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Mandy Evans

Joint Committee of Public Accounts

Report 355

**Aboriginal Councils and Torres Strait
Island Councils: Review of financial
accountability requirements**

November 1997

The Parliament of the Commonwealth of Australia

Joint Committee of Public Accounts

REPORT 355

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Island Councils:Review of financial
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DUTIES OF THE COMMITTEE

The Joint Committee of Public Accounts is a statutory committee of the Australian Parliament, established by the *Public Accounts Committee Act 1951*.

Section 8(1) of the Act describes the Committee's duties as being to:

- examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the *Audit Act 1901*;
- examine the financial affairs of authorities of the Commonwealth to which this Act applies and of inter-governmental bodies to which this Act applies;
- examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- report to both Houses of the Parliament, any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to the house upon that question.

The Committee is also empowered to undertake such other duties as are assigned to it by Joint Standing Orders approved by both Houses of Parliament.

TERMS OF REFERENCE

Joint Committee of Public Accounts

The Joint Committee of Public Accounts (JCPA) shall inquire into and report on the financial accountability requirements faced by Aboriginal and Torres Strait Island local government councils and their dealings with Commonwealth and State funding agencies. In its inquiry, the JCPA shall pay particular attention to:

- (a) the nature of and differences between the Commonwealth and State financial accountability requirements; and
- (b) the scope for rationalising or harmonising the financial accountability requirements.

Given that the Queensland Auditor-General has drawn attention to inconsistencies between Commonwealth and state financial accountability requirements for Queensland Aboriginal and Island Councils on several occasions, the JCPA shall work jointly with the Queensland Parliament's Public Accounts Committee to examine the impact of these requirements on Aboriginal and Island Councils in that state.

Queensland Public Accounts Committee

The Queensland Public Accounts Committee (QPAC) shall inquire into and report on the financial accountability requirements faced by Aboriginal and Island Councils in their dealings with Commonwealth and State funding agencies. In its inquiry, the QPAC shall pay particular attention to:

- (a) The nature of and differences between the Commonwealth and State accountability requirements; and
- (b) the scope for rationalising or harmonising the accountability requirements.

Both the QPAC and the Auditor-General have drawn attention to the inconsistencies between Commonwealth and State financial accountability requirements for the Queensland Aboriginal and Island Councils on several occasions. The QPAC raised this issue with the Joint Committee of Public Account (JCPA). As a result of the QPAC's initiative the Committee will cooperate with the JCPA to examine the impact of these requirements on Aboriginal and Island Councils in Queensland.

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LIST OF ABBREVIATIONS

| | |
|--------|---|
| ACC | Aboriginal Co-ordinating Council |
| ANAO | Australian National Audit Office |
| ATSIC | Aboriginal and Torres Strait Islander Commission |
| AVTS | Australian Vocational Training System |
| CDEP | Community Development Employment Projects |
| CSO | Community Service Officers |
| DoF | Department of Finance |
| DEETYA | Department of Employment, Education, Training and Youth Affairs |
| DFYCC | Department of Families, Youth and Community Care |
| DHFS | Department of Health and Family Services |
| DLGP | Department of Local Government and Planning |
| DOGIT | Deed of Grant in Trust |
| DPIFF | Department of Primary Industries, Fisheries and Forestry |
| DPWH | Department of Public Works and Housing |
| DSTLG | Department of Sport, Territories and Local Government |
| ICC | Island Co-ordinating Council |
| JCPA | Joint Committee of Public Accounts |
| IESIP | Indigenous Education Strategic Initiatives Program |
| QAO | Queensland Audit Office |
| QPAC | Queensland Public Accounts Committee |
| RAMP | Remote Area Management Project |
| TSRA | Torres Strait Regional Authority |

FOREWORD

This report has arisen from the ongoing concern expressed by the Queensland Auditor-General and others at the number of qualifications and disclaimers pertaining to the audited financial statements of various Aboriginal Councils and Torres Strait Island Councils. These Councils receive funding from both the Commonwealth and Queensland Governments and are therefore required to apply for monies and acquit expenditure to agencies in two separate jurisdictions.

Since the constitution of the Queensland Aboriginal Councils and Torres Strait Island Councils in 1985, the Queensland Auditor-General has consistently reported significant shortcomings in their financial administration. These shortcomings have led the Queensland Public Accounts Committee to undertake three previous inquiries into the financial administration of Aboriginal Councils and Torres Strait Island Councils.

As the Queensland Auditor-General again raised serious concerns regarding aspects of the financial administration by these Councils in his Reports on audits of Aboriginal and Island Councils performed for 1994-95 and 1995-96, the Queensland Public Accounts Committee approached the Commonwealth Joint Committee of Public Accounts with a view to resolving these matters through a joint inquiry.

In recognition of the fact that funding from both Commonwealth and Queensland jurisdictions is involved, the Joint Committee of Public Accounts and the Queensland Public Accounts Committee have taken the unprecedented step of conducting a joint inquiry into the matter.

As this is the first joint cross-jurisdictional inquiry, considerable care has been taken and advice sought on the procedures to adopt. Resolutions have been adopted in both Parliaments to facilitate this inquiry, which has resulted in the tabling of a joint report simultaneously in both Parliaments.

During the course of the inquiry the Committees have visited most of the Aboriginal Councils and Island Councils. Many of the communities serviced by these Councils are in remote areas and suffer the consequences of this isolation in the form of poor infrastructure provision, precarious lines of supply and difficulty in attracting and retaining suitably qualified staff.

The Committees were impressed at the hospitality of the Councils they visited, their dedication to serving the communities they represent, and their motivation to address problems highlighted in their audited financial statements.

As the inquiry progressed the value of a joint approach has been confirmed. Each Committee has been able to examine the issues from the perspective of both jurisdictions. Agencies from both the State and Commonwealth have appeared before the Committees at public hearings and have discussed matters which are cross-jurisdictional in nature. Agencies have been brought together on the issues of application processes, accountability requirements, and assistance provision to Councils, most notably during the final round table public hearing.

As the deficiencies in financial administration of these Councils, have been identified and consistently reported by the Auditor-General for over ten years, the Committees came to a joint agreement that the most practical way forward is to constitute a grants forum at ministerial level, which is intended to have the introduction of standardised financial acquittal and reporting requirements as its key initial responsibility.

The Committees also agreed that the Aboriginal and Torres Strait Islander Commission, the Torres Strait Regional Authority and the Queensland Department of Families, Youth and Community Care, which represent the major grant providers to the Councils, should immediately commence negotiation to achieve standardisation of their grant application and acquittal processes. The Committees feel that cooperation by these agencies will address a large percentage of the current variations in accountability requirements faced by Councils.

The Committees also consider the recommendation that Council Clerks provide copies of their monthly reports to Councils to all of their grant providers, will facilitate closer, more timely monitoring of Council financial affairs by the grant providers, and will aid in the improvement of the accountability of these Councils.

The Committees believe that the positive attitude shown by agencies from both jurisdictions during the course of the inquiry will assist them in addressing the Committees' recommendations. The Committees therefore strongly urge all agencies to take the opportunity for change and work

cooperatively. It is not intended that agencies conduct extensive reviews of these recommendations and cover the same ground as the Committees have in their inquiry. The Committees consider that the recommendations in this report are well researched and that the agencies should implement them expeditiously.

The Committees have gone further and have examined some of the underlying reasons leading to the qualifications and disclaimers in the audited financial statements. The Committees are of the view that the expertise available to Councils is a critical factor in their ability to provide unqualified audited financial statements. Accordingly, the Committees spent some time in considering how Councils may be assisted in improving performance in this area. The Committees have concluded that there needs to be better coordination by agencies in the provision of assistance to Councils.

In conclusion, we would like to thank Committee members for their contributions and support during the composition of this Report. On behalf of both Committees we express our appreciation to those people who contributed to the review by meeting the Committees during their inspection visits and briefings, by preparing submissions, and giving evidence at public hearings. Finally, the Committees extend their appreciation to the staff of the respective secretariats who have coordinated the work of the Committees, and have been instrumental in the conducting of this historic first ever joint cross-jurisdictional inquiry.

