort of profit is being made out of lower income earners paying their rates in the City of Gosnell compared with other local government areas. The work of Mr Lill found that the City of Gosnells has historically been making quite a profit out of people who are paying the minimum rate level. Going back as far as 2001, profit was already in the \$621 000 range, and in more recent times has been getting up to well over \$1.5 million. At the same time, to make a comparison with another local government, the City of Canning was making a profit of \$342 000. This comparison gave people in the City of Gosnells a sense of what was going on and an opportunity for them to challenge and question the council. I have no beef with the quality of service that is provided, but there is a question about how the council distributes the burden of raising the necessary revenues to deliver services. We wanted to challenge that issue, but it was very difficult to get to that point. That is why I am pleased that the Auditor General will have the capacity to shine a light on the accounts of various local governments. I am very pleased to see that the Auditor General can assess and audit not just the finances, but also efficiency and effectiveness. That is good news, but I know from bitter experience in this place, during budget estimates under the time of the Barnett Liberal–National government, that agencies would come in here and we would see in the budget papers all of the key performance indicators they were required to report against, but all too often we would find that those KPIs were not about outcomes but more about levels of activity. That was very disappointing. We have to make a distinction between how many files and applications agencies process, which is one thing, and what is really important to us as parliamentarians and to the broader public of Western Australia, which is the quality of service and the actual outcome. The classic example of this is the Department of Environment Regulation, which reports on the number of applications for a clearing permit it receives. It publishes that information, but there is no mention of the number of hectares of land or biodiversity value saved or lost. The whole sense of the department's reporting is about the number of cases and the time taken to deal with them. It needs to be much broader than that. That is something that the Auditor General needs to be wary of, because the process of setting performance indicators is an iterative one between the Auditor General and an agency. I guess, into the future, it will be between the Auditor General and a local government, and we need to make sure that performance indicators are relevant to the needs of ratepayers so that we are auditing performance and not just looking at activity levels.

I note in previous speeches some mention of the role of wards in local government. I argue, in a larger area like the City of Gosnells, for the very strong need for wards to be retained. In fact, in our case, it would be a call for wards to be reinstated. Wards are very important. If we do not have wards, we have effectively one large single ward, and prospective new councillors have to campaign across areas with populations well in excess of 100 000 people. Someone running for a position on a local council who has to solicit the votes of a population over 100 000 effectively has to run a campaign as big as, or bigger than, a typical federal electorate campaign on the shoestring budget of someone running for local council. That is just wrong; it cannot be done effectively. It leads to all kinds of manipulations and distortions, and inevitably it would lead to those who are better financed, or more connected to the well-heeled, possibly property developers, being the only people with the means to campaign across such a huge population. The City of Gosnells has well over 100 000 people, so we would be talking about something much bigger than a federal election campaign, just to win a seat on the local council. That has to be kept in mind whenever there is a discussion about wards.

There is also discussion around directly elected mayors versus a mayoral position that is filled by the majority vote of an elected council. This is an area that needs reassessment. The situation in which I find myself in the City of Gosnells is that we do not have a directly elected mayor, and that is a missed opportunity. There is potential for a broader engagement with the community, with all ratepayers thinking about whom they would like to see as mayor, not just the current crop of councillors. That is an open discussion that can be pursued further.

The issue of local government is very important. The way in which local government is administered is a day-to-day issue for most people in our communities, and how well services are provided by local government is a question that is very present in people's minds. I also see a high degree of disenfranchisement amongst ratepayers, unfortunately, and it is a shame that people imagine that local government is removed from them in its accessibility. That gets back to the point that, if we do not have wards and designated ward councillors, people do not know who to turn to, so inevitably they turn to us as local state members of Parliament. Perhaps that is no bad thing for us as state members, because it means that we have more contact. People have more reasons to get into contact with the office of the local member, and they come through the door to complain about the pothole down the street or some problem with the collection of rubbish or what have you. That is good for building up the relationship between ratepayer and state member, but we also need to be invigorating the relationship between

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councillors, the City of Gosnells, in my case, and the ratepayers. That must be strengthened in the community by having ward councillors.

This is the sort of thing that I hope would also emerge through the auditing process that the Auditor General could undertake with individual councils, so that we would be able to determine which of the councils are leading the way in engaging with ratepayers. Those would be the ones that have the confidence of their ratepayers. That sort of statistic would emerge, and we would be able to make comparisons and learn what successful councils are doing and find ways to improve the situation for those that are perhaps not performing as well in instilling confidence and developing an engagement between ratepayer and council. This is such an important part of our communities, but perhaps it is at its most challenging with the visioning for the future, when it comes to planning decisions that may not necessarily play out in the next 12 months but will shape an area in the next decade or so. Those planning sessions are bringing people forward and helping them to realise that their opinions matter and can help shape the way a community looks into the future. It is very hard to get people to engage in those processes and yet it is so essential, because that is how people can really shape a community into the way that they would like to see it. Many members in the government ranks are prepared to take on that challenge to assist local governments to engage with communities so that they understand some of the planning issues being faced, so that those issues can be worked on into the future. Making sure that people are involved in decision-making that has future consequences is a very important part of the work of local government.

I will conclude my remarks there, but I will finish by saying that the proposed role of the Auditor General in overseeing the finances and performance of local governments is a very welcome development indeed.

MR R.S. LOVE (Moore) [11.06 am]: I would like to make a contribution to the debate on the Local Government Amendment (Auditing) Bill 2017, and say at the outset that the National Party will support this amendment, which is very similar to a bill introduced in the thirty-ninth Parliament, partly a result of a 2015 Corruption and Crime Commission report titled “Report on Misconduct Risk in Local Government Procurement”. The essence of this bill, as we know, is to provide legislative change to bring the Auditor General into the sphere of auditing local governments. It allows the Auditor General to be the head contractor, if you like, for the provision of financial audits for local governments. Those audits will be done under the supervision of the Auditor General. Any existing contracts for local governments will be grandfathered out over time, such that at some point—2021, I believe—all local governments will be audited under the direction of the Auditor General, regardless of whether those current contracts have expired.

Interestingly, this bill provides for a new category of a performance audit. Given the requirement for local government to perform, and to be seen to be performing at best practice to provide for the wellbeing of its constituents, and to give assurance that it is making the most of opportunities presented to it, it is very important that we look at not just what happened in the past in relation to financial reporting and procurement, but also a wide range of other factors. I very much support the introduction of performance audits for local governments, along with the need to develop an understanding of reasonable industry best practice benchmarks, which I hope would be reflective of local conditions that might affect local governments. We know that local governments in Western Australia range from very large to tiny, in terms of financial capacity and population, if not geographic area. Any performance auditing, and indeed any auditing in general must be done through the lens of the capacity of that local government.

I understand that the key difference between this bill and the one that was introduced in the thirty-ninth Parliament is the ability to include regional subsidiaries. The National Party was very supportive of the introduction of regional subsidiaries, in previous iterations from a former member, Max Trenorden. I introduced a private member’s bill in the last Parliament to do similar things to the current arrangements provided under the Local Government Act. The cost of these financial audits will be borne by the local government. As other members have said before, I will be interested to see in consideration in detail how those arrangements will unfold and what will be the limits to the expense that local government will be put to in introducing this new system. The performance audit system will require some state support. It will also be of interest to see how that will be arranged and what that level of support will be. Along with the member for Carine, I had the opportunity to have a discussion with the Auditor General about how this would unfold. I found that discussion very instructive and I thank him for his time in laying that out.

