

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

PUBLIC ACCOUNTS COMMITTEE

ANNUAL REPORT

YEAR ENDED 30 JUNE 2003

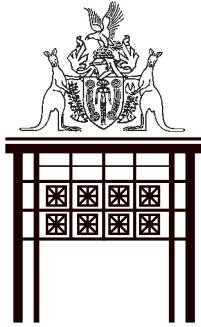
REPORT NUMBER 41

OCTOBER 2003

THIS ANNUAL REPORT

The Annual Report of the Public Accounts Committee is a document of accountability to the Legislative Assembly and provides a statement to other interested stakeholders on the Committee's role, structure, responsibilities and activities.

The Public Accounts Committee is required to report annually in accordance with Section 21A of the Standing Orders of the Legislative Assembly of the Northern Territory. A summary of activities is also included within the Department of Legislative Assembly annual report for the same reporting year as required by Section 28 of the *Public Sector Employment and Management Act*.



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

PUBLIC ACCOUNTS COMMITTEE

ANNUAL REPORT

YEAR ENDED 30 JUNE 2003

REPORT NUMBER 41

OCTOBER 2003

Members

Dr Chris Burns, MLA
(Chairman – From 23 October 2001 to 18 October 2002)
(Appointed to the Ministry – 19 October 2002)

Mr Matthew Bonson, MLA
(Appointed 27 June 2003)
(Appendix 5)

Mr Elliot McAdam, MLA
(Chairman – from 26 November 2002 to 27 June 2003)
(Appointed to the Standing Committee on Legal and Constitutional Affairs –
27 June 2003)
(Appendix 5)

Mr Stephen Dunham, MLA

Mr Len Kiely, MLA

Ms Delia Lawrie, MLA
(Appointed 26 November 2002)
(Appendix 5)

Dr Richard Lim, MLA

Mr Gerry Wood, MLA

Secretariat

Terry Hanley
Secretary

Roseline Vogeli
Research Assistant

Department of the Legislative Assembly

Public Accounts Committee

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Darwin NT 0801

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Mitchell Street
Darwin NT 0800

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**DEPARTMENT OF THE LEGISLATIVE ASSEMBLY
GPO Box 3721, Darwin NT 0801 Australia**

Public Accounts Committee

Contact Officer: Terry Hanley
Telephone: (08) 8946 1438
E-mail: pac.la@nt.gov.au

The Hon. L.M. Braham, MLA
Speaker
Legislative Assembly of the Northern Territory
GPO Box 3721
DARWIN NT 0801

Dear Madam Speaker,

On behalf of the Committee and in accordance with the provisions of section 21A of the Standing Orders of the Legislative Assembly of the Northern Territory, I submit this Annual Report to you on the activities, staffing and operations of the Public Accounts Committee for the financial year ended 30 June 2003.

I have been advised that the system of internal control provides reasonable assurance that:

- (a) proper records of all transactions affecting the Public Accounts Committee are kept by the Department of Legislative Assembly and that provisions of the *Financial Management Act*, Treasury Regulations and the Treasurer's Directions have been observed; and
- (b) procedures within the Department ensure a proper control over expenditure and public property of the Public Accounts Committee.

Having regard to the provisions of the aforementioned legislation, I have been advised that there are no indications of fraud, malpractice, major breach of legislation or delegation, major error in or omission from the accounts and records of the Department of Legislative Assembly, that apply to the Public Accounts Committee.

Yours sincerely

LEN KIELY MLA
Chairman

29 October 2003

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PROFILE OF COMMITTEE MEMBERS

The Members of the Public Accounts Committee during the year were:

Dr Chris Burns MLA

Appointed 16 October 2001
Chairman from 23 October 2001 to 18 October 2002
Appointed to the Ministry 19 October 2002
Australian Labor Party
Member for Johnston. First elected 18 August 2001
Deputy Chairman of Committees
Other Committees: Privileges; Standing Orders

Mr Matthew Bonson MLA

Appointed 27 June 2003
Australian Labor Party
Member for Millner. First elected 18 August 2001
Deputy Chairman of Committees
Other Committees: Standing Orders; Legal and Constitutional Affairs;
Environment and Sustainable Development

Mr Stephen Dunham MLA

Appointed 18 October 2001
Country Liberal Party
Member for Drysdale. First elected 30 August 1997
Shadow Minister for Business, Industry and Resource Development; Asian
Relations and Trade; Transport and Infrastructure; Essential Services
Other Committees: House; Environment and Sustainable Development

Mr Len Kiely MLA

Appointed 16 October 2001
Australian Labor Party
Member for Sanderson. First elected 18 August 2001
Deputy Chairman of Committees
Other Committees: Subordinate Legislation and Publications; Legal and
Constitutional Affairs; Substance Abuse

Ms Delia Lawrie MLA

Appointed 26 November 2002
Australian Labor Party
Member for Karama. First elected 18 August 2001
Deputy Chairman of Committees
Other Committees: House; Subordinate Legislation and Publications (Chair);
Environment and Sustainable Development (Chair)

Dr Richard Lim MLA

Appointed 18 October 2001
Country Liberal Party
Member for Greatorex. First elected 4 June 1994
Deputy Chairman of Committees
Shadow Minister for Housing; Corporate and Information Services;
Communications; Ethnic Affairs; Central Australia; Regional Development
Other Committees: Standing Orders; Substance Abuse

Mr Elliot McAdam MLA

Appointed 16 October 2001

Australian Labor Party

Chairman from 26 November 2002 to 27 June 2003

Member for Barkly. First elected 18 August 2001

Deputy Chairman of Committees

Other Committees: Substance Abuse; Environment and Sustainable Development

Mr Gerry Wood MLA

Appointed 16 October 2001

Independent

Member for Nelson. First elected 18 August 2001

Chairman of Committees

Other Committees: Substance Abuse; Environment and Sustainable Development

CHARTER

Establishment of the Committee

The Northern Territory Public Accounts Committee was first established by temporary Standing Order 21A of the Legislative Assembly on 18 June 1986. The Committee's status was altered, by way of motion of the Chief Minister on 23 August 1988, from a Sessional Committee on a trial basis to a Standing Committee of the Parliament.

As a Committee of the Assembly, its authority is derived from the *Northern Territory (Self Government) Act* (of the Commonwealth), the *Legislative Assembly (Powers and Privileges) Act* (of the Northern Territory) and Standing Orders.

Reports of the Committee

The Committee is required to report to the Legislative Assembly, as per the Terms of Reference (Appendix 3), on an annual basis as well as providing specific reports from time to time to report its proceedings and evidence taken. (Refer Appendix 4 for previous reports of the Committee.)

Committee Membership

On 18 October 2002, the Chairman, Dr Chris Burns, MLA, tendered his resignation both as a Committee Member and Chairman. The Chairman's resignation was accepted by Madam Speaker.

On 26 November 2002, the Leader of Government Business, the Hon. P. Henderson, MLA, moved –

That the Member for Johnston be discharged from service on the Public Accounts Committee and that the Member for Karama be appointed in his stead.

At its meeting of 26 November 2002, Mr Elliot McAdam, MLA, was elected, by majority, as Chairman of the Committee.

On 27 June 2003, the Leader of Government Business, the Hon. P. Henderson, MLA, moved –

That the Member for Barkly be discharged from service on the Public Accounts Committee and that the Member for Millner be appointed in his stead.

Membership at 30 June 2003 consisted of:

Mr Matthew Bonson MLA
Mr Stephen Dunham, MLA
Mr Len Kiely, MLA
Ms Delia Lawrie, MLA
Dr Richard Lim, MLA
Mr Gerry Wood, MLA

As at 30 June 2003 the Public Accounts Committee had not yet held a meeting to elect a new Chairman to replace Mr Elliot McAdam, MLA, Member for Barkly. (refer to Appendix 1 for membership details).

Style of Meetings

Committee meetings usually follow one of the following formats:

Deliberative Meetings

This format is used for *in camera* Committee meetings where confidential matters and Committee proceedings, agenda and general administrative matters are discussed. Deliberative meetings are minuted but not transcribed by *Hansard*.

