

LOCAL GOVERNMENT AMENDMENT (AUDITING) BILL 2017

Second Reading

MR D.A. TEMPLEMAN (Mandurah — Minister for Local Government) [3.10 pm]: I move —

That the bill be now read a second time.

I am pleased to introduce the Local Government Amendment (Auditing) Bill 2017.

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, 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.

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. The CCC's findings on the lack of accountability and transparency in the local government sector are deeply concerning and the McGowan government is keen to address these issues. The bill introduces changes that address the CCC's concerns in this area and deliver on the CCC's recommendation that the Auditor General should be responsible for auditing local governments. The CCC commented that there seems to be no reason why local governments should have lower standards of accountability than state government authorities. Furthermore, the bill responds to recommendations made by the Public Accounts Committee. On 26 November 2015, the committee tabled a report on improving local government accountability. The committee recommended that the Auditor General's jurisdiction be extended to include financial and performance auditing of local governments in order to raise the standard of accountability applicable to local governments to a level more consistent with public sector agencies.

Local governments will benefit from this bill because the Auditor General will be able to identify instances of non-compliance, wastage, inefficiency or ineffectiveness and proactively bring these to the attention of local government. This will not only improve local governments' understanding of their financial position, including threats to their sustainability, but will also provide local governments with the ability to take corrective action in a timely way. In this way, ratepayers' funds and community interests will be better protected. Oversight of auditing by the Office of the Auditor General will introduce a layer of accountability in the local government sector that does not currently exist. It will allow members of the community to benchmark local governments as they will have improved access to an independent assessment of a local government's financial position and will enable them to hold their local government to greater account.

This bill will allow the Auditor General to contract out some or all of the financial audits but all audits will be done under the supervision of the Auditor General and the Office of the Auditor General. Local governments will be responsible for the costs associated with financial audits, as is currently the case. There are currently a number of firms which audit the local government sector, half of which are already accredited with the Office of the Auditor General. The Auditor General has said that he recognises the importance of audit firms in country areas continuing to have a role in the auditing of local governments. The Office of the Auditor General intends to support and assist small, regional auditing firms to upskill so that they can meet and comply with key aspects of the Australian Auditing and Assurance Standards.

In line with the Public Accounts Committee's recommendation, the bill also introduces a new category of audits known as performance audits. These audits examine the economy, efficiency and effectiveness of programs and organisations, including compliance with legislative provisions and internal policies. The bill will give the Auditor General the power to conduct such audits, which may focus on a particular issue or theme, such as procurement practices, and may target particular local governments and related bodies. This is in line with the approach adopted in other jurisdictions and with what applies to state government agencies. This bill will also bring about changes to the way local governments are required to publish and report on audits and their annual reports. Audit reports are included in annual reports and many local governments already publish these on their websites. This bill will make it a requirement for all local governments to publish their annual reports on their official websites so that members of the community can easily find and review them should they wish to do so.

Reform in the local government sector to address issues concerning the lack of accountability and transparency is long overdue. This bill is an example of the McGowan government leading the way and taking action to restore public confidence in the local government sector and ensuring that the Western Australian community benefits from local governments that are accountable, transparent and responsible. This bill will enhance the fundamental importance of local government as a provider of services to local communities.

I commend the bill to the house.

Debate adjourned, on motion by **Ms L. Mettam**.