As I said, the Nationals certainly support the change in auditing practice in local government and previously the Nationals strongly supported local government through the royalties for regions program, which we were very much part of introducing. One of the major beneficiaries in the earliest part of that program was local government through the introduction of the country local government fund. Depending on which website and which financial report one looks at, that fund put in the vicinity of \$390 million into local governments in its time. In later years, after a lot of the project development had been taken care of, the emphasis in that program changed to capacity

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development. Certainly there was an emphasis on making sure that local government councillors had adequate training. I know that the Western Australian Local Government Association has its modules and training packages, but in addition to that, the country local government fund ensured alternative pathways were available for councillors to get the training they needed and the funding to help that happen. The capacity building also extended to the organisations themselves with programs to better enable councillors to get involved in community development and understand the relationships they needed to develop the building of active partnership et cetera in their communities. There was a youth development program for professionals in local government to attract and retain young professionals, which is especially difficult to do in smaller regional settings because, as we know, younger professionals sometimes have lifestyle issues with living in small communities. It is important that we provide the future staff who will enable local government to be strong into the future.

Service delivery review is also important; that is, trying to understand the tensions in local government between financial capacity and the demands of the community on services. Very often in small communities when services from other agencies are closed—federal, state, or even private; for instance, a bank withdrawing—it will lead to a call for the local government to step in its place. Unless there is a strong understanding of the capacity and the best way to spend their dollar, local governments can get torn between the competing demands of the immediate problem the community sees and the financial capacity of the local government. That can also lead to problems for local government. The country local government fund supported the development of governance reviews to ensure that the things we are talking about here—auditing, probity, procurement, good financial management, record keeping and transparency—were understood and that at least the opportunity was given to local governments to put in place good programs to ensure that they met the standards that were required. In addition, online management tools were developed to assist local governments in achieving those similar aims. I hope there is ongoing support, because that program is ongoing; it is funded by royalties for regions. I hope that there is an understanding by the minister and the government that it is a very important program and that it needs to continue into the future.

In contrast to the positive support that things like the country local government fund have provided to local government and the opportunities that has provided, the situation has been raised as a result of the inquiries from the Corruption and Crime Commission into councils. It is very important that we reflect on what has happened in past circumstances in places such as Exmouth and Dowerin, and other areas, and learn from those types of situations, and not take the view that local government is populated by corrupt or lazy individuals. It is my firm view that most people who work in local government, like most people who come to this place, have an intent to do good things for their community and not to rob their community or deliberately lead their community to a situation of disadvantage. Some of the comments that were made at the time of the release of the latest report into Exmouth caused some concern in the community and in the local government sector. The CCC commissioner noted that he had concerns about a number of local governments and he pointed out that 16, I think, local governments were apparently at high risk, not really outlining what they were at high risk of as defined by the Department of Local Government and Communities. In the eyes of the Department of Local Government and Communities—I could be wrong; the minister is here—I do not think that 16 local governments had a pall of corruption hanging over them. I think there were 16 local governments that had a financial capacity issue and that led to some problems in being able to put in place the necessary governance procedures et cetera simply from a lack of capacity, not from any hint of ill intent. However, that caused considerable concern within the industry. I note the comments in the WALGA president's report that was presented to one of the zones within my electorate recently. It states —

Corruption Claims Not Supported in Evidence

WALGA has defended the integrity of Councils and the Local Government sector against claims by the Corruption and Crime Commission ...

The CCC has extrapolated misconduct at one Local Government to “*structural weakness in the sector.*” Any presumption that all regional Councils are mismanaged is unfair and inaccurate.

We extended an invitation to Mr McKechnie to attend a Special Meeting of the WALGA State Council and talk to his report and explain his public statements. Mr McKechnie was essentially unapologetic and it is probably fair to say that State Councillors remained equally unimpressed.

Notwithstanding, it is a timely reminder for all Local Governments to be reviewing their governance obligations and ensuring their compliance. Elected member training is available through WALGA's training service and I encourage you to utilise it.

I think that shows that there is still a feeling that perhaps local government has been targeted as a result of the negative reports about the Dowerin and Exmouth councils and the comments that were made around that time.

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I hope that what we are doing here is moving forward with a positive frame of mind to ensure that local government can satisfy itself, and that the councillors in local government can be satisfied themselves that the processes in place are adequate and that the probity of their council is absolutely understood and is all above board.

Mr D.A. Templeman: What is your view of mandating the training of councillors?

Mr R.S. LOVE: It is very difficult to mandate training when councils sometimes have trouble getting people to fill the positions. I would not want to do anything that deters people from putting their name down. Some of the training on offer is very time-consuming. I did a few of the Western Australian Local Government Association modules over the years when I was involved in local government. I never really wanted to complete the full course, not because I have anything against it but because we are all time-poor in life and I did not see that as a priority. However, I did core components that I felt were necessary for me in the areas that I was most involved in. When I first worked on the shire council, a weekend course was offered. It was a fairly brief but very good run-through of the responsibilities of local government councillors. For many, that would be sufficient at least to ensure that they had some level of understanding of their role. When I say that I am opposed to mandatory training, I am not opposed to a level of training that is appropriate for the basic needs of a councillor.

Mr D.A. Templeman: A minimum standard.

Mr R.S. LOVE: Yes. Making people do the full local government diploma or a whole range of modules is excessive and would deter people from going on the council. A councillor has a responsibility to equip themselves to some extent. I hold the idea that a minimum standard of training could be introduced, but I would not want to see that expanded greatly. As I say, sometimes it is hard enough to attract people to the council, but having been a shire president, I also know it is very difficult to deal with people who do not know their responsibilities. It would be good if all councillors had a basic level of understanding.

We have here an opportunity to march forward with some positive change. As I say, this will assure local governments and councillors that their finances are being properly watched by professionals. No matter what amount of training a local government councillor gets, they will always struggle to find any fraud or misconduct within their organisation because that is beyond their ability, unless it is manifestly so. There will always be areas or risks that only a skilled auditor can pick up rather than a layman, even if they are somewhat trained in the area. The performance review side of the audit, as I said, is an exciting opportunity for local government. I hope that it is viewed as such within both the Auditor General's area and the Department of Local Government and Communities. If we can get beyond the type of friction that the WALGA president's report portrays and exposes, and get back to a positive frame of mind that is not about attacking local government, but about equipping it, we will achieve a good outcome. Having access to industry-wide data and benchmarks—perhaps even international benchmarks in some areas—would be very good for not only the better management of local governments, but also a better understanding by the state government, the overarching government, of how this sector, which is partially funded by state and federal governments, is performing and spending its money. It will give confidence that the money that all tiers—ratepayers and state and federal government bodies—are putting into local government is being spent to the best effect and that local government is providing a great service to the community.