Briefings

Briefings are a tool used by the Committee in order to gain information on a particular issue either from the public sector and/or the public. Briefings are confidential and are not open to the public.

Public Hearings / Inquiry

These inquiries are open to the public. Requests by the media for approval to cover sound and vision of the proceedings may be authorised by the Speaker of the Legislative Assembly.

Submissions to an inquiry can be in writing or presented orally.

The transcripts of these Public Hearings are produced by *Hansard*.

The Committee's findings from an inquiry are gathered into a report which is tabled in Parliament and thus made a public document, accessible either through the Parliamentary Library or the Parliamentary internet site.

Committee Secretariat

Staffing for the Public Accounts Committee's Secretariat is provided by the Department of the Legislative Assembly.

The Committee has a full-time Secretary who is supported by a Research Assistant. The resources of a further position of Committee Support Assistant is shared between all Committees.

Staffing as at 30 June 2003:

Secretary:	Mr Terry Hanley
Research Assistant:	Mrs Roseline Vogeli
Committee Support Assistant:	Ms Kim Cowcher

Mrs Jane Large was again employed as a special financial consultant when the Committee revisited the issue of the Department of Education's \$6m Personnel Costs, a matter which was noted in the Committee's recommendation in its report on the inquiry dealing with the accuracy of the Budget data published in the 2001-02 Budget papers.

The invaluable financial expertise of Mrs Large was again called on by the Committee when it requested a full and comprehensive briefing on the issue of Capital Works expenditure.

Hansard staff provided an additional transcribing and editing service for the Public Accounts Committee's transcripts as well as the two (2) Estimate Committee Public Hearings heard in September 2002 and June 2003.

ACTIVITIES 2002–2003

MEETINGS

The Committee met on 11 (eleven) occasions during the year. Details of these meetings are included on pages 15 and 16.

Members	Attended	Apologies	Applicable
BONSON, Matthew <i>(app. 27 June 2002)</i>	1		1
BURNS, Chris <i>(resigned 18 Oct.2002)</i>	3		3
DUNHAM, Steve	10	1	11
KIELY, Len	11		11
LIM, Richard	11		11
LAWRIE, Delia <i>(app. 26 Nov.2002)</i>	7	1	8
McADAM, Elliot <i>(resigned 27 Jun 2002)</i>	10		10
WOOD, Gerry	10	1	11

ESTIMATES COMMITTEE PROCESS

17 to 19 September 2002 – Appropriation Bill 2002-03 **24 to 27 June 2003 – Appropriation Bill 2003-04**

As reported in the 2000-01 Annual Report, the Public Accounts Committee was tasked with providing the Assembly with a report on the establishment of an Estimates Committee process within the Northern Territory Parliament.

After receipt of this report and further extensive debate in the Assembly, a resolution of the Assembly, dated 20 August 2002, provided the Terms of Reference for the Estimates Committee as well as referring the schedule of the Appropriation Bill 2002-03 and related Budget documents to the new Committee.

The Terms of Reference also spelt out that the membership of the Estimates Committee was to consist of the membership of the Public Accounts Committee, with the Chairman of that Committee assuming the role of Chairman of the new Committee.

As a result of this referral, the Public Accounts Committee Secretariat became responsible for the collation, scheduling and distribution of approximately 1,200 written questions submitted prior to the commencement of the Public Hearings.

When the establishment of the inaugural Estimates Committee was announced, the Under Treasurer along with Treasury officials, played a key role in identifying the appropriate areas of Ministerial portfolio responsibility for the 1200 written questions. Treasury also provided a number of skilled operators who worked from within the

Secretariat preparing the original database of questions prior to formal copies being submitted to the appropriate agencies.

The Public Hearings were held from Tuesday 17 September through to the evening of Thursday 19 September 2002.

Throughout the debate, leading up to the establishment of the Estimates Committee, the Government advised that because this was to be the inaugural sitting of the Committee, it would be prepared to further review and refine the process if it was considered necessary.

The review process saw the issue referred to the Standing Orders Committee on 9 October 2002. A report from that Committee was tabled in the Assembly on 19 February 2003.

On 27 February 2003, the Leader of Government Business moved a motion appointing an Estimates Committee to consider the Appropriation Bill 2003-04. The order also appointed a Government-Owned Corporation Scrutiny Committee. The Public Accounts Committee again comprised the core membership of both Committees with only one other position available for an Opposition Member.

Public Hearings were held from Tuesday 24 June 2003 through to the afternoon of Friday 27 June 2003.

With this Order by the Assembly, the members of the Public Accounts Committee sitting as members of the Estimates Committee, were placed in the unique position of having to conduct two separate Public Hearings into two separate Appropriation Bills within the one financial year.

REPORTS TABLED

Annual Report Year Ended 30 June 2002 – Report No. 40 – Tabled on 28 November 2002

This report was tabled on 28 November 2002 and reviewed the activities of the Committee for the period 1 July 2001 to 30 June 2002.

BRIEFINGS

Auditor-General for the Northern Territory

Mr M. Blake

Following the completion of Mr Iain Summers' contract as Auditor-General for the Northern Territory, the newly appointed Auditor-General, Mr Michael Blake, appeared before the Committee on 13 August 2002 and provided the Committee with his proposed strategic work plan for the office of the Auditor-General.

In addition to that first briefing, the Auditor-General appeared before the Committee in February 2003 to provide additional information on issues contained within his reports to the Legislative Assembly.

The Auditor-General's reports to the Legislative Assembly are an intrinsic part of the Committee's information gathering process. The issues contained within the reports are critical to the Committee in determining areas that require further investigation.

The dates of the Auditor-General's appearance before the Committee were:

13.08.02 – Introduction and future strategy/planning of the office of Auditor-General by the newly appointed Auditor-General, Mr Mike Blake.

28.02.03 – November 2002 and February 2003 Reports to the Legislative Assembly; Auditor-General's Office Performance Focus for 2003 and Information Technology Audit Strategy for the Northern Territory Public Sector.

On 22 November 2002, the Auditor-General provided a detailed briefing to Mr Elliot McAdam, as Chairman-elect of the Committee after the Chairman Dr Chris Burns, had been promoted to the Ministry.

Northern Territory Treasury

Mr F. McGuinness, Assistant Under Treasurer

Department of Corporate and Information Services (DCIS)

Mr M. Martin, Deputy Secretary

Mr N. Pelissier, Director Budgets and Commercial

Mr McGuinness, Assistant Under Treasurer, together with DCIS senior personnel, provided the Committee with ongoing briefings on the implementation of accrual accounting.

Treasury officials appeared before the Committee on:

18.02.03 – 3-monthly review on the implementation of accrual accounting within the public sector.

On 22 November 2002, Mr McGuiness provided a further detailed briefing to Mr McAdam as the Chairman-elect of the Committee.

A full schedule of these briefings is contained within the Summary of Meeting, Briefings and Public Hearings at pages 15 and 16.

INQUIRIES

Department of Education (now incorporated in the Department of Employment, Education and Training) – \$6.0m Personnel Costs

In its report No. 38 entitled "Report of the Inquiry into the Accuracy of the Budget Data Published in the 2001-02 Budget Papers with Respect to Both the Estimated Outcome for 2000-01 and the Budget for 2001-02" (tabled on 22 May 2002), the Committee was not able to conclude its findings into the issue of the \$6.0m adjustment to the Department of Education's allocation which specifically referred to Personnel associated costs. The issue was also raised by the Auditor-General in his "Analysis of the 2000-01 Treasurer's Annual Financial Statement, November 2001 Report to the Legislative Assembly".

The Committee recognised that the issues would require further investigation outside the scope of the inquiry it was conducting and made specific mention in its report that it would "seek further briefings with Education and Treasury officers at an appropriate time".

To assist in the review process, Mrs Jane Large, Specialist Financial Adviser to the Committee, provided a detailed briefing in which she was able to address the complexities surrounding interpretations of budgetary terminology.

After reviewing the Hansard transcript of the evidence as well as an additional submission provided by the Department of Education and having received a detailed briefing by Mrs Large, the Committee agreed that no further investigation into the issue was warranted.

