



**PUBLIC ACCOUNTS
COMMITTEE**

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

PUBLIC ACCOUNTS COMMITTEE

**Report on the Auditor-General's
Reports 1989/90**

REPORT NUMBER 16

MAY 1992

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REPORT NUMBER 16

MAY 1992

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PUBLIC ACCOUNTS COMMITTEE
REPORT ON THE AUDITOR-GENERAL'S REPORT
REPORTS 1989/90

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PUBLIC ACCOUNTS COMMITTEE
 REPORT ON THE AUDITOR-GENERAL'S REPORT

REPORT 1988
 OF THE PUBLIC ACCOUNTS COMMITTEE

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CHAPTER 1

THE NORTHERN TERRITORY PUBLIC ACCOUNTS COMMITTEE

The Northern Territory Public Accounts Committee was first established by temporary Standing Order 21a of the Legislative Assembly on 16 August 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 only 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 and the *Legislative Assembly (Powers and Privileges) Act*.

The Committee is comprised of five (5) members, presently three (3) Government and two (2) Opposition members.

The duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Northern Territory and each statement and report transmitted to the Legislative Assembly by the Auditor-General, pursuant to the *Financial Administration and 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 monies 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 receipt, control, issue or payment of public monies;

- (d) to inquire into and report to the Legislative Assembly on any question in connection with the public accounts of the 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 laid before the Legislative Assembly with the accounts of a Public Authority of the Northern Territory (including any documents annexed or appended to those reports).

CHAPTER 2

COMMITTEE MEMBERS

Members of the Public Accounts Committee are:

MR MICK PALMER, MLA Chairman

Country Liberal Party

Member for Karama. First elected 1983.

Other Committees: Environment (Chairman); House; Subordinate Legislation and Tabled Papers; Use and Abuse of Alcohol by the Community.

MR JOHN BAILEY, MLA

Australian Labor Party

Member for Wanguri. First Elected 1989.

Deputy Leader of the Opposition

Shadow Minister for Health & Community Services, Ethnic Affairs, Liquor, Work Health Authority.

Other Committees: Constitutional Development; Environment; Publications.

MR RICK SETTER, MLA

Country Liberal Party

Member for Jingili. First elected 1984.

Leader of Government Business.

Other Committees: Publications (Chairman); Subordinate Legislation and Tabled Papers (Chairman); Constitutional Development; New Parliament House; Standing Orders.

MR KEN PARISH, MLA

Australian Labor Party

Member for Millner. First elected 1991.

Shadow Minister for Industries and Development; Tourism and the Arts; Small Business.

Other Committees: Subordinate Legislation and Tabled Papers.

MR ERIC POOLE, MLA

Country Liberal Party

Member for Araluen. First elected 1986.

Chairman of Committees.

Other Committees: Environment; House; Publications; Standing Orders; Subordinate Legislation and Tabled Papers; Use and Abuse of Alcohol by the Community (Chairman).

CHAPTER 3

INTRODUCTION

The Northern Territory Auditor-General is responsible to the Legislative Assembly for the conduct of the public sector audit function. This enables Parliament to oversee the financial operations of all facets of government. Audit office staff numbers are minimal with all of the field work carried out by private sector authorised auditors. The office maintains a largely supervisory role.

This is in contrast to audit offices in other States, some of which do contract work to the private sector but maintain a team of qualified and trainee auditors and support staff. The merits of either are not the subject of this Report. It is sufficient to say that contracting out the audits of government activities works well for the Northern Territory.

The 1989/90 Auditor-General's Annual Report concentrates on financial accountability rather than possible cost savings and efficiency because the latter was the subject of his 1987/88 and 1988/89 Annual Reports. These reports were subject to scrutiny by two consultants (see Public Accounts Committee Report No.12) employed by the Public Accounts Committee which resulted in the formation of a Working Party on Public Accounts Committee Report No. 12. Founding members of this Working Party were Mr Michael Martin, Senior Director, Financial Services, Treasury (Chairman); Ms Margaret Lyons, Deputy Public Service Commissioner; and Ms Kathleen Robinson, Contract Audit Manager, Chief Minister's Department. They have produced two reports to date which are attached at Appendix B.

The Auditor-General chose not to participate on this Working Party.

The Committee does not intend to comment on either of the Working Party's papers at this stage as it is felt various options are still being considered by the Party and to do so may pre-empt the Party's recommendations. They will, however, be the subject of extensive review and comment in the next Committee Report on the Annual Reports of the Auditor-General.

Turning to the 1989/90 Auditor-General's Report, the Committee adopted a review methodology as set out in Chapter 4.

CHAPTER 4

METHODOLOGY

Chapter 1 of this Report details the duties of the Committee in relation to its standing reference to review the Annual Report and the Report Upon Public Sector Corporations of the Auditor-General.

The methodology adopted by the Committee in reviewing the Auditor-General's Annual Report for 1989/90 and the Report Upon Public Sector Corporations was to seek a briefing from the Auditor-General in the first instance.

Given the nature of his Annual Report which concentrated on matters of possible cost savings and efficiency gains rather than financial accountability the Auditor-General did not brief the Committee until 19 September 1991, some twelve months after the tabling of his Annual Report.

This delay enables Departments and Statutory Authorities time to comment on and/or adopt the Auditor-General's Recommendations before the Committee reviews the results.

In addition, the Committee was briefed by representatives from the Northern Territory Treasury to ascertain their reaction to the Report. The Treasury, through its membership of various working parties and groups, is able to monitor current and future directions in public accountability and also to recommend appropriate changes to current practices and methodologies.

The broad principles of financial administration and the basic accounts to be established and kept by Departments are set out in the Financial Administration and Audit Act. Each Department is expected to have their own Accounting and Property Manual which must comply with the Act, Treasury Regulations and the Treasurer's Directions.

Statutory Authorities on the other hand are able to adopt administrative practices best suited to their particular operation however they are expected to follow generally accepted accounting principles and prepare their annual financial statements in accordance with the requirements of the Corporation's Legislation.

Finally, prior to issuing this Report the Committee invited the Auditor-General to comment on reaction to his Report and the fact that very little action would appear to have been taken in regard to his recommendations. This meeting took place on 30 April 1992.

CHAPTER 5

ANALYSIS OF REPORTS

5.1 ANNUAL REPORT OF THE AUDITOR-GENERAL FOR THE YEAR ENDED 30 JUNE 1990

This report was tabled in the Legislative Assembly on Tuesday, 14th August 1990.

As stated the aims of the Office of the Auditor-General are to:

- promote improvement in public sector financial reporting and accounting
- establish a recognised resource for the promotion of improvement in the operational efficiency of Northern Territory public administration.

Commencing in 1988/89 the Auditor-General separated his recommendations into two types namely:

- a. matters of financial accountability directed to the Legislative Assembly for consideration
- b. matters of possible cost savings and efficiency gains directed to the government for consideration.

a. Financial Accountability

The public sector accountability framework was the subject matter of the Auditor-General's 1987/88 and 1988/89 reports in which he made a number of recommendations on financial accountability.

As mentioned previously the Public Accounts Committee engaged two consultants namely:

Professor Bob Walker
Nicholas Clark & Associates

to advise the Committee on the Auditor-General's recommendations. Their reports are reproduced in the Public Accounts Committee Report No. 12 along with the Committee's recommendations.

At the time of tabling his 1990 Annual Report the results of the Committee's review were not known hence the Auditor-General "considered it would be

inappropriate for me to make further comment on accountability matters until the results of the review by the Public Accounts Committee is known".

b. Cost Savings and Efficiency Gains

There were two main recommendations under this heading. They were:

1. It would be appropriate as a sound preventative measure if all Northern Territory Public Sector agency managers were to have their attention drawn to their responsibility to ensure that procedures are in place to:
 - maintain effective internal control practices;
 - assess (on a continual basis) the risk of fraud; and
 - detect and prevent fraud.
2. It is necessary for all Northern Territory Public Sector agency managers to have their attention drawn to their responsibility to ensure that the Auditor-General is advised at the earliest opportunity where any new initiative will require audit work to be performed.

Current Status of Recommendations

The Auditor-General provided a brief paper to the Public Accounts Committee setting out the current status of his first recommendation. The relevant portion of the brief is reproduced hereunder:

I have taken the following steps to increase the awareness of accountable and chief executive officers of their responsibility to maintain sound internal control over operations.

Firstly, I sought and obtained from each accountable officer a letter of representation as to the maintenance of an appropriate internal control environment.

