



LOCAL GOVERNMENT FINANCIAL MANAGEMENT

I wish to bring to your attention a serious anomaly in the Local Government Legislation when compared with relevant State Government legislation dealing with financial processes and accountability et al

The WA, Financial Management Act pertaining to state government departments stipulates that each department will have the mandatory position of Chief Finance Office, CFO, (previously called the Accountable Officer or AO). This position is filled with the concurrence of Treasury and is subject to Treasury Instructions. This means in practice that each department will have an experienced qualified accountant or equivalent familiar with Australian Accounting Standards (AAS) It also means that there is a separation of responsibilities and functions between the Departmental CEO , (also called the Accountable Authority) and the finance staff. Furthermore , there is normally a separation between the finance staff and the contracts/ purchasing staff.

The equivalent local government legislation (local Government Act and the Local Government Financial Management Regulations) places all financial responsibilities within one position, namely , the CEO. In practice this means the functions and responsibilities of the "CFO" and contracts/purchasing staff in one position, and yet report after report by the Crime and Corruption Commission states that the financial and procurement functions in local government should be separated.

There is no separation of financial responsibilities. But of more concern there is no requirement for a CEO to have relevant accounting/ financial qualifications or experience, and yet the CEO is required to comply with the AAS. Furthermore, there is no requirement for local government to employ a qualified accountant or accounting staff. And even it perchance it happens to employ such staff they are supervised by an unqualified CEO . But the most serious point is that there is no separation of responsibilities

Yet both state government departments and local government deal with taxpayers monies (the latter also deal with ratepayers monies), and yet there is a serious difference. State government departments subject to strict separation of responsibilities and mandatory Treasury Instructions and almost laissez affaire as far as local government legislation is concerned.

One can clearly see the consequences. We have local government CEOs in jail and of course local government Councillors vulnerable, sometimes replaced by commissioners.

The solution is obvious. The Minister has the power and the responsibility to change Regulations, if deemed warranted. And the department of local government to issue relevant Instructions where necessary.

I wrote detailed letters to the previous Minister about a year ago on this matter and proposed detailed solutions that did not need for New Act, which can be a prolonged and expensive exercise. I finally wrote to the Premier Barnett. I have now written to the new Minister for local government.

It is clear that getting the auditor general involved will achieve very little unless the Regulation is changed. The AG has to work within existing legislation, flawed or otherwise.

I wish to elaborate that getting the Auditor General involved will achieve little unless local government conduct Internal Audits to complement the mandatory " external" audits. The internal Audits are initiated by Councillors and are not conducted by local government staff. It is clear many local governments do not know the difference between the mandatory " external " audits and the internal audits.

I did point out that it should have been the responsibility of the Department of Local Government to bring the above matters to the attention of the Minister in the last twenty years!

Clearly they are defensive. The Minister (presumably on the advice of his department) has lamely used Section 3.1(3) of the Local Government Act 1995, and I quote

" a liberal approach is to be taken to the construction to the scope of the general function of a local government"

I also received a letter on behalf of the Minister from the department stating " that the local government is an autonomous and incorporated body.."

Incorporated, yes, autonomous definitely NOT. Incorporations protects the Councillors and rightly so. "Liberal approach" does not mean autonomous when dealing with taxpayers and ratepayers monies.

Lynne, please advise me if your organization is dealing with the above matter and if not do you intend to take up this serious matter with the Minister.

I emphasize . I only bring this matter to your attention, firstly to protect the Councillors and ratepayers , secondly, the CEOs and their staff and lastly the Minister of the day.

Yours Sincerely

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Concerned Ratepayer

