



NSW Legislative Council Hansard Rural Lands Protection Amendment Bill

Extract from NSW Legislative Council Hansard and Papers Wednesday 22 November 2006.

Second Reading

The Hon. MICHAEL COSTA (Treasurer, Minister for Infrastructure, and Minister for the Hunter) [8.43 p.m.], on behalf of the Hon. Tony Kelly: I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

Leave granted.

The *Rural Lands Protection Bill 2006* introduces practical changes to the *Rural Lands Protection Act 1998* to simplify administrative requirements of boards, while ensuring that strong financial accountability and reporting is maintained.

These changes will streamline the financial and reporting obligations of the State Council and the 47 rural lands protection boards across New South Wales.

Streamlining these requirements will mean that boards will find it far less onerous to meet their financial and auditing responsibilities.

I would like to remind the House that rural lands protection boards and their predecessor organisations have been protecting rural lands in New South Wales since 1863.

The role of boards has expanded considerably since then, of course, and they now deliver services that are vital to many thousands of rural landholders.

These days, the services that the boards undertake are numerous.

For instance, they are at the frontline in responding to animal health emergencies. Boards play a crucial role in managing endemic diseases and controlling exotic disease outbreaks. They are also an essential information resource for landholders seeking advice about animal health.

Boards are also in the frontline for dealing with pest emergencies and implementing major pest control campaigns. Such campaigns minimise the risk of economic loss arising from pest outbreaks.

Further, boards manage travelling stock routes and reserves, and stock movement and identification. And significantly for these times, they assist with drought management and natural disaster relief.

The rural lands protection board system is unique among other states and territories in that they are at the forefront of NSW's emergency response capability. Boards are funded through landholder rates.

In this capacity, boards are essential for protecting rural lands.

The bill before the House today had its origins in a comprehensive review of the *Rural Lands Protection Act* in 2004.

This was a five-year statutory review required under section 248 of the Act.

The review was comprehensive and included stakeholders such as NSW Farmers' Association, representatives of ratepayers, NSW Treasury and The Cabinet Office among others.

Extensive consultation was undertaken and over 190 submissions received. As a result of this process, wide-ranging recommendations were made to amend the Act.

The purpose of this *Rural Lands Protection Bill 2006* is to put in place the first of those recommendations.

The other important recommendations made by the review group will be the subject of a subsequent Bill once there has been further consideration.

Before I discuss the changes to be made by this Bill, I would like to note that when the boards' auditing and reporting obligations commence, a change to the regulations will also be made to remove boards from the Public Authorities (Financial Arrangements) Act 1987.

It is reasonable that under the new arrangements, boards no longer have access to financial products or services that are available to public authorities, which are subject to statutory reporting obligations.

Instead, boards will be restricted in the manner in which they can invest their money to investments that are approved by their Minister, in consultation with the Treasurer. It is further proposed, that boards be restricted from accessing Treasury Corporation Loans.

State Council has been advised that until such time as those changes are formally made to the Regulations, boards will not be permitted to access T-Corp loans.

Turning then to the provisions of this Bill, I note that overall, it puts forward practical and sensible amendments to the financial accountability requirements of the boards and State Council.

At present, boards and State Council are subject to sometimes onerous auditing and reporting requirements.

The bill addresses these requirements and proposes less burdensome, but equally accountable and transparent financial reporting requirements.

At present, all the boards are subject to the requirement to prepare annual reports and submit them to State Council, and this will not change.

However, State Council must also prepare an annual report, and has just four months after the end of its financial year, that is, by 30 April, to do so, under the requirements of the *Annual Reports (Statutory Bodies) Act 1984*.

The situation with State Council and boards is unusual in that each board is required to submit their audited financial statements to State Council.

State Council then prepares an annual report that refers to reports received from boards, and a report as to whether the auditing of boards' financial reports has been satisfactory.

Extending the period in which State Council is required to complete its annual report to eight months will provide adequate time in which to complete this task. State Council's annual report will now be due by 31 August, not 30 April.