Secondly, I have commenced to issue to Chief Executive Officers (and others) a series of AUDIT BRIEF circulars on a range of topical issues. A major thread in all of them is the maintenance of sound internal control practices. The subject of internal control was covered extensively in Audit Brief No. 2 and its detailed supplement in the December Quarter of 1991.

Thirdly, I addressed in strategic terms, the important and allied subjects of Quality Assurance and Ethics in my 1991 Annual Report.

I am aware also from discussion with the Secretary, Department of Chief Minister that he is addressing the specific subject of management of risks of exposure to fraud. I understand him to be currently in the information gathering phase.

The Committee notes with concern the length of time it has taken to reach this stage.

RECOMMENDATION 1

That the Legislative Assembly note the Auditor-General's initiatives in regard to his first recommendation.

In relation to the second recommendation regarding advice on any new initiatives requiring audit work the Committee has addressed this issue in Recommendation No. 10 in its Report No. 12. This Recommendation reads:

"That prompt advice be sought from the Office of the Auditor-General in all cases where auditing requirements are being proposed for Commonwealth acquittals".

The Working Party reviewed this recommendation in its Interim Report at Pages 13 & 14 (see Appendix B) and has approached the Northern Territory Treasury to develop a framework for Commonwealth acquittals which will address the aspect of advice on new initiatives requiring audit work.

The Committee has deferred consideration of the Auditor-General's second recommendation pending receipt and review of Treasury's framework for Commonwealth Acquittals.

The Committee will continue to monitor Commonwealth Acquittals and the progress of the framework's development.

5.2 REPORT UPON PUBLIC SECTOR CORPORATIONS FOR THE YEAR ENDED 30 JUNE 1990

This report was tabled at the Legislative Assembly on Tuesday, 5th February 1991.

The key recommendation was that statutory corporations be required to:

- (a) submit financial statements for audit not later than 6 weeks after the end of each financial year; and
- (b) submit to the Minister an Annual Report on operations together with audited financial statements not later than 3 months after the end of each financial year.

Current Status of the Recommendation

The Auditor-General informed the Committee that he had not been made aware of any specific response to this recommendation as at 30th April 1992.

However, the Auditor-General has prepared an Audit Brief Circular (No. 5) on "Planning for Orderly Production and Auditing of Financial Statements" which sets out the requirements and rationale for lodgement of financial statements with his office as soon as possible after the end of the financial year.

This brief is strongly endorsed by the Public Accounts Committee.

Accounting concepts and standards have been developed in response to greater calls for public accountability and annual reporting in the public sector has substantially improved as a result of those initiatives.

The Public Accounts Committee recognises the need for timeliness in public sector reporting in its Report No. 12. Recommendation No. 5 of this report states:

"That the Working Party of representatives from each Central Agency carry out a review of current departmental annual reporting requirements and report to the Parliament through the Public Accounts Committee on the adequacy of these requirements.

The Working Party is currently preparing draft Annual Reporting Guidelines.

RECOMMENDATION 2

That the Working Party take cognisance of the Auditor-General's requirements, as set out in his Audit Brief Circular No. 5, in its draft annual reporting guidelines.

RECOMMENDATION 3

That the Treasurer issue a determination requiring statutory corporations to:

- (a) submit financial statements for audit not later than 6 weeks after the end of each financial year; and**
- (b) submit to the Minister an Annual Report, including audited financial statements, not later than 3 months after the end of each financial year.**

5.3 HIGHLIGHTS OF MATTERS REPORTED TO MANAGEMENT

A number of specific issues relevant to a particular Department/Statutory Authority were identified.

However, in line with the methodology adopted in its Report on the Auditor-General's Annual Reports 1987/88 and 1988/89 (Report No. 12), the Public Accounts Committee does not individually review, as a matter of course, the "highlights of matters reported to management" as these are generally of an internal control or procedural nature and thus are the responsibility of management and not the legislature.

As the Auditor-General reviews these matters in his subsequent report(s), the Committee sees its role as highlighting those weaknesses that have been overlooked by management.

The following matters identified in the Auditor-General's 1990 Annual Report which continue to be overlooked are:

- . asset registers not being adequately maintained - thus adversely affecting the level of control of government's multi million dollar investment in assets and ultimately retarding appropriate asset management considerations;
- . inadequate attention to key controls in the accounting and the salaries payment systems - thus providing scope for error or fraud to go undetected; and
- . ADP security administration procedures being inadequate - thus giving scope for unauthorised access or change to data stored on computers.

It is the Committee's intention to further review/investigate these matters.

RECOMMENDATION 4

That the relevant Chief Executive Officers take note of the Auditor-General's concerns in relation to matters identified and take appropriate action to bring them to a satisfactory conclusion.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF ONTARIO FOR THE YEAR ENDED 2011

The Auditor General's Report on the Financial Statements

The Auditor General has audited the financial statements of the Government of Ontario for the year ended 2011. The financial statements are presented in the Report on the Financial Statements of the Auditor General.

The financial statements of the Government of Ontario for the year ended 2011 are presented in the Report on the Financial Statements of the Auditor General.

The financial statements of the Government of Ontario for the year ended 2011 are presented in the Report on the Financial Statements of the Auditor General.

The Auditor General's Report on the Financial Statements

The financial statements of the Government of Ontario for the year ended 2011 are presented in the Report on the Financial Statements of the Auditor General.

APPENDIX A

Briefing Notes submitted by Auditor-General

**BRIEFING FOR PUBLIC ACCOUNTS COMMITTEE
CURRENT STATUS OF RECOMMENDATIONS IN 1990 ANNUAL REPORT**

The Recommendations in the Annual Report were:

1. It would be appropriate as a sound preventative measure if all Northern Territory Public Sector agency managers were to have their attention drawn to their responsibility to ensure that procedures are in place to:
 - . maintain effective internal control practices;
 - . assess (on a continual basis) the risk of fraud; and
 - . detect and prevent fraud.
2. It is necessary for all Northern Territory Public Sector agency managers to have their attention drawn to their responsibility to ensure that the Auditor-General is advised at the earliest opportunity where any new initiative will require audit work to be performed.

The Current Status, as known to me is:

1. I have taken the following steps to increase the awareness of accountable and chief executive officers of their responsibility to maintain sound internal control over operations.

Firstly, I sought and obtained from each accountable officer a letter of representation as to the maintenance of an appropriate internal control environment.

Secondly, I have commenced to issue to Chief Executive Officers (and others) a series of AUDIT BRIEF circulars on a range of topical issues. A major thread in all of them is the maintenance of sound internal control practices. The subject of internal control was covered extensively in Audit Brief No.2 and its detailed supplement in the December Quarter of 1991.

Thirdly, I addressed in strategic terms, the important and allied subjects of Quality Assurance and Ethics in my 1991 Annual Report.

I am aware also from discussion with the Secretary, Department of Chief Minister that he is addressing the specific subject of management of risks of exposure to fraud. I understand him to be currently in the information gathering phase.

2. I have not yet been made aware of any specific response to this second recommendation.

I continue to practice a regular scanning of the public sector environment to detect and deal with possible surprises which may impact upon the work of my Office.

Report upon Public Sector Corporations (1990)

I recommended that statutory corporations be required to:

- (a) submit financial statements for audit not later than 6 weeks after the end of the financial year; and
- (b) submit to the Minister an Annual Report on operations together with audited financial statements not later than 3 months after the end of each financial year.

Although I have dealt with this subject in an Audit Brief issued in the March Quarter of 1992, I have not been made aware of any specific response.

REPORTING FOR PUBLIC ACCOUNTANTS ON THE QUALITY OF
STATEMENT OF FINANCIAL POSITION IN THE ANNUAL REPORT

The Commission is to be held responsible for the quality of the report.

I would be surprised if a report prepared by a public accountant in the United States that
agency managers were to have the same quality as the responsibility to ensure the
reporting was in fact so.

Public accountants should be held responsible for the quality of the report.
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OFFICE OF THE AUDITOR-GENERAL

SPECIAL BRIEFING FOR PUBLIC ACCOUNTS COMMITTEE

ASPECTS AND CONSEQUENCES OF NON-CONSULTATION WITH THE OFFICE OF THE AUDITOR-GENERAL

INTRODUCTION

At his briefing for the Public Accounts Committee on 19 September 1991 in respect of his Annual and Public Sector Corporations Reports for the year ended 30 June 1990, the Auditor-General was asked to address the abovementioned subject. This followed a reference to this matter at page 20 of his 1990 Annual Report.

