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LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

Public Accounts Committee

**Annual Report
Year Ended 30 June 1993**

Report Number 20

AUGUST 1993

Presented and
Ordered to be Printed
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Northern Territory on
26 August 1993



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

PUBLIC ACCOUNTS COMMITTEE

ANNUAL REPORT

YEAR ENDED 30 JUNE 1993

REPORT NUMBER 20

AUGUST 1993

SECRETARIAT

JENNIFER MOLLAH B.Bus CPA

:

Secretary to the Committee

JUDITH HERRING

:

Administrative Assistant to the Secretary

Legislative Assembly of the Northern Territory

PUBLIC ACCOUNTS COMMITTEE

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Government Printer of the Northern Territory

EMPLOYEE COMPENSATION - 1992

Category	1992
Base Salary	\$100,000
Performance Bonus	\$10,000
Health Insurance	\$5,000
Life Insurance	\$2,000
Retirement Plan	\$3,000
TOTAL	\$120,000

Category	1992
Base Salary	\$100,000
Performance Bonus	\$10,000
Health Insurance	\$5,000
Life Insurance	\$2,000
Retirement Plan	\$3,000
TOTAL	\$120,000

EMPLOYEE COMPENSATION - 1993

Category	1993
Base Salary	\$105,000
Performance Bonus	\$10,500
Health Insurance	\$5,250
Life Insurance	\$2,100
Retirement Plan	\$3,150
TOTAL	\$126,000

PUBLIC ACCOUNTS COMMITTEE

ANNUAL REPORT

YEAR ENDED 30 JUNE 1993

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AIMS AND OBJECTIVES OF THE PUBLIC ACCOUNTS COMMITTEE

The Committee considers its aim to be the promotion of value for money in the public sector with increased public accountability to the Parliament and the public of the Northern Territory.

This aim then allows the Committee to pursue the following objectives against which its own performance might be assessed:

to increase the efficiency and effectiveness with which government policy is implemented.

to increase the public sector's awareness of the need to be efficient and effective and accountable for its operations; and

to increase the awareness and understanding of parliamentarians and members of the public of the financial and related operations of government.

PROFILE OF COMMITTEE MEMBERS

MR KEVIN PARISH, M.L.A.

From 22 February 1993 - to date
Australian Labor Party
Member for Milner. First elected 1991.
Shadow Minister for Industries and Development, Tourism and the Arts, Territories and
Office and Work Health, Small Business (to 23 February 1993).
Other Committees: Subordinate Legislation and Tabled Papers

MR ROGER AYLE, M.L.A.

Appointed 4 March 1993.
Country Liberal Party
Member for Beilby. First elected 1974.
Other Committees: Privileges, Publications, Environment. 1991 and 1 most recently
Privileged Papers
1991 papers and 1992 and 1993 papers
REPORTS OF THE COMMITTEE
The Committee is required to report to the Legislative Assembly on its activities and
providing specific reports from time to time to report its proceedings and evidence taken.
From 17 May 1991 until 17 May 1992
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; Regional Development

Meeting No.	Date	Type of Meeting	Key Agenda Items Organisation Represented	Witness
	11.11.92	Public Hearing	Department of Industries & Development Minister for Transport & Works Minister for Lands & Housing	Mr A. Watson Hon F. Finch MLA Hon M. Ortmann MLA
	12.11.92	Public Hearing	Minister for Industries & Development Chief Minister	Hon S. Hatton MLA Hon M. Perron MLA
	13.11.92	Public Hearing	Deputy Chief Minister & Treasurer	Hon B. Coulter MLA
No. 96	3.12.92	Deliberative	Dalway Pty Ltd Biennial Conference Budget	
No. 97	20.1.93	Deliberative	Dalway Pty Ltd Biennial Conference	
No. 98	10.2.93	Deliberative	Dalway Pty Ltd Annual Report Awards Biennial Conference	
	19.2.93	Public Hearing (part in camera)	Mildrens, Barristers & Solicitors Dalway Pty Ltd Department of Industries & Development Department of Law	Mr G. James Mr G. Cook Mr D. Hunt Mr W. Day
No. 99	25.2.93	Deliberative	Dalway Pty Ltd Auditor-General's Report Tabling of Dalway Report	
No. 100	22.4.93	Deliberative Briefing	Auditor-General's Report Dalway Pty Ltd Office of the Auditor-General	Mr E. Isaacson Mr A.W.K. Ross
No. 101	20.5.93	Deliberative	Auditor-General's Report Annual Report Staffing Matters	

