

5.3 Public Accounts Committee Inquiry (05-068-02-0001) (Attachments Page 113)

By Wayne Scheggia, Director Policy

In Brief

- Parliamentary inquiry announced at the end of August 2005.
- Association draft submission and questionnaire distributed to all Local Governments.
- Issues of concern raised with Parliamentary Committee Chairman.

Relevance to Strategic/Business Plan

Key Objectives:

- Identify and evaluate emerging issues, trends and responses.
- Effectively engage our members.
- Effectively influence Government policy.
- Provide Local Governments with access to contemporary information and advice.

Policy Implications

The outcomes of any Inquiry may influence government legislative and regulatory regimes and are therefore likely to have implications for the future positions of the Association.

Budgetary Implications

Nil, at this stage.

Background

In late August 2005, the Public Accounts Committee advised the Association that it had decided to:

"Undertake an inquiry into the effectiveness and/or adequacy of accounting mechanisms for Local Government authorities. Following recent events involving a number of local councils, the Committee is concerned as to whether the accountability mechanisms for Local Government expenditure are adequate. The Terms of Reference are as follows:

The Public Accounts Committee will examine and report on:

1. *Current accountability mechanisms for Local Government in Western Australia, including finance, probity and performance;*
2. *The capacity of the Department of Local Government and Regional Development to examine Local Government finance, probity and performance issues;*
3. *Whether the State Auditor General should have a role in Local Government audit processes; and*
4. *Other matters deemed relevant by the Committee."*

Submissions were initially invited to be made by 30 September 2005, however following representations by the Association and individual Local Governments, the submission deadline was extended until 11 November.

At its October 2005 meeting, State Council resolved to note the Inquiry's Terms of Reference and to encourage the Inquiry to hold hearings in rural and regional WA.

A "Discussion Draft Submission" was developed and distributed to all Local Governments to provoke consideration of, and comment on, the Terms of Reference and thereby inform the Association's final submission. A copy of the Discussion Draft is included in the attachments.

Comment

Committee Chairman John Quigley MLA addressed a breakfast meeting of LGMA Board members, WA Local Government Association Representatives and DLGRD Directors on 20 October 2005, outlining some of the background to the Inquiry and clarifying the focus of the Terms of Reference.

He stressed the independence of the Inquiry from the Minister, the Department of Local Government and Regional Development and the State Government, and acknowledged that the Terms of Reference needed to be expressed in the context of a discussion paper to give greater understanding to Local Governments of the directions the Inquiry was seeking to pursue and the rationale behind them.

The Chairman clarified that the Inquiry is fundamentally concerned with the question of whether the Auditor General should play a role in Local Government audits, and if so, what that role should be. In addition to issuing a discussion paper to clarify these matters, a further extension of time for submissions will be arranged.

As at the time of writing, no official advice from the Inquiry had been received regarding their Discussion Paper or the mooted extension to the submission deadline, so the Association is proceeding with its current submission process.

The Association's Discussion Draft Submission seeks member responses to four key questions based on the Inquiry's Terms of Reference. Approximately 10% of Local Governments have responded to the survey.

1. *What specific legislative or regulatory accountability/compliance requirements do you find overly onerous or reasonably consider to be irrelevant?*
 - A wide range of responses have been received to this question, including a number of assertions that none of the current requirements are problematic.
 - The most commonly referenced compliance burden was the lack of indexation to the \$50,000 tender threshold, which causes Local Governments to follow tender procedures for expenditure decisions which shouldn't require that level of process.
 - There was multiple respondent support for the compliance regime be proportionate to the level of risk, meaning a lesser level of compliance should be attached to smaller Local Government operations.
2. *What specific changes should be made to the role, operations and resources of the Department of Local Government & Regional Development?*
 - Most respondents did not want changes to the role and operations of the Department of Local Government and Regional Development (DLG&RD), but recognised a resource gap, in terms of the capacity of the DLG&RD to support Local Governments in fulfilling their compliance obligations.
 - Recruitment and retention of staff with operational experience within the sector was considered important to enhancing the effectiveness of the DLG&RD.
 - DLG&RD should focus on support, advice and guidance to develop more effective Local Government, rather than regulation and compliance.
3. *Do you support the re-establishment of the positions of "Local Government Inspector" within the Department of Local Government & Regional Development?*
 - Approximately 65% of respondents (to date) support the DLG&RD establishing "outreach" positions which would serve as direct advisors to CEOs and Councils in understanding their compliance and operational responsibilities.
 - There was no real support for an interventionist or punitive approach based on "inspection" of Local Governments.

5.4 Hawker Report – Development of Inter Governmental Agreement (05-013-03-0001)

By Wayne Scheggia, Director Policy

In Brief

- State Council considered the Australian Government response to the Hawker report at its October 2005 Meeting.
- The Australian Local Government Association (ALGA) has been advised of the Association's prerequisites for the development of an Intergovernmental Agreement.
- A national working group has been operating for some 12 months on the development of an appropriate IGA.
- ALGA provided a brief update on the IGA.

Relevance to Strategic/Business Plan

Key objectives:

- Improve the public image of Local Government.
- Effectively engage our members.
- Effectively influence Government policy.

Policy Implications

Nil.

Budgetary Implications

Nil.

Background

The October 2005 State Council meeting considered advice on the Federal Government's response to the Hawker Report (*Taxes and Charges: A Fair Share for Responsible Local Government*).

The Federal response had four key components:

- Intergovernmental agreement on cost shifting.
- Productivity Commission study on barriers to Local Government revenue.
- Recognition of Local Government by both Houses of Federal Parliament.
- Review of interstate distribution of the identified roads component of financial assistance grants

State Council resolved as follows:

1. *That the key aspects of the Federal response to the Hawker Report be noted.*
2. *That ALGA be requested to ensure that any Inter Governmental Agreement (IGA) be based around;*
 - a. *a growth based revenue share, predicated on 1% of total Commonwealth taxation, net of GST;*
 - b. *an agreed process for negotiating the devolution of responsibility;*
 - c. *revenue streams to accompany new responsibilities;*
 - d. *an independent body to police compliance by all spheres of government;*
 - e. *appropriate sanctions for non-compliance with the requirements of the IGA.*

4. *Is there any real threat in involving the Auditor General's Office in the Local Government audit process, and if so what specifically concerns you?*
- Respondents to this question were more concerned about what the Auditor General's role would be if involved in the Local Government Audit process, rather than whether or not the Auditor General should be involved.
 - Administering the existing system of audit would seem inadequate justification for engaging the Auditor General.
 - Potential cost increases to Local Governments raised concern amongst respondents.

The survey responses are essentially consistent with the arguments proposed in the Association's Discussion Draft Submission. It would be appropriate to modify the draft to emphasise the survey outcomes in the final submission.

Recommendation

That the Discussion Draft Submission be enhanced to provide emphasis on the issues highlighted by the survey responses from Member Councils.