I will conclude by reiterating that nothing in my comments implies in any way that the majority of local government councillors and staff are anything but committed and well-meaning individuals doing the best they can for their communities. I also note the review of the act that was announced by the minister. I very much look forward to monitoring the performance of that review and getting a better understanding at some date of how it will be focused, enacted and assessed. I have tried to contact the minister's department about it but the staff there are pretty scarce at the moment. Quite a few years have passed since 1995 when that act was last comprehensively reviewed. It is time we looked at it again. As the minister would know, the National Party is very supportive of local government. We think that it performs a very important function and we would like to work positively towards getting good outcomes for local government.

MRS L.M. O'MALLEY (Bicton) [11.26 am]: I rise today to also speak to the Local Government Amendment (Auditing) Bill 2017. I thank the Minister for Local Government for bringing this bill to the house. I speak to this bill with some experience and firsthand knowledge, having been elected to serve as a local government councillor at the City of Melville from October 2015 until my election to this place on 11 March this year. I recall that within a few very short days of my election to local government, I was nominated onto the internal audit committee, which is one of two committees at the City of Melville—the other one being governance. It is at this point that I would like to pick up a little more on the issue of training and whether there should be some compulsory element to training within the local government sector. Certainly, there are great challenges around that issue. Within a couple of weeks of my election, I was fortunate enough to go to a Western Australian Local Government Association seminar to welcome new local government councillors. It was made up of representatives from both

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country and metropolitan regions. At that training session we had the opportunity to hold a great number of discussions around things like training. Most of us had come from a variety of backgrounds, but we had very limited experience in any area of governance and we were a little unsure about our new role as a local government councillor and what we would be asked to do. All those I spoke to supported the opportunity for training. Many supported the view that it should be necessary or compulsory, but it is in the delivery of that training where we strike a challenge. Certainly for those who live outside the metro area, there is the tyranny of distance. If WALGA training courses are held in the metro area—most of them are—those people are faced with having to travel. There are opportunities to recover some of the costs of that, but of course they leave behind their family and business to participate in that training. The option of utilising digital technology is also limited for many country and some outlying metro areas because of the troubles with the national broadband network et cetera, which in itself becomes another limiting factor. I hope that within this larger review of the local government sector, that is something we will consider and seek ways to overcome. In doing so, we will ensure that our local communities are much better serviced by knowledgeable councillors.

In his second reading speech, the Minister for Local Government referred to the need for local government reform to address the concerning lack of accountability and transparency within the sector. We have heard from other members today speaking on this issue that there is quite a broad array of ways in which local governments deliver their meetings and briefing sessions et cetera. The idea that meetings could be made accessible to all members of the community, whether they attend a local government meeting or view that meeting from the comfort of their home, is a really exciting possibility and one that I certainly encourage and support.

This bill enables oversight of local government by the Office of the Auditor General and is an incredibly important first step in a long overdue reform of the sector. It will restore community confidence that the administration and delivery of ratepayer-funded products and services is being done in a way that is accountable, transparent and responsible. The bill will reinforce the fundamental importance of local government as a provider of services to local communities, and this will work particularly well when there is a strong alignment between community values, aspirations and needs and the strategic direction of the council. As noted, I am able to speak from firsthand experience. Although I was not on the local government for a particularly long time, what I was able to view there was incredibly interesting and important with respect to this bill and larger reform. There are, of course, two parts to local government. There are the all-important operational aspects and the delivery of services such as waste collection, maintenance of local roads and many other important services. Then, of course, there is the governance aspect—the council and the mayor and the governance role played by that group. We have heard discussions about the way in which the mayor, for example, is elected. My experience is that the mayor was elected by popular vote by the electors of the City of Melville, and certainly I wish to see that continue with any type of reform.

The City of Melville has wards. Again, I think that it is critically important that local community members know that there is someone they can go to if they have an issue that needs to be addressed and that they need to be supported on. I believe also that the ward structure is a critical component of that.

We should not forget—it is reinforced many times as a local government councillor—that the responsibility of the council is to the entire district. It is incredibly important that a shared view is held by the council whenever possible and that that view reflects the needs, aspirations and expectations of our local communities. Coming to that, I think it is also important to note this opportunity for oversight of those local governments in which there is a mismatch between council and community, whereby the council creates a barrier to the strategic direction that is genuinely reflective of their community. This bill and other reforms may have the greatest effect when an examination of the economy, efficiency and effectiveness of programs is developed on questionable assumptions.

My experience of local government began in the same way as it did for my new parliamentary colleagues who, like me, are former local government councillors. We began our community representative careers as community enthusiasts. Good councils are populated by councillors who have a variety of skill sets and reflect a diversity of demographic and life experience. Councils are full of community enthusiasts and individuals who are driven to make a difference in their communities. That is the nature of many who step up to serve on local government and it is very important that they are supported in every possible way to do their very best in the role. Councillors rely incredibly heavily on the directors of the various departments that make up the cities, the councils and the shires. Those relationships are also crucially important. From personal experience, it can sometimes be incredibly confusing and a bit of a barrier to representing the community in a genuine fashion when there is too much division. I know that I am touching on the issue of separation of powers, but when there is too much division between the operational aspects of the city and the governance of the council, it can be almost to the point at which the councillor is quite fearful to do the job that they have been elected to do for fear that they might overstep or go into an area that is not part of their remit. I would also like to see that area looked at more closely in detail within a large reform of the sector.

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At the local government level, just like in all levels of government, there is a public expectation that those entrusted to make the decisions that affect lives and livelihoods do so with a level of understanding and knowledge required of such critical decision-making. This bill will allow for the oversight of these actions and add a layer of community confidence and empower local governments to improve their performance. Good councils are places where the councillors are active participants in the process of governance and where the culture of the council encourages differing views and provides a supportive and inclusive environment. They are places where the collective view is allowed to be enhanced by challenge and dissent and where the collective view mirrors that of the community with which it is genuinely engaged.

Independent oversight will assist with greater openness of council practices. My time as a local government councillor was a time of great learning—most of it good; all of it worthwhile. It was an invaluable opportunity to gain an understanding of the importance of that level of government as it is there that the community encounters government process in its most tangible form. Taking a look at the local government landscape is a bit like picking through a selection of licorice allsorts. I will not go on to illustrate this comparison with examples. I will leave that to members' imaginations.

We need a local government with the capacity to deliver important services to communities that are as diverse in nature as the landscapes of the places to which they deliver these services, from the smallest city shire, the Shire of Peppermint Grove, with a population of around 1 600 residents over just 15 square kilometres, to one of the bigger city councils, the City of Melville, with an estimated population of 106 294 residents over an area of 53 square kilometres, to one of the more remote regional shires, such as the Shire of Yalgoo located in the Murchison goldfields. The Shire of Yalgoo is spread over an area of approximately 33 257 square kilometres. The town of Yalgoo has a population of just 120 residents, with an additional 400 ratepayers living within the shire. With this diversity of need comes great challenge in the effectiveness and probity of delivery. Some councils get it right; some do okay. But when things go wrong, they can go very, very wrong and can result in a council's failure to meet its obligation to good governance and community expectation. At that point, there is a great danger that this failure can become systemic and result in a multilevel breakdown of council functionality. It leaves a community questioning not only its own local council, but also the entire sector. The Local Government Amendment (Auditing) Bill seeks to avert this failure. The powers of oversight of the local government process in this Local Government Amendment (Auditing) Bill 2017 will provide local government with the ability to take corrective action. Oversight by the Office of the Auditor General, through audit of finance and performance, will work to raise the standards of accountability and performance of local government across the board, and close the gap between the best performing councils and shires and those that are failing their communities. The community's expectation of its local government is very high, as it should be. Much needs to be done to restore the community's faith in the sector.