Bob Charles, MP
Chairman
Joint Committee of
Public Accounts

Luke Woolmer, MLA
Chairman
Queensland Public
Accounts Committee

RECOMMENDATIONS

Chapter 2 - Rationalising accountability requirements

The Joint Committee of Public Accounts and the Queensland Public Accounts Committee jointly recommend that as a matter of urgency:

4.1 Recommendation 1

Commonwealth and Queensland Government agencies which provide funds to Aboriginal Councils and Island Councils should work together to standardise their grant application and acquittal processes. The standardisation should commence with the grants provided by the Aboriginal and Torres Strait Islander Commission, the Torres Strait Regional Authority and the Department of Families, Youth and Community Care, and other appropriate agencies.

4.2 Recommendation 2

A Grant Providers Forum be established at Ministerial level comprising representatives of Commonwealth and Queensland Government funding agencies and the Aboriginal Co-ordinating Council and the Island Coordinating Council.

4.3 Recommendation 3

The Grant Providers Forum should :

- (a) develop standardised grant procedures and acquittal processes which satisfy the requirements of the major stakeholders;*
- (b) establish an information source for Aboriginal Councils and Island Councils and other interested parties, which detail the grants that are available and information about contact points within agencies. There should be Internet access to this information; and*

(c) *require agencies to report back to the Joint Committee of Public Accounts and the Queensland Public Accounts Committee on a biannual basis regarding implementation.*

4.4 Recommendation 4

At the regional level, Regional Grant Providers Forums should be created comprising representatives of all stakeholders. The role of these regional forums should mirror the role of the Grant Providers Forum, but address issues at the regional level.

4.5 Given the concern about the past lack of progress, in addressing the financial problems that have continually been raised, the Committees intend to biannually review progress on these matters.

Chapter 2 - Improving financial systems and timeliness

The Joint Committee of Public Accounts and the Queensland Public Accounts Committee jointly recommend that:

4.6 Recommendation 5

Commonwealth and Queensland funding providers, in consideration of the forward planning and statutory budget requirements of Councils, are to review grant application processes and procedures to ensure that Councils are notified as early as possible of intended funding.

4.7 Recommendation 6

Commonwealth and Queensland funding providers, in overcoming the problems caused by delays in the external reporting process, continue to develop mechanisms for the timely identification and addressing of accountability problems within Councils.

The Queensland Public Accounts Committee recommends that:

4.8 Recommendation 7

The Department of Families, Youth and Community Care, in consultation with the Co-ordinating Councils, settle on two or three accounting software packages for Council use, to maximise consistency of use and to aid the interchange of staff.

4.9 Recommendation 8

Copies of the monthly financial statements provided to Councils by the Council Clerk be forwarded each month to grant providers to assist in their monitoring and acquittal of grants.

4.10 Recommendation 9

The current arrangements for prescription of financial reporting annually by the Director-General of the Department of Families, Youth and Community Care be retained.

4.11 Recommendation 10

The Department of Families, Youth and Community Care, in consultation with the Co-ordinating Councils, continue to bring accrual accounting concepts into the modified cash basis of reporting in consultation with all Councils.

Chapter 4 - Assisting Councils

The Joint Committee of Public Accounts and the Queensland Public Accounts Committee jointly recommend that:

4.12 Recommendation 11

The Aboriginal and Torres Strait Islander Commission and the Department of Families, Youth and Community Care enter into a formal agreement whereby Aboriginal and Torres Strait Islander Commission field officers meet regularly with Community Service Officers.

4.13 Recommendation 12

The Grant Providers Forum should form a Training Working Group comprising representatives of all stakeholders. The tasks of the Training Working Group should include:

- (a) *the assessment of the training needs of Aboriginal Councils and Island Councils;*
- (b) *the coordination of training provision to Aboriginal Councils and Island Councils;*
- (c) *seeking advice from the Commonwealth Department of Transport and Regional Development about the Remote Area Management Project with a view to assessing the usefulness of this initiative in providing a model for computer-based training to Aboriginal Councils and Island Councils.*

In performing its task the Training Working Group should take into account the training provided by Community Service Officers, internal auditors and others.

4.14 Recommendation 13

When appointing grant controllers the Aboriginal and Torres Strait Islander Commission or the Torres Strait Regional Authority should consult with the Department of Families, Youth and Community Care with a view to the grant controllers also administering Queensland Government grants.

4.15 Recommendation 14

Grant controllers should liaise with the Training Working Group to assist with identifying the training needs of Aboriginal Councils or Island Councils.

4.16 Recommendation 15

When agencies that provide funds to Aboriginal Councils or Island Councils undertake risk assessments of indigenous organisations they should take account of the results of risk assessments by other agencies and provide the results of their own risk assessment to other agencies via the Grant Providers Forum.

4.17 Recommendation 16

The Grant Providers Forum address the issue of financial compliance, and maladministration of Council affairs, with a view to applying an interim step between full Council control of its affairs and the appointment of an administrator.

The Joint Committee of Public Accounts recommends that:

4.18 Recommendation 17

The Aboriginal and Torres Strait Islander Commission and Torres Strait Regional Authority review and define the role of its field officers in consultation with the major stakeholders. The resulting information should be widely distributed and include the elected representatives on Aboriginal Councils and Island Councils and their Council Clerks after each Council election.

The Queensland Public Accounts Committee recommends that:

4.19 Recommendation 18

The Department of Families, Youth and Community Care review and more clearly define the role of its Community Service Officers in consultation with the major stakeholders and this review be of current operations of the Community Service Officers and be separate from the two year review of the results on Council accountability.

4.20 Recommendation 19

The Aboriginal Co-ordinating Council and the Island Co-ordinating Council review and define the role of its internal audit function in consultation with the major stakeholders. The resulting information should be widely distributed and include the elected representatives on Aboriginal Councils and Island Councils and their Council Clerks after each Council election.

CONDUCT OF THE INQUIRY

Background to the inquiry

1.1 Aboriginal Councils and Island Councils are constituted under the Queensland *Community Services (Aborigines) Act 1984* and the *Communities Services (Torres Strait) Act 1984* and receive funding from both Commonwealth and State agencies.

1.2 During 1995-96 the Councils received \$82.3 million from the Commonwealth and \$39.2 million from the Queensland Government. This amounted to almost 73 per cent of their total receipts.¹

1.3 Since the constitution of the Aboriginal Councils and Island Councils the Queensland Auditor-General has reported 'significant and continuing audit deficiencies with respect to the councils'.²

1.4 The continuing concerns of the Auditor-General prompted the Queensland Public Accounts Committee (QPAC) of the 46th Parliament to launch an inquiry into the financial administration of Aboriginal Councils and Island Councils. In total, three reports on this subject have been produced by the QPACs of both the 46th and 47th Parliaments. These reports were:

- Report No. 7—*Financial Administration of Aboriginal and Island Councils - Report 1: Regulatory Framework.*

Tabled October 1990 (46th Parliament)

1 Queensland Audit Office, *Report of the Auditor-General on Audits of Aboriginal Councils and Island Councils performed for 1995-96*, p. 5.

2 Parliamentary Committee of Public Accounts (1991) *Financial Administration of Aboriginal and Island Councils — Report 2: Effectiveness of Councils, Support for Councils, Training*, Government Printer, Brisbane, p. 5.

- Report No. 8—*Financial Administration of Aboriginal and Island Councils - Report 2: Effectiveness of Councils, Support for Councils, Training.*

Tabled February 1991 (46th Parliament)

- Report No. 27—*Report on the Financial Administration of Aboriginal and Island Councils.*

Tabled December 1993 (47th Parliament)³

1.5 This inquiry arose from the continued concern expressed by the Queensland Auditor-General about the number of qualifications and disclaimers to the annual reports of various Councils.