The Committee acknowledges that as it progressed its inquiry into the 2000-01 and 2001-02 Budget process, the issue of interpretation of Budget terminology and its application may have contributed to a misunderstanding and a subsequent series of questions and answers that lacked the depth of clarity necessary to resolve this particular issue at that time.

The hearings surrounding the "Budget Inquiry" were the first occasion where public sector officers provided, in public and under the scrutiny of the media, information to the Committee on their agency's budgetary process. The Committee considers that it is timely to remind all agencies' officers that, where evidence is given to a Parliamentary Committee, every effort should be made to ensure that the information is accurate, clear, concise and designed to provide, as far as possible, the maximum relevant information to assist Committee Members in their deliberations and the eventual tabling of a report to Parliament.

Inquiry into the Termination Payments to Executive Contract Officers (CEO and EO)

In the Auditor-General's Report to Parliament in February 2002, the issue of insufficient documentation to support decisions involving early termination payments to Executive Contract Officers was raised.

In a letter to the Chairman of the Public Accounts Committee, Mr Gerry Wood MLA, a member of the Committee requested that the Committee investigate this matter further.

On Thursday 13 February 2003, Mr John Kirwan - The Commissioner of Public Employment and Mr Theo Tsikouris - The Director, Employee Relations appeared before the Committee.

At the completion of the Hearing, the Committee took the decision to request the Auditor General to revisit the OCPE files and report back on the level of implementation of amending procedures raised by Mr Kirwan.

The Committee will be providing a full and comprehensive report on this matter for tabling in the Assembly once the Auditor-General has tabled his report.

NT Land Corporation – Land Sales

This issue also stemmed from unanswered questions emanating from the Committee's report on the "Inquiry into the Accuracy of the Budget Data." (Report No. 38, tabled on 22 May 2002).

Upon request, the Committee was provided with a computer generated report of all the Land Titles transactions for the Land Corporation since 1986.

As a follow up, Members were provided with a full and comprehensive briefing by an officer from the Department of Infrastructure, Planning and Environment.

At the time of tabling this Annual Report, the matter of the historical data of land transactions of the Land Corporation was an issue on which the Committee had not reached a conclusion.

Internal Audits within Agencies

This issue was highlighted by the Auditor-General in his August 2001 report to the Legislative Assembly. In addressing this matter, the Committee, on 3 May 2002, wrote to all agencies and received a detailed analysis of their internal audit programs spanning the last three years.

While considering the detailed replies of the individual Agencies, the Committee was briefed by the Secretary on the effects of a major restructuring process across all Agencies in late 2002, resulting in the creation of eleven (11) super departments.

The internal audit arrangements of the previous individual Agencies were subsumed into the over arching responsibilities of the major departments.

The Committee took the view that the process of review it had commenced should be signed off, and the issue of internal audit arrangements could be re-considered once the new departments are able to finalise their internal structures and sufficient time has elapsed for the implementation of appropriate administrative procedures.

Agencies' Annual Reporting

During a briefing session with the Auditor General, the issue was raised regarding the submission and timing of Agencies financial statements, required to be audited prior to attachment to Annual Reports.

Discussion centred on the use of the Auditor-General's office as a checking mechanism as opposed to an audit facility, as well as the timeliness of tabling Annual Reports in order to facilitate a prompt assessment by the Legislative Assembly and the Public Accounts Committee of the performance of Agencies.

Members endorsed the preparation of a letter for the Chairman's signature, addressed to all Ministers requesting them to remind all Agencies of the tabling provisions for Annual Reports contained within the Financial Management Act and the Public Sector Employment and Management Act.

Capital Works Expenditure

In the previous Auditor-General's Report to the Legislative Assembly, November 2001 (analysis of the 2000-2001 Treasurer's Annual Financial Statement), it was stated that

"The Government should provide a more comprehensive accountability for capital works expenditure. This should reconcile the announced capital works budget with the cash allocation to projects and to agency capital items provisions, and subsequently identify and report where variations occur in the actual capital outlays."

Further in the Report it is stated that:

" There is still no comprehensive analysis produced by Government to account for variations between Budget and actual outcomes for new fixed assets expenditure, or perhaps as importantly, between estimates and actual results. There is great interest in the Government's Capital Works Program from private sector businesses, yet sufficient Government accountability for actual performance in capital works deliver is still not being provided."

There is no concise reporting at the whole of Government level about the Capital Works Program."

The issue facing the Committee was that traditional capital works cash was approved and allocated on a global basis to the construction agencies who then managed the cash within the total Capital Works Programs. This provided the construction agencies with the flexibility to adjust cash between agencies and projects as warranted by any changed circumstances.

The Auditor-General pointed out that comprehensive reconciliation and reporting on capital works expenditure was not available to the Parliament and the general public. The Committee wrote to Mr Barry Chamber, Chief Executive Officer, Department of Infrastructure, Planning and Environment seeking comment on the various issues raised by the previous Auditor-General.

In a joint reply from Northern Territory Treasury and the Department of Infrastructure, Planning and Environment, it was stated that:

"Under the accrual framework it is intended to allocate Capital Works cash to Agencies who will be required to report quarterly on the Capital Works projects. It is planned that this report will be consolidated by Treasury and provided to Cabinet."

An additional submission elaborated on the release of information on Capital Works:

"DIPE is developing a reporting model to keep Government informed on the status of the total Works Program, including Capital Works, Minor New Works and Repair and Maintenance expenses. The first of these reports, for cash expenditure for the year to 31 January 2003, is due to go to Cabinet in February 2003. DIPE has taken full carriage of this reporting requirement."

Specific changes from the June 2002 statement, in addition to DIPE consolidating the report rather than Treasury, include that reporting is planned to be monthly with an intention to publicly release key data."

The Committee is aware that the introduction of accrual accounting procedures will impose an obligation on the Construction Agency to provide ongoing reports to Treasury. However Members agreed to seek further briefings and information once sufficient time has elapsed to allow the new procedural issues to be put in place.

Section 26 of the Audit Act requires that a Strategic Review of the Northern Territory Auditor-General's office be conducted no less than once in every three years.

Under Section 26(5) there is a process of consultation which must take place between the Chief Minister, the Public Accounts Committee and the Auditor-General regarding the appointment of a reviewer and the Terms of Reference for the review. A legal opinion provided to a previous Chairman of the Committee advised that the consultation could be conducted in writing.

When agreement is reached, the Chief Minister can proceed by way of an Executive Council submission recommending that His Honour the Administrator make the appointment of an appropriately qualified person [section 26 (3)] and determine the Terms of Reference [section 26(4)].

At its meeting of 26 November 2002, the Committee considered a submission from the Auditor-General in which he suggested a draft Terms of Reference for the upcoming review. After due consideration, the Committee endorsed the draft Terms of Reference.

The Review

Mr Neil Jackson, Assistant Auditor-General, Queensland Audit Office was appointed to conduct the review, and he appeared before the Committee on 29 May 2003 to discuss various issues surrounding the process he intended to adopt. Mr Jackson was accompanied by Mr Rajnich Padarath, Assistant Director, Audit, Policy and Reporting, Queensland Audit Office who was assisting him throughout the review.

Although the report had not been finalised by the June 2003 Sittings, there was every indication that it would be tabled in the Assembly during the sitting days scheduled for August 2003.

2003 NORTHERN TERRITORY PUBLIC SECTOR ANNUAL REPORT AWARDS

The Committee continues to provide support and sponsorship to the Northern Territory Public Sector Annual Report Awards co-sponsored by the Northern Territory Offices of Deloitte Touche Tohmatsu (Chartered Accountants) and the Northern Territory Division of the Institute of Public Administration Australia.

Mr Len Kiely, MLA represented the Committee in the adjudication process for the Awards. The Awards' finalists were announced on 15 May 2003 at a ceremony held at Deloitte Touche Tohmatsu's offices in Darwin.

