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LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

Public Accounts Committee

Report on the Auditor-General's Annual Reports 1985/1986

REPORT NUMBER 3

MAY 1988

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Public Accounts Committee

**Report on the Auditor-General's
Annual Reports 1985/1986**

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PUBLIC ACCOUNTS COMMITTEE

REPORT ON THE AUDITOR-GENERAL'S
ANNUAL REPORTS 1985/1986

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CHAPTER ONE

INTRODUCTION

The Public Accounts Committee is required "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."

The Committee is further required "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."

"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" may also be reported to the Legislative Assembly.

The Auditor-General for the Northern Territory, Mr Elliott Isaacson, departed from tradition in submitting his reports for the year ended 30 June 1986 by having three separate reports tabled:-

<u>Name of Report</u>	<u>Date Tabled</u>
- Annual Report of the Auditor-General	11 November 1986
- Report of the Auditor-General upon the Treasurer's Annual Financial Statements	25 November 1986
- Report of the Auditor-General upon Prescribed Statutory Corporations	29 April 1987

The Committee has considered Mr Isaacson's reports and will comment on each in turn.

As an aid to its considerations, Mr Isaacson appeared before the Public Accounts Committee on 13 May 1987, and provided a set of briefing notes, which are at Appendix (A).

CHAPTER TWO

METHODOLOGY

As mentioned in the Introduction, the Committee received a briefing from the Auditor-General at its meeting on 13 May 1987.

This formal meeting, which was transcribed by Hansard, was followed by a number of informal discussions involving the Auditor-General, members of his staff, the Chairman and Secretary of the Public Accounts Committee.

The Committee approached its review of the Auditor-General's Report by:-

- * careful consideration of each document;
- * examination of the reporting powers given to the Auditor-General through the Financial Administration and Audit Act;
- * identifying issues which were of priority concern to the Auditor-General;
- * soliciting comments from relevant departments, units of administration and Statutory Corporations on:-
 - (i) action taken to rectify/explain matters raised by the Auditor-General, and
 - (ii) timescale for completing outstanding action, and
- * seeking the Auditor-General's comments on responses received.

In addition, the Committee has some concerns which are not directly addressed by the Auditor-General in his reports.

CHAPTER THREE
ANALYSIS OF REPORTS

3.1 Annual Report of the Auditor-General for the year ended 30 June 1986

This report was tabled in the Legislative Assembly on 11 November 1986, and is a supplementary report to the Auditor-General's report on the Treasurer's Annual Financial Statements.

The Auditor-General has submitted an Annual Report on his role, responsibilities and activities as a separate document from his reports upon the Treasurer's Annual Financial Statements for the first time which he believes will assist in placing those statements "in the same stand-alone context as that applying to the annual financial statements of prescribed statutory corporations and others."

The Annual Report is the vehicle by which the Auditor-General provides to the Legislative Assembly:-

- (a) a summary of his audit activities and findings in respect of departments and units of administration; and
- (b) an overview of the activities and operations of his Office during the year under report.

In respect of his audit activities in departments and units of administration, he is required under section 47 of the Financial Administration and Audit Act to audit "in such manner as he thinks fit having regard to the character and effectiveness of the internal control and recognised professional standards and practices". The Act defines "internal control" as being "the methods adopted within a department:-

- (a) to safeguard its assets;
- (b) to check the accuracy of its accounting data;
- (c) to promote operational efficiency;
- (d) to encourage adherence to management policies; and
- (e) to secure compliance with legislative provisions."

Discussions with Mr Isaacson and his staff have satisfied the Committee that the Auditor-General has an effective strategic plan to ultimately ensure full coverage of all aspects of

"internal control", particularly the endeavours of management "to promote operational efficiency".

Further discussions with the Auditor-General regarding his annual report led to the Committee identifying a number of issues of significant concern to his office. The Committee decided to pursue those matters with the departments concerned.

A summary of those issues follows:-

DEPARTMENT OF THE CHIEF MINISTER

. INTERNAL AUDIT BUREAU

Section 3.3.5 comments as follows:-

- "(a) recommendations by this Office have largely been adopted and issued as policy. However, not all policy directives have been actioned effectively as yet;
- (b) evidence suggests that co-ordination of ADP and financial audit functions may still be incomplete; and
- (c) audit objectives still need to be defined more clearly throughout the audit process."

OFFICE OF THE PUBLIC SERVICE COMMISSIONER

. GOVERNMENT PRINTING OFFICE

Section 3.17.16 comments as follows:-

"An audit report upon the financial statements for the year ended 30 June 1985 was provided to the Minister on 31 January 1986. Inadequacies noted, which included the drawing of two cheques in June 1985 for payment in July for items not received until July, were reported to the Accountable Officer who has advised of remedial action.

The interim audit for 1985/86 included a review of general computer controls and systems still under development at the time of audit.

A number of recommendations were made to the Accountable Officer with a view to enhancing control over the computerized systems. Advice of remedial action taken and proposed has been received."

NORTHERN TERRITORY TREASURY

. CONVERSION TO THE REPLACEMENT COMPUTERIZED ACCOUNTING SYSTEM

Section 3.8.7 comments as follows:-

"On 8 April 1986 the Accountable Officer was advised that the procedures controlling the 1 July 1985 partial conversion from INTAS to the replacement computerized accounting system were not satisfactory in that essential reconciliations had not been performed and that certain information had either not been included or was included incorrectly."

. INTERIM BASIC FINANCIAL AUDIT IN THE ACCOUNTING SERVICE CENTRE IN DARWIN

Section 3.8.8 comments as follows:-

- " as at 14 February 1986 a reconciliation of the Northern Territory Government Bank Account had not been performed since 30 June 1985;
- . in respect of the replacement computerized accounting system there was no control being exercised by the Accounting Service Centre to ensure that each department had adequate funds available at subdivisional level prior to release of cheques; and
- . cheques produced by the replacement computerized accounting system were not being checked to supporting documentation to ensure that they were correct prior to being released. As the computer file holding the "cheque images" prior to printing was accessible to unauthorised change, this was considered to be a major internal control breakdown."

. OPERATIONS OF THE TREASURER'S DIRECTIONS

Section 3.8.10 comments as follows:-

- " as the Treasurer's Directions were in the process of being re-written consideration should be given to obtaining the opinions of departments outside of the Northern Territory Treasury who also have major responsibilities in respect of the financial activities of government;
- . as the introduction of the replacement computerized accounting system has brought a progression of decentralisation of control functions previously

administered in the Treasury a need exists for Accountable Officers to be made fully aware of the duties devolving upon them;

- . proforma accounting and property manuals should be prepared by the Treasury for smaller units of administration in view of the likelihood that the re-written Treasurer's Directions would be less prescriptive; and
- . appropriate consideration should be given to the application of public sector accounting standards being issued by the Public Sector Accounting Standards Board.