<i>Meeting No.</i>	<i>Date</i>	<i>Type of Meeting</i>	<i>Key Agenda Items Organisation Represented</i>	<i>Witness</i>
	29.10.92	Public Hearing	Department of Industries & Development	Mr S Cavanagh
			Minister for Industries & Development	Mr G. Lucas Mr A. Sprigg
		<i>In camera</i> Hearing	N.T. Police	Mr M. Palmer Mr R. Chalker Mr T. O'Brien Mr M. Sodoli
No. 92A	30.10.92	Deliberative	Dalway Pty Ltd	
		Public Hearing	Department of Industries & Development	Mr D. Hunt Mr N. Almond
No. 93	2.11.92	Deliberative	Dalway Pty Ltd	
No. 94	4.11.92	Deliberative	Dalway Pty Ltd	
		Public Hearing	Territory Insurance Office	Mr P. Temple Mr J. Nayler
	5.11.92	Public Hearing	Territory Insurance Office	Mr P. Temple Mr J. Nayler
		(Suppressed evidence)	Dalway Pty Ltd	Mr D. Edwards
	9.11.92	Public Hearing	Department of Industries & Development	Mr P. Caldwell
			Ernst & Young	Mr C. James
			CFM	Mr L. Venturin
			Department of Industries & Development	Mr L. Mackintosh
No. 95	10.11.92	Deliberative	Dalway Pty Ltd	
		Public Hearing	Tipperary Developments (NT) Pty Ltd	Mr T. Maddox

ACTIVITIES 1992/93

GENERAL

The Committee met on 42 occasions during the year. Twenty-nine of these meetings were deliberative including 26 briefings sessions. Briefings were received from 57 witnesses. For the first time since its inception, the Committee held public hearings which occupied 22 days. Briefings from four witnesses were held *in camera*.

		Deliberative Meetings Attended	Deliberative Meetings held while Member
PALMER, Mick		28	29
BAILEY, John		28	29
PARISH, Ken		26	29
SETTER, Rick		29	29
POOLE, Eric	(1.7.92 - 4.3.93)	21	26
VALE, Roger	(4.3.93 - 30.6.93)	1	3

REPORTS TABLED

The following reports were tabled before the Northern Territory Legislative Assembly during the 12 months to 30 June 1993:

PUBLIC ACCOUNTS COMMITTEE - ANNUAL REPORT YEAR ENDED 30 JUNE 1992 - Report No. 17

This report was tabled on 1 October 1992 and reviewed the activities of the Committee over the previous 12 months.

REPORT ON THE AUSTRALASIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES MID-TERM MEETING HELD MONDAY, 20TH JULY 1992 (Transcript of Proceedings) - Report No. 18

Mr Palmer was Chairman to the Australasian Council of Public Accounts Committees (ACPAC) during the 1991 and 1992. He hosted the mid-term meeting held in Canberra on the 20th of July before handing the chairmanship over to Tasmania. Delegates from all Australian States and Territories were represented.

The mid-term meeting covered the following topics:

- . *Role of the Australasian Public Accounts Committees*
- . *A Strategic Plan for the Queensland Public Accounts Committee*

- . *An Historical Perspective of the Victorian Public Accounts Committee 1895-1992 - Where to Now?*
- . *Relationship between the Auditor-General and the Public Accounts Committee*
- . *Does the issue of Commercial Confidentiality outweigh the right of the Parliament to information dealing with matters of public interest?*
- . *The Scrutiny Task - How it is undertaken by different Public Accounts Committees.*

Delegates of the ACPAC recorded their appreciation of the Northern Territory's high standard of chairmanship, organisation and commitment to the continuing confidence in ACPAC as an institution and as an instrument for exchange and rapport between the States.