1.6 In his 1996 Report to the Parliament concerning Aboriginal Councils and Island Councils, the Auditor-General highlighted several issues that have persisted over the last ten years and again had shown very little improvement. These were:

- inadequate or non-existent accounting records and documentation in support of payroll and other expenditures;
- ineffective controls or management processes to ensure that expenditure was only incurred for purposes related to the lawful functions of the Council;
- poor procedures for the raising, collection and bringing to account of revenues; and
- inadequate supervision and control of trading activities and associated stock and moneys.⁴

3 Public Accounts Committee (1996) *Interim Report — Review of Financial Accountability Requirements for Aboriginal Councils and Island Councils*, Government Printer, Brisbane p. 2

4 Public Accounts Committee (1996) *Interim Report — Review of Financial Accountability Requirements for Aboriginal Councils and Island Councils*, Government Printer, Brisbane p. 2

1.7 As a result of these findings the QPAC approached the Joint Committee of Public Accounts (JCPA) with a view to conducting a joint inquiry to explore the underlying reasons for Councils' apparent difficulty in meeting their accountability requirements

1.8 A joint inquiry involving Parliamentary Committees from two jurisdictions is unprecedented.

1.9 The two Committees held meetings in late 1996 to discuss possible terms of reference and identify and discuss procedural matters. Both Committees subsequently sought and received advice from their respective Parliaments.

1.10 A resolution authorising the QPAC to confer and act with the JCPA for the purposes of the Joint Inquiry was passed on 20 March 1997.

1.11 On 25 March 1997 the House of Representatives authorised the JCPA to jointly inquire with the QPAC and established a set of procedures to be followed by the JCPA. On the following day the Senate concurred with this resolution.

1.12 Copies of these resolutions can be found at Appendix I.

Gathering evidence

1.13 The Committees released two issues papers during the inquiry, the first in January 1997 to stimulate interest in the inquiry, and the second in September 1997 to canvass possible solutions which had been presented to the Committees during the inquiry.

1.14 The Committees received a total of fifty six submissions and twelve exhibits. A list of submissions and exhibits can be found at Appendices II and III.

1.15 The Committees took evidence at a number of public hearings and held discussions with Aboriginal and Torres Strait Island Councils and other interested parties during a program of inspection visits to communities on the Queensland mainland and in the Torres Strait. A list of public hearings and the witnesses who gave evidence at those hearings, and details of the Committees' inspections can be found at Appendices IV and V.

Structure of this report

1.16 This report continues in Chapter 2 with a discussion of the application and accountability requirements placed on Councils when they apply for or receive grants from Commonwealth and Queensland Government agencies. The Committees provide comments and make recommendations aimed to reduce duplication and harmonise the acquittal process. Chapter 3 continues with consideration of the financial systems used by Councils to produce annual reports and the timeliness of the processes leading to the provision of audited statements to granting agencies. The report concludes with a discussion of various options for providing increased support to Councils including the possibility of providing incentives, or imposing penalties, to encourage good accountability.

The Committees' Recommendations

1.17 The Committees believe that it is valuable for each Parliament to be aware of the recommendations made by the public accounts committee in the other jurisdiction. Accordingly, this is a joint report tabled by the JCPA and the QPAC in their respective Parliaments with the recommendations falling into three categories:

- recommendations made jointly by both Committees—to cover those circumstances where cross-jurisdictional coordination is required;
- recommendations made by the JCPA—where the recommendation applies solely to Commonwealth agencies; and
- recommendations made by the QPAC—where the recommendation applies solely to Queensland State agencies.

Further information

1.18 Further information about the JCPA, the QPAC, the two issues papers, and transcripts of the public hearings can be found on the home pages of the Committees on the world wide web.⁵

⁵ The JCPA's world wide web address is
<http://www.aph.gov.au/house/committees/jcpa/>

The QPAC's world wide web address is
<http://www.parliament.qld.gov.au/committees/>

2

RATIONALISING ACCOUNTABILITY REQUIREMENTS

Introduction

2.1 This Chapter considers some of the similarities and differences between the financial accountability requirements and processes of the various Commonwealth and Queensland Government agencies which issue grants to Queensland Aboriginal Councils and Island Councils, and discusses the scope for achieving consistency between those requirements and processes.

2.2 The chapter is divided into two parts. The first part provides a tabulated summary of the accountability requirements (including comments by the Committees) and the second part focuses on the evidence presented to the Committees during the inquiry—particularly after the release of the Committees' second issues paper.¹

Analysis of reporting requirements

2.3 The Committees have reviewed the financial accountability arrangements of four Commonwealth agencies and seven Queensland Government departments.

2.4 The Commonwealth agencies were:

- Aboriginal and Torres Strait Islander Commission (ATSIC);
- Torres Strait Regional Authority (TSRA);

1 Joint Committee of Public Accounts Queensland Public Accounts Committee, *Issues Paper No. 2, Review of Financial Reporting Requirements for Aboriginal Councils and Torres Strait Island Councils - The Way Forward*, September 1997.

- Department of Health and Family Services (DHFS); and
- Department of Employment, Education, Training and Youth Affairs (DEETYA).

2.5 The Queensland Government departments were:

- Department of Families, Youth and Community Care (DFYCC);
- Department of Main Roads;
- Department of Public Works and Housing (DPWH);
- Queensland Department of Health;
- Department of Primary Industries, Fisheries and Forestry;
- Department of Training and Industrial Relations; and
- Department of Local Government and Planning (DLGP).

2.6 Details of the review can be found at Appendix VI. A summary of this review is shown in the table that follows.

Periodic financial statements

| | Summary of Commonwealth and Queensland requirements | Comment by the Committees to be addressed by the Grant Providers Forum |
|--------------------------|---|--|
| Frequency of reporting | The frequency varies across, and also within agencies and jurisdictions. They can be required monthly, quarterly, six-monthly or for any other period. Usually quarterly reporting is required. | There is scope to harmonise the frequency of reporting for a particular Council based on a risk analysis of the Council concerned. |
| Deadlines for submitting | Deadlines vary between Commonwealth agencies and Queensland departments, the shortest being 2 weeks, and the longest 2 months after the end of each reporting period. | There is scope for rationalising the deadlines for submitting the periodic financial statements. |
| Information required | Requirements vary, but with significant overlap. Requirements consist of a combination of: <ul style="list-style-type: none"> a financial statement usually with the option of being in a cash or accruals format (where a cash format is used - a statement of debtors and creditors is required); a certificate signed by the Chairman; a schedule of assets purchased during the year; a copy of the annual budget; and the cash position and bank statement. | Where possible make the requirements identical for all Commonwealth and Queensland agencies and use the same wording in documentation where appropriate. |

Acquittals

| | Summary of Commonwealth and Queensland requirements | Comment by the Committees to be addressed by the Grant Providers Forum |
|---------------------------------|--|--|
| Frequency | Acquittal is generally required on an annual basis. Some agencies, however, only require acquittal after completion of the project. | Requirements overlap and scope for standardisation exists based on a risk analysis of the Council concerned. |
| Deadlines for submitting | Deadlines are generally, but not always, 3 months after the end of the financial year. The Aboriginal and Torres Strait Islander Commission (ATSIC) and the Torres Strait Regional Authority (TSRA) also allow Queensland Deed of Grant in Trust (DOGIT) communities to submit documentation within one month of receiving the audit from the Queensland Auditor-General. | The 3 month deadline is appropriate. Other agencies should consider ATSIC and TSRA's option for DOGIT communities. The timeliness of QAO audits is discussed in Chapter 3. |
| Nominal/major grants | Most Commonwealth agencies have different procedures for grants considered to be nominal compared with major grants. Cut-offs vary widely ranging from \$30 000 to \$100 000. Only the Queensland Department of Primary Industries, Fisheries and Forestry has different requirements for differing grant values there being two cut-off points at \$5000 and \$100 000. | There is scope for standardising the cut-off values for differentiating between nominal and major grants. |
| Information required | Requirements are similar, consisting of a combination of: <ul style="list-style-type: none"> • audited annual financial statements (cash or accrual); • certification by the Chairman and/or council officer; • audited balance sheet, showing project's cash position; • comparison of actual income and expenditure v budget; • list of debtors and creditors; • bank statement; proof of separate bank account; • schedules of assets purchased during year; • auditor's report; auditor's management letter; and • annual report. | Standardisation of documentation required and the wording of instructions provided by agencies is appropriate. |

Performance reports

| | Summary of Commonwealth and Queensland requirements | Comment by the Committees to be addressed by the Grant Providers Forum |
|--------------------------|--|--|
| Frequency | Commonwealth agencies require performance reports. Reports are generally required annually, however, the Department of Employment, Education, Training and Youth Affairs (DEETYA) requires a performance report each calendar year. Reports may also only be required after the completion of the project. Queensland departments require regular progress reports varying from monthly, six-monthly or as required. | It would seem sensible for annual performance reports to be based on the financial year. Queensland departments should review the regularity of the progress reports they require to determine whether the frequency is appropriate. |
| Deadlines for submitting | Deadlines range from 1 to 3 months after the reporting period, which is generally the end of the financial year. | A standard deadline is appropriate. |
| Information required | Information includes reports on major activities and events, performance indicators, progress in achieving objectives, and services delivered. | This issue is discussed in Chapter 3. |