. HEDGING OF FOREIGN EXCHANGE FLUCTUATION EXPOSURE

Section 3.8.12 comments as follows:-

"During the course of auditing a major equipment acquisition contract in a department it was noted that Treasury did not have a formalized policy on the hedging of contracts subject to foreign exchange fluctuations. On 8 October 1985 the Accountable Officer was asked for confirmation of this understanding."

"On 11 June 1986 the Accountable Officer was advised that it was considered that his attention should be drawn to the importance of having a well documented policy on the hedging of contracts subject to foreign exchange fluctuations in view of the increased activity in this area. It was recommended that the Under Treasurer approach the Treasurer with a view to obtaining a direction on the hedging of contracts subject to foreign exchange fluctuations."

. YEAR END BASIC FINANCIAL AUDITS IN THE DEPARTMENT AND IN THE ACCOUNTING SERVICE CENTRE IN DARWIN

Section 3.8.13 comments as follows:-

"The Accountable Officer was advised on 9 September 1986 that, in the course of these audits (as with others conducted during the year) it was apparent that certain key finance and accounting functions were not being performed effectively. Primarily this was due to the changeover to a new computer accounting system, concurrent with the devolution of certain procedural responsibilities to user departments and a shortage of sufficiently experienced staff. The deficiency was evidenced particularly by the non-performance of a bank reconciliation, the absence of a reliable central ledger and difficulties currently being

experienced with the production of the Treasurer's Annual Financial Statements. The result was that there was no assurance during the year as to the accuracy of financial information relating to the individual user departments and the government as a whole.

Implementation of the computerized general ledger package was unsatisfactory in certain important respects.

Insufficient attention was given to the controls and reports required by user departments, including Treasury, to enable the finance and accounting areas to operate satisfactorily.

It was also considered that inadequate staff training, supervision and the allocation of inexperienced staff to certain critical tasks has contributed to the problems experienced during the year.

In addition to the general comments above the Accountable Officer's attention was drawn to the following specific matters:

- . Proper controls should exist so as to ensure the accuracy of the Quarterly Statements issued by government. A number of presentation errors existed in the first release of the Statement for the quarter ended 30 June 1986;
- . It is essential that all procedures necessary be put in place to perform the reconciliation of the Northern Territory Government Bank Account at least monthly and that identified items of reconciliation are actioned before the succeeding month end;
- . At the present time the central ledger is ineffective as a central record of the government's accounts. It is essential that the central ledger be a reliable part of the government's accounting records;
- . A reconciliation of the Accountable Officer's Trust Account for the department has not been performed since September, 1985; and
- . Records of appropriation sub-division and activity level in the Department's ledger were not accurate. It is important that these records be maintained properly to ensure that expenditure does not

exceed appropriation and that required approvals are obtained for transfer of appropriation."

TREASURER'S ANNUAL FINANCIAL STATEMENTS

Section 3.8.14 comments as follows:-

"At the beginning of October 1986 the preparation of the Statements was approximately one month behind the original timetable. In past years the Auditor-General's report on the Statements and the Statements themselves have been combined with the Auditor-General's report on other matters. The delay mentioned above has necessitated the issue of a separate report upon the Statements. I have recommended that effective mechanisms be put in place to ensure the prompt preparation of these Statements in future years."

Copies of departmental responses together with subsequent views of the Auditor-General on those responses are at Appendix (B).

As can be seen from the appended responses, it would appear that departments have generally undertaken to attend to or attended to matters raised by the Auditor-General. However, it is noted that the Auditor-General will consider these matters further in his next annual report and the Public Accounts Committee will be interested in any outstanding issues.

3.1.1 FINANCIAL INFORMATION

The value of the Auditor-General's report to Members of the Legislative Assembly in reviewing public administration and expenditure varies in direct proportion to the quality and relevance of financial information available from departments and statutory corporations.

The following extract from page 12 of the Auditor-General's Annual Report is a succinct and accurate analysis of the quality and relevance of available financial information:-

"3.1.15 It is not at present possible to readily extract financial information relative to the costs of particular operations/activities from accounting records currently maintained.

3.1.16 The provision of details of the actual costs of operations/activities, in addition to the accountability factor mentioned above, are required in various departmental submissions including those to the Grants Commission. A mechanism to allow either physical oncharging

or a formal cost recognition process would appear desirable.

- 3.1.17 It is noted, however, that for Grants Commission purposes departmental administrative arrangements will not necessarily coincide with the functional classifications used by the Commission. Nevertheless, the ability to more readily ascertain the full costs of operations should assist in the determination of costs for the functional classifications required by the Grants Commission.
- 3.1.18 Annual financial information provided to the Legislative Assembly in respect of departments and units of administration is currently limited to that provided in the Treasurer's Annual Statements and to any financial information disclosed by Chief Executive Officers in their reports issued in accordance with section 22 of the Public Service Act.
- 3.1.19 The Public Service Act requires, under section 22, that 'each Chief Executive Officer shall, as soon as practical after each 30 June, report to the Minister on the staffing and activities of his department or unit of administration during the preceding financial year and shall furnish a copy of that report to the Commissioner'. That report must be tabled in the Legislative Assembly within 6 sitting days of receipt by the Minister.
- 3.1.20 In respect of the year ended 30 June 1985 some reports under section 22 of the Public Service Act incorporated detailed financial data relating to activities whilst in others minimal financial information was provided. There is no consistent approach across all units of administration in respect of the nature and extent of financial information provided. As a consequence there is an absence of meaningful and comparative financial information that would enable activities and operations to be assessed in terms of their associated costs."

The Committee is concerned that the above comments depicted a less than satisfactory situation regarding the form and content of departmental financial reporting.

It is the view of the Public Accounts Committee that the issues raised by the Auditor-General dictated the necessity for a thorough review of departmental financial reporting with particular regard to their form.

The Committee suggests that the problems identified will be adequately addressed only when the Government's reliance on the existing cash based accounting system is overtaken by a move towards accrual accounting.

The Auditor-General of Victoria, Mr R.G. Humphry, has an interesting view on the survival of the less than informative cash accounting system:-

"Why does cash accounting continue to be associated with government? One reason is that the cash basis of accounting has been seen as good enough for government accounting as it is a straightforward method easy for non-accountants to understand and apply. Cash accounting is useful for balancing the government's cheque accounts and managing cash flow but hardly good enough for managing the overall operations of government."