To finish, I will talk about local government elections. The local government election system provides an opportunity for the local community—the electors—to make change within their council, and therefore effect change within their entire local government and district. But when the return ballot rate is as low as 19 per cent in some areas, whether this is an adequate mechanism for change becomes questionable. Unfortunately, low ballot return rates are all too common, and I have seen great complacency around that issue. My experience of local government elections is that it seems that the candidates running for council work exceptionally hard to engage voters, but of course voting is not compulsory at local government level and there is, unfortunately, very, very little engagement and buy-in from the general community. The other thing that concerns me is that I do not see a great deal happening in the sector around this issue to make that change.

Much work is to be done in local government, but the Local Government Amendment (Auditing) Bill 2017 is a very, very good start and one I am happy to support.

MS C.M. ROWE (Belmont) [11.41 am]: I rise today to contribute to the Local Government Amendment (Auditing) Bill 2017. I will start by commending the Minister for Local Government for this very important reform, which I support. One of the principal legislative changes this bill will make is the auditing of local governments by the Auditor General. I think that is absolutely critical and certainly well overdue. This bill also provides a new category of audit known as a performance audit that will examine the economy, efficiency and overall effectiveness of any aspect of local governments' operations. The other element to this is that it puts the obligation on local councils to publish their annual reports on their official website. I think that is extremely important insofar as ensuring transparency.

Looking at the research, it appears there is a real need to increase accountability and transparency measures for all local government across Western Australia. We have seen recent examples of scandals across WA in local government, and I think it is absolutely high time that state government got involved and protected ratepayers.

The public really wants to see all levels of government have a really high level of accountability; it expects that. The increase of such measures is bound to provide a greater level of confidence in the system, and greater

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engagement by the local community. A great example of that is the City of Vincent. I would like to congratulate the member for Perth on his work during his tenure as Mayor of the City of Vincent. In his years in that role he championed local government reform to increase transparency and accountability. I congratulate him.

Transparency clearly starts at the top. The need for that is nowhere more evident than the requirement for local governments to allow directly elected mayors. Too many councils are still opting for that murky process, whereby a handful of councillors decide who will take on the most important and strategic leadership position within a council. The Local Government Act sets out quite clearly that the direct elector method is optional, and any change from this method requires the endorsement of not only the council, but also a minimum threshold of electors. It is an anachronism to allow a handful of councillors to have a greater say in the community's leadership than the electors they purport to represent.

There have been two significant reports and reviews into financial accountability and reporting in WA local governments over the last 10 years; many members have already touched on that. Importantly, both reports recommended comprehensive transparency reform to the local government sector across WA. They looked at current accountability mechanisms for local government—principally the finance probity and performance measures—and the capacity of relevant government departments to examine these issues. They also looked at whether the Auditor General should be in charge of local government auditing processes. Both reports found that the local government sector is subject to a number of accountability mechanisms, but that it did not face the same rigour as state governments and its agencies. The findings also included that the scope of assurance audits in the local government sector were, effectively, the bare minimum framework, and had largely a pure financial focus. Because of that, it is quite difficult for ratepayers to assess and find out how their council is performing overall. The data is not adequately benchmarked to assist local governments and ratepayers in identifying areas of concern. It was recommended that the Auditor General oversee the audit of local governments, but it is important to note that there has been no real, substantial work done over the last decade to roll out that reform. The second review identified similar issues, but it also identified inconsistencies in the quality of audit reports, and a lack of transparency and independent scrutiny of audit processes across the sector.

It is important to note that other states have far more robust accountability frameworks. For example, in Victoria the Auditor-General provides analysis on financial results for 79 of its local councils, 11 regional library corporations and 13 associated entities. Importantly, the Auditor-General also looks at financial sustainability risks. The Auditor-General is able to inform the Victorian Parliament on issues that have been identified as part of that process. The Auditor-General also provides an assessment of whether the processes and practices contributing to financial risks have been identified. It provides clear accountability to ratepayers and the wider public, and I think that is very important.

Recent events in world politics have shown what happens when electors feel their interests are not represented by those in office. Part of that is a perceived or actual democracy deficit. Populations view actions of executives as legitimate if they fulfil certain requirements. They are seen as legitimate if there is direct participation in citizenry through elections, and if there is sufficient scrutiny, transparency and accountability of those executives or elected officials. Interestingly, a Lowy Institute poll that follows worldwide trends was released this week. It indicated that people have a declining faith in democracy, with only 52 per cent of 18 to 29-year-olds agreeing that democracy is preferable to any other kind of government. That is very disappointing, but it again speaks of the importance of this change in legislation that will address transparency measures in local government.

The state government really needs to act on this and other reforms in local government, because the sector is not meeting community expectations. It is not embracing new technologies, there is still resistance in the sector and, quite frankly, the majority of Western Australians support these reforms. Increasing transparency and accountability in the local government sector, whether voluntary or via legislative provisions, has become something voters expect from state government. They do not have faith in the current system and processes that ensure transparency and best practice occur. It is clear that the public does not think the current provisions under the act are effective. I think the scandals that we have recently seen across the state have exacerbated this sense of frustration with the process.

Again, I would just like to acknowledge the member for Perth, in his former role as Mayor of the City of Vincent, for introducing the register of contact with developers. I think that was a really important measure that was implemented. These types of reforms lead to better and more open local government, and that is something we should all support.

I would like to touch on some of the recent local government scandals. The one that is most prevalent in the media concerns the Lord Mayor of the City of Perth, Lisa Scaffidi. The majority of people across Western Australia would find the actions of the Perth Lord Mayor appalling. Her inability to take responsibility for her actions is unfathomable. It calls into question the integrity of local government. Every day when there is another story on

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television or radio about a local government scandal, it undermines the integrity of the system. I quote from an article on ABC News in June 2017 —

“State Solicitors Office lawyer Carolyn Thatcher called for an immediate six-month suspension, saying Ms Scaffidi had paid scant, if any, regard to the need to complete her annual returns accurately.”

“She failed to appreciate the significance of the returns and the need to disclose elements properly, Ms Thatcher told the hearing.

“The respondent is someone who blames other people, who makes excuses and denies that it is her fault.”

Ms Scaffidi last week lodged a notice of appeal against the SAT’s findings in the Supreme Court.

Ms Thatcher said that suggested the Lord Mayor was not remorseful and had not fully accepted the seriousness of her actions.

Ms Thatcher went on to say that Ms Scaffidi’s response to her shortcomings does not demonstrate that she will not do it again. That is very disappointing, and, again, it speaks to the need for the measures proposed in this bill to be implemented.