CURRENT REQUIREMENTS

Following an expression of audit concerns, the then Chief Minister on 15 August 1985 wrote to all Ministers and heads of departments and statutory authorities in these terms:

"NEW INITIATIVES

In order to enable the Territory Government to maintain efficient use of available resources, will you please ensure that, where new initiatives in the areas of planned legislation, agreements with the Commonwealth Government or creation of statutory authorities, will require audit work to be performed, the Auditor-General is advised at the earliest opportunity.

This will not only give the Auditor-General a forewarning of matters having impact upon the limited resources of his Office, but enable that Office to contribute its expertise in the process of determining the most effective and efficient means of achieving government objectives."

A HISTORY OF DIFFICULTIES

Generally speaking, for there have been some occasions when these requirements were observed, this direction has been honoured in the breach.

Reference to the difficulties experienced (accompanied by recommendations that the Office of the Auditor-General be notified in sufficient time to provide advice as to how best to achieve accountability objectives in an efficient and economical manner) appeared in the Annual Reports for the years ended 30 June:

- 1987 - at page 44;
- 1988 - at pages 76 and 78;
- 1989 - at pages 32 and 33; and
- 1990 - at page 20.

To date I have not been made aware of either a specific response from government or a withdrawal of the direction of 15 August 1985.

REFERENCES BY PUBLIC ACCOUNTS COMMITTEE

In its Report Number 7 on the Auditor-General's Reports for 1986/87 the Committee recommended that:

- "5. The Northern Territory Treasury, following consultation with the Auditor-General, enter into negotiations with the Commonwealth regarding the most cost efficient and acceptable form of acquittal of commonwealth grants and specific purpose payments. (3.1 p.15)"

In its Report Number 12 on the Auditor-General's Annual Reports for 1987/88 and 1988/89 the Committee noted "that it would appear this consultative process is not occurring in some instances".

THE EXTENT OF THE PROBLEM

The focus of the preceding references was mainly in the area of Commonwealth acquittal financial statements.

However, the problem is wider than that. It extends to a fairly consistent failure to consult with the Office of the Auditor-General upon cost effective and efficient accountability arrangements prior to the preparation and passing of legislation in respect of the creation of a number of statutory corporations. Examples include:

- . Coburg Peninsula Sanctuary Board;
- . Nitmiluk (Katherine Gorge) National Park Board;
- . Stehlow Centre Board;
- . Surveyors Board;
- . the four TAFE Colleges; and
- . Gaming Control Commission.

In respect of all of these the financial reporting and auditing arrangements enshrined in legislation the provisions of the Financial Administration and Audit Act which requires:

- . application of commercial accounting principles;
- . preparation of annual financial statements comprising:-
 - an income and expenditure statement;
 - a balance sheet;
 - a statement of sources and applications of funds; and
 - notes to the financial statements;
- . audit of the financial statements and the issue of an audit report thereon to the Minister;

tabling in the Legislative Assembly of a report on operations together with the audited financial statements; and

an annual audit of accounts and records and issue of an audit report thereon to the Minister.

Whilst these requirements are eminently suitable for major corporations such as the Power and Water Authority and the Housing Commission they are absurd in respect of say the Coburg, Nitmiluk and Strehlow Boards* which do not have financial transactions to be reported and audited. (This may be the case also in respect of the Gaming Control Commission about which I am awaiting advice from Treasury).

- * The audit costs in respect of these three Boards were \$21,760 in 1990-91 (\$14,225 in 1989-90). Details of sponsoring organisation costs of complying with statutory requirements are not known.

WHAT I HAVE DONE ABOUT IT

In respect of Commonwealth acquittals I took the initiative in January 1991 and offered the Chief Executive Officers of organisations preparing acquittal financial statements a choice as to future acquittal arrangements:

- either I would cease to perform the audit;
- or I would perform the audit as before but pass to them my private sector authorised auditors' fee accounts for payment.

I advised them also of the position adopted in November 1989 by the Commonwealth Department of Finance, which is set out on Attachment A.

These steps have had the effect of reducing the costs to my Office of auditing Commonwealth acquittal financial statements from \$155,632 in 1989-90 to \$72,680 in 1990-91.

Previously in May 1989 I drew the attention of the Treasury to the Commonwealth Joint Committee of Public Accounts - Report 296 Reform of the Australian Audit Office. That Report contained 8 specific recommendations in respect of the audit of specific purpose grants (Commonwealth acquittal financial statements). One recommendation was that the Commonwealth Government provide additional resources to Auditors-General. Copies of the correspondence exchanged with Treasury are at Attachments B and C.

Both the Report 296 recommendations and the inappropriate financial reporting and auditing arrangements were drawn to the attention of the Estimates Review Committee earlier this year. I am not aware of the present position.

However, Treasury Circular B18 issued in June 1991 advised that Cabinet had directed a full costing of externally funded programs. This is at Attachment D. It is not clear whether audit costs are included or excluded from the item Corporate Management - External.

DELAYS IN PREPARING COMMONWEALTH ACQUITTALS

In some cases, the auditing requirements specify completion dates. Failure to forward audited statements to the Commonwealth within the time allowed, where specific timing requirements exist or within a reasonable time otherwise, may place in jeopardy the continued funding of the programs or projects.

On page 43 of my 1987 Annual Report, the following comment was made:

"The preparation of acquittal statements for audit generally involves two organisations. Firstly, the Northern Territory Treasury and, secondly, the Northern Territory department or authority to which the funds were passed for expending on the particular project or programme. In the past the respective responsibilities of the two parties has not been well defined. Uncertainty as to the nature and extent of responsibilities has led to duplication, omission, delays and differences in approach all of which are adding substantially to the cost of preparing and auditing the acquittal statements. Treasury officials have advised that it is intended to clearly define the Treasury responsibilities in the acquittal process. Departments will need to do the same assisted by Treasury."

In March 1988, the Under Treasurer issued an instruction to all departments and authorities defining the responsibilities of individual organisations and clarifying the administrative arrangements for processing of acquittal statements. In this regard, Treasury confirmed its responsibility for co-ordinating the flow of documents within the required reporting time-frames.

Subsequently, in discussions with senior Treasury officers I was advised that the Treasury now did not see itself as having responsibility for a co-ordinating role. Nevertheless acquittal financial statements still arrive at my Office via the Treasury and often they are late. Examples include the following:

| Description of Grant | Year Ended | Deadline (1)* | Date Received (2)* | Date of Audit Report |
|---------------------------------|------------------------|------------------------|--------------------|----------------------|
| <u>Education</u> | | | | |
| - Tertiary Education Assistance | 31 Dec 88 | 30 Sep 89 | 15 Dec 89 | 15 Dec 89 |
| - Higher Education Funding | 31 Dec 89 31 Dec 90 | 30 Sep 90 30 Sep 91 | 19 Nov 90 (3)* | 6 Dec 90 |
| - State Grants for TAFE | 31 Dec 89 31 Dec 90 | 30 Sep 90 30 Sep 91 | 11 Oct 90 (3)* | 6 Dec 90 |

* See notes on page 5

Power and Water Authority

| | | | | | |
|---|-----------------|-----------|-------------|-----------|-----------|
| - | Water Resources | 30 Jun 86 | As soon | 1 Aug 89 | 1 Sep 89 |
| | Assessment | 30 Jun 87 | as | 20 Dec 90 | 20 Dec 90 |
| | and Flood Plain | 30 Jun 88 | practicable | (4) | |
| | Management | 30 Jun 89 | | (5) | |
| | | 30 Jun 90 | | (5) | |

NOTES

- (1) This is the date set by the Commonwealth for submission of audited financial statements.
- (2) This is the date of receipt by Audit of actual final form financial statements.
- (3) These financial statements were received for audit on various dates, the last being 30 August 1991. These audits are in process.
- (4) Inadequate financial statements were received and amended financial statements are awaited.
- (5) Advice is awaited as to whether or not there will be any need to audit financial statements for these years.

DELAYS LEAD TO COST OVERRUNS AND SCHEDULING PROBLEMS

Often late receipt of acquittal financial statements is associated with a poor standard of financial reporting. These deficiencies lead to a need to reschedule audit work and cause audit cost overruns.

Generally the delay in production of acquittal financial statements in a form suitable for audit appears to be the result of inadequate management attention given to:

- . timetabling key financial statement preparation processes;
- . the assignment and availability of staff with appropriate competences; and/or
- . regular oversight and monitoring of progress.

The impression often given is that production of financial statements is not a high priority of management. The effects of this inattention are to:

- . add to the audit costs borne by the taxpayer; and
- . delay the availability of audited acquittal financial statements.