A total of 18 entries were received for the 2003 Awards, compared to 20 for the 2002 Awards. The reduction in the number of NT Government entities from 34 to 18 in November 2001 undoubtedly impacted on the number of entries. A number of entities were merged into larger agencies and were no longer required to provide their own separate annual report. While the on-going viability of the Awards process will continue

to be assessed, the availability of individual feedback does continue to provide value for those entering the Awards process.

Awards are chosen by a consensus decision of the Adjudication Panel with the overall winner being selected amongst Award of Excellence winners only and decided by a majority vote.

The 2003 overall winner was the Department of Community Development, Sport and Cultural Affairs.

Award of Excellence and Awards of Merit were awarded to:

Award of Excellence	Awards of Merit
Darwin Port Corporation	Department of Corporate and Information Services Northern Territory Police, Fire and Emergency Services

CONFERENCES

Australasian Council of Public Accounts Committees, 7th Biennial Conference, Melbourne, 2 to 5 February 2003

The Chairman, Mr Elliot McAdam, MLA, Ms Delia Lawrie MLA, Mr Gerry Wood, MLA, and Mr Terry Hanley, Committee Secretary, participated in the conference.

The Chairman presented a paper entitled: "Developing an ethics culture in the public sector – Is there a role for Public Accounts Committees?" (see Appendix 7).

Topics considered included:

- Reports on developments from all PACs attending.
- Adoption of changes to the ACPAC's Constitution
- Relationship between Public Accountability and Governance
- Public Sector Management Challenges and Financial Risks – Issues for the Future
- Public Governance and the Role of Public Accounts Committee

SUMMARY OF MEETINGS, BRIEFINGS AND PUBLIC HEARINGS

No.	Date	Type of Meeting	Reference	Witness Organisation Represented
19	13.08.02	Deliberative Briefing	<ul style="list-style-type: none"> Newly appointed Auditor-General's plans for his agency 	Mr Mike Blake, Auditor-General <i>Office of the Auditor-General</i> Darwin
20	8.10.02	Deliberative		
21	17.10.02	Deliberative		
22	26.11.02	Deliberative		
PH7	13.02.03	Public Hearings	<ul style="list-style-type: none"> Inquiry into the Termination Payments to Executive Contract Officers 	Mr John Kirwan, Commissioner for Public Employment Mr Theo Tsikouris, Director Employee Relations <i>Office of the Commissioner for Public Employment</i> Darwin
23	13.02.03 1025 hrs	Deliberative		
24	13.02.03 1125 Hrs	Deliberative		
25	18.02.03	Deliberative Briefing (Tri-monthly)	<ul style="list-style-type: none"> Implementation of Accrual Accounting 	Mr Frank McGuinness, Assistant Under-Treasurer <i>NT Treasury</i> Mr Michael Martin, Deputy Secretary Mr Nick Pelissier, Director Budgets and Commercial <i>Department of Corporate & Information Services</i> Darwin
26	28.02.03	Deliberative Briefing	<ul style="list-style-type: none"> November 2002 and February 2003 Reports to the Legislative Assembly NTAGO Performance Focus for 2003 NTAGO Strategic Plan 	Mr Mike Blake, Auditor-General <i>Office of the Auditor-General</i> Darwin

No.	Date	Type of Meeting	Reference	Witness Organisation Represented
27	21.03.03	Deliberative		

Annual Report Year Ended 30 June 2003

		Briefing	<ul style="list-style-type: none"> Department of Employment, Education and Training \$6m Approved Personnel Costs 	Mrs Jane Large, Consultant Darwin
28	29.05.03	Deliberative		
		Briefing	<ul style="list-style-type: none"> 2003 Triennial Strategic Review of the Auditor-General's Office 	Mr Neil Jackson, Assistant Auditor-General (appointed Auditor for the Review) Mr Rajnich Padarath, Assistant Director, Audit, Policy and Reporting <i>Queensland Audit Office</i> Darwin

Estimates Committee Hearing 2002

DATE	AGENCY	MINISTER
17 09 02	Department of Legislative Assembly	Hon. Loraine Braham MLA (Speaker)
17 09 02	Auditor-General's Office Office of the Ombudsman Department of the Chief Minister	Hon. Clare Martin MLA (Chief Minister)
18.09.02	Department of the Chief Minister Northern Territory Treasury - Central Holding Authority - Northern Territory Treasury Corporation Arts and Museums Senior Territorians	Hon. Clare Martin MLA (Chief Minister)
18.09.02	Racing, Gaming and Licensing Employment, Education and Training	Hon. Syd Stirling MLA
19.09.02	Police Fire and Emergency Services	Hon. Syd Stirling MLA
19.09.02	Justice Corporate and Information Services - Information Technology Management Services - Government Printing Office - N.T. Fleet	Hon. Dr Peter Toyne MLA
19.09.02	Business, Industry and Regional Development Northern Territory Tourist Commission - Territory Discovery Northern Territory Railway	Hon. Paul Henderson MLA
19.09.02	Community Development, Sport and Cultural Affairs Aboriginal Areas Protection Authority Housing Business Services	Hon. John Ah Kit MLA
19.09.02	Health and Community Services	Hon. Jane Aagard MLA
24.06.03	Department of the Legislative Assembly	Hon. Loraine Braham MLA (Speaker)

Estimates Committee Hearing 2003

DATE	AGENCY	MINISTER
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Annual Report Year Ended 30 June 2003

24.06.03	Northern Territory Treasury - Central Holding Authority - NT Treasury Corporation Racing, Gaming and Licensing Employment, Education and Training Office of the Commissioner of Public Employment	Hon. Syd Stirling MLA (Treasurer)
24.06.03	Auditor-General Department of the Chief Minister Northern Territory Railway Women's Policy Senior Territorians Arts and Museums	Hon. Clare Martin MLA (Chief Minister)
25.06.03	Justice Corporate and Information Services - Data Centre Services - Government Printing Office - NT Fleet	Hon. Dr Peter Toyne MLA
25.06.03	Commercial Services (Procurement Policy) Business, Industry and Resource Development Police, Fire and Emergency Services	Hon. Paul Henderson MLA
25.06.03	Community Development, Sport and Cultural Affairs Housing Business Services Aboriginal Areas Protection Authority Library and Information Services	Hon. John Ah Kit MLA
26.06.03	Health and Community Services	Hon. Jane Aagard MLA
26.06.03	Infrastructure, Planning and Environment - Darwin Bus Service - Construction Division - Trade Development Zone Authority - Darwin Port Corporation - Territory Wildlife Park	Hon. Kon Vatskalis MLA
27.06.03	Animal, Plant and Fisheries Industry Services Environment and Heritage Northern Territory Tourist Commission - Territory Discoveries -	Dr Chris Burns MLA

Government Owned Corporations Scrutiny Committee

The inaugural meeting of the Government Owned Corporations Scrutiny Committee of the Legislative Assembly of the Northern Territory took place on Friday 27 June 2003. The Chairman tabled a copy of the order of the Assembly dated 27 February 2003 which appointed a committee for the purpose of examining and reporting on the activities, forms, principles and financial management of the Power and Water Corporation, a government owned corporation under the *Government Owned Corporations Act*, with reference to the Power and Water Corporation's Statement of Corporate Intent 2003-2004. The order effectively utilised the current membership of the Public Accounts Committee. The Chairman also tabled a copy of the Annual Report 2001-2002 and 2003-2004 Statement of Corporate Intent of the Power and Water Corporation.

Corporation Representatives were: Mr Neil Philip, Chairman of the Board; Mr Kim Wood, Managing Director; Mr Andrew Macrides, Company Secretary and General Manager of Business Services; and Mr Mick Clifford, Manager Regulatory Affairs and Economic Analysis.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2003

MEMBERS' STATEMENT

The accompanying financial statements have been based on proper accounts and records of the Department of Legislative Assembly and have been drawn up so as to present a true and fair view of the financial transactions of the Public Accounts Committee for the financial year ended 30 June 2003.

In my opinion, the prescribed requirements in respect of the establishment and keeping of accounts have been complied with. I am not aware of any circumstances which would render the financial statements to be misleading or inaccurate.

Dated at Darwin, Northern Territory

This _____ day of _____ 2003.