REPORT ON THE PURCHASE, OPERATION AND SALE OF DALWAY PTY LTD - Report No. 19

Following extensive debate concerning the Government's involvement in Dalway Pty Ltd, the Chief Minister, the Hon. Marshall Perron, referred this Reference to the Committee on 30 June 1992. The Committee tabled its Report on 2 March 1993.

Following an extensive and intensive public inquiry, the Committee concluded that:

- . whilst acknowledging the need to support local business, more stringent independent lending policies should be developed to assist realistic and commercially viable ventures in the Northern Territory;
- . the purchase of the company should not have occurred in the circumstances in which the decision was made;
- . the restraints imposed upon the Board of Dalway effectively hamstrung the restructuring necessary to turn Dalway into a commercially viable concern;
- . the financial reporting by Dalway management to the Board was deficient;
- . the tender process for both stages of the State Square contract may have been flawed;
- . the disposal of the company by the Government was the correct course of action, however possible options and a better outcome were reduced;
- . that appear to have been a number of potentially damaging decision and errors made during the sale process;
- . all Government-owned companies should be subject to the more stringent form of audit by the Auditor-General; and
- . no decision to purchase or lend should be made without the Government being fully informed through appropriate due diligence reviews.

The Committee made seven recommendations:

1. The power to direct the TIO under S.7 of the *Territory Insurance Office Act* where it may relate to investment or lending decisions of the Board be limited to:
 - . A veto of proposed investments or loans; and

<i>Meeting No.</i>	<i>Date</i>	<i>Type of Meeting</i>	<i>Key Agenda Items Organisation Represented</i>	<i>Witness</i>
No. 91	19.10.92	Deliberative	Dalway Pty Ltd	
		Public Hearing	Tipperary Developments (NT) Pty Ltd	Mr J. Linton
			Multiplex Constructions Pty Ltd	Mr J. Brears
			Department of Transport & Works	Mr R. Galton Mr R. Findlay
	20.10.92	Public Hearing	Department of Transport & Works	Mr P. McGuin
			Sciacca & Associates, Public Accountants	Mr M. Sciacca
			Department of Law	Mr W. Day
			Kitchen Warehouse	Mr P. Miller
			Danska Cabinetmaking	Mr V. Olsen
	21.10.92	Public Hearing	Department of Law	Mr W. Day
			ANZ Capel Court	Mr G. Brewster
			Minister for Industries & Development	Mr G. Lucas
			Department of Industries & Development	Mr A. Watson
	22.10.92	Public Hearing (part in camera)	ANZ Capel Court	Mr D. McDougall
			Department of Industries & Development	Mr O. Alder Mr P. Caldwell
			Ernst & Young	Mr W. Bastion
No. 92	27.10.92	Deliberative	Dalway Pty Ltd	
		Public Hearing	ANZ Capel Court	Mr D McDougall
			Dalway Pty Ltd	Mr B. Fradkin Mr J. Bell
	28.10.92	Public Hearing	Dalway Pty Ltd	Mr J. Bell
			KPMG Peat Marwick (incorporating Touche Ross)	Mr P. Dewsbury Mr G. Finch

<i>Meeting No.</i>	<i>Date</i>	<i>Type of Meeting</i>	<i>Key Agenda Items Organisation Represented</i>	<i>Witness</i>
No. 84	27.8.92	Deliberative Public Hearing	Dalway Pty Ltd Territory Cabinets Garraway & Partners Minister for Transport & Works	 Mr J. Blake Mr A. Garraway Hon. F. Finch, MLA
	28.8.92	<i>In camera</i> Hearing	Jaguar Joinery	Mr P. Mannion
No. 85	31.8.92	Deliberative	Dalway Pty Ltd Annual Report 1991/92	
No. 86	2.9.92	Deliberative Public Hearing	Dalway Pty Ltd Annual Report 1991/92 Mildrens, Barristers & Solicitors Desliens Business Consultants	 Mr G. James Mr A. Gordon
No. 87	7.9.92	Deliberative Public Hearing	Dalway Pty Ltd Dalway Pty Ltd Darwin Joinery Furniture Manufacturer/Dalway Pty Ltd	 Mr S. Margetic Mr J. Pastrikos
	8.9.92	Public Hearing	Desliens Business Consultants Dalway Pty Ltd Darwin Joinery Furniture Manufacturer/Dalway Pty Ltd	Mr A. Gordon Mr S. Margetic Mr J. Pastrikos
No. 88	9.9.92	Deliberative Public Hearing	Dalway Pty Ltd Dalway Pty Ltd	 Mr A. Cahill Mr A. Pastrikos
No. 89	23.9.92	Deliberative	Dalway Pty Ltd Budget 1993 Biennial Conference	
No. 90	1.10.92	Deliberative	Dalway Pty Ltd Auditor-General's Report Contingent Liabilities	