The Committee is appreciative of the difficulties associated with a change towards accrual accounting in Northern Territory departments and does not expect a decision on this matter to be taken without a full examination of the benefits and other implications. What the Committee would like to see is the development of a more informative set of financial statements to reflect the true state of the public account and thus allow more effective and efficient financial management to take place.

3.1.2 SUMMARY OF AUDITS

The Committee generally accepted the summaries provided as fairly and accurately reflecting the Auditor-General's assessment of legislative compliance and financial regularity within departments and other units of administration.

It was noted that twenty-eight Strategic Planning Studies were undertaken throughout the year. The Auditor-General defines such activities:-

"2.6.2 Strategic Planning studies to obtain information about selected organisations including such details as legislation, objectives, functions and programmes were undertaken during the year. These studies provide a basis for initial audit assessment of the materiality and vulnerability (or otherwise) of operations, and identify all activities requiring audit coverage over time.

Such studies guide development of strategic and tactical audit plans."

The Committee noted that in only one instance did the Auditor-General see the need to comment on the findings of his Strategic Planning Studies.

3.2 Report of the Auditor-General upon the Treasurer's Annual Financial Statements

This report was tabled in the Legislative Assembly on 25 November 1986 as required by section 57 of the Financial Administration and Audit Act.

The Treasurer's Annual Financial Statements comprise the following:-

- No 1. Consolidated Fund of the Government of the Northern Territory of Australia
- No 2. Trust Fund of the Government of the Northern Territory
- No 3. Statement of Funds and Public Account balances
- No 4. Statement of ex-gratia payments, gifts of public property, etc.
- No 5. Statement of loan raisings by the Northern Territory Government
- No 6. Statement of Guarantees

The Committee has accepted the Report of the Auditor-General on the above statements and considered the following matters:

3.2.1 RECONCILIATIONS

Treasurer's Statements 1 and 2 are the records of the Public Accounts of the Northern Territory and Statement 3 reflects the balances of the Consolidated Fund and Trust Fund as at 30 June each year.

The Auditor-General reported:-

"As at 30 June 1986 actual current balances and investments held were \$107,463 in excess of the Government's bank record

On performing the bank reconciliation at 30 June 1986 Treasury officials found that actual cash balances held at bank were \$64,214 greater than the cash balances per the Government's book record."

The Committee is concerned that the Northern Territory Treasury failed to achieve a satisfactory reconciliation of the Public Account for the year ended 30 June 1986.

The Committee notes that reconciliations were achieved through "adjustments" and that the Under-Treasurer advised on 10 July 1987:-

"Since we have closed off the accounts for 1986/87 and are already well advanced on the necessary reconciliations and associated matters, I have no doubt that his Report (Auditor-General's) this year will be made not only much earlier than in 1986, but also with less problems to recount."

3.2.2 MONEYS AND PUBLIC PROPERTY WRITTEN OFF

Statement 4 is a statement of 'ex-gratia' payments, moneys and public property written off, waiver of the right to recover moneys or public property and gifts of public property.

The item of concern to the Public Accounts Committee is moneys and public property written off. This category totals \$1.3m and comprises:-

Moneys written off due to loss

Moneys written off as irrecoverable

Property written off due to loss

Property written off due to theft, and

Property written off as obsolete or unserviceable.

Whilst the Committee cannot comment on the adequacy of internal control there is concern that this may be an area of significant waste of public moneys and will be monitored in future years.

3.2.3 GUARANTEES AND CONTINGENT LIABILITIES

As advised in its specific report on the actual and contingent liabilities of the Northern Territory Government (Report Number 2), the Public Accounts Committee expressed some concern that not all guarantees and indemnities may be included in Treasury's Central Register and has recommended that this matter be continually reviewed.

The Committee has noted the recent advertising of vacancies within the Northern Territory Treasury's Funding and Projects Division specifying responsibilities for the control and maintenance of the register of contingent liabilities.

3.2.4 CASH OR ACCRUAL ACCOUNTING?

The Treasurer prefaces his Financial Statements with a brief explanation of the accounting system adopted by the Northern Territory Government. He points out that "the system is operated on a 'cash' basis which is the accepted method of accounting for Government receipts and expenditure and is adopted by the Commonwealth and State Governments in Australia."

The cash based system has existed as a legacy of the Westminster system and as witnessed by the Commonwealth Parliament's Joint Committee of Public Accounts:-

"governments have historically operated on an annual cash basis because this is fundamental to democratic constitutional safeguards which have been evolving since the days of King Charles I in England. The basic safeguard is that no monies shall be collected or spent except in ways and amounts approved by Parliament through budget appropriations."

The Comptroller-General, Victorian Department of Management and Budget and former N.T. Auditor-General, Mr G.J. Carpenter, noted in his 1986 National Annual Research Lecture:-

"the steps taken or planned around Australia to develop and implement improved financial management within the public sector including, in the Commonwealth and some States, the use of budgeting technique generally known as program budgeting.

The environment therefore is one where Governments are seeking ways to achieve improved performance. It seems appropriate that accountants should consider whether accounting methodologies other than those based on cash accounting could provide a mechanism to assist in the improvement of financial management performance."

An essential difference between cash and accrual accounting is that cash tells only part of the story. For instance, the raising of a purchase order for the acquisition of, say, a new vehicle could and does result in the delivery of the item just prior to the end of a financial year, thus establishing an expenditure commitment which would not be reflected in the financial statements for that year. In other words, the cash system does not account for what has been committed, only what has been paid for. Reliance on the assumption that commitments met for the previous financial year will roughly equal the value of those to be met next financial year is becoming increasingly more dangerous given the less than buoyant state of the economy.

Other factors that identify accrual accounting are the disclosure of assets and liabilities to provide a more informed basis on which to manage the Territory. Such information must improve the ability of the government to set priorities and generally plan the Territory's future development. Conversely, the absence of such data must seriously compromise the government's ability to plan.

The argument against accrual accounting is that it is unsuited to public accounting based on annual appropriations by Parliament. This argument may reflect a deep seated resistance to a change towards greater accountability.

The Committee does not intend pursuing the debate over cash and accrual accounting in this report. However, the comments of the Auditor-General of New South Wales, Mr Ken Robson, neatly summarise the current situation:-

"I commend to you the strengths of the assembled voices of the Auditors-General from all over the world in pointing to the well recognised need for the step to full accrual. It is not much more information than is readily available in a cash accounting system - all that is being done is that the values are disclosed.

It is too easy to manipulate results without accrual accounting."

The important point to note is that the issue is not cash versus accrual accounting as they are both essential and complimentary. Accrual accounting simply improves the range of information available.

3.3 Report of the Auditor-General upon Prescribed
Statutory Corporations for the year ended 30 June
1986.

This report was tabled in the Legislative Assembly on 29 April 1987 and is a supplementary report to the Auditor-General's report on the Treasurer's Annual Financial Statements.