Another example is the Shire of Exmouth. The Corruption and Crime Commission has been investigating alleged financial mismanagement by senior staff members of the Shire of Exmouth of a planned \$30 million science and research hub, the Ningaloo Centre, and the awarding of a \$1 million contract to build an aquarium without calling for tenders. Last year, investigators from the Corruption and Crime Commission raided the shire’s offices, and later issued a show-cause notice asking councillors to explain why they should not be suspended. Days later, the shire’s chief executive officer was sacked amid complaints that residents deserved better governance.

I want to refer to some comments made by the Corruption and Crime Commissioner, Hon John McKechnie, QC, about the Shire of Exmouth, and other local governments. Those comments have received widespread media coverage. I quote from an article on ABC News in May 2017 —

Mr McKechnie said he feared that the practices at the Exmouth Shire Council may be the tip of the iceberg.

“We’ve had about 700 allegations in the past year or two about local government,” he said.

“Now an allegation doesn’t mean there is anything there, but about 54 per cent were assessed as possibly serious misconduct, that is fraud or corruption. A lot of them turn out to be baseless, but there is an undercurrent I think.”

“It tells me that at least this council, but perhaps many others, are simply not equipped to govern regional governments with millions of dollars in ratepayers’ money.”

Mr McKechnie said the root problem seemed to be governance and that some councillors who have been in office for a while seemed to forget they were dealing with ratepayers’ money.

“It’s not earned money,” he said. “It hasn’t come from endeavour, it’s ratepayers’ money and we’d like to think it is spent on things that are worth spending on and it’s managed prudently.”

These scandals speak to the necessity for reform of the local government sector. During the course of the state election campaign, I spoke with many residents who constantly aired with me their frustration about local councils and what they perceived was a lack of genuine engagement with the people local councils purport to represent.

A member: Defensive cultures.

Ms C.M. ROWE: That is right. It became clear that many locals felt there was not always genuine consultation and engagement between councils and their constituency. They did not feel they had a say on important issues that affect their lives and their local area. This, of course, eroded their confidence in the system.

As mentioned earlier, transparency clearly starts at the top. The need for this is nowhere more evident than the requirement for local governments to allow for direct election of mayors. Direct election of mayors demonstrates a willingness by councils to genuinely engage with and listen to their community and engenders a sense of transparency and accountability. In Queensland, Tasmania, the urban areas of the Northern Territory, and most capital cities, mayors are directly elected. In New South Wales, South Australia and Western Australia, and the remainder of the Northern Territory, local councils and their electors can choose between popular or indirect election of mayors. The Victorian legislation generally specifies indirect election, and only two councils—the capital city council, the City of Melbourne, and the large regional council of Geelong, the City of Geelong—have directly elected mayors. Thus, popular election is either compulsory, or available by choice, in all states except Victoria. However, it operates in less than 40 per cent of all Australian councils.

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I would like to conclude my comments by quoting from the report “Metropolitan Local Government Review: Final Report of the Independent Panel July 2012”, known as the Robson report. Although the recommendations in that report were largely overwhelmed in the ill-fated council amalgamation process that the former Liberal government embarked upon, the panel made some strong statements about the direct election of mayors. The panel linked the need for changed governance models to the continuing legitimacy of local government, addressing declining rates of participation and improving the clarity of roles and responsibilities. The panel recommended that voting be compulsory and that mayors be directly elected, as well as the introduction of limits on terms. The panel identified that directly elected mayors have greater visibility and accountability to the community, with the mayor being truly accountable to the entire district, not just their ward. The panel also stated that there is no evidence of the oft-cited problem of a lack of elected member cohesion being more prevalent in councils with direct election; rather, the issue more likely lies with the poor definition of roles in the executive and the bureaucracy. It should be noted that the Barnett government and the Western Australian Local Government Association opposed all these measures.

Seventeen councils in the metropolitan area currently have directly elected mayors. Those councils are Cambridge, Canning, Claremont, Cockburn, Cottesloe, East Fremantle, Fremantle, Joondalup, Melville, Mosman Park, Nedlands, Perth, South Perth, Subiaco, Victoria Park, Vincent and Wanneroo. Thirteen councils in the metropolitan area currently do not have directly elected mayors. Those councils are Armadale, Bassendean, Bayswater, Belmont, Gosnells, Kalamunda, Kwinana, Mundaring, Peppermint Grove, Rockingham, Serpentine–Jarrahdale, Stirling and Swan.

I will conclude with a quote from the Robson report —

The Panel recommends changes to the current governance model to ensure the ongoing legitimacy of local government. Priorities for the Panel were addressing declining rates of participation in elections, and providing clarity about the roles and responsibilities of elected members and senior staff.

The Panel agreed that local government elections should have the same standing as State and Commonwealth elections and therefore recommends that all local government elections are managed by the Western Australian Electoral Commission, and that voting is compulsory. The Panel also recommends that Mayors be elected directly by the community and limits should apply on the number of consecutive terms an elected member can serve.

Thank you.

MR Y. MUBARAKAI (Jandakot) [11.57 am]: I am glad to be given this opportunity to talk about the Local Government Amendment (Auditing) Bill 2017, and I acknowledge and thank the Minister for Local Government for bringing this bill to Parliament.

Local governments in Western Australia closely affect the daily lives of our community members. Local governments in Western Australia receive more than \$2 billion in rates and about \$280 million in grants and other forms of assistance from the state and federal government. Our three tiers of government have defined roles. However, the lines that define these roles are becoming increasingly blurred. The three tiers of government do not, and cannot, work in isolation. It is essential that the aim of each tier of government is, first and foremost, to work for the good of the people and to strengthen, support and bring out the best in each sector. The McGowan Labor government is keen to address those issues.

Local government is definitely valued. The report “Why local government matters”, published in 2015, found that 93 per cent of Australians want government to play a role in providing many important community services. It also found that Australians think that local government is the best level of government to make decisions on local issues and that it is important that local government delivers a diverse range of activities, most importantly, planning for the future. Local governments are recognised not only for their core responsibilities in the three Rs—that is, rates, roads and rubbish—but also they are now more inclined to deliver better quality services in the community. Local governments have established their role as place shapers and community builders, and they play an intrinsic role in meeting the needs of people and driving their attachment to and satisfaction with the area in which they live. I am sure my colleague the member for Kingsley would second at that.

I was privileged to be part of the City of Cockburn council that resolved to create the exciting new suburb of Treeby within the electorate of Jandakot. Approximately 4 000 new residential dwellings, a town centre and two new primary schools will be established in the coming years. That again is a perfect example of place making led by local government and supported through proper planning. Local governments play a critical role in maintaining and developing the social and economic fabric of regions by bringing together all communities and producing local solutions to local problems. However, there are complexities in providing those services, and that comes with

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great risks. It requires great transparency and accountability to ensure that the highest degree of fiscal responsibility is delivered.