Monitoring arrangements

| Summary of Commonwealth and Queensland requirements | Comment by the Committees to be addressed by the Grant Providers Forum |
|---|---|
| Nature of monitoring | <p>Monitoring is similar across agencies and involves field visits, reviews and provision for appointing a grant controller/funds adviser if necessary.</p> <p>DEETYA's Indigenous Education Strategic Initiatives Program (IESIP) grant requirements allow for full financial or performance audits and require grantees to set up a performance monitoring group. DEETYA's Australian Vocational Training System (AVTS) grant requirements oblige grantees to comply with all reasonable monitoring and evaluation requirements.</p> <p>The Department of Public Works and Housing (DPWH) requires certification by an architect, building inspector or engineer that completed work is satisfactory before further progress payments are made.</p> |

Asset management

| | Summary of Commonwealth and Queensland requirements | Comment by the Committees to be addressed by the Grant Providers Forum |
|-----------------------|--|---|
| Asset register | Commonwealth agencies require an asset register to be kept. However cut-offs vary. TSRAs and DEETYAs require details of all assets to be kept, whereas ATSIC and the Department of Health and Family Services (DHFS) require the recording of assets valued at over \$1000. | The cut-offs over which assets should be recorded should be standardised. |
| Insurance | ATSIC and DHFS require insurance of assets valued at over \$1000. For TSRAs the cut-off is \$2000. No cut-off is specified for DEETYA. | There is scope for standardisation. All assets listed on the asset register should be insured. |
| Use of assets | ATSIC and TSRAs do not allow assets that are purchased using grant monies to be used for any other purpose. The Queensland Department of Health and the Department of Families, Youth and Community Care (DYFCC), for some grants, stipulate that title of the assets vests in the grantee, but that written approval is required from the grantor before an asset is disposed. | Guidelines should be developed which set out the conditions which allow Councils to use assets for other legitimate purposes. |

Banking and financial matters

| | Summary of Commonwealth and Queensland requirements | Comment by the Committees to be addressed by the Grant Providers Forum |
|-------------------------------|--|---|
| Separate bank accounts | ATSIIC and TSRA require their grant monies to be kept in a separate bank account. DHFS may require a separate bank account, and DEETYA requires a separate bank account unless otherwise agreed. Queensland legislation requires Aboriginal Councils and Island Councils to maintain two funds—an operating fund and a trust fund. | This issue is discussed later in this chapter. |
| Use of interest | The Commonwealth agencies (except DHFS) and the Queensland Department of Health and DFYCC require interest on grant monies to be used towards approved grant activities. | The requirement to spend the interest earned on grant monies on approved grant activities is reasonable and should be a standard requirement. |
| Surplus money | ATSIIC and DEETYA require surplus money to be repaid; TSRA requires that surplus monies either be allocated against another approved TSRA grant, allocated to an alternative purpose or be repaid. DHFS allows grantees to use surplus funds up to 5% of total grant per financial year for non-current items without approval (although DHFS can require a particular organisation to seek approval). | The possibility of allowing grantees to use surplus funds to a certain value for approved purposes could be considered. However, surplus funds should arise from genuine savings, and not require excessive monitoring costs for the grantor to verify. |

Scope to standardise application and acquittal processes*The nature of the problem*

2.7 While ATSIC and TSRA provide the majority of funding, Councils often receive money from several agencies some of which have several funding programs. These agencies have different requirements (shown in the preceding table) and have different forms.

2.8 The matter is further complicated because the local government model fails to take account of the traditional values and culture of indigenous communities. During the inspection tour of the Queensland mainland and Torres Strait communities, the Committees were made aware of the strong family, tribe and clan loyalties existing within communities. As well, many communities were formed by the forced merger of different groups.

2.9 Price Waterhouse advised the Committees that 'considerable confusion exists because of the range of forms provided by different funding agencies',² and the Secretary to the Island Co-ordinating Council (ICC) told the Committees:

The process of application and acquittal is difficult and burdensome for many councils, particularly the smaller ones, and the amount of time and effort that goes into this task may mean that they take their eye off the more important subject of managing their council.³

2.10 The submission from Outstation Self Management Consultancy detailed some of the differences between reporting forms used by various government agencies. Although the submission is from a Northern Territory organisation, the Committees believe the examples highlight the type of confusing differences faced by Councils when completing forms.

2 Written Submission No. 44, p. S301.

3 Transcript of Proceedings, Public Hearing 26 September 1997, p. 190.

- ... a Council using an ATSIC Grant is required to report vehicle insurance expenditure as an Insurance Motor Vehicles budget line ... to call it Insurance Motor Vehicles on an Office of Local Government report is to be told this is not a standard budget line
- ... items listed under Motor Vehicles for one provider are split between Repairs and Maintenance, Fees and running Costs by the other ...
- ... Staff Costs is split by the other funding body into Wages and Salaries, Services and Travel.

... each funding authority demands its own descriptions and divisions be used and will not accept any variation in the budget line description.⁴

2.11 From the government agency viewpoint, a submission from the DFYCC commented that it was in the area of periodic reporting that most inconsistencies arose. These resulted from different report formats and level of detail required. As well, its field staff had identified that reporting requirements for some funding agencies could vary from region to region between 'very modest' to 'very stringent' depending on the local policies of the agency involved.⁵

2.12 Nevertheless, ATSIC commented that it had no evidence to suggest that variations between its grant conditions, the reporting required under community services legislation and the Aboriginal Accounting Standards had lead to breaches of requirements.⁶

Alleviating the problem

2.13 In addressing possible confusion arising from differences in application and acquittal processes, a note of caution was introduced in a submission from the Queensland Audit Office (QAO):

4 Written Submission No. 4, p. S45.

5 Written Submission No. 17, pp. S144-S145.

6 Written Submission No. 23, p. S188.

Standardisation ... is seen as desirable if indeed it serves to simplify the process through which Councils meet their accountability requirements. The objective is simplicity, not a diminution of accountability.⁷

2.14 The Committees agree.

2.15 However, for efficiency considerations there is merit in standardising forms and processes. As the ICC secretary has commented, if Councils and their officers are able to spend less time meeting the various requirements of grant applications and acquittals they will be able to spend more time in managing their affairs. Granting agencies will also benefit if they are able to decide on and move towards best practice.

2.16 The Committees raised this issue in the second issues paper which invited written comment, and at the final public hearing at which major stakeholders were able to discuss the matter in a round table format.

Standardising acquittals

2.17 The Committees were encouraged by the comment of the Director, Office of Aboriginal and Torres Strait Islander Affairs, DFYCC, who said:

In the end, in respect of the acquittals, essentially all of the funding agencies want the same thing. They simply want to know that the funds they have provided are accurately accounted for and that the work for which people were given funds was completed, that is, financial accountability and an outcome. It should not be beyond our capacity to have a relatively simple system that does that.⁸

⁷ Written Submission No. 43, p. S296.

⁸ Transcript of Proceedings, Public Hearing 26 September 1997, p. 193.

2.18 The submission from the DFYCC noted that the two Accounting Standards relating to Aboriginal Councils and Island Councils required the Council clerk to report to the Council on financial matters, and the community services legislation required this to be monthly. The Department contended this information should be sufficient for the acquittal requirements of funding agencies.⁹

2.19 ATSIC also advised that grantees were permitted to submit computer-generated statements where they use commercial computerised accounting software.¹⁰

2.20 It appeared to the Committees that the problem may not lie with the acquittal style but with the micro-level differences, for example the description of the line items, the cut off points for values, and the deadlines for submitting reports.

2.21 The Committees have commented on these differences in the table above and consider that any moves towards standardisation should address the specific concerns which have been raised.

2.22 The complete standardisation of acquittal requirements is the principle objective. However, for particular programs, such as educational and environmental programs, the creation of identical acquittal requirements may be difficult to achieve.¹¹

Standardising processes

2.23 The possibility of standardising granting processes proved to be more contentious, but the Committees are of the view that agencies separately are already moving in the right direction.