Mr Len KIELY, MLA
Chairman

on behalf of
Members of the Public Accounts Committee

2002–2003 EXPENSES BY STANDARD CLASSIFICATION

Actual 2002	Category of Cost Standard Classification	Actual 2003
PERSONNEL COSTS		
1 932	Fringe Benefits Tax	-483
0	Higher Duties	0
748	Leave Loading	2 400
1 168	NT Allowance	1 134
432	Other Personnel Allowances	5 229
1 301	Overtime	3 750
9 139	Payroll Tax	12 009
8 303	Recreation Leave Fares	0
118 409	Salaries	128 248
8 610	Superannuation	9 699
1 960	Workers Compensation	2 147
152 002	Sub-Total — Personnel Costs	164 133
OPERATIONAL COSTS		
0	Accommodation	600
924	Advertising	0
0	Bank Charges	19
1 766	Communications	3 304
19 766	Consultants Fees	1 725
121	Consumables/General Expenses	677
3 637	Document Production	73
583	Entertainment/Hospitality	370
0	Freight	23
0	Information Technology Services	18 641
3 513	Legal Expenses	0
61	Library Services	0
1 078	Marketing and Promotions	0
564	Membership and Subscriptions	340
4 923	Motor Vehicle Expenses	192
1 330	Office Requisites and Stationery	1 339
18 774	Official Duty Fares	8 915
1 247	Other Plant and Equipment	1 161
129	Property Maintenance	0
135	Training and Study Expenses	2 318
10 451	Travelling Allowance	2 702
69 002	Subtotal — Operational Costs	42 399
221 004	TOTAL EXPENSES	206 532

This is not an audited statement.

NOTE: Information Technology Services – 18,641. All work units will now have I.T. expenditure itemised in the category of costs. These costs were previously held within the Corporate Services area.

**EMPLOYEES ENTITLEMENTS OUTSTANDING
AS AT 30 JUNE 2003**

2002	Entitlements	2003
3 019	Leave Loading	3 137
33 324	Recreation Leave	41 617
48 107	Long Service Leave	51 182
84 450	TOTAL	95 936

This is not an audited statement.

Basis of Calculations

- 1. Leave Loading**
Entitlements are the value of actual leave loading.
- 2. Recreation Leave**
Entitlements are calculated using employee's nominal designation and salary rate for days of credited leave.
- 3. Long Service Leave**
Entitlements are calculated using employee's nominal designation and salary rate for years of service.

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 30 JUNE 2003

1. Accounting Entity

The Public Accounts Committee sits within a Sub-Output of the Assembly Services Output of the Department of the Legislative Assembly. The Agency is wholly funded by annual parliamentary appropriations and maintains an on-going dependency on these appropriations.

2. Significant Accounting Policies

(a) Basis of Accounting:

The Financial Statements have been prepared in accordance with Part 2, Section 5 of the Treasurer's Directions.

All amounts in the Committee's financial report are rounded to the nearest dollar and are expressed in Australian currency.

(b) Appropriation:

Parliamentary appropriations have not been recognised as revenue during the reporting period.

(c) Authority:

Payments have been made under the Authority of the *Financial Management Act*

(d) Funding:

Funds for Committee activities are provided by the Department of the Legislative Assembly. Provision of salary and administrative activities are appropriated by the Parliament to the Assembly Services (Output), Committee Support Services and Advice (Sub-Output) within the budget appropriated to the Department of Legislative Assembly. The Public Accounts Committee was one of three (3) Standing and Select Committees that received funds from this program. A notional budget is provided each year for these committees.

(e) The Committee does not operate any Trust Accounts.

(f) There were no material Accounts Receivable, Accounts Payable or authorised Write-offs and Waivers as at 30 June 2003.

(g) Committee Members' Remuneration:

The Chairman of the Public Accounts Committee receives an allowance for services as presiding officer of the Committee. In accordance with Remuneration Tribunal Determination 1 of 2002, effective 1 September 2002, this allowance was set at \$16 668 per annum.

This allowance is met directly from the Department of the Legislative Assembly's budget. No other Members of the Committee receive an allowance.

(i) Services received at no cost from the Northern Territory Government/Department of Legislative Assembly

The Committee, as a Sub-Output of the Assembly Services Output within the Department of the Legislative Assembly, received the following services which have not been costed to the Committee:

- Rent of premises;
- Electricity;
- Briefings provided by employees of the Northern Territory Government;
- Superannuation contributions;
- Members' salary for sitting days;
- Superannuation contributions in respect of employees' contributions;
- Office cleaning;
- Office security;
- Payroll services and cheque production services provided by NT Treasury;
- Accounting fees for services provided by Department of Legislative Assembly.

APPENDICES

MEMBERSHIP OF THE PUBLIC ACCOUNTS COMMITTEE

MEMBER	PERIOD	STATUS
Adamson, Mr P F	28 Nov 1996 – 12 Aug 1997	Member
Bailey, Mr J D	4 Dec 1990 – 17 May 1994 27 Jun 1994 – 12 Aug 1997 26 Nov 1997 – 18 Jun 1999	Member Member Member
Bonson, Mr M T	27 Jun 2003 – *	Member
Braham, Mrs L M	27 Jun 1994 – 28 Nov 1996 28 Nov 1996 – 12 Aug 1997	Member Chairman
Burke, Mr D G	23 Aug 1994 – 15 Aug 1995	Member
Burns, Dr C B	16 Oct 2001 – 18 Oct 2002	Chairman
Collins, Mr R L	20 Aug 1986 – 16 Feb 1987	Member
Dondas, Mr N M	23 Aug 1988 – 10 Oct 1989	Member
Dunham, Mr S	26 Nov 1997 – 16 Feb 1999 18 Oct 2001 – *	Chairman Member
Ede, Mr B R	28 Apr 1987 – 23 Aug 1988 23 Aug 1988 – 5 Oct 1990 27 Jun 1994 – 23 Aug 1996	Member Member Member
Elferink, Mr J W	14 Oct 1998 – 1 Aug 2001	Member
Henderson, Mr P R	10 Aug. 1999 – 1 Aug 2001	Member
Hatton, Mr S P	26 Nov 1997 – 14 Oct 1998	Member
Harris, Mr T	7 May 1987 – 17 May 1988	Member
Kiely, Mr L F	16 Oct 2001 – *	Member
Leo, Mr D M	18 Jun 1986 – 16 Feb 1987 28 Apr 1987 – 23 Aug 1988 23 Aug 1988 – 5 Oct 1990	Member Member Member

Annual Report Year Ended 30 June 2003

MEMBER	PERIOD	STATUS
Lawrie, Ms D	26 Nov. 2002 – *	Member
Lim, Dr R S H	28 Nov 1996 – 12 Aug 1997 16 Feb 1999 – 28 Nov 2000 18 Oct 2001 – *	Member Member Member
Lugg, Mr C D	26 Nov 1997 – 15 Feb 1999 16 Feb 1999 – 10 Aug 1999	Member Chairman
McAdam, Mr E	16 Oct 2001 – 25 Nov 2002 26 Nov 2002 – 27 Jun 2003	Member Chairman
McCarthy, Mr T R	28 Apr 1987 – 7 May 1987 24 Aug 1993 – 17 May 1994	Member Member
Mills, Mr T K	28 Nov 2000 – 1 Aug 2001	Member
Mitchell, Mr P A	15 Aug 1995 – 28 Nov 1996	Member
Palmer, Mr M J	18 Jun 1986 – 16 Feb 1997 28 Apr 1987 – 30 Apr 1987 30 Apr 1987 – 23 Aug 1988 23 Aug 1988 – 5 Oct 1990 4 Dec 1990 – 17 May 1994 27 Jun 1994 – 23 Aug 1994	Member Member Chairman Chairman Chairman Chairman
Parish, Mr K A	25 Feb 1992 – 17 May 1994	Member
Perron, Mr M B	18 Jun 1986 – 16 Feb 1987	Chairman
Poole, Mr E H	28 Apr 1987 – 17 May 1988 10 Oct 1989 – 5 Oct 1990 4 Dec 1990 – 4 Mar 1993 10 Aug 1999 – 1 Aug 2001	Member Member Member Chairman
Reed, Mr M A	17 May 1988 – 16 Aug 1988	Member
Setter, Mr R A	17 May 1988 – 23 Aug 1988 23 Aug 1988 – 5 Oct 1990 4 Dec 1990 – 17 May 1994 27 Jun 1994 – 25 Aug 1994 25 Aug 1994 – 28 Nov 1996	Member Member Member Member Chairman
Smith, Mr T E	18 Jun 1986 – 20 Aug 1986	Member
Stirling, Mr S J	4 Dec 1990 – 25 Feb 1992	Member

MEMBER	PERIOD	STATUS
Toyne, Mr P H	28 Nov 1996 – 12 Aug 1997 26 Nov 1997 – 1 Aug 2001	Member Member
Tuxworth, Mr I L	18 Jun 1986 – 16 Feb 1987	Member
Vale, Mr R W S	4 Mar 1993 – 24 Aug 1993	Member
Wood, Mr G	16 Oct 2001 – *	Member

* Membership as at 30 June 2003

NOTE:

The Public Accounts Committee was established by provisional Standing Order 21A to operate on a trial basis as a Sessional Committee on 18 June 1986.