These days ratepayers are savvy and engaged. They want to be assured that their rates are being utilised appropriately for the greater good of the community. The changes proposed in this bill, by bringing the auditing under the jurisdiction of the Auditor General, will bring Western Australia in line with most other Australian states and territories. We know that most councils are well managed and fiscally responsible, but, unfortunately, the sector broadly has gained, perhaps unfairly, a poor reputation in this regard. This bill will strengthen the financial oversight in local government and will help to improve financial management and responsibilities, obviously, the most important of which is public accountability. It will bring clarity and set a statewide benchmark so that mayors, councillors and staff understand their responsibilities, obligations and financial positions. This bill is an imperative step in the right direction. It will also provide a level of community oversight that has not been previously available. This change will strengthen individual councils and, in turn, strengthen the whole sector and lift its reputation, which is critically important.

As I have previously mentioned in this house, the electorate of Jandakot covers five different local governments—Cockburn, Gosnells, Canning, Melville and Armadale. As a former councillor for the City of Cockburn before entering the Western Australian Parliament, I know firsthand what a great privilege it is to serve the community at the level of government that is closest to the community. I also understand that the state government must take action to support and strengthen, not stifle, local governments. Local governments are champions at taking the lead on major projects that involve all three tiers of governments and provide long-lasting benefit to communities.

I use the City of Cockburn as an example, as this is where I have my experience. I know many councils do excellent work for their communities, but the City of Cockburn was very successful in completing three major projects—which I must say I am very proud of—the first being Cockburn Integrated Health and community facility, the Coogee Beach Surf Life Saving Club, and, of course, recently, the \$109 million Cockburn Aquatic Recreation Centre, which has been very well-received. These facilities are three great examples of how local government-led projects have been made possible with assistance from all three tiers of government. Another example is the City of Armadale's Harrisdale pavilion, another fabulous community asset, that was assisted by a state community sporting and recreation facilities fund grant. In 2017 and 2018 further grants in excess of \$4.6 million will be available for sporting and recreation infrastructure in the five councils in the electorate of Jandakot. They include almost half a million dollars' worth of upgrades to the change rooms at Clifton Park in Canning Vale, almost \$100 000 worth of floodlights at John Connell Reserve in Leeming and funds to upgrade floodlighting at William Skeet Oval in Forrestdale.

Coming back to the bill, I was chair of the audit and strategic finance committee at the City of Cockburn. I must say that the City of Cockburn is one of the most proactive councils because it makes sure that risks for internal and external projects are managed efficiently. During the time that I was the chair of that committee, we found through the audits some minor anomalies that enabled us to take the necessary steps to improve the processes and strengthen the structure.

Another issue very close to me and one that requires a review is rates disparity in local government, especially in growth corridors. Members may be aware of an emerging issue in the newly developed suburbs of Harrisdale and Piara Waters, where higher than average gross rental values, along with a special area rate for higher service and maintenance provisions for parks and drainage, mean that the rates burden in these suburbs is higher than should be expected to be borne by community members, at an average of around \$2 600. I remind members that these are not affluent suburbs; these suburbs have average families who are under financial pressure, particularly during these tough economic times. I have to acknowledge the Mayor of Armadale, Henry Zelones, who is doing some great work in his growth council. He is finding it really hard to tackle the situation of rates disparity in his growth council. I intend to work with the city to help resolve this disparity.

MR D.A. TEMPLEMAN (Mandurah — Minister for Local Government) [12.09 pm] — in reply: I acknowledge and thank the various members who made contributions to the second reading debate on the Local Government Amendment (Auditing) Bill 2017. I acknowledge the shadow Minister for Local Government for his extensive contribution and thank him for a number of points that he made. I will make a few points that I hope will answer some of the questions and queries that have been highlighted by numerous members.

The member for Perth is obviously a very passionate member of Parliament. He was an extremely outstanding mayor in local government during his experience at the City of Vincent and raised a number of issues. One of the points I want to take up is the spirit of always looking to improve and the need to make sure that we always focus on continuous improvement. That is an important message. The member for Perth's comments highlighted that the current Local Government Act has not kept up with technological change and that a number of matters and areas need to be reviewed. That is why the McGowan government has embarked on a review of the

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Local Government Act, so that we end up with a modern, twenty-first-century piece of legislation will address the needs and aspirations of councils into the future. That is very important. I was impressed by the quality of all the speakers, including those who were former elected members of councils. It is important that this place has that experience and depth of understanding of the local government sector.

The point I want to make about this is that, ultimately, it is about the quality of decision-making in local government in Western Australia. Councils exist because they are decision-makers. They are charged by their local communities to represent them and to make decisions. We want to make sure that in Western Australia those decisions are based upon sound processes and are made within an environment of good, strong governance. We want to ensure that those decisions are informed and that electors of a municipality have direct input. No matter where people live in Western Australia, be it in the great regions of the state or in the metropolitan area, the quality of decision-making is foremost. It should be informed by good, strong governance structures and very firm and transparent processes. That is what we want; that is the aspiration that I and many members who have spoken in the debate today have for local government. It is the McGowan government's aspiration for local government.

With that in mind, we have, in the process of reviewing the act, set about looking at how we can have a piece of legislation that is modern and effective and within that spirit of what I have just mentioned. Of course, we have embarked upon this piece of legislation—I acknowledge the work that was done by the previous government on this—to add an important layer of transparency and oversight. It will give the Auditor General responsibility for financial audits and performance audits. Those are two important transparency measures, if you like, of effectiveness, because we want effective local government. In the future, local communities, through participative democracy, will highlight a number of issues and concerns about the directions that local governments take. That is part of decision-making. It is important that we are assured that local communities have input into that. This piece of legislation sets about giving one of our oversight officers, the Auditor General, the capacity to have effective oversight of financial audits and performance audits.

I want to assure members, including you, Mr Acting Speaker (Mr R.S. Love), who wanted clarification or a statement about who will bear the costs of performance audits, that that is and will be the responsibility of the state government to fund. I assure the house that appropriate budgetary appropriations will be made in the budget later this year that will reflect the state government's commitment to pay for the performance audits. Financial audits will continue to be paid for by local governments. There are some questions and queries about what those costs might reflect. It is very interesting to look at the scope of what local governments now pay for financial audits; the costs vary widely. Some of the biggest councils pay quite a modest amount for their audits, while some councils that have a smaller rate base and lower financial outputs and inputs pay a higher amount for their audits, if the amounts are compared. The importance of this will be in the quality; that is what the Auditor General will oversee. I am pleased that members have highlighted that importance and their support for this legislation.

Members highlighted a number of other areas that they feel are important to be considered as we move forward with this piece of legislation and, indeed, with the reform of the Local Government Act in general. I acknowledge a number of issues that were highlighted by various members. One of those issues was about mandatory training of councillors. We want councillors to be well armed, if you like, and well trained to take on their increasingly complex and demanding roles and to have adequate ability to make the quality decisions that they will be required to make on behalf of their communities. It was interesting to hear comments from various members, including the member for Belmont and the member for Bicton, about participatory democracy; that is, how do we make sure that more people take a direct interest in local government? Quite frankly, it is not good enough that we have such a poor voter turnout in a number of councils throughout Western Australia. Those issues also will be considered in the review of the act, which will be in two phases. I have made a ministerial statement about that process. I am very happy to provide a further briefing on that for you, Mr Acting Speaker, because I know that is something that you are particularly interested in on behalf of the National Party.