9 Written Submission No. 49, p. S333.

10 Written Submission No. 23, p. S188.

11 Written Submission No. 51, p. S367; Written Submission No. 54, p. S376.

2.24 ATSIC has recently completed a review of its grant procedures and produced new guidelines.¹² The result is that a single submission will be needed for all the activities for which an organisation seeks ATSIC support. This would normally result in a single letter of offer from ATSIC.¹³

2.25 The General Manager, Corporate Services Division, ATSIC, told the Committees that he was sure that organisations would notice a dramatic change in the amount of paperwork expected of Councils because previously ATSIC had required a separate submission for each program activity.¹⁴

2.26 The General Manager, TSRA, commented favourably on ATSIC's new procedures and indicated that TSRA would 'run off the back of ATSIC's grant procedures. It has put a big effort into reducing procedures ... We will take that on board.' TSRA was employing the same consultant to review its procedures who would assess whether ATSIC's results were 'entirely applicable to the Torres Strait'.¹⁵

2.27 Within the Queensland jurisdiction, the Director, Office of Aboriginal and Torres Strait Islander Affairs, DFYCC, told the Committees that his department was reviewing the programs which Councils could access and was ensuring that the application and acquittal procedures were standardised.¹⁶

2.28 As well as progress within agencies, the Committees have been advised of agreements between agencies at the Commonwealth, State, and Commonwealth-State levels:

- TSRA was administering programs on behalf of the then Department of Sport, Territories and Local Government (DSTLG);¹⁷

12 Exhibit No. 7, *ATSIC Draft Grant Procedures*, 27/08/97, Attachment to Submission No. 38.

13 Written Submission No. 36, p. S268.

14 Transcript of Proceedings, Public Hearing 26 September 1997, p. 198.

15 Transcript of Proceedings, Public Hearing 26 September 1997, pp. 192, 195.

16 Transcript of Proceedings, Public Hearing 26 September 1997, pp. 188, 209.

17 Transcript of Proceedings, Public Hearing 26 September 1997, p. 202.

- the Queensland Departments of Local Government and Planning; Families, Youth and Community Care; Health; Public Works and Housing; and Natural Resources were cooperating on infrastructure provision;¹⁸ and
- ATSIC had entered into formal agreements with agencies in the Northern Territory regarding housing; and in South Australia regarding essential services. In South Australia it was about to formalise a housing agreement.¹⁹

2.29 The question remains as to whether further standardisation can be achieved by Commonwealth and Queensland Government agencies. At the Committees' final public hearing, each agency present maintained it was comfortable with the processes it was using.

2.30 The General Manager, Corporate Services Division, ATSIC, told the Committees that ATSIC had spent some twelve to eighteen months reviewing its procedures and had consequently reduced its procedures from two hundred pages to just twenty. He hoped there was agreement that ATSIC had 'been able to distil the best principles and practices at this point in relation to these things.'²⁰

2.31 ATSIC also raised the problem that it funded organisations within other jurisdictions and it was not practical 'to develop different procedures for implementation in each jurisdiction.'²¹

2.32 As mentioned above, the General Manager, TSRA, indicated that in future his agency's processes were likely to be similar to ATSIC's.²²

18 Written Submission No. 49, p. S335; Written Submission No. 55, pp. S397-S382.

19 Written Submission No. 39, p. S277.

20 Transcript of Proceedings, Public Hearing 26 September 1997, pp. 194-195.

21 Written Submission No. 39, p. S276.

22 Transcript of Proceedings, Public Hearing 26 September 1997, p. 195.

2.33 The General Manager, Aboriginal and Torres Strait Islander Housing, DPWH, responded that his department had looked at every other relevant agency and this had resulted in a 'documentation and acquittal process that we believe suits our needs and is simple enough and effective enough to ensure it is not an onerous task for ... councils.'²³

2.34 The Manager, Aboriginal and Islander Infrastructure Program, DLGP, said that her department's processes were 'extremely simple' and that it was the same procedures as for local governments within Queensland.²⁴

2.35 The Director, Office of Aboriginal and Torres Strait Islander Affairs, DFYCC, put the problem in a nutshell when, referring to acquittals, he told the Committees:

*The issue that you have to work through is the fact that everybody who has developed an acquittal process has a particular interest in that and it meets their particular needs. The problem at the council level is that, even when you are dealing with, say, 40 or 50 different grants and they all have an acquittal process that is slightly different, that is where the work comes in.*²⁵

Conclusion

2.36 The Committees consider there is merit in standardising grant application and acquittal processes. All agencies should come together and agree on common forms and processes.

2.37 However, standardisation could be a staged process with the lead agencies which provide Commonwealth and Queensland funding working together to ensure their grant procedures are standardised. Later other agencies within each jurisdiction could standardise their procedures with their

23 Transcript of Proceedings, Public Hearing 26 September 1997, pp. 195-196.

24 Transcript of Proceedings, Public Hearing 26 September 1997, p. 196.

25 Transcript of Proceedings, Public Hearing 26 September 1997, pp. 196-197.

respective lead agencies. It may even be possible at this point to consider channelling all Commonwealth funds through ATSIC or TSRA (as is the case for DSTLG funds through TSRA) and all state funds through the lead agency the DFYCC.

2.38 The Queensland Auditor-General, however, expressed some scepticism concerning the ability of Commonwealth and State agencies to develop cooperative arrangements:

... the Auditors-General of this country have tried for about 30 years to get the Commonwealth and the state agencies to even agree on the form of wording that they wanted Auditors-General to certify in relation to the great array of Commonwealth and state agreements. ... As an auditor, I am a born cynic and sceptic. I really have a lot of doubts about all of this lovey-dovey stuff coming together.²⁶

2.39 Given the goodwill apparent at the public hearing the Committees do not at this stage share the Queensland Auditor-General's scepticism.

2.40 How standardisation of procedures might be achieved is discussed in the next section which addresses the potential for increased coordination between agencies.

Scope to improve coordination

Creation of a joint Commonwealth-State Aboriginal and Island Grants Commission

2.41 In the light of the Queensland Auditor-General's comment concerning the ability of agencies to come to an agreed outcome, an alternative way of achieving standardisation might be through the administration of grants by a new Commonwealth-State Aboriginal and Island Grants Commission. Councils would apply to this commission and be accountable to that body.

26 Transcript of Proceedings, Public Hearing 26 September 1997, p. 199.

2.42 The Committees raised this option in their second issues paper and at the final public hearing.

2.43 The concept of a new body received support from the DEETYA and the ICC.²⁷

2.44 In contrast, the submission from the DFYCC criticised the idea:

*The establishment of a Grants Commission risks creating an extra tier of bureaucracy without achieving any measurable gains in the co-ordination of grants ... Additionally [it] would face the problem of co-ordinating grants from different agency programs that have different grant processes arising from the specific nature and objectives of each program. In such cases, it is reasonable to conclude that a joint Grants Commission would only slow the process down rather than provide better co-ordination.*²⁸

2.45 Similar comments were provided by the Murray Island Council and Price Waterhouse.²⁹ The Australian National Audit Office (ANAO) also commented that the amount of funding provided to Councils 'would not seem to justify the costs' of a Grants Commission.³⁰

2.46 The General Manager, Corporate Services Division, ATSIC, raised another issue—the need for ATSIC's elected arm to be involved in funding decisions. The Queensland Manager, ATSIC, added that his agency had a highly devolved level of responsibility for the delivery of its programs.³¹

2.47 Such issues would complicate membership of a Grants Commission. The Committees also note that creation of a Grants Commission would reverse the devolution of responsibility currently existing in ATSIC.

27 Written Submission No. 51, p. S368; Written Submission No. 41, p. S286.

28 Written Submission No. 49, p. S334.

29 Written Submission No. 42, p. S291; Written Submission No. 44, p. S302.

30 Written Submission No. 45, p. S308.

31 Transcript of Proceedings, Public Hearing 26 September 1997, pp. 201, 204.

2.48 However, alternatives to creating a new body was also raised in evidence. It was suggested that the role of an existing body could be expanded so it became a Grants Commission.