The report on Statutory Corporations is independent of annual reports by the Auditor-General to the relevant Minister in respect to each Statutory Corporation as provided by Section 67 and 68 of the Financial Administration and Audit Act and summarised by the Auditor-General as follows:-

"(1) Under Section 67 -

(a) to determine whether:-

- (i) the corporation is keeping proper accounts and records of transactions and affairs (both financial and non-financial) so far as practicable in the same manner as a commercial organisation;
- (ii) all payments are correctly made and properly authorised;
- (iii) adequate control is maintained over its property;
- (iv) adequate control is maintained over property in the custody of (but not belonging to) the corporation; and
- (v) adequate control is maintained over the commitment of money;

(b) to determine:

- (i) legislative and regulatory compliance; and
- (ii) financial regularity;

and that the audit be planned so that there is a reasonable expectation of detecting significant diseconomy, inefficiency and ineffectiveness;

(c) to report forthwith to the Minister any irregularities of sufficient importance; and

- (d) in any event, to report to the Minister on the results of the audit and inspection under sub-section 67(1).
- (2) Under section 68, to report to the Minister -
 - (a) whether, in the Auditor-General's opinion:-
 - (i) the financial statements are based on proper accounts and are in agreement with the accounts and have been properly drawn up so as to present a true and fair view; and
 - (ii) the receipt and expenditure of moneys and the acquisition and disposal of property has been in accordance with the constituting Act and the Financial Administration and Audit Act; and
 - (b) such other matters and things arising out of the statements as should be reported to the Minister (including matters of legislative and regulatory compliance and financial regularity).

The Auditor General's report to the Legislative Assembly, on the other hand, takes the form of an account, in summary, noting the functions of each corporation and the extent of audit coverage for the year and any significant findings.

Discussions with the Auditor-General regarding his report on statutory corporations led to the Committee identifying a number of issues which were of significant concern to his office. The Committee decided to pursue two matters with the corporations concerned.

A summary of those issues follows:-

DEPARTMENT OF LANDS AND HOUSING

. FINAL AUDIT - NORTHERN TERRITORY HOUSING COMMISSION

Section 2.12.6 comments as follows:-

"The section 67 report to the Minister noted a continuing lack of proper attention to a number of critical areas of control, inadequate investigations, reconciliation and clearance of account balances, departures from procedures and a lack of familiarity with the intricacies of quite complex and significant issues, a number of which had

remained from prior years. Supporting schedules and ledger reconciliations necessary for the examination of the 1985/86 financial statements were not made available by the dates agreed and at one stage it was necessary to temporarily withdraw from the audit to enable the Commission to attend to the various outstanding matters. This severely disrupted the progress of the audit, adversely impacted upon the tight time constraints which are customary at that time of year and caused severe audit cost overruns."

MUSEUMS AND ART GALLERIES BOARD OF THE N.T.

FINAL AUDIT

Section 2.9.5 comments as follows:-

"The report to management mentioned two matters, both of which had been raised on previous occasions. These were:

- (a) the staff superannuation trust fund is being recorded in the financial statement of the Board as if the Board had a financial interest in the fund. The legal status (and thus the proper financial statement reporting requirement) needed to be clarified to determine whether this is, in fact, the case; and
- (b) the delay in finalising the procedures manual indicated a lack of commitment to its completion and until it was completed, existing and new staff would not have the benefit of a guide and reference in the performance of their duties."

Copies of responses from the above two corporations together with the subsequent views of the Auditor-General on those responses are at Appendix (c).

As can be seen from the appended responses, it would appear that the corporations concerned have generally attended or undertaken to attend to matters raised by the Auditor-General. However, it is noted that the Auditor-General will consider these matters further in his next annual report and the Public Accounts Committee will be interested in any outstanding issues.

CHAPTER FOUR

CONCLUSIONS

The Public Accounts Committee is generally satisfied with the Auditor-General's reports for the year ended 30 June 1986.

The Committee has noted the Auditor-General's role extends into reporting on "operational efficiency". This is an area of particular interest to the Public Accounts Committee and although not the subject of specific comment in his reports for 1985/86, the Committee is satisfied that the Strategic Plan devised by Mr Isaacson will see greater attention being paid to this matter in future reports.

Chapter 3.1 (page 5/6)

The response of the Under-Treasurer to the Auditor-Generals' comment on the hedging of contracts to counter foreign exchange fluctuations is not specific and warrants further review.

Chapter 3.1 (page 8)

The Committee is concerned at the Auditor-General's assessment "that there was no assurance during the year as to the accuracy of financial information relating to individual user departments and the government as a whole." This situation seemed to be largely attributable to the changeover to a new computer accounting system.

Chapter 3.1 (page 8/9)

The late presentation of the Treasurer's Annual Financial Statements adversely effects debate in the Assembly on the budget and fails to recognise the importance of government accountability to parliament on financial management of the Public Account.

Chapter 3.1 (page 10)

The Auditor-General's comments regarding the inadequacy of existing financial information to provide government with a reliable base on which to make decisions reflected poorly on the performance of the Northern Territory Treasury.

Chapter 3.1.1 (page 10/11)

The Northern Territory Treasury did not appear to be keeping pace with its interstate counterparts on development towards improved

financial and performance accountability, particularly in areas of program budgeting and accrual accounting. However, the Committee has noted more recent developments within Treasury towards the implementation of program budgeting during 1988/89.

Chapter 3.1.1 (page 12)

The value of moneys and public property written off is considerable and appears to be an area in which effective internal control could produce cost savings.

Chapter 3.2.2 (page 15)

Serious problems exist within the Housing Commission resulting in a totally unsatisfactory report from the Auditor-General.

Chapter 3.3 (page 19/20)

CHAPTER FIVE

RECOMMENDATIONS

In view of the conclusions drawn by the Committee from its inquiry, the Committee recommends that:-

1. The matter of hedging of contracts be kept under review.
2. All measures as are necessary be taken by Treasury to ensure that a repetition of the problems encountered in the non-performance of a bank reconciliation and the absence of a reliable central register, does not occur;
3. The Treasurer's Annual Financial Statements be prepared in such time as to enable the Auditor-General to report to the Legislative Assembly in advance of parliamentary debate on the Territory budget;
4. Treasury keeps under review the adequacy of financial information it has available to Government and the Treasurer advise the Assembly of any proposed changes to the form of government account keeping;
5. Greater effort be made to reduce the loss to the public account in areas covered by Statement 4 of the Treasurer's Annual Financial Statement including better asset control; and
6. The Northern Territory Housing Commission urgently address the issues raised in the Auditor-General's report.