ADVANTAGES OF TIMELY REPORTING

Timely reporting increases the quality of decision making as well as the speed with which errors and control failures are detected. Advantages are that:

- . repetition of the same mistake can be prevented by earlier changing of procedures;
- . investigation of the cause of error is easier when the event(s) occurred recently;
- . reversing the effect of an error is easier before it has had a chance to affect other information or colour decisions that are based on that information; and
- . earlier detection of error reduces the need for subsequent corrections, reprocessing of data, and/or changes in decisions.

NEED FOR CONSULTATION, CO-ORDINATION AND QUALITY CONTROL

In summary, I see an undiminished need for prior consultation with the Office of the Auditor-General on matters affecting the accountability framework and processes (such as the devolution of school accounting) and a clear role for co-ordination and quality control of acquittal financial statements by an organisation such as the Treasury.

AUDIT/ACQUITTAL OF PAYMENTS MADE TO OR THROUGH STATE GOVERNMENT AGENCIES

- 13.18 The Commonwealth has no right to direct that a State Auditor-General become involved in providing audit certificates or performing other tasks to satisfy the Commonwealth's need for acquittal of moneys paid to or through State Government agencies for the purposes of implementing Commonwealth programs. State Auditors-General are creatures of their own State Parliaments and to that extent, they are functionally independent of governments. It is generally inappropriate, therefore, for the Commonwealth or State Governments to compromise the statutory independence of State Auditors-General by attempting to direct them in such a way. If a Department considers that special reasons exist that might warrant a State Auditor-General's involvement in the acquittal of a particular Commonwealth program that is to be made subject to Commonwealth legislation or agreements executed with the States, the Department should ensure first that the State Governments have obtained the prior agreement of their respective Auditors-General to that involvement.

DIRECTION 13F - IN DEVELOPING LEGISLATION OR AGREEMENTS WITH THE STATES COVERING PROGRAMS OF FINANCIAL ASSISTANCE TO OR THROUGH STATE GOVERNMENT AGENCIES, DEPARTMENTS MUST NOT ATTEMPT TO IMPOSE TASKS ON STATE AUDITORS-GENERAL FOR THE AUDIT OR ACQUITTAL OF PROGRAM EXPENDITURES UNLESS THE STATE AUDITORS-GENERAL HAVE FIRST AGREED TO ACCEPT THE TASKS.

- 13.19 Where an organisation receiving Commonwealth funds is itself audited by a State Auditor-General (*eg a State Government Department*), evidence of the proper application of the moneys should be obtained by requiring, as a condition of the payment, statements of the particular expenditure certified by the organisation's senior executive officer or senior internal auditor.
- 13.20 Where Commonwealth moneys are distributed by a State Government to organisations that are not themselves subject to audit by the State Auditor-General, arrangements should be made with the appropriate State Department to obtain any certificate or statement required from the public officers or senior executive officers of those organisations.

MINISTERIAL OF PAYMENTS MADE TO BE INCREASED

The Government has decided to increase the amount of payments made to the State Government in order to meet the needs of the State Government. This decision was reached after a thorough review of the current financial situation and the requirements of the State Government. The increase is intended to provide additional support to the State Government and to ensure that it is able to carry out its responsibilities effectively. The amount of the increase will be determined by the Ministerial of Payments and will be subject to the approval of the State Government.

SECTION IV IN REVISING LEGISLATION OF AGREEMENT WITH THE STATE GOVERNMENT

The Government is currently in the process of revising its legislation in order to bring it into line with the State Government's requirements. This process involves a thorough review of the current legislation and the identification of areas where changes are needed. The State Government has expressed its concerns regarding the current legislation and has requested that the Government take steps to address these concerns. The Government is committed to working with the State Government to reach a mutually agreeable solution. The revised legislation will be subject to the approval of the State Government and will be implemented as soon as possible.

OFFICE OF THE AUDITOR-GENERAL

G.P.O. BOX 4594
DARWIN N.T. 5794

YOUR REFERENCE:
OUR REFERENCE: 199-07-001
A:05/05/b

Dr N R Conn
Under Treasurer
Northern Territory Treasury
GPO Box 1974
DARWIN NT 0801

Dear Neil,

COMMONWEALTH JOINT COMMITTEE OF PUBLIC ACCOUNTS
REPORT 296 - REFORM OF THE AUSTRALIAN AUDIT OFFICE

As you will probably be aware the abovementioned report has recently been issued.

Included in a wide range of issues discussed therein and in respect of which the Committee made recommendations is the subject of "Audit of Specific Purpose Grants to State and Territory Governments".

Included in the 8 specific recommendations made in respect of this subject (all of which are designed to reduce problems and assist the process of accountability) is one that:

"The Commonwealth Government provide additional resources to State Auditors-General where, as a result of inter-governmental agreements, they have responsibility for providing to the Commonwealth Government audit certificates on section 96 grants. These additional resources should originate from the section 96 grant and should be determined by negotiations between the granting Commonwealth agency and the State Auditor-General."

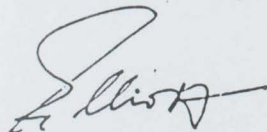
Having regard to the potential for additional resources to flow to the Territory, you may wish to consider making an appropriate submission of support for this recommendation.

The other 7 recommendations on this subject relate to improving the flow of information and performance of the Audit.

For my part I welcome all the recommendations and will be expressing my support for them, probably through the Conference of Australia Area Auditors-General.

Bill Ross can be contacted on 89 7155 if further information is needed.

Yours sincerely,



E M ISAACSON
Auditor-General

5 May 1989

DESPATCHED
08/05/89

22

Mr. J. Edgar Hoover
Director
Federal Bureau of Investigation
Washington, D. C. 20535

Dear Sir:

CONFIDENTIAL - SECURITY INFORMATION

You will probably be aware that the Government has been
concerned in a wide range of issues discussed in the
report of which the Commission was recommended in the
report of "Public Health Service Report on Health and
Safety Government".

The Commission's Government report, "Additional
to State Health-Security Matters" is a report of
inter-governmental cooperation, which was recommended
for providing to the Government's Secretary and
additional information on health and safety matters.
The Commission should originate from the report of
should be determined by negotiations between the
Government and the State Health-Security.

With regard to the potential for additional matters in the
the territory, you may wish to consider making an
appropriate admission of support for this recommendation.

In other recommendations on this subject, it is suggested
a list of information and performance of the work.

By my best I believe all the recommendations will be
examined by support for them, probably through the
Health-Security Commission.

If you can be contacted on 22 7152 in further information is
needed.

Very sincerely,


J. EDGAR HOOVER
Director

RECORDED
21-10-54

APPENDIX B

Working Party Papers Tabled in the Legislative Assembly

NOTE: Appendix A to the Progress Report No. 2 by the Working Party on Public Accounts Committee Report No. 12 has not been reproduced here.

APPENDIX B

Working Party Papers Tabled in the Executive Assembly

NOTE: Appendix A to the Progress Report No. 2 by the Working Party on Public Accounts Committee Report No. 12 has not been reproduced here.

ATTACHMENT

INTERIM REPORT BY THE WORKING PARTY ON

PUBLIC ACCOUNTS COMMITTEE REPORT NO.12

BACKGROUND

The Public Accounts Committee's Report No.12 issued in May 1991 covered the Auditor-General's Annual Reports for 1987/88 and 1988/89. The Committee made ten recommendations in its report, the first of which recommended the establishment of a Working Party comprising representatives of Treasury, Public Service Commissioner's Office, Chief Minister's Department and the Auditor-General's Office. It further recommended that Treasury co-ordinate the Working Party.

In June 1991 the Treasurer agreed to the establishment of the Working Party, and the following nominations were provided.

Treasury - Mr Michael Martin, Senior Director
Financial Services (Chairman)

Public Service Commissioner's Office

- Ms Margaret Lyons, Deputy Public

Service Commissioner

Chief Minister's Department

- Ms Kathleen Robinson, Contract
Audit Manager

Mrs Jenny Mollah, NT Treasury was appointed as
Executive Officer.

The Auditor-General has not participated thus far on the
Working Party.

SCOPE OF THE WORKING PARTY'S DELIBERATIONS

The Working Party agreed at its first two meetings that it
would confine itself to the ten recommendations made in the
PAC Report. It further acknowledged that this will require
on-going deliberations for at least the next 12 months, but
agreed that the PAC appears to assume long term activity by
the Working Party.

The ten recommendations appear on pages 10-16 of the PAC
Report.

REPORTING MECHANISMS OF THE WORKING PARTY

The PAC in its report has suggested that the Working Party
reports to the Committee at least twice yearly. The

Working Party considered it appropriate to provide an interim report for the first Legislative Assembly Sittings after publication of the PAC report. The Working Party intends to provide progress reports to coincide with each Sitting of the Legislative Assembly.