2.49 The General Manager, TSRA, suggested that as TSRA administrated seventy per cent of funds to the Torres Strait communities his organisation should administer all of the Commonwealth funds provided to Councils.³² The submission from TSRA suggested state funds should be coordinated through the lead Queensland agency, the DFYCC.³³

2.50 However, it would be a small step, within this scenario, to expand the role of TSRA so that it functioned as a Grants Commission administering all Commonwealth and Queensland funds to the Torres Strait Councils. A similar arrangement could be put in place for Aboriginal Councils with ATSIC acting as a Grants Commission for Aboriginal Council funding.

2.51 A related yet different suggestion was put in the submission from the QAO. This was that the existing Coordinating Councils, the Aboriginal Co-ordinating Council (ACC) and the ICC, could be given a single grant with the responsibility to determine and distribute grants to Councils. They would thus act in a similar manner to the Local Government Grants Commission.³⁴

2.52 Notwithstanding these suggestions, the Committees are not convinced there is merit in creating a Commonwealth-State Grants Commission to coordinate grants to indigenous bodies. Indeed, the Committees are persuaded by the arguments that such a body would impose an extra level of bureaucracy, be too costly, and would reverse the trend in the wider public service of devolution of responsibility for service provision to those closer to clients.

32 Transcript of Proceedings, Public Hearing 26 September 1997, p. 202.

33 Written Submission No. 52, p. S371.

34 Written Submission No. 43, p. S296.

2.53 Also, if the indigenous coordinating bodies were expanded to undertake such a function there is a risk that the process might cause unproductive rivalry between communities.

Creation of a Grants Forum

2.54 An alternative to creating a Commonwealth-State Grants Commission is improving and formalising the coordination of the various Commonwealth and Queensland granting agencies.

2.55 As referred to above, the Committees have received evidence which show that granting agencies, operating within Queensland and in other jurisdictions, are endeavouring to improve the coordination of grants provision.

2.56 The submission from TSRA reported that in the Torres Strait, TSRA, the ICC and the DFYCC 'meet every six weeks to discuss the co-ordination of grants.' This had proved to have been effective and this 'local level Steering Committee' was recommended as a model for other areas of Queensland.³⁵

2.57 The General Manager, Aboriginal and Torres Strait Islander Housing, DPWH, also told the Committees of regional coordination of agencies in Cairns whereby all funding agencies met every month to discuss 'where their funding is going and what projects are available on the ground.' As a result his department knew where ATSIC's equivalent funding was being provided to Councils.³⁶

2.58 The Committees applaud these initiatives and asked the Director, Office of Aboriginal and Torres Strait Islander Affairs, DFYCC, whether a formal agreement existed between the DFYCC, the lead Queensland agency, and ATSIC. The Director drew attention to the Financial Management Improvement Program forum which discussed financial accountability matters. He added that this could be expanded to cover the general issue of funding.³⁷

35 Written Submission No. 52, p. S371.

36 Transcript of Proceedings, Public Hearing 26 September 1997, p. 205.

37 Transcript of Proceedings, Public Hearing 26 September 1997, p. 203.

2.59 The Queensland Manager, ATSIC, added:

Whilst we do not sit down, as we do with the other departments, and swap budgets before the year begins, we do embark upon joint reviews of community organisations at which time we go over very carefully who funds what. We do occasionally find a significant overlap.³⁸

2.60 While the DFYCC does not have a formal arrangement with ATSIC, the Committees note that the submission from the DFYCC is supportive of the concept of a grants forum:

... that acted as an information sharing group covering issues of best practice, joint development of financial accountability requirements ... and possible monitoring of Councils 'double-dipping' available funding.³⁹

2.61 The Committees consider there is merit in the creation of a forum at the central level, using as a model that for the Torres Strait, to discuss broader issues such as coordinating and standardising grant applications and processes, and the provision of information to Councils. Forums could also be established at the regional level to share information on the grants being provided to Councils in each region.

2.62 If established these forums should be clearly distinguished from existing decision making structures and should not have a role in deciding grant applications.

2.63 The Committees also consider that the role of the central forum should be expanded to consider training provision to Councils. This is discussed in Chapter 4.

Creation of a centralised database

2.64 The Committees raised the possibility of creating a centralised database to assist in the coordination of grants provision to Councils.

38 Transcript of Proceedings, Public Hearing 26 September 1997, p. 204.

39 Written Submission No. 49, p. S335.

2.65 The Committees were advised that information from several surveys had already been collected by various agencies.

2.66 The General Manager, Corporate Services Division, ATSIC, reported that his agency had conducted a national housing infrastructure survey and that the data was on the public record. The work had been added to by TSRA. As well, the DLGP had coordinated the creation of total management plans for the provision of infrastructure to Councils.⁴⁰

2.67 During its inspection of various Councils on the Queensland mainland and in the Torres Strait, the Committees had seen these total management plans at several communities and noted the large amount of information they contained. It occurred to the Committees that this information could be combined with information from other grant programs to form the basis for a database for agency and Council use.

2.68 However, the General Manager, TSRA, commented that while it was a good idea, a central database would be 'extremely expensive to administer and technically difficult to put together, particularly in the remote areas'. A submission from ATSIC added that information about grantee organisations and people might have varying degrees of sensitivity and would therefore be subject to privacy legislation.⁴¹

2.69 While the creation of a centralised database for coordination purposes is impractical, the Committees have received evidence that a database which provided information to Councils about the range of grants available would be valuable.⁴²

2.70 The Committees consider there is merit in creating such an information source which could be accessed by Councils, for example via the internet.

40 Transcript of Proceedings, Public Hearing 26 September 1997, pp. 206-208.

41 Transcript of Proceedings, Public Hearing 26 September 1997, p. 206; Written Submission No. 50, p. S356.

42 Written Submission No. 44, p. S302; Written Submission No. 54, p. S377.

2.71 The creation of an information source should be considered by the coordination forum.

Consolidation of grants

2.72 So far the Committees have considered the possible reduction of the number of agencies (through the creation of a Commonwealth-State Grants Commission) or increased coordination between existing agencies. This section discusses the opportunities to broaden the nature of grants thereby reducing the number of applications and acquittals Councils have to make.

2.73 The major disadvantage of the existing system is that separate applications and acquittals have to be completed by Councils for each grant. Indeed, some Councils had to deal with forty or fifty different grants.⁴³

2.74 As well, a Council's priority often did not match government programs. Consequently, Councils had to change priorities if they were to obtain funding. The Director, Office of Aboriginal and Torres Strait Islander Affairs, DFYCC, explained that the creation of an Indigenous Advisory Council was an attempt to address this problem, but there would always be some mismatch between government programs and community aspirations.⁴⁴

2.75 ATSIC has moved in its new grant procedures to a more 'holistic' approach which allows grantees to set their own priorities:

In this context, holism means that grantee organisations will be required to think of and describe their proposed client services as a whole, rather than as a series of separate activities. This principle will translate into a single submission for all activity for which an organisation seeks ATSIC support. It is intended this principle will also

43 Transcript of Proceedings, Public Hearing 26 September 1997, p. 196.

44 Transcript of Proceedings, Public Hearing 9 April 1997, pp. 112-113.

normally result in a single letter of offer per organisation. For this approach to be effective, a mind-set is required by all parties (client organisations and Commission) involved in the grant process⁴⁵

2.76 It occurred to the Committees that there may be an opportunity to extend ATSIC's new process so that there is just one grant to cover all Commonwealth and Queensland Government funding to a Council.

2.77 The Executive Director, ACC, commented that there was a need to encourage communities to prepare community development plans and at the beginning each year to devise operational plans to provide the benchmark for their budgeting. Providing one lump sum to Councils 'may be what the Government needs to consider in the longer term' and it would put pressure on Councils to prioritise their activities.⁴⁶

2.78 Comments from the Murray Island Council indicated that this initiative would receive guarded support. While acknowledging that a single grant from all agencies would lessen administrative workloads, the Council stated it would place additional financial burdens on Council's budgeting, forward planning and cost estimating.⁴⁷

2.79 The submission from the ICC also supported the concept of a single annual grant to Councils, but indicated that some Councils would need assistance in ensuring that cash-flow requirements and funds control was adequate as some lacked the expertise to handle large sums of money.⁴⁸

2.80 Government departments from both jurisdictions and the ANAO (in contrast to the Queensland Auditor-General) did not support the consolidation of grants.⁴⁹

2.81 The submission from the DFYCC listed some difficulties:

⁴⁵ Written Submission No. 36, p. S268.