The member for Carine raised the issue of regional subsidiary regulations in his presentation. As he will be aware, the legislation that established regional subsidiaries passed through this place last year but, essentially, was not gazetted until earlier this year. The member mentioned that the sector has some concerns about the regulations, particularly about some of the capacity that councils wish to have when considering forming an entity that would be known as a regional subsidiary. I assure him that the Department of Local Government and Communities understands those concerns. The Western Australian Local Government Association has also raised them on behalf of individual councils and the sector. One of the issues is the will of many councils to carry out land transactions. That is one area in which they would like greater flexibility and the regulations currently confine that. I assure the member that the department and I agree that local governments, through regional subsidiaries, should be allowed to carry out such transactions, but they need to be referenced to the purpose defined in the subsidiary's charter. I want regional subsidiaries to be presented to me. As the member knows, as part of that legislation, it is my responsibility as minister to ultimately sign off on regional subsidiaries. I am very keen to work with local governments seeking to establish regional subsidiaries, so that we can get a number of those off the ground and

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delivering for those communities. I can assure the member that those areas of concern in the regulations are being worked on, and drafting instructions have been created for regulations on land transactions.

The member also mentioned in his contribution an issue about compliance audit reporting. It is outlined in the legislation, but it is up to the Auditor General to determine the scope of an audit. The Auditor General will be able to determine if and how frequently the compliance report should be audited, and if the report of a particular local government should be audited. This will be informed by information from the financial audits that are carried out. They will not be ignored; I hope I have assured the member of that. One of the concerns was about all the work that goes into compliance auditing reports and what happens to them, and what influence they will have, if any, on the Auditor General. I can assure the member that they will provide important additional information for the Auditor General to consider. I hope that answers that concern, but I am sure that if the member wishes to explore that further, we can do so in consideration in detail shortly.

The member for South Perth made an outstanding contribution to the debate, particularly reflecting on his watchmaker constituent, whom I now know very well, and have a great deal of respect for. The member raised whether there will be an increase in costs for local governments as part of the financial auditing aspect of the legislation. I have some information on the current costs of auditing for local governments that may be of interest when we come to consideration in detail, but I will highlight some points now. There will be an increase in costs for some local governments as a result of the auditing responsibility being transferred to the Auditor General, because the audits that the Auditor General carries out will be expected to be more consistent and thorough. That is an important point. As I said earlier, we want to make sure that we have very clear templates, if you like, for the audit process. For some councils there may be a slight increase in the overall cost, but the benefit will be that we will see improvement in local governments' understanding of their financial positions, and that is very important. We want to make sure that, as part of transitioning the responsibilities to the Auditor General, local governments will have a very clear understanding of the expectations of their financial reporting and their financial position. That will also highlight threats to their sustainability, and that will inform the department about those councils it needs to consider assisting in capacity building. An important role of the Department of Local Government and Communities is to identify those councils that are struggling, or may be struggling, or are heading towards rocky territory, and then to get in early and work with them in capacity building. That is an important aspect of this legislation.

How much do local governments pay for their audits now? The reality is that local governments spend very little on auditing at the moment. According to the information I have, audit fees make up no more than 0.88 per cent of any local government's operating expenses.

Mr J.E. McGrath: The City of Swan pays \$150 000 a year.

Mr D.A. TEMPLEMAN: Yes, but that may include other internal audits that it carries out, but the figures I have, for example, in 2013–14, show that 12 metropolitan local governments, including some of the big ones, paid less than \$25 000 for audits, and 17 regional local councils paid less than \$15 000. This brings into question the capacity or the adequacy of such audits. The Auditor General will work with local governments in the process of financial auditing to make sure that there is quality. I come back to that word “quality” that I mentioned earlier. Even the City of Perth, with 652 employees and total revenue of just under \$180 million, spent less than \$27 000 on auditing in 2013–14. In fact, my own council, Mandurah, paid more than any other council; I think it was just over \$50 000.

Mr A. Krsticevic: That is because they are scared of you.

Mr D.A. TEMPLEMAN: They may be; they may think I am going to be looking over their shoulder. There is an issue with audit fees. I hope I have answered the question about regional subsidiaries for the member for Carine. I know that the member for Balcatta was also very concerned to get clarification about who pays for the performance audits.

I am glad that the member for Moore and, I think, the member for Carine had an opportunity to discuss with the Auditor General the aspects he will look at in performance audits. I hope the members were reassured by the Auditor General about the sorts of issues and areas he will focus on, because they are important areas. I am not sure whether the Auditor General provided the members with an in-depth list of matters, but the areas ranged from asset management capacity, making sure that the asset management processes of local councils are adequate and appropriate, to making sure that various reporting processes are appropriate and adequate. Those are the sorts of areas the Auditor General will be expected to focus on.

As members know, the legislation has a phase-in process, but by the 2021–22 financial year all local governments will be under the jurisdiction of the Auditor General for financial and performance audits. This legislation, and

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this process, as other members, including the member for Cockburn, highlighted, has been the practice in other states for some years.

This will ensure that we have a good, strong transparent process in place that is overseen by an independent government body, the Office of the Auditor General, which is important. I hope that it also results in constant aspirations for improvement across the sector in councils from metropolitan Perth and regional Western Australia, which is also important. This is a good way forward for the ongoing improvement of the local government sector in general and in achieving that aspiration I mentioned at the beginning of my concluding remarks about ensuring that local government is placed in a far more sustainable position. The auditing process will allow us to identify where councils may be falling down or not reaching certain standards, and then something can be done about that. Capacity building by the department can then be a focus to assist those councils that need further support.

I thank all the members in this place who have spoken in the second reading debate. I look forward to their support, of course, in consideration in detail. I am happy to answer questions and make comments on any issues during that stage. I am certainly keen to make sure that this bill passes through the house this afternoon so that it can go to the other place. We can then put in place another important piece of legislation that supports and encourages ongoing improvement in local government capacity and quality delivery of services into the future.

Question put and passed.

Bill read a second time.

Leave denied to proceed forthwith to third reading.

Consideration in Detail

Clauses 1 and 2 put and passed.

Clause 3: Act amended —

Mr A. KRSTICEVIC: Thank you very much for that summing up, minister. I will not give a long speech when I ask my questions, as some members have been known to do in the past. I will pretty much get straight into the questions about particular areas. My first question is about the consultation process for the Local Government Amendment (Auditing) Bill 2017. When did the consultation process begin? Who was involved or invited to that process? What were the outcomes of that consultation process?

Mr D.A. TEMPLEMAN: As the member knows, the bill's consultation process predates the new government because the bill is, apart from the major addition of the performance audit provision, the previous government's bill and we were very happy with it. It dates back to 2015. The original or key stakeholders included, of course, the Western Australian Local Government Association, the newly named Local Government Professionals Australia and the Office of the Auditor General. Some working groups sat within that and had representation. Financial professionals were also consulted about the bill's gestation. When we came to government in March 2017, with the key aspects of the bill having been considered, we made sure that this bill was presented to the Parliament as soon as possible given that it had bipartisan support.