Pursuant to a resolution of the Assembly on 23 August 1988, the status of the Public Accounts changed from a Provisional Sessional Committee to a Standing Committee.

PUBLIC ACCOUNTS – Appointment of Membership

That, notwithstanding anything contained in the Standing Orders, the following Members be appointed to the Standing Committee on Public Accounts: Dr C B Burns, Mr L F Kiely, Mr E McAdam, Mr G Wood and two Members nominated by the Leader of the Opposition.

Motion moved by Leader of Government Business (Mr Stirling) agreed to 16 October 2001

NOTE:

this matter regarding the issue of membership numbers overrides paragraph 1 Appendix 3.

TERMS OF REFERENCE

STANDING ORDER 21A PUBLIC ACCOUNTS COMMITTEE

21A PUBLIC ACCOUNTS COMMITTEE

- (1) A Standing Committee of Public Accounts to consist of five members shall be appointed at the commencement of each Assembly.
- (2) The duties of the Committee shall be –
 - (a) to examine the accounts of the receipts and expenditure of the Northern Territory and each statement and report tabled in the Legislative Assembly, pursuant to the *Financial Management Act* and the *Audit Act*;
 - (b) to report to the Legislative Assembly with such comments as it thinks fit, any items or matters in or arising in connection with those accounts, statements or reports, or in connection with the receipt or disbursement of the moneys to which they relate, to which the Committee is of the opinion that the attention of Parliament should be drawn;
 - (c) to report to the Legislative Assembly any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them or in the method of receipt, control, issue or payment of public moneys;
 - (d) to inquire into and report to the Legislative Assembly on any question in connection with the public accounts of the Northern Territory—
 - (i) which is referred to it by a resolution of the Assembly; or
 - (ii) which is referred to it by the Administrator or a Minister; and
 - (e) to examine the reports of the Auditor-General tabled in the Legislative Assembly with the accounts of an Agency of the Northern Territory, including any documents annexed or appended to those reports, pursuant to the *Audit Act*.
- (3) The Committee shall examine only those accounts of receipts and expenditure of the Northern Territory and reports of the Auditor-General for financial years commencing after 30 June 1986 provided that this shall not prevent the consideration by the Committee of matters included in reports of the Auditor-General for the year ending 30 June 1986 which have or may have a continuing effect on the form of the public accounts, the method of receipt, control, issue or payment of public moneys.
- (4) Prior to determining whether to undertake an inquiry into any matter which may have arisen in connection with the public accounts of the Northern Territory, pursuant to paragraphs (2)(a) and (e), with the concurrence of the Committee, the Chairman is empowered to write to the Chief Executive Officer of the relevant agency for a report on the matter.

- (5) The Committee shall take care not to inquire into any matters which are being examined by a Select Committee of the Assembly especially appointed to inquire into such matters and any question arising in connection therewith may be referred to the Assembly for determination.
- (6) The Committee shall elect a Government Member as Chairman.
- (7) The Chairman of the Committee may, from time to time, appoint a Member of the Committee to be the Deputy Chairman of the Committee and the Member so appointed shall act as Chairman of the Committee at any time when there is no Chairman or when the Chairman is not present at a meeting of the Committee.
- (8) In the event of an equality of voting, the Chairman, or the Deputy Chairman when acting as Chairman, shall have a casting vote.
- (9) The Committee shall have power to appoint sub-committees and to refer to any such sub-committee any matter which the Committee is empowered to examine.
- (10) Three Members of the Committee shall constitute a quorum of the Committee and two Members of a sub-committee shall constitute a quorum of the sub-committee.
- (11) The Committee or any sub-committee shall have power to send for persons, papers and records, to adjourn from place to place, to meet and transact business in public or private session and to sit during any adjournment of the Assembly.
- (12) The Committee shall be empowered to print from day to day such papers and evidence as may be ordered by it and, unless otherwise ordered by the Committee, a daily *Hansard* shall be published of such proceedings of the Committee as take place in public.
- (13) The Committee may proceed to the dispatch of business notwithstanding that all Members have not been appointed and notwithstanding any vacancy.
- (14) The Committee shall report annually and shall have leave to report from time to time and to report its proceedings and evidence taken; and any Member of the Committee shall have power to add a protest or dissent to any report.
- (15) Unless otherwise ordered by the Committee, all documents received by the Committee during its inquiry shall remain in the custody of the Assembly: provided that, on the application of a department or person, any document, if not likely to be further required, may, in the Speaker's discretion, be returned to the department or person from whom it was obtained.
- (16) The Committee shall be provided with all necessary staff, facilities and resources and shall be empowered, with the approval of the Speaker, to appoint persons with specialist knowledge for the purposes of the Committee.

APPENDIX 4**PUBLIC ACCOUNTS COMMITTEE'S REPORTS**

No.	Title	Date Tabled
1	Annual Report Year Ended 30 June 1987	September 1987
2	Report on the Actual and Contingent Liabilities of the Northern Territory Government	November 1987
3	Report on the Auditor-General's Annual Reports 1985–86	May 1988
4	Report on Accelerated Year End Spending	May 1988
5	Annual Report Year Ended 30 June 1988	August 1988
6	Report on Public Administration Recurrent Expenditure (Waste Watch)	October 1988
7	Report on the Auditor-General's Annual Reports 1986–87	May 1989
8	Report on Aero-Medical Contract	May 1989
9	Annual Report Year Ended 30 June 1989	November 1989
10	Second Report on the Actual and Contingent Liabilities of the Northern Territory Government	February 1991
11	Annual Report Year Ended 30 June 1990	February 1991
12	Report on the Auditor-General's Annual Reports 1987–88 and 1988–89	May 1991
13	Annual Report Year Ended 30 June 1991	October 1991
14	Report on 1990 Election Costs	November 1991
15	Report on Biennial Conference of PAC, Darwin, May 1991	November 1991
16	Report on the Auditor-General's Report 1989–90	May 1992
17	Annual Report Year Ended 30 June 1992	October 1992
18	Australasian Council of Public Accounts Committees, Mid-Term Meeting, Transcript of Proceedings, Monday 20 July 1992	August 1993
19	Report on the Purchase, Operation and Sale of Dalway Pty Ltd	March 1993
20	Annual Report Year Ended 30 June 1993	August 1993
No.	Title	Date Tabled

