



Speech by

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MEMBER FOR LYTTON

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COMMUNITY SERVICES LEGISLATION AMENDMENT BILL

Mr LUCAS (Lytton—ALP) (3.52 p.m.): The financial administration of Aboriginal and island councils established under the Community Services Acts will be significantly enhanced as a result of the Community Services Legislation Amendment Bill. Two seemingly minor amendments will have a very great impact upon the financial administration and management of Aboriginal and island councils well into the future. Firstly, the Bill will enable the Minister to make accounting standards for councils. At present, there are Aboriginal and island accounting standards in existence, but they do not have the force of law. Accounting standards are an important component of the accountability regime for councils. They provide guidance on the standard that is to be applied to the wide range of accounting issues that must be addressed as part of a council's management of its financial affairs.

I am told that the current Act does not have a head of power that enables a regulation to be passed giving the Minister the power to apply the accounting standards. Currently, the accounting standards can only be described as a guide to councils. Standards are an integral part of any accountability regime and must have the force of law. They also need to be updated and amended regularly to reflect changes in accounting procedures. This amendment will enable accounting standards to be made to subordinate legislation in a manner similar to those which apply to local governments established under the Local Government Act 1993.

Accounting standards will support Aboriginal and island councils in the transition to accrual-based accounting, which is to be phased in over the next few years. One council is currently conducting a trial of an accrual-based system and more councils will follow shortly. Accrual accounting is the way of the future and eventually all councils will be required to move to accrual accounting. The value of the trial will be that the individual council concerned, the Aboriginal Coordinating Council, the Island Coordinating Council and the department will be able to identify any problems with the introduction of accrual accounting. Many mainstream local governments had problems with the introduction of accrual accounting and such problems are likely to be exacerbated in remote Aboriginal and island communities.

The second of these important initiatives will enable councils to amend budgets. Due to an overly restrictive provision in the original legislation, Aboriginal and island councils have never had the ability to amend or reforecast budgets at critical times during a financial year. In fact, the inability to exercise this most basic of accounting conventions has contributed to poor financial management practices. If it had been available, it would have certainly assisted councils to improve their accountability.

The current legislation does have the power to declare expenditure to be extraordinary or emergent. These provisions are meant to be used exactly for that purpose, not to deal with the routine budget amendments that councils are required to address on a regular basis. The power to amend budgets will enable Aboriginal and island councils to reallocate revenue and expenditure across the various functions at critical times during the year. This will result in less complicated end-of-year reporting, where actual and budgeted revenue and expenditure can be more effectively compared.

As an example, Aboriginal and Torres Strait island councils receive grants from both Federal and State sources and many of those are received after the councils have framed their budgets. The expenditure that flows from those grants is neither extraordinary nor emergent. It is simply a routine part of the normal business of councils. Clearly, the budgets must be changed as a result of those grant

additions. All mainstream councils have the power to amend budgets in addition to the power to declare expenditure emergent or extraordinary. Naturally, a council will have to formally approve a budget amendment before expenditure can occur against a receipt of funds.

Another area that I would like to mention relates to the ability to appoint a financial controller. One thing that has focused the minds of Governments for a number of years has been the importance of accountability in Aboriginal and Torres Strait island communities and their councils. In the past, it has always been disappointing to see reports come before the Parliament indicating that accounting and audit practices have not been up to scratch. In fact, in 1994-95, only seven councils made the standard. In 1997-98, 20 councils achieved satisfactory audits, so there has been a substantial improvement.

There will be a great advantage in the appointment of financial controllers, who will also have the ability to veto illegal expenditure that is proposed. I am told that the appointment of financial controllers will not be widespread. At present, there are probably only two or three councils where this might be necessary.

It is very important that the absolutely highest financial accountability standards are observed in Aboriginal and island councils. There are a number of reasons for that. Firstly, we owe it to the residents of the communities to ensure that the money that is provided for their benefit and welfare is spent effectively and properly.

Secondly, a number of people in the community are hell bent on criticising Aboriginal and island communities, no matter what. When one's accounting and financial practices are not up to scratch, it gives such people a perfect opportunity to question the entire viability of the system that is meant to provide support to the Aboriginal and island communities and that is attempting to give those communities an acceptable standard of living that is equal to that enjoyed by urban centres. Unfortunately, some people use past poor accounting practices as an excuse to get stuck into Aboriginal and island communities. By improving accountability, we will take away that argument and allow the communities to focus their efforts on properly looking after their funds as they should do.

At no stage should we ever tolerate lower financial accounting standards from councils in any community. Aboriginal and Torres Strait Islander communities ought to comply with the law, but we ought to give them support that allows them to comply with the law. An earlier speaker in this debate indicated that, in remote communities, it can be very hard to get that support. For example, the climate is unfavourable and it is difficult to recruit staff.

I very strongly commend the Minister for the important initiatives that are outlined in this legislation. I am confident that, when this legislation is adopted, the additional financial accountability standards that it will introduce will increase Aboriginal and Torres Strait Islander people's confidence in and support of their councils and communities. In addition, hopefully it will also increase the confidence that the whole community has in the very important social onus that is placed on us as members of this House.