The Working Party determined that it was necessary to meet with the Chairman of the PAC to clarify a number of aspects of the PAC Report. Consequently, a meeting was arranged with the Chairman and Secretary of the PAC on 30 July 1991 in which a number of issues were discussed. During that meeting the Working Party was provided with clarification on the following issues:

1. Recommendation 4 - rationalising Treasurer's Annual Financial Statements (TAFS) - the Chairman of the PAC advised that his Committee would like the Working Party to consider the possibility of having the TAFS tabled in the same Legislative Assembly Sittings as the Budget Papers;
2. Recommendation 5 - the scope of annual reporting requirements review - it was confirmed that the thrust of the PAC interest was with the financial sections of these reports; and
3. Recommendation 6 - the definition of financial interest - it was confirmed that the PAC is concerned

with entities in which the Government has an ownership interest, rather than the provision of grants or loans.

FORMAT OF THE REPORT

The format of this report will follow the ten recommendations of the PAC Report.

Recommendation 1.

It is recommended that a working group be established comprising of a representative from each of the four central agencies to consider the recommendation of the Auditor-General taking into account the consultants reports and responses that are attached to this report and other developments that may be occurring elsewhere.

Such a working group should, from time to time through the Public Accounts Committee, make reports to Parliament.

It is further recommended that the Northern Territory Treasury be charged with the responsibility for coordinating the workings of the group.

The Working Party has been established, although without representation from the Auditor-General's Office.

The Working Party has commenced its review of the PAC Consultants' Reports, and its preliminary findings on the

first report - the Nicholas Clark and Associates Report - appears as Appendix A. Essentially, the Working Party has attempted to relate the Nicholas Clark recommendations to those of the PAC. The Working Party notes that one of the recommendations has already been implemented, viz the establishment of Forward Estimates.

The Working Party also agreed that it should continually monitor progress with regard to this recommendation and report regularly to the PAC.

Recommendation 2.

That it is not necessary to carry out a review of information needs of the users of government financial reports.

The Working Party supports this recommendation and has also concluded that it is not necessary to conduct a further review of the information needs of users of Government financial reports. Therefore, no further action is required on this recommendation. However, the Australian Accounting Research Foundation's findings and reports on reviews of users' needs will continue to be monitored during the Working Party's term.

Recommendation 3.

That the concepts of SAC 2 be adopted in the preparation of Department and Statutory Authorities Annual Reports.

The Working Party agrees that the concepts of SAC 2 be adopted by Government agencies. However, it is considered necessary to prepare an information document on these concepts detailing how they may affect the annual reports of departments and statutory authorities. It is considered essential that the need to provide meaningful and useful information is properly explained to agencies.

The Working Party has charged Treasury with the responsibility to provide this information paper which is expected to be available by the end of October 1991.

Recommendation 4.

That the Working Party of representatives from the Central Agencies advise the Committee on the desirability of rationalising the Treasurer's Annual Financial Statements.

The Working Party acknowledged that it may be advantageous to rationalise Treasurer's Annual Financial Statements in conjunction with the Budget papers. It certainly appreciates that use of a cross-reference index between Budget papers and TAFS may be useful.

The PAC recommendation is aimed at the tabling of both the Budget papers and the TAFS simultaneously. Currently, Budget papers are presented to Parliament in the August Sittings, whilst the TAFS are tabled in the October Sittings. The Working Party agreed that there would be merit in tabling both documents during the August Sittings, although it is acknowledged that this will require a review of the existing audit schedule. The Working Party will consider this possibility together with cross-references in the light of the 1991/92 Budget papers and the 1990/91 TAFS.

Recommendation 5.

That the Working Party of representatives from each Central Agency carry out a review of current departmental annual reporting requirements and report to the Parliament through the Public Accounts Committee on the adequacy of these requirements.

The Working Party has considered this recommendation in depth. Investigations revealed that much work has already been done in the Northern Territory on the issue of departmental annual reports. Concurrent with the Working Party's deliberations, there are a number of joint Commonwealth/State Committees considering the presentation of financial information to Parliament. The question of a uniform Budget presentation is on the agenda for the 1992 Premiers Conference.

Further, a Committee comprising Commonwealth and State officials as well as representatives from the accounting profession are contemplating the issues of accrual accounting and reporting by departments. The Working Party notes that this Committee will again meet in September 1991 in Canberra.

Annual reports in the Territory have been subject to a review following the ERC process. The Working Party has suggested that it analyse this documentation in September 1991.

Notwithstanding the above, the Working Party agreed that departmental annual reporting provisions have been enhanced following the recent review of Treasurer's Directions 24.7 and 24.8.

Recommendation 6.

That the Northern Territory Treasury establish a Register of Companies, Corporations and Trusts which the government initiated and/or has a financial interest in.

The Working Party agreed with the basic thrust of recommendation 6 and discussed the definition of financial interest at some length. In deliberations on this recommendation it was felt that the Department of Law could provide assistance and following correspondence with the Secretary of that Department, Mrs Barbara Bradshaw,

Registrar, Office of Business Affairs, was nominated to the Working Party.

After deliberations by the Working Party and discussions with the Chairman of the PAC it was determined that the term "financial interest" would be applied to only those entities in which the Government held an ownership interest. For the purposes of this exercise, it is proposed to use the following definition:

Financial interest is defined as:

An investment of resources in an entity which:

- enables at least some benefits of the entity to be enjoyed and provides some exposure to the risks of that entity; and
- may convey an entitlement to participate in the distribution of entity resources during the life of the entity and/or in the ultimate distribution of its net assets, such as in the event of the entity being wound up, but excludes transactions in the nature of a donation or which do not result in a liability of the entity.

Thus "financial interest" meeting the criteria would generally mean the Government owning all or some shares in a particular entity.

In accordance with the above definition, the Working Party recommends the following action, in relation to entities in which the Government has an ownership interest:

1. prior to the creation of, or investment into such an entity, the approval of the Treasurer is required;
2. details of these entities should be maintained in a Register, as recommended by the PAC, and this Register should be maintained by Treasury;
3. the Treasurer's Directions should be amended to include a provision that departments seek the Treasurer's approval and maintain details in a Register as described above; and
4. as Treasurer's Directions only affect departments, Ministers should instruct the Chief Executive Officers of statutory authorities to comply with the above.

If these recommendations are accepted, the Working Party should also write to agencies seeking information from which a Register would be compiled and then report these findings in a future progress report.

Recommendation 7.

That the Auditor-General for the Northern Territory be responsible for the audit of all companies, corporations

and trusts in which the Government maintains a controlling interest.

It is further recommended that guidelines similar to those in use in Victoria be issued for the guidance of both public sector managers and the Auditor-General and that such guidelines be properly adhered to.

The Department of Law's nominee has been co-opted to deliberate on this recommendation.

The Working Party noted a possible inconsistency between recommendations 6 and 7, in that the former refers to entities in which the Government has a financial interest, whereas recommendation 7 is restricted to entities in which the Government has a controlling interest. The Working Party has concluded that the impracticalities of the Government determining the auditor for entities in which it has a minority interest is the rationale behind the apparent "inconsistency".

The Working Party has reviewed the guidelines used in Victoria and considered the relevant provisions of the Financial Administration and Audit Act to ascertain whether the Auditor-General could be empowered to conduct such audits under existing legislation.

The Working Party accepted that the Victorian guidelines could be of assistance as they make reasonable provision to

ensure that the Auditor-General has access to Government controlled bodies and, at the same time, commercial confidence is protected.

Furthermore, the Victorian guidelines - which are attached as Appendix B - define control by the Minister and set out a provision for the Auditor-General to be involved. One concept which the Working Party endorses is that the decision to appoint the Auditor-General should rest with the Treasurer after a submission from the responsible Minister.

If this endorsement is accepted, the Working Party will draft appropriate guidelines for the Territory.

Recommendation 8.

That the Office of Local Government provide the Committee with a written report of the review.

The Working Party has written to the Office of Local Government and asked it to provide the following to the PAC:-

1. the report prepared by consultants on Local Government Accounting/ Reporting Requirements;
2. the Office of Local Government's comments on that report; and

3. a precis of the regulations which will come into force in August 1991 following that report.

The Working Party was concerned that the original report placed undue emphasis on the requirement for detailed financial reporting by small local government councils. However, the Working Party was pleased to note that the regulations, which have been submitted to Executive Council for approval, have provision for an exemption. The Working Party considered that most small councils within the Northern Territory should be provided with such an exemption in the first instance.

Recommendation 9.