General directions in relation to investment or loan policy.

Such directions should be reported along with reasons to Parliament within six sitting days of the exercise of the Ministerial power.

2. The Department of Industries & Development devise and put in place a set of guidelines for granting financial assistance which includes a detailed assessment of the effect of such assistance on competing businesses and the market place in general.
3. Where contracts of more than \$3,000 are awarded through negotiation without first going to tender, the details of such contracts and reasons for not going to tender should be published.
4. A corporate plan, including strategies for direction of a company's operations should form the bases of any application for financial assistance from the Department of Industries and Development. If such strategies have not been addressed by an applicant, then the Department of Industries & Development should consider bearing the cost of the preparation of such strategies to the extent necessary to be able to assess the application on the basis of adequate and reliable information.
5. That any Board of a company of which the Government is the shareholder be carefully selected for the personal qualities and competence now expected, and that each director be made fully aware of his or her liabilities, and be allowed to perform his or her functions free from artificial restraints imposed by the Government.
6. That in all instances, the Auditor-General be appointed auditor of all Government owned companies and instrumentalities.
7. That no decision to purchase or lend should be made without the Government being fully informed through appropriate due diligence reviews. After funds are lent or an investment is made, the Government must ensure appropriate monitoring procedures are put in place to enable it to protect its interest. This can only be effectively done by receiving early warning of impending problems and taking an appropriate course of action. Regular reports on the financial soundness of an investor's business and the adequacy of a particular security cannot be over emphasised. These reports would cover such performance indicators as: actual cashflows compared to budget; debtors; stock levels and trading results and should include ways of dealing with detected or potential commercial weaknesses revealed during the review process.

The Dalway report comprised 343 pages, in addition to two volumes of tabled papers and seven volumes of transcript. It was an unanimous report and held to be 'real trail-blazing and pioneering' (Mr Coulter, *Hansard* 2 March 1993).

CURRENT INQUIRIES

THIRD REPORT ON THE ACTUAL AND CONTINGENT LIABILITIES OF THE NORTHERN TERRITORY GOVERNMENT

Two previous reports were issued in November 1987 and February 1991. At the time of presenting the Committee's Second report, the Committee agreed to continue to monitor the Government's exposure in relation to actual and contingent liabilities.

Status

A report will be issued during 1993/94.

INQUIRY INTO THE APPLICATION OF NORTHERN TERRITORY GOVERNMENT GRANT-IN-AID FUNDING BY COMMUNITY ORGANISATIONS

The Committee is continuing its inquiry into Grant-in-Aid funding and held one briefing session during the year.

Status

The Committee has decided to issue a series of reports each covering a specific office/agency's grants program. A report on the operations of the Office of Sport, Recreation and Ethnic Affairs will be published in 1993/94.

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

A working party was established in June 1991 to consider the Auditor-General's recommendation:

'That a review be undertaken to adopt any appropriate measures from developments elsewhere which can improve the financial accountability arrangements in respect of Northern Territory government operations.'

and also the recommendations of the consultants employed by the Public Accounts Committee.

The Working Party provided four reports to the Committee, the final report being tabled on 29 June 1993.

REPORT ON THE AUDITOR-GENERAL'S ANNUAL REPORT 1990/91, 1991/92

The Committee has a standing reference to inquire into the Auditor-General's Reports on an annual basis.

The Committee is of the view that it is inappropriate to take action on matters raised in a report of the Auditor-General's until such time that the Agency involved has had time to address the matter itself. Before proceeding to report on the Auditor-General's Report, the Committee would only involve itself in matters of concern that have not satisfactorily been resolved over the course of two reports.