MICK PALMER
Chairman

APPENDIX A

AUDITOR-GENERAL'S BRIEFING NOTES

BRIEFING NOTES FOR PUBLIC ACCOUNTS COMMITTEE - 12 MAY 1987

AUDITOR-GENERAL'S REPORTS FOR THE YEAR ENDED 30 JUNE 1986

In respect of the year ended 30 June 1986, the Auditor-General presented three Reports to the Legislative Assembly:-

<u>Name of Report</u>	<u>Date Tabled</u>
- Annual Report of the Auditor-General.	11 November 1986
- Report of the Auditor-General upon the Treasurer's Annual Financial Statements.	25 November 1986
- Report of the Auditor-General upon Prescribed Statutory Corporations.	29 April 1987

Reporting Powers of the Auditor-General

- Section 57 of the Financial Administration and Audit Act provides that the Auditor-General shall prepare and sign a report to the Legislative Assembly on his audit of the Treasurer's Annual Financial Statements.
- Section 56 (b) of the Act provides the Auditor-General may make a special report to the Legislative Assembly on any matter or thing arising out of an audit to which, in his opinion, attention should be drawn. Reports under this section are termed Supplementary Reports.

Prior to 1986 it had been the practice to provide one Report only upon the Treasurer's Annual Financial Statements and upon other activities. This Annual Report embraced the matters dealt with in the first two 1986 Reports listed above, i.e. those tabled on 11 and 25 November 1986.

Reports in the nature of that tabled on 29 April 1987 upon Prescribed Statutory Corporations had not been provided previously.

ANNUAL REPORT OF THE AUDITOR-GENERAL

The separate binding of this Report has not diminished the information which was available in the previous Annual Report.

The 1986 Annual Report contains references upon:

- The Role of the Auditor-General;
- General matters concerning the use of private sector authorized auditors and the staffing of the Office; and
- the results of audits of departments and units of administration.

The Committee will probably find Section 2, dealing with the Role of the Auditor-General, a useful reference on the legislative framework of auditing and the technical approach adopted by the Office. There is also a brief reference on pages 8 and 9 to the Committee and its duties.

Sections 4 and 5 are of general interest with detail provided at pages 57 and 58 of the ongoing review of responsibilities and operations of the Office.

The major section of the Report, Section 3 dealing with results of audits, commences with an introduction to the financial management framework and a discussion of the degree to which costing and financial information is available to support departmental decision making and explain subsequent activities.

The bulk of the section, indeed of the Report, refers to audits performed in 1985-86 and highlights the more important observations and conclusions resulting therefrom. The comments of departments are included where appropriate.

Comments generally follow the sequence accorded the various ministries in the Appropriation Act for the year ended 30 June 1986. Reference to each department or unit of administration is preceded by a brief statement of functions which the accountable officer has provided.

Of particular note may be the comments in respect of the Treasury on pages 21 to 26.

REPORT OF THE AUDITOR-GENERAL UPON THE TREASURER'S ANNUAL FINANCIAL STATEMENTS

This Report now places the Treasurer's Annual Financial Statements in the same standalone context as that applying to the annual financial statements of prescribed statutory corporations and others.

The Auditor-General's Report, on page 85, is based upon audits of the Public Accounts and other accounts and is qualified as to the inability to form an opinion as to the completeness and accuracy of the information from which Statement 6 - a list of guarantees and contingent liabilities - is prepared.

Difficulties experienced by the Treasury in reconciling balances are also noted in the Report. In this connection the Committee might wish to refer to paragraphs 3.8.7, 3.8.8, 3.8.13 and 3.8.14 on pages 22, 23, 25 and 26 of the Annual Report tabled on 11 November 1986.

REPORT OF THE AUDITOR-GENERAL UPON PRESCRIBED STATUTORY CORPORATIONS

This is the first Report of this nature and gathers together in one document, in a manner complementary to the two preceding Reports, a summary of the annual audit effort and results in respect of prescribed statutory corporations.

This time of year has been chosen as the most suitable for a Report of this type in order to ensure that it is as complete as possible as it is not until the following January or February that audits of the majority of financial statements are completed.

The Report highlights the more important observations and conclusions resulting from audits performed in 1985-86 and includes the comments of the prescribed statutory corporations where appropriate. Reference to each prescribed statutory corporation is preceded by a brief statement of function which it has provided.

Section 2 of the Report commences with an introduction to the basic financial framework applying to presented statutory corporations and reference to the role of and methodology adopted by the Auditor-General.

Matters of special interest are discussed on page 6.

Appendix 'A' of the Report is a list of audits required as at 30 June 1986, other than those of departments and units of administration and the status of related financial statements. This is an update of a similar appendix 'A' in the Annual Report of the Auditor-General tabled on 11 November 1986.

It is pleasing to note the efforts being made to prepare financial statements in a more timely manner.

Local Government Councils

This briefing would not be complete without a reference to the accounting and auditing requirements imposed on Local Government Councils.

The requirements are overly detailed, restrictive and the cost of producing and auditing financial statements far outweighs the value of the information presented.

APPENDIX B

RESPONSES TO ISSUES FROM ANNUAL REPORT



NORTHERN TERRITORY OF AUSTRALIA

OFFICE OF THE AUDITOR-GENERAL

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

TELEPHONE: 89 7155

REFERENCE: 100-06-002
IME: 11/8/a

Secretary
Public Accounts Committee
Legislative Assembly of the Northern Territory
GPO Box 3721
DARWIN NT 5794

0.15/3

AUDITOR-GENERAL'S REPORT 1985-86
YOUR 3/4/14 OF 30 JUNE 1987

The comments by Mr Saville are considered to satisfactorily address the more important matters referred to in my report.

However, it will not be until my Office examines the financial statements of the Government Printing Office for the year ended 30 June 1987 that I will be in a position to assess the application of remedial action.

E M ISAACSON
Auditor-General

21 August 1987



PUBLIC SERVICE COMMISSIONER FOR THE NORTHERN TERRITORY

DEVELOPMENT HOUSE,
76 ESPLANADE,
DARWIN

G.P.O. BOX 4371,
DARWIN, N.T. 5794
TELEPHONE: 89 4411
TELEX: AA 85308

27 June 1987

Your Ref: 3/4/15

The Secretary
Public Accounts Committee
Legislative Assembly of the Northern Territory
GPO Box 3721
DARWIN NT 5794

Dear Sir

**NORTHERN TERRITORY GOVERNMENT PRINTING OFFICE AUDITOR-
GENERAL'S REPORT 1985/86**

In response to your request for additional information in respect of 3.17.16 of the Auditor-General's report I advise as follows:

1. Two cheques were drawn in respect of capital equipment items. In June 1985 delivery was promised by 30 June 1985. Due to the early Treasury close-off of accounts, cheques were drawn in anticipation of the receipt of the goods by that date. Unfortunately shipping delays occurred and the goods were not subsequently delivered by the due date.