⁴⁶ Transcript of Proceedings, Public Hearing 9 April 1997, pp. 88, 101.

⁴⁷ Written Submission No. 42, pp. S291-S292.

⁴⁸ Written Submission No. 41, p. S287.

⁴⁹ Written Submission No. 43, p. S296; Written Submission No. 45, p. S309; Written Submission No. 51, p. S368; Written Submission No. 54, p. S377; Written Submission No. 55, p. S386; Written Submission No. 56, p. S390.

Funding agencies provide funds to Councils for different purposes under different program objectives. To, (a) jointly determine the total funding from all sources for all purposes in any one year; (b) pool funds to enable the provision of one grant in accordance with agreed, mutually useful and acceptable conditions and reporting requirements; (c) agree on which agency takes the responsibility for administering the grant and monitoring both financial accountability and various project outcomes; and (d) manage this process to ensure the timely release of grant funds at the beginning of the financial year, would create a hugely complex co-ordination problem.⁵⁰

2.82 The comment to the Committees from the Assistant Secretary, Central Agencies Branch, Commonwealth Department of Finance (DoF), puts the issue in perspective:

It would be probably just manageable at the Commonwealth level if ATSIC were to be given all the money that other Commonwealth agencies have ... It would be a fairly horrendous decision making process within ATSIC, but then there would be the whole state dimension also to deal with. There may well be a scope for identifying the two or three big blocks where that could be done in one or two policy areas.⁵¹

Conclusion

2.83 The Committees note that:

- ATSIC is moving towards a one grant process;
- ATSIC has entered into agreements with agencies in other jurisdictions;
- TSRA administers grants from another Commonwealth agency; and
- the DLGP is coordinating the infrastructure project (although this does not involve providing grants to Councils).

2.84 Thus ATSIC, TSRA and the DLGP have separately already achieved substantial success against the four objections raised above by the DFYCC.

50 Written Submission No. 49, p. S337.

51 Transcript of Proceedings, Public Hearing 8 April 1997, p. 59.

2.85 The Committees therefore consider that consolidating grants into 'two or three big blocks' suggested by DoF is an achievable goal worth striving for.

Banking issues

The number of bank accounts

2.86 In 1996 the Queensland Public Accounts Committee recommended that the number of funds operated by Aboriginal Councils and Island Councils be reduced and redefined.⁵² Consequently, an amendment to the Regulations for the Community Service Acts reduced, from 1 July 1996, the number of funds to be kept by Councils from four to two—an operating fund and a trust fund.⁵³

2.87 Nevertheless, government funding agencies, notably those within the Commonwealth jurisdiction, require organisations receiving grants to use separate bank accounts to administer grants from each agency.

2.88 The General Manager, Corporate Services Division, ATSIC, told the Committees that ATSIC's new procedures reduced the necessity for separate accounts for each grant to one for all of ATSIC funds. Sub-accounts would be needed to enable the tracking of funds granted under various programs. Separate tracking of funds was required for estimates to be provided to DoF.⁵⁴

2.89 ATSIC's subsequent submission added that experience had shown that if organisations maintained 'separate bank accounts for grants from individual funding sources, this makes it easier for them to prepare acquittance documentation.'⁵⁵

52 Queensland Public Accounts Committee, *Report No. 7, Financial Administration of Aboriginal and Island Councils Report 1 - Regulatory Framework*.

53 Written Submission No. 17, p. S147.

54 Transcript of Proceedings, Public Hearing 26 September 1997, p. 197.

55 Written Submission No. 50, p. S357.

2.90 ATSIC's position was supported by TSRA and the DEETYA, the latter agency stating that separate accounts facilitated accountability and reduced opportunities for fraud.⁵⁶

2.91 From the grantee perspective, the Murray Island Council's submission stated:

The operation of only one bank account leads to confusion - particularly for the older council members. It requires a greater ability and understanding of the sub-ledger accounting processes and budget process on the part of both Council and the Council clerk.⁵⁷

2.92 On the other hand the accounting profession suggested that the use of several bank accounts was inappropriate. Price Waterhouse noted that computer accounting systems with job or project costing would provide the necessary reporting information and having a number of bank accounts invited confusion and increased the likelihood of errors.⁵⁸ The Queensland Auditor-General supported this view,⁵⁹ and W L Gort, Chartered Accountant, commented that 'a multiplicity of bank accounts impedes good management'.⁶⁰

Conclusion

2.93 In drawing its conclusion on this matter the Committees have returned to the terms of reference of the inquiry. Clearly there is an inconsistency between the requirements of Queensland granting agencies (one trust account and one operating bank account prescribed by legislation) and the Commonwealth (one bank account for, at best, each funding agency).

56 Written Submission No. 51, p. S368; Written Submission No. 52, p. S371.

57 Written Submission No. 42, p. S292.

58 Written Submission No. 44, p. S302.

59 Written Submission No. 43, p. S296.

60 Written Submission No. 40, p. S284.

2.94 The terms of reference call for the Committees to examine 'the impact of these requirements' on Councils. The focus therefore is on the needs of the Councils, not on the needs of granting agencies to be able to track their funds through Council bank statements. The financial reports of Councils, audited by the Queensland Auditor-General, fulfils accountability requirements. The number of bank accounts operated by a Council is unlikely to have a significant effect on accountability if circumstances have resulted in the finances of Councils being ineptly managed.

2.95 Nevertheless, the Committees consider the choice should remain with Councils, but with encouragement to move to a single bank account. As the level of expertise available to Councils increases, the advantages of using a single bank account will become apparent to Council clerks and they will tend to adopt this system.

2.96 The Committees agree with the view of the Queensland Auditor-General:

While there is no legal impediment, the use of separate bank accounts suggests a very basic level of accounting skills and leads to problems associated with transfers between bank accounts and the ledgering of such transfers. However, some merit is seen in Councils retaining a choice of bank account arrangements dependent on their financial expertise, their requirements and the complexity of operations.⁶¹

Recommendations

The Joint Committee of Public Accounts and the Queensland Public Accounts Committee jointly recommend that as a matter of urgency:

2.97 Recommendation 1

Commonwealth and Queensland Government agencies which provide funds to Aboriginal Councils and Island Councils should work together to standardise their grant application and acquittal processes. The standardisation should commence with the grants provided by the Aboriginal and Torres Strait Islander Commission, the Torres Strait Regional Authority and the Department of Families, Youth and Community Care, and other appropriate agencies.

2.98 Recommendation 2

A Grant Providers Forum be established at Ministerial level comprising representatives of Commonwealth and Queensland Government funding agencies and the Aboriginal Co-ordinating Council and the Island Coordinating Council.

2.99 Recommendation 3

The Grant Providers Forum should :

- (a) develop standardised grant procedures and acquittal processes which satisfy the requirements of the major stakeholders;*
- (b) establish an information source for Aboriginal Councils and Island Councils and other interested parties, which detail the grants that are available and information about contact points within agencies. There should be Internet access to this information; and*
- (c) require agencies to report back to the Joint Committee of Public Accounts and the Queensland Public Accounts Committee on a biannual basis regarding implementation.*

2.100 Recommendation 4

At the regional level, Regional Grant Providers Forums should be created comprising representatives of all stakeholders. The role of these regional forums should mirror the role of the Grant Providers Forum, but address issues at the regional level.

2.101 Given the concern about the past lack of progress, in addressing the financial problems that have continually been raised, the Committees intend to biannually review progress on these matters.

3

IMPROVING FINANCIAL SYSTEMS AND TIMELINESS

Introduction

3.1 This chapter deals with both specific financial administrative issues within Councils, including an examination of the scope for improvement; and the timeliness of all aspects of the grant funding, acquittal and audit process.

3.2 In relation to financial systems, the Committees have considered both:

- the day to day financial accounting issues including book keeping methods, and the application of accounting software; and
- the appropriateness of current internal and external reporting formats, the alternative external formats available and the possible advent of a more outcome focussed reporting regime.

3.3 In the examination of grant funding process timeliness issues, the Committees have addressed both:

- timeliness of the grant application, grant approval and release of grant funds; and
- the timeliness of the external reporting process and scope available to funding agencies to identify possible problems earlier.