Mr A. KRSTICEVIC: What were the views of participants during that process? Did they have any concerns or issues? What were the outcomes of WALGA, the Local Government Professionals Australia, the Department of Local Government and Communities and the Auditor General having that discussion?

Mr D.A. TEMPLEMAN: All the key stakeholders were supportive of the legislation. The only key point, which I clarified today in my reply to the second reading debate, was the cost of performance audits, which was highlighted by you, Mr Acting Speaker (Mr R.S. Love), the member for Carine and a couple of other members. The main concern was with who would pay for the performance audits. As I have said quite categorically, the state will take responsibility for the cost of those audits.

Mr A. KRSTICEVIC: I take it that, upon coming to government and taking on responsibility for this bill, no further discussions took place with the sector or stakeholders, and that the minister was quite comfortable with everything that had occurred and to continue with the process.

Mr D.A. TEMPLEMAN: We obviously went to the key stakeholders to make sure that they were comfortable with us progressing this bill. There was input, of course, by those stakeholders on that process.

Mr A. KRSTICEVIC: The minister mentioned that some reference groups were set up. Can the minister tell me who was in those reference groups? How were they chosen? Did they represent a broad section of the sector? How often did they meet? Did they minute their meetings? Were concerns expressed in minutes given to the department or the minister? What were the terms of reference?

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Mr D.A. TEMPLEMAN: The terms of reference were in the bill. The reference group essentially remained as the key stakeholder, but in preparing to give feedback, it consulted within its wider membership. I am sure that WALGA referenced back to its base about the progression of the bill. Financial professionals were also part of the subgroup that assisted with and informed on this process. The support for this bill's progression was very strong.

Mr A. KRSTICEVIC: What additional funding and resources will be provided for the implementation of this bill? Specifically, the minister mentioned performance audits by the Auditor General and that funding would be allocated in the budget. Obviously, resources are required for full-time equivalents. How many full-time equivalents will the Auditor General need to undertake performance audits as well as financial audits? As we know, apart from undertaking some financial audits, the Auditor General will also be supervising and reporting, so that in itself will require resourcing and costing. Additionally, training might be required. Has any money been set aside for training for not only the Auditor General but also the people he appoints to act on his behalf?

Mr D.A. TEMPLEMAN: As the member is aware, this bill formalises a transfer of responsibility for auditing and performance auditing; therefore, there is a budgetary implication. I assure the member that although I cannot divulge the amount, because of course the state budget is yet to be handed down, but will be handed down in a few months, it is my view that adequate provision for the resourcing of the auditing bill for the Office of the Auditor General will be in the budget and in my view will be appropriate to allow it to deliver those services that are required through this bill.

Mr A. KRSTICEVIC: With regard to delivering those services specifically around performance audits, the funding that the Auditor General receives to undertake performance audits will determine how many performance audits can be done and how many councils can be audited. Taking procurement as just one example, how long will it take for the Auditor General to do a performance audit of every single council in Western Australia on one particular aspect of that council, let alone other aspects? Will the funding be enough for him to do that in an appropriate time frame?

Mr D.A. TEMPLEMAN: I thank the member for this very important question. It is important to understand that the Office of the Auditor General will determine which councils it focuses on for performance audit. That will be informed by a range of circumstances. Predicting exactly the number each year or the number that he may or may not deliver is something that I cannot answer, because it will be the role of the Auditor General to determine. However, it will be a case of prioritising. If councils come to the Auditor General's attention for which a performance audit is a priority, I am sure he will be drawn upon to prioritise those. It may or may not happen that all councils are ultimately performance audited in the next period. The performance audit aspect is very much about priorities and very much about circumstance. I would expect that a number of councils will be focused on by the Auditor General with regard to performance audit, but this legislation, and indeed the intent, does not specify that all councils have to be performance audited. They do have to be financially audited as per the program to 2020–2021, but the performance audit aspect is very much more focused on circumstances and priorities.

Mr A. KRSTICEVIC: The Corruption and Crime Commission has released a number of reports, with which the minister is familiar, about council procurements. Many councils over the years have been caught up in just that particular aspect. Part of the findings or summing up of those reports is that the CCC is concerned that this may be a broader issue throughout the sector. There seems to be a need to get onto that issue of procurement sooner rather than later across the sector to give confidence, not just to the community, that the sector is doing the right thing. As the member for Moore mentioned, the sector was concerned about being blemished with the brush tarring the entire sector. The sooner the Auditor General can do some of the performance audits across a large part of the sector, the sooner he will bring back confidence to the community and to the sector itself that it is doing the right thing and it is being acknowledged as doing the right thing. Also, he will be able to confirm that this is not as widespread as the Corruption and Crime Commissioner had indicated in previous reports. It is important to understand how quickly and how much funding will be given to the Auditor General. If the Auditor General were to say that he would like to audit the entire sector for procurement and he would need \$3 million in the next 12 months, or whatever the figure might be, would the minister give the Auditor General the funding required to meet what he considered to be critical?

Mr D.A. TEMPLEMAN: The important factor in this consideration is the independence of the Auditor General himself. Under this legislation, I certainly cannot direct him to identify any council essentially. That will be a role of his: he has the expertise and I assure the member that he will have the resources to carry out his auditing responsibilities. As this legislation is put in place and the Auditor General works through his program of financial audits, those financial audits themselves will inform him of where a performance audit might be required. It is quite likely that when the Auditor General is working through the financial audit aspect, there will be matters as a result of those financial audits that will prompt him to decide that a performance audit, whether it is in procurement or another particular area, is required. The importance of this is the independence of the Auditor

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General; that is important and that is what this legislation will provide for. I am very confident that the Auditor General has that capacity. He has a wonderful track record and without fear or favour he will carry out those audits and, indeed, identify and be informed by findings that may lead him to then decide that a performance audit is required. I assure the member that appropriate resources will be available. As this legislation is rolled out and the associated process is rolled out, I am sure that the Auditor General will inform government in future budgets about issues affecting the capacity and those will be dealt with at the time by government in preparation for future budgets.

Mr A. KRSTICEVIC: I got the feeling in the first part of that statement that the minister was saying that whatever resources the Auditor General required, being the independent person he is, and that he thought was critical to the sector, the minister would make them available as requested by the Auditor General; the minister would not be trying to stifle his ability. For example, if the Auditor General said that he thought it was important that in the next 12 months he do a performance audit on every single council in the state and would need whatever figure—say, \$5 million—to do it, the impression I get is that the minister would be amicable to give the Auditor General whatever funding he required if he considered it was critical to do that performance audit to give certainty to the sector and to make sure that everybody was doing the right thing.

Mr D.A. TEMPLEMAN: First of all, it is important to highlight that the funding of the Auditor General is not through my portfolio; I do not have that responsibility. However, I am sure that the Auditor General in any budget submission he makes in the out years will highlight to the relevant minister—in this case it is, of course, the Attorney General; the Office of the Auditor General falls within his realm—the cost implications and pressures, and that is the consideration for government in future budgets. Certainly, from my perspective, I will be able to reflect on what the sector might be telling me as Minister for Local Government, and indeed what the stakeholders in local government have, but of course, it is important we note that I do not have the capacity to —

Debate interrupted, pursuant to standing orders.

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