The situation was somewhat unusual and is unlikely to recur. Nonetheless, the relevant staff have been reminded of their responsibilities in this regard.

2. The majority of matters raised by the Auditor-General have been addressed and a Interim Computer Audit carried out in April 1987 comments that "there have been a number of significant improvements in the general computer control environment at the Government Printing Office".

Some matters however, are still in the process of being addressed, and the following is a brief summary of the major outstanding items:

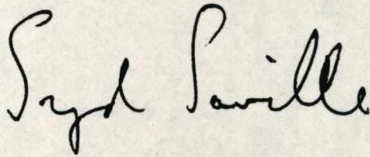
- **Formalisation of Procedures for Implementation of New Software:**
Formal procedures are currently in draft form and should be in place by end July 1987.
- **User Manuals:**
A consultancy is currently in place to provide user manuals in respect of the accounting system. Estimated completion is July 1987.

- **Alternative Processing Facilities:**
Arrangements are in place but have yet to be formalized due to operational difficulties at the proposed alternative site. Estimated completion September 1987.
- **Inadequacy of Password and Related Access Controls:**
These are resident in the operating system and hence not within the control of the Government Printing Office. However, pressure is being brought to bear on the software supplier and improvements are being made in this area on an ongoing basis.
- **Access to Master Console:**
The risk associated with this control is being monitored on a continuing basis. However space/resource requirements prevent us from fully adopting the Auditor-General's recommendations.

I trust that the foregoing information satisfies your requirements.

Should you require further information, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in cursive script, reading "S P Saville". The signature is written in dark ink on a light background.

S P SAVILLE
Public Service Commissioner



NORTHERN TERRITORY OF AUSTRALIA

OFFICE OF THE AUDITOR-GENERAL

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

TELEPHONE: 89 7155

REFERENCE 100-06-002

IME: 22/7/a

Mr David Rice
Secretary
Public Accounts Committee
GPO Box 3721
DARWIN NT 5794

B₂/7

Dear Mr Rice

AUDITOR-GENERAL'S REPORT - 1985/86
DEPARTMENT OF THE CHIEF MINISTER
Your 3/4/14 of 8 July 1987

The 1985-86 Report comments on the Internal Audit Bureau resulted from a restricted scope audit in 1985-86 of matters unresolved from a 1984 audit.

Mr Morris's response would appear to adequately address the matters raised in the 1985-86 Report. However it cannot be established that there is a satisfactory resolution of those matters until they are re-examined by my Office later this financial year.

Yours faithfully

E M ISAACSON
Auditor-General

21 August 1987



NORTHERN TERRITORY OF AUSTRALIA

G.P.O. BOX 4396
DARWIN N.T. 5794
TELEPHONE: 89 6172

SECRETARY
DEPARTMENT OF THE CHIEF MINISTER

- 7 JUL 1987

Mr M J Palmer
Chairman
Public Accounts Committee
Legislative Assembly of the
Northern Territory
GPO Box 3721
DARWIN NT 5794

Dear Mr Palmer

I refer to your letter referenced 3/4/15 dated 3 June 1987. In respect of the Auditor General's Report 1985/86 Section 3.3.5, the following comments are provided.

- (a) All policy directives issued by the Director have since been actioned effectively. As an interim measure, this has been achieved by centralising the quality control aspect to one audit manager. In the long term the function will be enforced by two Assistant Directors at a higher and more responsible level. Recruitment action is in hand currently to fill these positions.
- (b) A formal process and a modification to the thrust of EDP Audits was devised to align the function more closely with the conventional audit areas.
- (c) This area has been fully addressed and is now satisfactory.

I attach for your information a copy of my letter of 28 July 1986 to the Auditor General responding to the matters raised.

Yours sincerely

A G MORRIS



NORTHERN TERRITORY OF AUSTRALIA

G.P.O. BOX 4396
DARWIN N.T. 5794
TELEPHONE: 89 6172

SECRETARY
DEPARTMENT OF THE CHIEF MINISTER

28 JUL 1986

Mr E M Isaacson
Auditor-General
GPO Box 4594
DARWIN NT 5794

Dear Elliott

INTERNAL AUDIT BUREAU SURVEY

I refer to your memorandum of 22 July 1986 dealing with your survey of IAB procedures. Please accept my apologies for the delay in answering your original memorandum. I am afraid it was overlooked in the correspondence that took place between our offices on the reorganisation of the Bureau.

I am pleased to note that in general the methodologies and procedures of the Bureau are of a satisfactory standard. I am reassured by the fact that your office is able to rely on the work of the Bureau in interfacing with your requirements.

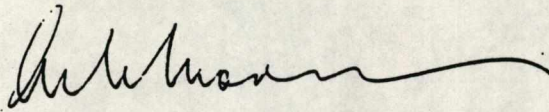
I provide the following comments in respect of the points which you raised in paragraph 3 of your original memorandum;

- 3.1 Some departures from established Bureau audit procedures have from time to time occurred in the working papers. This has been drawn to the attention of managers and staff by the Director in his quality and standard review processes. The new reorganisation proposal which is designed to provide a more efficient management control system should minimise the likelihood of such occurrences.
- 3.2 To provide further evidence of the consideration being given to the D.P. aspects for all audits, the Director has issued a policy on 29 November, 1985 requiring formal endorsement of the D.P. branch at the audit briefing and planning stages. This would invariably ensure D.P. involvement where the need arises.

3.3 A revision of the Audit Bureau procedural manual was undertaken some months ago. In this revision modification to documentation procedures and form design has been effected. This would ensure audit objectives to be more clearly defined and cross-referenced throughout the whole audit process.

I trust this information meets your requirements.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'A G Morris', with a long, sweeping horizontal line extending to the right.

A G MORRIS



NORTHERN TERRITORY OF AUSTRALIA

OFFICE OF THE AUDITOR-GENERAL

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

TELEPHONE: 89 7155

REFERENCE: 100-06-002
JRE: 27/8/a

B2/9
Mr D Rice
Secretary
Public Accounts Committee
GPO Box 3721
DARWIN NT 5794

Dear Mr Rice

AUDITOR-GENERAL'S REPORT 1985-86
NORTHERN TERRITORY TREASURY

(Your Ref: 3/4/14 of 16 July 1987)

I have reviewed the comments made by Dr Conn in respect of my Report.