That Northern Territory Government Departments direct increased priority to providing the acquittal statements required by the Commonwealth.

The Working Party agreed with the PAC's recommendation. It further agreed that the responsibility for providing Commonwealth Government acquittals should rest with the recipient department. The Working Party acknowledged the difficulties faced by the Auditor-General if prior advice of acquittals required is not given by agencies.

The Working Party has approached Treasury to develop a framework for Commonwealth acquittals with a view to preparing a communication to departments as a matter of

urgency. It is the view of the Working Party that any framework should be cleared with the Auditor-General.

Recommendation 10.

That prompt advice be sought from the Office of the Auditor-General in all cases where auditing requirements are being proposed for Commonwealth acquittals.

The Working Party agreed with this recommendation and has asked Treasury to address this aspect in the communication with agencies referred to in recommendation 9.

CONCLUSION

The Working Party endorses the general thrust of the PAC recommendations. The task of considering each recommendation in the detail that the Working Party deems is warranted will, in the Working Party's view, take at least 12 months. In addition, it contends that a number of the recommendations, especially 1 and 5, will require ongoing activity by the Working Party beyond 12 months.


M J MARTIN

for Chairman

Working Party

2/8/91

REVIEW OF NICHOLAS CLARK AND ASSOCIATES REPORT RECOMMENDATIONS

| REC NUM | RECOMMENDATION (Priority) | WORKING PARTY COMMENTS |
|----------------------------|---|--|
| WHOLE OF GOVERNMENT | | |
| 1 | Summary Statement of Economic and Financial Conditions (High) | This will be considered as part of the Working Party's examination of PAC Recommendation 4. The priority rating should be revised to medium. |
| 2 | Territory wide Register of Assets and Asset Valuations (Medium) | The benefits of this recommendation will need to be determined. All departments are required to maintain asset registers under Section 21 of the Treasurer's Directions. Statutory Authorities should keep asset registers in accordance with commercial accounting principles. An additional Whole of Government register may be unnecessary. Asset reporting and valuations are separate issues (see NCA recommendation 5). This matter to be investigated further. |
| 3 | Consolidated Whole of Government Accounts (Low) | This may be partially addressed in the Working Party's review of PAC Recommendation 4. A detailed cost/benefit analysis will need to be undertaken prior to acceptance of this recommendation. The forthcoming AARF report on Whole of Government reporting and the Premiers Conference papers on uniform budget presentation should first be analysed. |
| DEPARTMENTS | | |
| 4 | Departmental Annual Report Guidelines and Checklists (High) | Implementation of this recommendation is supported and will be considered as part of PAC Recommendation 5. The Working Party determined that a medium priority rating would be appropriate. |

| REC NUM | RECOMMENDATION (Priority) | WORKING PARTY COMMENTS |
|------------|--|---|
| 5 | Compulsory Departmental Asset Management and Reporting Procedures (Medium) | <p>Asset Reporting will be addressed in the Working Party's deliberations on PAC Recommendation 5. There are many related issues - such as ownership, classification and depreciation - which are particularly complex and have yet to be satisfactorily resolved by any government in Australia.</p> <p>Asset Management is a separate and distinct matter which should already be undertaken by departments. An Asset Management Working Party was established some time ago to review this matter.</p> |
| 6 | Compulsory Departmental Risk Management and Reporting Procedures (Medium) | <p>Reporting of risks will be covered under PAC Recommendation 5. Appropriate risk management practices should already be adopted by departments. This aspect is recognised in revised Treasurer's Directions. Perhaps more guidance could be provided - this will need to be further considered.</p> |
| 7 | Compulsory Reporting of Future Financial Impact of Decisions (Medium) | <p>This matter will be addressed as part of the Working Party's examination of PAC Recommendation 5</p> |
| 8 | Full Accrual Accounting by Departments (Low/Medium) | <p>It was noted that some accrual type items are already reported. A detailed cost/benefit analysis would be required prior to acceptance of this recommendation. In view of the above, it was decided that the priority rating should be low.</p> |

| REC NUM | RECOMMENDATION (Priority) | WORKING PARTY COMMENTS |
|-------------------------------------|---|---|
| 9 | Move to Forward Estimates (Low/Medium) | This recommendation is accepted and it is noted that a forward estimates system has already been implemented. |
| <u>STATUTORY AUTHORITIES</u> | | |
| 10 | Rate of Return Targets for Statutory Authorities (Medium) | The reason for this recommendation and its expected benefits need to be clarified. Such targets may not be relevant to NT statutory authorities at this time as they are all still budget dependent. The Working Party accepts the NT Treasury's response to this recommendation. The priority rating should be revised to low given that such targets are unlikely to be required for some time. |
| 11 | Compulsory Reporting for "Other Corporations" (High) | To be considered in examination of PAC Recommendations 6 and 7. The Working Party accepts the desirability of a Central Register of "other corporations" and is addressing this issue. |
| 12 | Auditor-General to audit the reports of "Other Corporations" (High) | To be considered in Working Party's review of PAC Recommendation 7. The Working Party endorses in principle, the Victorian Government guidelines on this matter and will be reporting further on this recommendation. |

The following information is provided for your information and is not intended to constitute an offer of any securities. The information is based on information received from the issuer of the securities and is not intended to constitute an offer of any securities. The information is based on information received from the issuer of the securities and is not intended to constitute an offer of any securities.

UNITED STATES GOVERNMENT

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 OFFICE OF THE SECRETARY OF DEFENSE
 4800 PENTAGON
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UNITED STATES GOVERNMENT

UNITED STATES GOVERNMENT

VICTORIAN
GUIDELINES FOR COMPANIES,
JOINT VENTURES
AND TRUSTS IN THE PUBLIC SECTOR

RECEIVED
GENERAL INVESTIGATIVE
DIVISION
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

GUIDELINES FOR COMPANIES, JOINT VENTURES AND TRUSTS IN THE PUBLIC SECTORA. INTRODUCTION

Within the Public Sector in Victoria, there are a considerable number of organisations, other than departments and public authorities, in which the Government of Victoria has a significant investment interest. These organisations fall into one of the following categories:-

- i) Companies incorporated in accordance with the Companies (Victoria) Code or equivalent interstate legislation;
- ii) Trusts (unincorporated); or
- iii) Joint ventures (unincorporated).

As at 30 June, 1986 by far the most common of these was the incorporated company.

The guidelines which follow have been developed to ensure that such organisations are subject to suitable accountability and auditing requirements consistent with similar requirements for other public sector bodies and in accordance with Government policy.

B. SCOPE OF THESE GUIDELINES

1. These guidelines apply to any company, trust, or joint venture over which a Minister* has control. The test for whether control exists is as follows:-

a) If a Minister*

- i) controls the composition of the board of directors or other governing body of the organisation;
- ii) is in a position to cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of the organisation;
- iii) holds more than one-half of the issued share capital or other equity in the organisation (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital); or
- iv) controls the organisation by virtue of statute;

-2-

then, for the purposes of these guidelines, Ministerial control exists.

* defined as one or more Victorian Government Ministers.

- b) Control also exists where an organisation is controlled by an organisation which in turn is controlled by a Minister.

In relation to a trust these guidelines shall not apply if the trust is one which operates within the Public Account.

2. The Government also has minority equity interests in companies and similar organisations, i.e. where control does not exist. These investments represent a form of financial assistance (somewhat similar to Government grants and other contributions including those which are part of the Government's industry policy), and are a mechanism whereby the Government is able to assist and encourage the establishment of various community projects deemed to be critical to the State's future industrial and community development. The nature of these interests is different from those where the Government has a controlling interest and is the main sponsor of the organisation.

For these reasons, only those organisations where there is a controlling interest are subject to these guidelines. However, it should be noted that where minority equity interests are established, this should be provisional upon the investee entity providing audited financial statements to the investor.

C. GUIDELINES

Each guideline below applies equally to companies, trusts and joint ventures under Ministerial control unless specifically stated otherwise.

1. Scope of powers and duties of the organisation

- i) Each organisation should create a document to be known as the "Statement of Objects" which should set out the purposes for which the organisation is formed.
- ii) The Statement of Objects should be approved by -
 - i) the controlling Minister; or
 - ii) at the discretion of the controlling Minister, Cabinet
- iii) The Statement of Objects, once approved, should be altered only with the approval of the responsible Minister or Cabinet in accordance with guideline 2(ii).

-3-

- iv) The Statement of Objects should contain a limitations clause, the effect of which is to restrict the powers of the company, trust or joint venture so that these do not exceed the powers of the controlling Minister.
- v) The Statement of Objects with respect to a company should be included in the company's Memorandum of Association.