The first amendment in this bill then is to ease the tight time constraints for financial reporting by State Council.

The second group of amendments in the bill addresses the streamlining of the financial reporting and auditing requirements to which the boards are subject.

Since 1998, the State Council and all the boards have been subject to the requirements of the *Public Finance and Audit Act 1983*.

The statutory review group acknowledged that the compliance burden on boards in satisfying the requirements of the *Public Finance and Audit Act* was significant.

All boards have been affected by increases in audit and accounting costs but, in particular, boards with relatively low numbers of ratepayers have been most adversely affected.

By making the changes proposed in the bill, boards will be relieved of the reporting requirements under the *Public Finance and Audit Act*.

However, the amendments proposed in this bill will ensure that high levels of accountability in financial reporting and auditing are maintained, as is appropriate for statutory bodies.

The bill provides that detailed accounting records are to be prepared and maintained by rural lands protection boards.

This means that the boards will be required to keep accounting records that substantiate their financial transactions and their financial position.

Further, they will have to prepare annual financial reports that comply with Australian accounting standards and fairly present their financial position and operations.

As well, strict time requirements will be imposed on the boards for preparation and reporting on financial statements. Boards will be required to submit their annual financial reports to their auditors within three months of the end of the financial year.

In turn, auditors must complete their audits within six weeks after a financial report has been submitted to them, and send a copy to the board and to the State Council.

These new financial recording reporting and recording requirements reflect best practice accounting standards. They will also ensure robust and effective financial reporting by the boards.

The next area of change in the financial management of the boards is the introduction of new auditing arrangements.

At present, State Council and the boards may be subject to performance audits of all or any of their activities by the Auditor-General under the *Public Finance and Audit Act*.

The review found that there had been significant increases in auditing and accounting costs for boards. It also compared boards with other statutory authorities, which revealed that boards' compliance costs were relatively high when considered as a percentage of total expenditure.

Finally, the review group noted that two audits of the board system in accordance with the *Public Finance and Audit Act* did not disclose any adverse findings.

In light of these findings, the review group concluded that boards should be removed from the requirements of the *Public Finance and Audit Act*, and that more cost effective audit arrangements should be implemented.

The amendments outlined in the bill provide not only for better cost effectiveness, but also for high standards of financial accountability in auditing.

Boards will be able to appoint an independent auditor to audit their financial records, subject to State Council's approval. The bill provides that only appropriately qualified auditors may be appointed and sets out persons who are disqualified from appointment.

Auditors must be registered company auditors, and State Council must approve both their appointment, and their removal.

Audits must comply with standards and pronouncements of the Commonwealth Auditing and Assurance Standards Board or such other standards as prescribed by the regulations.

Auditors will have wide powers to carry out their work. They will be able to inspect and access a board's accounting or other relevant records and obtain the information necessary to carry out the audit.

Importantly, auditors will be able to direct a board or staff member to provide information or answer a question that may be relevant to an audit.

An auditor appointed by a board will be required to prepare not only a general purpose auditing report, but also a report on the conduct of the audit. This is an additional compliance measure that will allow auditors to highlight any problems with the conduct of the audit.

By specifying what information must be included in a report, consistency in auditing is ensured across all boards.

Should a board fail to appoint an auditor, or an auditor's office becomes vacant, the Auditor General will be authorised to undertake the audit of the board's financial report.

The Government acknowledges the significant accounting and reporting burden placed on boards at present.

It is clear, , that the bill implements sensible changes to ease this auditing and reporting burden on boards and to provide a more cost effective reporting regime.

The Government is fully committed to ensuring that as statutory authorities, boards remain transparent in their activities, and properly accountable to their stakeholders.

The bill introduces a set of useful and practical amendments to the *Rural Lands Protection Act* and, at the same time, ensures high levels of transparency and accountability in the conduct of boards' financial reporting.

The effect of these amendments will allow the 47 rural lands protection boards across New South Wales to operate more efficiently, and in turn, enhance the protection of our rural lands.

The changes in the bill will be welcomed by ratepayers and the general community.

I commend the bill to the House.