Annual Report Year Ended 30 June 2003

No.	Title	Date Tabled
21	Report on the Auditor-General's Annual Reports 1990–91 and 1991–92	June 1994
22	Annual Report Year Ended 30 June 1994	October 1994
23	Annual Report Year Ended 30 June 1995	October 1995
24	Report on the Auditor-General's Annual Report 1992–93	October 1995
25	Second Report on the Auditor-General's Annual Report 1992–93	November 1995
26	Internal Audit in the Northern Territory Public Sector	November 1995
27	Provision of School Education Services for Remote Aboriginal Communities in the Northern Territory	August 1996
28	Provision of Health Services to Aboriginal Communities in the Northern Territory	November 1996
29	Annual Report Year Ended 30 June 1996	November 1996
30	Report on the Auditor-General's Annual and Mid Year Reports 1993–94 and 1994–95	February 1997
31	Annual Report Year Ended 30 June 1997	February 1998
32	Annual Report Year Ended 30 June 1998	December 1998
33	Report on the Auditor-General's Mid-Year and End of Financial Year Reports 1995-96 to 1998 – Inquiry into Fees, Fines and Outstanding Debts	February 1999
34	Inquiry into the Roles of Various Funding Bodies in the Development and Maintenance of Roads, Airstrips and Barge Landings on Aboriginal Communities and Outstations in the Northern Territory	August 1999
35	Annual Report Year Ended 30 June 1999	November 1999
36	Annual Report Year Ended 30 June 2000	November 2000
37	Annual Report Year Ended 30 June 2001	November 2001
38	Report of the Inquiry into the Accuracy of the Budget Data Published in the 2001–02 Budget Papers with Respect to Both the Estimated Outcome for 2000–01 and the Budget for 2001–02	May 2002
39	Report on the Establishment of an Estimates Committee Process within the Northern Territory Parliament	June 2002
40	Annual Report Year Ended 30 June 2002	November 2002

**EXTRACTS FROM THE RECORDS OF THE LEGISLATIVE
ASSEMBLY**

Minutes of the Proceedings of the Legislative Assembly

COMMITTEE MEMBERSHIP — CHANGES

Tuesday 26 November 2002

The Leader of Government Business (Mr Henderson) in relation to the parliamentary Committee membership, moved —

That the Member for Johnston (Dr Burns) be discharged from service on the Public Accounts Committee and that the Member for Karama (Ms Lawrie) be appointed in his stead.

Question – put and passed.

Friday 27 June 2003

Mr HENDERSON (Leader of Government Business) (by leave): I move that:

- (a) the Member for Barkly be discharged from service on the Public Accounts Committee and that the Member for Millner be appointed in his stead.

Motion agreed to.

STRATEGIC REVIEW OF THE AUDITOR-GENERAL'S OFFICE

Extract from the Audit Act as in force 30 October 2002

PART 5 – STRATEGIC REVIEW AND AUDIT OF ACCOUNTS OF AUDITOR-GENERAL'S OFFICE

26. Strategic review of Auditor-General's Office

(1) Strategic reviews of the Auditor-General's Office shall be conducted under this section.

(2) A review under this section shall be conducted not less than once every 3 years.

(3) A review under this section shall be undertaken by an appropriately qualified person appointed by the Administrator.

(4) The terms of reference for a review under this section shall be determined by the Administrator.

(5) Before a person is appointed under this section to undertake a review, the Minister shall consult with the Public Accounts Committee of the Legislative Assembly and the Auditor-General about –

- (a) the appointment; and
- (b) the terms of reference for the review.

(6) The remuneration and other terms and conditions of appointment of a person appointed under this section to undertake a review shall be as determined by the Administrator.

(7) For the purposes of conducting the review –

- (a) the person has all the powers that an authorised auditor has under this Act; and
- (b) this Act applies to and in relation to the person and the review as if the person were an authorised auditor conducting an audit, and the review were an audit, under this Act.

(8) Subject to subsection (9), on completing a review under this section, the person shall give a report on the review to the Minister and the Auditor-General.

(9) Section 24 applies to a report under subsection (8) as if the person were the Auditor-General and the Auditor-General's Office were the agency to which the report relates and the matter was the subject of a report under that section.

(10) The Minister shall table a copy of a report under subsection (8) in the Legislative Assembly within 6 sitting days of the Assembly after it is received by the Minister.

STRATEGIC REVIEW OF THE AUDITOR-GENERAL'S OFFICE

Terms of Reference

1. Conduct an evaluation of the performance of the Office.

The Core Reference Modules for use with Peer Reviews, issued by the Australasian Council of Auditors-General, should provide the methodology to be used.

If not otherwise dealt with in 1. :

2. Evaluate how well the Recommendations of the 2000 Strategic Review have been actioned.

3. Evaluate how well the Recommendations of external and internal audits conducted since the last Strategic Review have been actioned.

4. Prepare a Report on findings, including, but not limited to the following matters:

- (a) The audit methodologies of the Office, and their use, having regard to:
 - (i) compliance with Australian Auditing Standards; and
 - (ii) compliance with legislated responsibilities in the *Audit Act*.
- (b) The effectiveness of the contract management practices of the Auditor-General's and in particular,
 - (i) the operational and training support to its private sector audit service providers; and
 - (ii) the methods of evaluating service delivery standards established by contractual Auditor-agreements.
- (c) The effectiveness of the customer service delivery provided by the Auditor-General's Office, particularly to:
 - (i) Member of the Legislative Assembly, and especially the Public Accounts Committee; and
 - (ii) senior management of public sector entities.
- (d) The adequacy of the human, financial and equipment resources.

- (e) An overall opinion on the performance of the Northern Territory Auditor-General's Office with reference to assessments of effectiveness, efficiency and appropriateness.
- 5. Having completed 4, make a comparative assessment of the efficiency and effectiveness of the service delivery arrangements with at least one other Australian Auditor-General's Office of a similar size.**

**Australasian Council of Public Accounts Committees
7th Biennial Conference
Melbourne, 2 to 5 February 2003**

**DEVELOPING AN ETHICS CULTURE IN THE PUBLIC SECTOR.
IS THERE A ROLE FOR PUBLIC ACCOUNTS COMMITTEE?**

By E. McAdam, MLA, Chairman
Northern Territory Public Accounts Committee

INTRODUCTION

The subject of public sector ethics has been the topic of countless books and papers over a number of years and while many of the theories and positions put forward are admirable in their intent, the practice of achieving a true ethics culture within the public service is a difficult and onerous task, particularly where a similar notion of ethical behavior may not be a priority of the Government of the day.

The development of a transparent and 'real' ethics culture within the public sector is a fundamental feature of honest and accountable Government. The electorate also has a high expectation that Governments and the public sector will manage with the public and national interest as a key priority. This paper will examine firstly the concept of public sector ethics and the relationship between the public sector and Government and, secondly the role of Public Accounts Committee to present a position on the role of the Public Accounts Committees in the development of an ethics culture in the public sector.

ETHICS IN THE PUBLIC SECTOR

'Public servants exercise discretionary power in their everyday work in several ways; in their stewardship of public resources, at the interface with citizens, and in the context of their policy making functions. Ethics is one of the important checks and balances against the arbitrary use of that public power. It also provides a basis to test practices, conventions and conduct generally, against which the public can be assured that its interests are being serviced and that due process is being observed. As such, it is a key factor in the quality of governance'¹.

Since the 90s as a direct consequence of declining public confidence in both Governments and the public sector, we have witnessed the introduction of a range of programs that have focussed on the development of ethical practice within the public sector².

In addition, the complexity of tasks undertaken by the public sector has increased dramatically over the past two decades and supports an argument for even more scrutiny of the service in terms of both its administration of what has been traditionally 'in house' service delivery and the management of service delivery by external bodies^[3].

In understanding how an ethical culture is developed and maintained it is important to distinguish between the concepts of (a) the rules and regulations that guide ethical behaviour in the workplace and (b) the development of a culture of ethics across the public service. A review of jurisdictions throughout Australia and New Zealand reveals that they all rely on a series of prescriptive codes of conduct that are either embodied in legislation or are supported by appropriate legislation. A quick comparison of all jurisdictions shows that South Australia, Tasmania, the Northern Territory and New Zealand all operate under a traditional public service Commissioners type structure. These statutory authorities have broad powers, and in any disciplinary action the Commissioner is considered to be the statutory employer. In the Northern Territory the Commissioner of Public Employment is responsible for addressing any issues dealing with breaches of the Code of Conduct (Employment Instruction No. 13 in the NT July 1993) and is in turn supported by the *Public Sector Employment and Management Act (November 2002)*.