Dr Conn has responded to me in detail on matters which I reported to him and I consider those responses to be satisfactory. However it cannot be established that there has been a complete resolution of the matters until they are re-examined by my Office later this financial year.

Yours faithfully

E M ISAACSON
Auditor-General

28 August 1987



NORTHERN TERRITORY OF AUSTRALIA

UNDER TREASURER
THE TREASURY

10 July 1987

Mr M Palmer, MLA
Chairman
Public Accounts Committee
GPO Box 3721
DARWIN NT 5794



G.P.O. BOX 1974
DARWIN, N.T. 5794
TELEX: AA 85541
VOCADEx: 81 8348
TELEPHONE: 89 6033

Dear Mr Palmer

I refer to the Secretary's letter of 3 June 1987 regarding the Auditor-General's 1985/86 Report, and to our brief informal conversation on the matter.

While it is convenient to have the comments of the Auditor-General extracted in this way, I can assure you that all the matters raised by him at that time have remained very much in the forefront of Treasury's attention since they were made.

As I indicated to you, all of the matters raised have been addressed and the bulk have been resolved, a fact that will no doubt be alluded to by the Auditor-General in his next Report. Since we have closed-off the accounts for 1986/87 and are already well advanced on the necessary reconciliations and associated matters, I have no doubt that his Report this year will be made not only much earlier than in 1986, but also with less problems to recount.

Please do not hesitate to ask should you require further elaboration prior to that event.

I am sending a copy of this letter to the Treasurer and to the Auditor-General.

Yours sincerely

N R CONN

COPIES TO M. Palmer

APPENDIX C

**RESPONSES TO ISSUES FROM REPORT ON
STATUTORY CORPORATIONS**



NORTHERN TERRITORY OF AUSTRALIA

OFFICE OF THE AUDITOR-GENERAL

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

TELEPHONE: 89 7155

REFERENCE: 100-06-002

IME: 11/8/a

Br/8

Secretary
Public Accounts Committee
Legislative Assembly of the Northern Territory
GPO Box 3721
DARWIN NT 5794

AUDITOR-GENERAL'S REPORT 1985-86

I refer to your 3/4/14 of 26 June 1987 so far as it relates to the Northern Territory Housing Commission.

Mr Darben's response is considered to adequately address a number of technical and procedural issues which were of concern to my Office.

While an audit in May 1987 showed that remedial action was not quite complete at that time, it is not expected that the problems which arose in the audit of the 1985-86 financial statements will be encountered in the audit of the 1986-87 financial statements.

E.M. Isaacson

E.M. ISAACSON
Auditor-General

August 1987

NORTHERN TERRITORY OF AUSTRALIA

SECRETARY

DEPARTMENT OF LANDS
AND HOUSING

Telephone : 89 7722

Quote in Reply: 86/1836

G.P.O. BOX 1680
DARWIN, N.T. 5794

Telex: AA85453

The Secretary
Public Accounts Committee
GPO BOX 3721
DARWIN NT 5794

Attention: D Rice

NT HOUSING COMMISSION
AUDITOR GENERALS REPORT - 1985/86

I refer to your letter of 3 June (reference 3/4/15) regarding the 1985/86 report of the Auditor General relating to the Housing Commission.

You have sought details of

1. what action has been taken to date to rectify/explain the matters raised by the Auditor General; and
2. what is the time scale for completing any action outstanding.

In relation to point 1, the following major action has been undertaken.

- . the total restructuring of the Commission general ledger which included a transfer to the Government Accounting System (GAS)
- . the revision of accounting and administrative procedures, and
- . the production of mid year financial statements for the Commission.

In relation to point 2, the following general comments are relevant

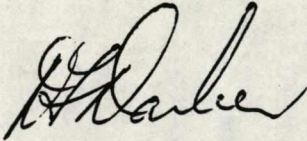
- . the Commission commenced operations on the GAS on 1 July 1986

FL9/1



- . the review of accounting and administrative procedures is an ongoing process, however the control deficiencies specifically identified by the Auditor General have been addressed.
- . mid year financial statements for 1986/87 have been completed and all major issues discussed and resolved with the Auditor General.

Attached to this letter are details of specific actions that have been undertaken in response to the individual items raised by the Auditor General in his final report for 1985/86.



D. F. DARBEN

18/6/1987

ATTACHMENT A

Item 1

Accounting Treatment of Reserve

The Auditor General commented that the treatment of reserves was not in accordance with generally accepted accounting principles and accounting standard AAS1.

This anomaly was discussed with the audit team by Commission Officers during the year at the regular meetings that took place. The accounting practice adopted by the Commission had been applied consistently over previous years and it was agreed that for 1985/86 it remained unchanged (Meeting 10 June 1986). the accounting treatment for reserves has been reviewed and a revised treatment in line with the audit comments has been incorporated in the new General Ledger.

Item 2

Unresolved Disposition of Treasury Loans

The Auditor General commented that some Treasury loans had not been confirmed or disagree with the Commission's books.

Disposition of Treasury Loans 27,28 and 29 has since been resolved; \$2M has been appropriated to pay out the loans - balance to be written off. Other loan discrepancies will be investigated. The Commission had to rely on Treasury's negotiations with the Commonwealth government before we could deal with these transactions. The planned introduction of a loan management system will overcome most of the identified problems.

Item 3

Administration of the Self Insurance Scheme

The Auditor General commented that administration of the Self Insurance Scheme had not been addressed.

The introduction of the Work Health Act will resolve problems of a Workers Compensation nature and the Commission will be examining administrative requirements for other self insurance elements.

Item 4

Self Insurance : Motor Vehicle Risks

The Auditor General commented that the Commission had not dealt effectively with motor vehicle insurance.

Public Liability is covered as part of motor vehicle registration/insurance. For Third Party damage the Commission will obtain quotes to cover this risk, and provided that the premium change is acceptable, will insure this risk externally.

Item 5

Discrepancies in Dwelling Accounts

The Auditor General commented that the dwelling reconciliation required review.

The reconciliation schedules and procedures have been revised.

Item 6

Dwellings under Construction. Capitalisation of Interest and Administration Costs

The Auditor General commented that the Commission's capitalisation policy was not in accordance with AAS11.

The Commission has revised it's capitalisation policy to one that is in accordance with AAS11.

It should be noted however that Housing Authorities in other States do not consider AAS11 applicable to their operations.

Item 7

Discrepancies in Dwellings Under Construction

The Auditor General commented that dwellings under construction could not be reconciled.

Reconciliation Schedule and procedures have been revised. A full reconciliation has been performed.

Item 8

Agency Projects : Balance Brought Forward

The Auditor General commented that certain balances within Agency works needed to be followed up.

The new General Ledger is structured to allow for agency works to be individually accounted for by project and this will resolve the problem.