APPENDIX 2

SUMMARY OF MEETINGS

<i>Meeting No.</i>	<i>Date</i>	<i>Type of Meeting</i>	<i>Key Agenda Items Organisation Represented</i>	<i>Witness</i>
No. 75	1.7.92	Deliberative	Contingent Liabilities Grants-in-Aid	Mr R. Norris Mr L. Zagorskis Ms P. Hibberd
		Briefing	Department of Sport, Recreation & Ethnic Affairs	
No. 76	7.7.92	Deliberative	Contingent Liabilities - Dalway Inquiry	Mr I. Knight Mr E. Isaacson Mr A.W.K. Ross
		Briefing	Ombudsman of the Northern Territory	
			Office of the Auditor-General	
Sub- Committee	14.7.92	Deliberative	Conduct of Dalway Inquiry	Mr A.W.K. Ross Mr G. Pridham
		Briefing	Office of the Auditor-General	
			Coopers & Lybrand	
No. 77	22.7.92	Deliberative	Dalway Pty Ltd Grants-in-Aid	Mr B. Percival
		Briefing	Horwath & Horwath	
No. 78	27.7.92	Deliberative	Dalway Pty Ltd	
No. 79	10.8.92	Deliberative	Dalway Pty Ltd Grants-in-Aid Report Auditor-General's Report 1990/91 Contingent Liabilities Annual Report	
No. 80	17.8.92	Deliberative	Dalway Pty Ltd	
No. 81	19.8.92	Deliberative	Dalway Pty Ltd	
No. 82	20.8.92	Deliberative	Dalway Pty Ltd	
No. 83	24.8.92	Deliberative	Dalway Pty Ltd Annual Report 1991/92	

- (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 any 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.

OTHER ACTIVITIES

ANNUAL REPORT AWARDS

The Committee continues to provide support and sponsorship to the N.T. Public Sector Annual Report Awards sponsored by Pannell Kerr Forster (Chartered Accountants) and the Northern Territory Division of Royal Institute of Public Administration Australia.

A total of 34 entries were received for the 1993 awards. The N.T. Power and Water Authority was awarded the overall winner, with other awards of excellence, merit and commendation presented to 15 Agencies in four categories.

AUSTRALASIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES

The Committee hosted the Mid Term Meeting of the Australasian Council of Public Accounts Committees which was held in Canberra on the 20th July 1992.

The Chairman, Mr Palmer; Member, Mr Setter; and Secretary, Ms Lee attended the Eighth Biennial Conference of Australasian Council of Public Accounts Committees held in Hobart on 29/30 March 1993. Topics covered by the Conference included:

- . *Return of Power to Parliament*, a keynote address by Dr Herr, Head of Political Science at the University of Tasmania
- . *Government and Business in Partnership*
- . *The Ideal Public Accounts Committee*
- . *The Role of the New Zealand Finance and Expenditure Committee in considering and forming Tax Legislation*
- . *Accrual Accounting - How Far?*
- . *In the Public Interest*
- . *Open Forum*

Over 70 delegates and staff plus guest speakers attended the conference.

ADMINISTRATION AND STAFFING

SECRETARIAT

Staffing for the Public Accounts Committee Secretariat is provided by the Legislative Assembly.

The Committee currently has a full-time secretary with support from an Administrative Assistant.

Given its limited resources, the Committee decided, during the Dalway Inquiry, to seek expert advice where necessary through the employment of consultants. Assisting the Committee during this period were: Coopers & Lybrand, Chartered Accounts; Cridlands, Barristers & Solicitors; and Mr Colin McDonald, a Darwin Barrister. Mr John Ingram, a 4th Year Economics/Law student, assisted in the initial analysis of evidence and compilation of the report.

Ms Susanne Lee, Secretary, left the Secretariat in April 1993 to resume full-time studies and was replaced by Mrs Jenny Mollah in June 1993.

Staff as at 30 June 1993:

Secretary	- Mrs Jenny Mollah B.Bus CPA
Administrative Assistant	- Mrs Judy Herring

APPENDIX 1

TERMS OF REFERENCE

STANDING ORDER 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 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.