Other states have a variety of authorities responsible for overseeing or controlling the implementation of codes of ethics. A case in point is Western Australia where the Public Sector Management Act 1994 created an independent statutory office of the Commissioner for Public Sector Standards. This statutory position was responsible for the development of that state's Code of Ethics, which was launched in July 1996.

Codes of Conduct or Codes of Ethics provide sound frameworks for the development of guidelines and practices for the public sector. Training and awareness programs are built around the content of these edicts. However, rules and regulations are really only the tools to guide day to day practice. An ethics culture which produces sound ethical policy development very much relies on the integrity of process, participation and involvement of all stakeholders, the achievement of ownership of policy outcomes and Government support.

'An ethics initiative in the public service is unlikely to be successful unless it is underpinned by genuine political commitment. Political commitment is usually expressed through rhetoric (speeches, public announcements, written statements by leaders), demonstrated through setting an example, and supported by allocating adequate resources. It gives not only the authority for legal and administrative controls but also guides all ethics-related activities. It is essential in providing a credible response to a demanding public^[4].

LINKING ETHICS IN THE PUBLIC SECTOR WITH ETHICAL BEHAVIOUR BY GOVERNMENTS

It is virtually impossible to develop an ethics culture in the public sector without the Government of the day leading by example and it is interesting to look at where the various jurisdictions presently stand on the development of Parliamentary ethics.

Prior to the August 2001 Northern Territory election there had been no serious attempt to implement a unified code of ethics for Members. It should be noted however that some of the prescriptive and directory elements of other codes are in place in various forms and are provided for in a range of statutory and non-statutory sources. For example *Legislative Assembly (Register of Members' Interest) Act (January 1992)* and the *Legislative Assembly (Powers and Privileges) Act (May 2000)*.

The Tasmanian House of Assembly has had a code incorporated within its Standing Orders since 1954. The New South Wales Legislative Assembly and Legislative Council have had a code of conduct in place since 1988, while the Victorian Legislative Council has had a code since 1978.

The Code of Ethical Standards, presently in force in Queensland has been in place in its present format since 8 August 2001, while South Australia announced the introduction of a new code of conduct on Thursday 16 May 2002.

Late last year, the Western Australia Parliament referred the matter to a Standing Orders Committee, while the Commonwealth Parliament, House of Representatives and The Senate has not adopted any formal codes.

Throughout the country there would appear to be overwhelming support by elected Members for this level of accountability. Politicians can no longer take the line that their accountability is tied to their individual moral responsibility. In a similar vein it is not their relationship with constituents nor accountability to their electorate, that should be their single focus if they are sincere in promoting an across the board ethical culture. There must exist a collective responsibility that will need to encompass their public role in Government or the opposition and their ambition to pursue the common good and the national interest^[5].

The public at large must be confident in the fact that elected members are sincere in maintaining their commitment to accountable Government. The flow on effect of this adoption of accountable and ethical practices by Government is to provide clear leadership to its public sector and support the development and maintenance of a strong ethical culture within its ranks.

THE INTRODUCTION OF INCREASED ACCOUNTABILITY WITHIN GOVERNMENT – THE NORTHERN TERRITORY PERSPECTIVE

In August 2001 Labor won Government after 26 years of rule by the CLP. Its pre-election platform was built on a commitment to increase the transparency and accountability of Government and the public sector. There had been many issues effectively blocked in the Assembly by the previous Government. Two high priority areas were identified by the new Labor Government. One was the appointment of an Estimates Committee and the other the introduction of FOI legislation.

On Thursday 23 May 2002 the Leader of Government Business, moved a motion in the Assembly appointing the inaugural Estimates Committee in the Northern Territory, with the core membership comprising members of the Public Accounts Committee and with the Chairman retaining chairmanship of both Committees. The new Committee sat on 17 through to 19 September 2002 where it examined and reported on the estimates of proposed expenditure contained in the Appropriation Bill 2002/2003.

On 8 October 2002 the Information Bill (Serial 85) was read for the second time and after lengthy debate eventually became law. The draft Bill was tabled on 23 October 2001, (only two months after the newly elected Government had taken office) and public comment was immediately invited. A further example of the total commitment by the Government to participatory democracy. The speedy introduction of this Bill was deemed necessary as calls for similar FOI type Legislation had fallen on deaf ears during the CLP's term in office.

Although others may challenge the relevance of introducing these issues in relation to this topic, as most States and Territories have had them in place for many years, I consider it an intrinsic component in the development of an ethical culture within the Northern Territory Government.

The demographic makeup of the Northern Territory is diverse and widespread over a large geographical area. Our total population is 201,989 with 64,522 located outside Darwin and Alice Springs and Indigenous people make up 28% (57,236) of the total population^[6]. We pride ourselves on the multicultural nature of our population and the way in which that true mix of cultures enriches our lives. However, it also brings about an interesting situation in terms of the development and maintenance of an ethics culture across all levels of Government, particularly in terms of our public sector.

Integrity, honesty and impartiality are common values in the development of ethical standards. However, values change as community attitudes change and new values may emerge in line with developing community attitudes. We have a vast number of public sector employees who work within, or with, remote communities. These employees are bound by the Northern Territory Code of Conduct but they also have to deal on a daily basis with the values of Indigenous communities which are sometimes at odds with the judiciary and Government policy.

In looking at the day to day practice of these public sector employees you can begin to understand the pressures at play if they are bound by rules and regulations that do not take into consideration the values of the groups within which they are working. It

is important to note that ethical development is not a static activity, it is driven by societal change.

The impact of a greater recognition of the values of Indigenous people and of the diversity that accompanies multiculturalism will be just one of the forces for that change. However that issue should be the subject of another quite separate debate to the matter under consideration in this paper.

The challenge associated with the incorporation of Indigenous values into public sector ethical standards is not likely to be resolved in the immediate future but it is an important issue and one that will require considerable debate in those jurisdictions where these matters emerge^[7].

THE FUNCTION OF PUBLIC ACCOUNTS COMMITTEES

For the purposes of this paper I have reduced the operations of all Public Accounts Committee to a core function. I put to you, that the main function of Public Accounts Committees is to report to their respective Parliaments on the overall efficiency and effectiveness of the financial management of public monies by the various public sector agencies and authorities.

In broad terms, this is achieved through the investigation of Government's financial accounts and statements, the conducting of specific inquiries as well as the examination of all reports tabled by the Auditors-General.

Some jurisdictions also have an in-built Estimates Committee function, and most jurisdictions have adopted some form of program to promote awareness and understanding of the financial and related operations of Government. These promotional activities are not necessarily restricted to the public sector, they can also involve community and professional interest groups.

An example of such an activity is where a Public Accounts Committee jointly host an information seminar with an Auditor-General at which members of the accountancy profession and the public sector are present.

The composition of Committee membership ensures involvement from the Opposition and Independent Members of the day.

IS THERE A ROLE FOR PUBLIC ACCOUNTS COMMITTEES IN THE DEVELOPMENT OF ETHICS IN THE PUBLIC SECTOR?

Public Accounts Committees are an important part of the bipartisan parliamentary committee process and as such are considered to operate independent from Government and the executive. Public Accounts Committees stand aside from the normal Government/ministerial decision making process. In fact they are a watchdog over Government to ensure accountability of the highest order is maintained.

The development and training associated with a public sector code of conduct/ethics is the responsibility of the public sector. These codes are supported by legislation and adherence to them is monitored by either a delegated statutory position or authority. While some PACs actively pursue a promotion awareness function it would only be as a work unit strategy, not pursuant to respective terms of reference. The primary role of the PAC is such that it is not appropriate to even consider it, as a Government committee, undertaking a task that clearly sits with the public sector.

However, as just mentioned, PACs do have a responsibility in raising the public's awareness of issues surrounding accountability within Government. To reiterate an earlier point, the development of a true ethics culture in the public sector is extremely difficult without the Government of the day leading by example. If this statement holds true there is clearly an opportunity for PACs to promote parliamentary ethics through awareness programs to the public sector. The membership of PACs which include members from Government, the opposition and in some case independent members, is in many ways the ideal vehicle to undertake this task.

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