Item 9

Sundry Debtors : Agency Projects

The Auditor General commented that Accounts Receivable was overstated because doubt existed over some Agency accounts.

A provision was included in doubtful debts for the accounts concerned. It is considered that Accounts Receivable is not overstated. It is normal Commission procedure to pursue outstanding debts.

Item 10

No investigation of Home Loan Arrears

The Auditor General commented that a provision of \$50 000 in Doubtful Debts for losses on Loans to Borrowers was arbitrary.

The main risk of loss is centred in the NTHPA scheme where 2nd mortgages are prevalent. A review of loan master files has been completed.

Item 11

Overstatement of Debtors : Mortgage and Rent Relief

The Auditor General commented that the Mortgage and Rent Relief Debtors were not reconciled until requested by Audit.

The new General Ledger Structure and accounting treatment will highlight the uncollectable amounts, which will be treated accordingly.

Item 12

Unreconciled Sundry Creditor Balances

The Auditor General commented that an amount of \$18 183 was included in Sundry Creditors and its status could not be determined.

The balance has been investigated and resolved.

Item 13

Incorrect Classification of Liabilities :
Deposits by Tenants

The Auditor General commented that tenant security deposits should be classified as current liabilities.

The Commission considers the present method of disclosure of tenant security deposits as Non-Current Liabilities as more appropriate in that the overall balance remains relatively constant. (Majority of tenants will have deposits that will extend over one accounting period).

Item

Clearing Account not Reconciled : Salaries
Paid in Advance

The Auditor General comment that the Salaries Paid in Advance clearing account had not been reconciled at balance date.

The account has been reconciled.



NORTHERN TERRITORY OF AUSTRALIA

OFFICE OF THE AUDITOR-GENERAL

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

TELEPHONE: 89 7155

REFERENCE: 100-06-002

JRE:27/8/b

Bz/s
Mr D Rice
Secretary
Public Accounts Committee
GPO Box 3721
DARWIN NT 5794

Dear Mr Rice

AUDITOR-GENERAL'S REPORT 1985-86
MUSEUMS AND ART GALLERIES BOARD OF THE NORTHERN TERRITORY

(Your Ref: 3/4/14 of 29 June 1987)

I have reviewed the comments made by Dr Jack-Hinton in respect of my Report.

It will not be until my Office examines the financial statements for the year ended 30 June 1987 that I will be able to comment on the accounting treatment of the staff superannuation trust fund.

On the matter of the delay in finalising the Procedures Manual I am concerned that the task is taking so long in view of the fact that it was first reported in June 1983.

Yours faithfully

E M ISAACSON
Auditor-General

28 August 1987

MUSEUMS AND ART GALLERIES OF THE NORTHERN TERRITORY

NORTHERN TERRITORY MUSEUM OF ARTS AND SCIENCES
BULLOCKY POINT, FANNIE BAY, N.T.
POSTAL ADDRESS: G.P.O. BOX 4646, DARWIN, N.T. 5794
TELEPHONE: (089) 82 4211



OUR REF.

YOUR REF.

24 June 1987

Mr David Rice
Secretary
Public Accounts Committee
Legislative Assembly of the N.T.
GPO Box 3721
DARWIN NT 5794

Dear Mr Rice

RE: AUDITOR-GENERAL'S REPORT - 1985/86

Your letter of 3 June refers.

In respect of the matters raised by the Auditor-General the situation is as follows:

(a) STAFF SUPERANNUATION TRUST FUND

The Board does not have a financial interest in the Fund. The Trustees of the Fund are appointed by the Board from amongst its members, but the funds are held in trust for the contributor.

I agree with the Auditor-General that the format of the Financial Statement is confusing and that the Trust Fund assets in the names of the contributors should be presented in another format or as a separate attached statement. Unfortunately, the Commonwealth Auditor-General insisted on the present format. I will be discussing with the Auditor-General the format which he feels desirable so that it can be implemented in the next Annual Financial Statement.

- (b) I appreciate and regret the delay in finalising the Procedures Manual. It is not that there is any lack of commitment, but as there is only one member of staff able to prepare the Manual and as the accounting staff to whom the Procedures Manual applies number only three, including himself, the general work load has delayed completion and, in fact, the financial procedures, although not in manual form are clearly delineated between them. Whilst I did contemplate employing a consultant specifically to prepare the Manual, this proved financially impossible. However, 80% of the Manual of Procedures has now been completed in draft form, which I have sighted, and the final section on delegations is almost completed.

A handwritten signature in black ink, reading 'Colin Jack-Hinton'.

DR COLIN JACK-HINTON
DIRECTOR

APPENDIX D

NORTHERN TERRITORY LEGISLATIVE ASSEMBLY

PUBLIC ACCOUNTS COMMITTEE

TERMS OF REFERENCE

TERMS OF REFERENCE

(Minutes of Proceedings - Tuesday 28 April 1987)

1. The following provisional Standing Order, to operate on a trial basis as a Sessional Order, be agreed to:

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 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 item 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 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).
- (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 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 Department or Public Authority 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 despatch 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.
 - (17) The foregoing provisions of this Resolution, so far as they are inconsistent with the Standing Orders, have effect notwithstanding anything contained in the Standing Orders; and
2. That, unless otherwise ordered, Mr Ede, Mr McCarthy, Mr Leo, Mr Palmer and Mr Poole be appointed as Members of the Committee.

APPENDIX E

NORTHERN TERRITORY LEGISLATIVE ASSEMBLY

PUBLIC ACCOUNTS COMMITTEE

COMMITTEE MEMBERS

COMMITTEE MEMBERS

Members of the Public Accounts Committee:-

MR MICK PALMER, MLA Chairman

Country Liberal Party

Member for Karama. First elected 1983.

Other Committees:- Constitutional Development

MR BRIAN EDE, MLA

Australian Labour Party

Member for Stuart. First elected 1983. Deputy Leader of Opposition and Shadow Minister for Education and Tourism, Aboriginal Affairs & Electoral Reform, Constitutional Development.

Other Committees:- Constitutional Development

MR TOM HARRIS, MLA

Country Liberal Party

Member for Port Darwin. First elected 1977.

Other Committees:- Nil

MR DANNY LEO, MLA

Australian Labour Party

Member for Nhulunbuy. First elected 1980.

Shadow Minister for Mines & Energy, Labour & Administrative Services and special responsibility for Racing and Gaming.

Other Committees:- New Parliament House, House Committee.

MR ERIC POOLE, MLA

Country Liberal Party

Member for Araluen. First elected 1986.

Other Committees:- Environment, Subordinate Legislation and Tabled Papers, Standing Orders, Publications. Deputy Chairman of Committees.