2. Approval process for creation or acquisition of an interest in an organisation

Before the creation or acquisition of a controlling interest in an organisation occurs, approval should be obtained from -

- i) the Treasurer; or
- ii) at the discretion of the Treasurer, Cabinet

3. Reporting of Operations and Financial Position

- (i) Each company (including corporate trustees) shall produce financial statements in accordance with the requirements of S.269 of the Companies (Victoria) Code. However, these reports should be produced within three months of the end of its financial year
- (ii) Each public sector party to a joint venture should comply with Statement of Accounting Standards AAS 19, "Accounting for Interests in Joint Ventures" issued by the joint Australian accounting bodies.
- (iii) Each unincorporated trustee (ie. where the trustee is not a company) or board of trustees of a trust should comply with the reporting requirements of the Annual Reporting Act 1983 and appropriate Regulations as determined by the Treasurer.
- (iv) Audited financial statements of an organisation subject to these Guidelines shall be included in an Annual Report of that organisation which will contain any financial or related information (in addition to that required under 3(i), (ii) or (iii) above) deemed by the Minister to be necessary for reporting to Parliament.

Subject to compliance with (i) to (iii) the Minister shall not be required to report to Parliament matters which he considers to be commercially confidential.

-4-

- (v) All annual reports produced under this guideline should be tabled in Parliament either as part of the annual report of the "parent" body or as a separate report. All annual reports produced under this guideline should be tabled in Parliament at the same time as the annual report of the "parent" body. Where the "parent" body is not required to produce an Annual Report then the report of the company, joint venture or trust should be tabled by the responsible Minister before the expiration of the seventh sitting day after three months after the end of its financial year.

4. Audit

All bodies covered by these Guidelines must appoint an auditor. For companies the appointment will be pursuant to S. 280 of the Companies (Victoria) Code. In addition to auditors appointed under the Companies legislation the Treasurer has the power under S. 3 of the Audit Act 1958 to appoint the Auditor-General.

5. Relationship of the Organisation to the "Parent" Body

Whilst there is a Minister responsible for the organisation subject to these guidelines, the entity which for practical purposes exercises control of the organisation may be:

- i) a department
 - ii) a statutory authority
 - iii) an officer or officers who hold shares or units in the organisation in trust for the department, authority or Minister.
- i) The names of those members or beneficiaries (persons or entities) holding shares or units in the organisation should be properly recorded in the books of the organisation in accordance with section 256 of the Companies (Victoria) Code or to the like effect. A "branch register" of members or beneficiaries should be maintained in the books of the ultimate "parent" department.
 - ii) Where shares or units are held by a public sector officer, those interests shall be held in trust for the responsible Minister, i.e. non-beneficially.
 - iii) Where shares or units are held by public sector officers, at least one of those officers should be an officer of the "parent" department or authority.
 - iv) Appointments to the board of directors or other governing body of the organisation should be made by the responsible Minister whenever he has the power to do so.

6. Transitional provisions

Existing companies, trusts and joint ventures shall comply with these guidelines within six months of the date of issue of the guidelines.

7. Registers

Following approval by the Treasurer, or Cabinet in accordance with guideline 2, any investment within the scope of these guidelines shall be noted in a register of such investments, to be maintained by the Department of Management and Budget and containing such information as determined by Treasurer.

<CMG>PH.EBRC.V/L

All the above mentioned items should be included in the report of the Department of the Interior as to the status of the various projects and the progress of the work. It is requested that you advise the Bureau of the results of your investigation and the steps you have taken to correct the situation.

The following information was received from the Bureau of the Interior, dated 1/25/50, regarding the status of the various projects and the progress of the work. It is requested that you advise the Bureau of the results of your investigation and the steps you have taken to correct the situation.

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PROGRESS REPORT NO.2 BY THE WORKING PARTY ON
PUBLIC ACCOUNTS COMMITTEE REPORT NO.12

BACKGROUND

The Public Accounts Committee's Report No.12 issued in May 1991 covered the Auditor-General's Annual Reports for 1987/88 and 1988/89. The Committee made ten recommendations in its report, the first of which recommended the establishment of a Working Party comprising representatives of Treasury, Public Service Commissioner's Office, Chief Minister's Department and the Auditor-General's Office. It further recommended that Treasury co-ordinate the Working Party.

The Working Party has been established and has now met 10 times. The Auditor-General has not participated thus far on the Working Party.

The first Progress Report was tabled in the Assembly on 15 August 1991 and outlined the scope of the Working Party's deliberations and its reporting mechanisms. It also recorded progress to date on each of the PAC recommendations. This Report now concentrates on progress made by the Working Party since August.

RECOMMENDATIONS COMPLETED

The first Progress Report advised that the following recommendations had either been completed or implemented.

- . Recommendation 1 - the Working Party has been formed and, in accordance with the recommendations of the PAC, Treasury is co-ordinating the workings of the group.

- . Recommendation 2 - the Working Party agreed with the PAC recommendation that it is not necessary to carry out a review of information needs of the users of government financial reports.

- . Recommendation 8 - the Working Party has been advised that the PAC has now received a copy of the review of Local Government financial reporting.

The Working Party notes that there is no further action required in regard to this recommendation as regulations have now been promulgated. As mentioned in the earlier report, the Working Party notes that the regulations are now flexible and cater for the needs of the small councils.

RECOMMENDATIONS UNDER CONSIDERATION

- . Recommendation 1 - part of Recommendation 1 was a request that the Working Party consider the reports provided by two consultants to the PAC - Professor Bob Walker and Nicholas Clark and Associates.

As mentioned in the previous report, the Working Party has reviewed the Nicholas Clark report and has obtained details of asset recording and management practices in most agencies. A schedule showing these details is attached as Appendix A. The Working Party was pleased to note that all responding agencies maintain at least minimum details on Government assets.

- . Recommendation 5 - the Working Party has obtained numerous documents published by Commonwealth and State Governments; other interstate Parliamentary Committees and academic papers on annual reporting. In addition, the Working Party is analysing a paper produced within the Northern Territory following the ERC process on a review of annual reporting in the Northern Territory public sector.

The Working Party has also analysed the criteria used for a number of Annual Report Awards and annual reporting legislation applied interstate. The Working Party favours the criteria and format of the Northern Territory Public Sector Annual Report Award Scheme. It is expected that draft Annual Reporting Guidelines will be prepared over the next 3 months.

- . Recommendation 6 - the Working Party has concentrated its efforts since August on PAC Recommendations 6 and 7.

In regard to PAC Recommendation 6 the Working Party has made the following resolutions:-

- (i) the inclusion of Joint Ventures within the scope of this recommendation;
- (ii) the prior approval of the Treasurer required for all investments in companies, corporations, joint ventures and trusts;

- (iii) the development of a schedule of all relevant information to be included in the Register, this schedule is detailed at Appendix B;
- (iv) Treasurer's Directions should be amended to include provisions for the Register of Companies, Corporations, Joint Ventures and Trusts, and a reference that the Treasurer's approval is required before an agency acquires a financial interest in an entity;
- (v) Ministers should direct CEO's of agencies not covered by Treasurer's Directions to supply details for the Register; and
- (vi) in accordance with the PAC recommendation, Treasury should maintain the Register.

Recommendation 7 - as stated earlier the Working Party has concentrated much of its efforts since August on this recommendation. As explained in the first Progress Report, the Working Party considered an

inconsistency with this PAC recommendation. The first part of the recommendation proposes the Auditor-General's appointment to all entities in which the Government maintains a controlling interest, while the second part advocates the Victorian Guidelines be followed.

The Victorian Guidelines allow for the appointment of an auditor for each entity and give the Treasurer the discretion to also appoint the Auditor-General.

The Working Party extensively reviewed the Victorian Guidelines and considered some amendments were required before being appropriate to the Territory. The Working Party has now developed Guidelines for the Territory and these are attached as Appendix C. Basically, the Guidelines require the Treasurer's approval before the creation or acquisition of a controlling interest in any entity, and detail the reporting requirements of those entities. Furthermore, the Guidelines set down audit provisions and provide that the Treasurer may appoint the Auditor-General as auditor.

The Working Party deliberated at some length on the issue of whether the Auditor-General's appointment to these entities should be mandatory or discretionary.

It was decided that the Government should retain the discretionary power as it provides the Government with flexibility yet does not preclude the appointment of the Auditor-General for all entities.

The Guidelines do require minor amendments to Sections 69 and 70 of the Financial Administration and Audit Act. A reference to the Register developed in accordance with PAC Recommendation 6 is also included in the Guidelines.

CABINET SUBMISSION

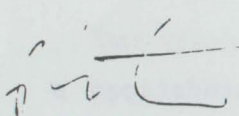
The Working Party's consideration of PAC Recommendations 6 and 7 are the subject of a Cabinet Submission which has been submitted to the Finance Sub-Committee of the Co-ordination Committee and is expected to go to Cabinet within the next fortnight.

FUTURE DIRECTION

The Working Party will now concentrate, over the next 3 months, on PAC Recommendations 4, 5, 9 and 10. A further progress report will be provided for the February 1992 Assembly Sittings.

MEMBERSHIP CHANGES

With the departure of Kathleen Robinson on maternity leave, her position on the Working Party has been taken by Clare Larcombe, Regional Audit Manager, Department of the Chief Minister.



M J MARTIN
Chairman
Working Party

November 1991

**INFORMATION REQUIREMENTS FOR REGISTER OF COMPANIES,
CORPORATIONS, JOINT VENTURES AND TRUSTS****1. Legal Status/Form**

- (a) Type of entity and, where applicable, class (eg. Company, Trust, Joint Venture, Corporation - Incorporated Association, Body Corporate).
- (b) Documents evidencing legal status (eg. Certificate of Incorporation, legislation constituting the entity).

2. Identification Details

- (a) Name of entity.
- (b) Australian Company Number or Australian Registered Body Number (where applicable).
- (c) Registered Office.
- (d) Principal place of business and other business locations.
- (e) Corporate Seal (where applicable).

3. Organisation Details

- (a) Entity's charter (eg. Memorandum and Articles of Association, Trust Deeds, Joint Venture Agreement, Constitution, applicable legislation).
- (b) Nature of business conducted.
- (c) Type of membership (eg. trust beneficiaries, public shareholders, joint venturers, elected members).

4. Membership Details

- (a) Information on the ownership interests of significant members, where applicable (significant members are those with 10% or more ownership interest), including value, extent and type of interest held (eg. number and class of shares at par value), names and addresses.

- (b) Information on Northern Territory Government ownership, including the Treasurer's approval for such investment, ownership interest percentage, name of Government Agency, name(s) and position(s) of any official(s) representing the Government, and the extent of the Government's risk exposure.

5. Management Details

- (a) Names and addresses of the entity's Board or other governing committee (eg. Directors, Trustees).
- (b) Names and addresses of the Chief Executive Officer, Company Secretary and/or Public Officer (where applicable) if not a member of the Board or governing committee.
- (c) Date of appointment and date on which appointment is due to lapse for each member of the entity's Board or governing committee.

6. Operational Details

- (a) Annual Returns.
- (b) Annual Financial Statements, audited and showing at least total assets, total liabilities, equity and operating surplus or deficit (where applicable).
- (c) Auditor's Report, including the date, auditor's name and address.
- (d) Government and other guarantees.
- (e) Charges and Encumbrances (eg. mortgages over property, bills of sale).
- (f) Information on winding up action (such as the appointment of a liquidator) or other external administration (eg. appointment of a receiver).

GUIDELINES FOR THE ACCOUNTABILITY AND AUDIT OF COMPANIES, CORPORATIONS, JOINT VENTURES AND TRUSTS IN WHICH THE NT GOVERNMENT HAS A CONTROLLING INTEREST

A. INTRODUCTION

1. From time to time it is appropriate that the NT Government enters into a financial interest in an entity in one of the following categories:-
 - i) a Company incorporated in accordance with the Corporations Law of the Northern Territory or other jurisdiction;
 - ii) Corporation;
 - iii) Trust; or
 - iv) Joint Venture.

2. The Guidelines which follow have been developed to ensure that such entities are subject to suitable accountability and auditing requirements consistent with similar requirements for other public sector bodies and in accordance with Government policy.

B. SCOPE OF THESE GUIDELINES

1. These Guidelines apply to any company, corporation, trust, or joint venture over which a Minister* has control. The test for whether control exists is as follows.
 - a) If a Minister*
 - i) controls the composition of the board of directors or other governing body of the entity;
 - ii) is in a position to cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of the entity;
 - iii) holds more than one-half of the issued share capital or other equity in the entity (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital); or
 - iv) controls the organisation by virtue of statute;

then, for the purposes of these Guidelines, Ministerial control exists.

* defined as one or more NT Government Ministers.

- b) Control also exists where an entity is controlled by an entity which in turn is controlled by a Minister.
2. In relation to a trust these Guidelines shall not apply if the trust is one which operates within the Public Accounts under the powers of the Financial Administration and Audit Act.

C. GUIDELINES

Each Guideline below applies equally to companies, corporations, trusts and joint ventures under Ministerial control unless specifically stated otherwise.

1. Approval process for creation or acquisition of an interest in an entity

Before the creation or acquisition of a controlling interest in an entity occurs, approval should be obtained from -

- i) the Treasurer; or
- ii) at the discretion of the Treasurer, Cabinet

2. Scope of powers and duties of the entity

- i) Each entity should create a document to be known as the "Statement of Objects" which should set out the purposes for which the entity is formed.
- ii) The Statement of Objects should be approved by -
- a) the controlling Minister; or
- b) at the discretion of the controlling Minister, Cabinet.
- iii) The Statement of Objects, once approved, should be altered only with the approval of the controlling Minister or Cabinet in accordance with Guideline 2(ii).
- iv) The Statement of Objects should contain a limitations clause, the effect of which is to restrict the powers of the company, corporation, trust or joint venture so that these do not exceed the powers of the controlling Minister.

- v) The Statement of Objects with respect to a company should be included in the company's Memorandum of Association.

3. Reporting of Operations and Financial Position

- i) Each company (including corporate trustees) shall produce financial statements in accordance with the requirements of the Corporations Law of the Northern Territory. These financial statements should be produced within three months of the end of its financial year.
- ii) Each public sector party to a joint venture should comply with Statement of Accounting Standards AAS 19, "Accounting for Interests in Joint Ventures" issued by the joint Australian accounting bodies.
- iii) Each corporation (other than a company), unincorporated trustee (ie. where the trustee is not a company) or board of trustees of a trust should comply with reporting requirements as determined by the Treasurer.
- iv) Audited financial statements of an entity subject to these Guidelines shall be included in an Annual Report of that entity which will contain any financial or related information (in addition to that required under 3(i),(ii) or (iii) above) deemed by the Minister to be necessary for reporting to Parliament.

Subject to compliance with (i) to (iii), the Minister shall not be required to report to Parliament matters which he considers to be commercially confidential.

- v) All annual reports produced under this Guideline should be tabled in Parliament either as part of the annual report of the "parent" agency or as a separate report within 6 sitting days of being presented to the Minister.

4. Audit of Financial Statements

All entities covered by these Guidelines must appoint an auditor. For companies this appointment will be pursuant to the Corporations Law of the Northern Territory. In addition, the Treasurer may appoint the Auditor-General to audit the accounts of an entity under Section 70 of the Financial Administration and Audit Act.

During the course of such audits the Auditor-General will take into consideration the requirements of Section 3(iv) of these Guidelines.

DRAFT ONLY5. Relationship of the Entity to the "Parent" Agency

Whilst there is a Minister responsible for the entity subject to these Guidelines, the agency which for practical purposes exercises control of the entity may be:

- . a department;
 - . a statutory authority; or
 - . an officer or officers who hold shares or units in the entity in trust for the department, authority or Minister.
- i) The names of those members or beneficiaries (persons or organisations) holding shares or units in the entity should be properly recorded in the books of the entity in accordance with the Corporations Law of the Northern Territory or to the like effect. A "branch register" of members or beneficiaries should be maintained in the books of the ultimate "parent" agency.
 - ii) Where shares or units are held by a public sector officer, those interests shall be held in trust for the responsible Minister, ie. non-beneficially.
 - iii) Where shares or units are held by public sector officers, at least one of those officers should be an officer of the "parent" agency.
 - iv) Appointments to the board of directors or other governing body of the entity should be made by the controlling Minister wherever he has the power to do so.

6. Date of Effect

These Guidelines come into effect on 1 January 1992, with the reporting requirements coming into effect for the first annual reporting period commencing after 1 January 1992.

7. Registers

There is a requirement for all NT Government agencies to provide specified details to NT Treasury of all companies, corporations, joint ventures and trusts in which they have a financial interest. This requirement applies to the full range of financial interests (ie. both minority and controlling interests).

DRAFT ONLY

The above details are recorded in a Register of Companies, Corporations, Joint Ventures and Trusts maintained by NT Treasury. Instructions relating to this Register are contained in the Treasurer's Directions and Ministerial directives to statutory authorities.