Financial accounting

3.4 The Committees understand that the day to day financial accounting processes within Councils are a significant factor in the overall accountability process. This

fundamental financial administration forms the basis of the majority of the information supplied to grant funding agencies to satisfy the accountability requirements that they set.

3.5 The Committees noted that a number of differing accounting systems were used by the Councils. Systems in use ranged from manual 'Kalamazoo' cashbooks, through unsophisticated spreadsheets, internally developed accounting software packages and sophisticated specialist commercial accounting packages including 'Mind Your Own Business', 'Attache' and 'Practical'.

3.6 The variation in these systems between Councils, has the effect of limiting the ability for Council staff to readily assist staff of other Councils if problems occur, restricting the possibility of movement/promotion of staff between Councils and preventing the development and presentation of uniform training packages to Council staff.

Reducing the number of financial accounting systems

3.7 A solution offered to the Committees was a reduction in the number of financial accounting systems via the introduction of a single, user friendly accounting package. In recognition of the benefits of uniformity in financial accounting, there was qualified support for the introduction of a single user friendly accounting package.

3.8 Murray Island Council were supportive of such a proposal indicating that:

The adoption of a single user-friendly accounting software package would improve council accountability reporting and allow for increased employment opportunities (through transfers and promotions between island councils) for administrative staff.¹

3.9 However, they qualified their response by adding that it would be imperative that the funding bodies also had a good working knowledge of the same accounting package, and that reporting formats are designed around the capabilities of the package.²

1 Written Submission No. 42, p. S292.

2 Written Submission No. 42, p. S292.

3.10 The DFYCC offered its support in principle, however it acknowledged that there may be a degree of reluctance by some Councils to introduce one system over another:

In many cases, the Council Clerks and/or Accountants employed at Aboriginal and Island Councils have installed their preferred financial computer software package and historically, have not been supportive of the above proposal [adoption of a single, user friendly accounting package]. This opposition is heightened if the Council has a good financial accountability record and there appears little justification for demanding that well performed Councils change their financial management system on the basis of governments implementing a common accounting package.³

3.11 The Department of Families, Youth and Community Care (DFYCC) also highlighted other constraints, suggesting that the introduction of two or three systems across Councils may be appropriate:

A further issue is that the nature and scope of services and functions that Aboriginal and Island Councils provide are diverse. When determining the most appropriate accounting package a thorough search and assessment of possible options would have to be completed to ensure that an appropriate accounting package for all Councils is found, which may lead to their being two (2) or three (3) preferred accounting packages offered to Councils. Where Councils wish to change or upgrade their systems, they are now encouraged to choose between Attache, Practical and Mind Your Own business (MYOB) in the interests of maximising consistency and interchanging of skills.⁴

3.12 The Australian National Audit Office (ANAO) also supported the introduction of standardised accounting packages. The ANAO did note however, that the adoption of the same accounting package for all Councils would depend on the benefits of such an arrangement and size and complexity of Council operations.⁵

3 Written Submission No. 49, p. S339.

4 Written Submission No. 49, p. S339.

5 Written Submission No. 45, p. S310.

3.13 The Aboriginal and Torres Strait Islander Commission (ATSIC) was not supportive of such a proposal. In its submission to the second issues paper ATSIC responded:

ATSIC is particularly cautious about the imposition of uniform internal management processes or systems on the organisations it funds. There are a number of reasons for this, the most important being that grantee organisations are autonomous and are free to make their management decisions independently ...

Another reason not to impose uniform administrative packages is the need for "horses for courses". The diversity of scale, circumstance and function of grantee organisation makes it impractical to impose "one size fits all" systems and packages.⁶

3.14 In addition to these comments received in the form of written submissions, it became evident to the Committees, through extensive consultation with the Councillors and Council staff on the Communities, that important differences exist in Council circumstances including community size, remoteness, and levels of experience among Councillors and staff.

3.15 These observations were also supported by the DFYCC:

... the Department would strenuously encourage all interested parties to consider the point that no accounting method or system, no matter how sophisticated, modern or utilitarian is a panacea for the accountability problems being faced by Councils. The effectiveness of all systems and methods is a function of the attitudes, abilities and capabilities of the people operating those systems and using those methods.⁷

6 Written Submission No. 50, p. S358.

7 Written Submission No. 49, p. S338.

Conclusion

3.16 Issues raised with the Committees highlight:

- the current variation in financial accounting between Councils;
- the advantages for the financial administration and thus accountability, of the standardisation of financial accounting systems across all Councils; and
- the benefits and disadvantages of achieving consistency in financial accounting through the introduction of a single, user friendly accounting package.

3.17 Whilst the Committees agree that there would be definite benefits of achieving more consistency in financial accounting across Councils, it is apparent that moving to a single, user friendly accounting package may not be the most appropriate solution. However, the advantages of such a proposal would not be significantly diminished if Councils were given the choice of a limited range of appropriate financial accounting packages.

3.18 The Committees consider that this approach will address the issues including Council diversity, differing levels of Councillor and staff experience and skills and the need for continued autonomy, and still provide the advantages of consistency. The range of appropriate financial packages endorsed would need to be tailored to the specific accounting and reporting regime used by Councils. These systems must be conversant with the modified cash basis of accounting Councils currently use.⁸

3.19 The Committees support the approach by the DFYCC in relation to their policy of encouraging Councils to choose between a number of selected packages, in the interests of maximising consistency and the interchange of staff.⁹

8 Refer pages 41–46 of this report for discussion of financial reporting.

9 Written Submission No. 49, p. S339.

Financial reporting

3.20 This section deals primarily with external reporting requirements of Councils. However, the Committees realise that it is inefficient for Councils to have dissimilar requirements for their internal management reporting needs and their statutory reporting obligations. Consequently both forms of reporting will be discussed concurrently.

3.21 Currently, both internal and external reporting requirements are provided for Aboriginal Councils under the *Community Services (Aborigines) Act 1984* and for Island Councils under the *Community Services (Torres Strait) Act 1984*. In relation to internal reporting sections 33(1) and 31(1) respectively state that the Clerk of a Council must cause to be prepared and furnished to the Council Chairperson at the beginning of each month a statement of receipts and disbursements with respect to each fund of the Council during the month.

3.22 External reporting is governed by sections 32A and 30A respectively, which state that each Council should, as soon as practicable, between 30 June and 31 August each year, prepare in respect of the year ended 30 June annual financial statements in a prescribed form.

3.23 Each year the Director-General of the DFYCC is required to prescribe the external reporting format for the Aboriginal Councils and the Torres Strait Island Councils. A 'modified cash' basis of accounting has been prescribed for use by Councils for 1996-97 external reporting purposes.

3.24 Councils are required to prepare their financial statements in accordance with a prescribed pro-forma set of statements issued by the department and include:

- Statement of Receipts and Disbursements;
- Statement of Assets and Liabilities; and
- Notes to and Forming Part of the Financial Statements.

3.25 The Statement of Receipts and Disbursements is prepared on a cash accounting basis while the Statement of Assets and Liabilities and the Notes to and Forming Part of the Accounts are prepared on a modified cash accounting basis.

Types of financial reporting

3.26 The Committees considered the following four types of financial reporting accountability bases and their appropriateness to the Councils.

- Simple cash accounting;
- Modified cash accounting;
- Accrual accounting; and
- Reporting in accordance with the requirements of AAS 27.

Simple cash accounting

3.27 Simple cash accounting is limited to the recognition and reporting of revenue on receipt, and expenditure on payment and not obligation. It requires the production of a Statement of Receipts and Payments only and disregards revenue earned but not received and expenditure incurred but not paid. The use of this form of financial report was seen as a retrograde step by both Councils and funding agencies due to the limitations of the information provided on decision making of both parties.

Modified cash accounting

3.28 Modified cash accounting uses the principles of cash accounting, in that revenue is recognised on receipt and expenditure on payment, however it captures and reports additional information in relation to assets and liabilities.

3.29 In the case of the current modified cash reporting of Councils, there is a requirement that a statement of assets and liabilities be produced. In this statement and the notes thereto, Council's current and non-current assets such as receivables, inventories, investments and property plant and equipment, and liabilities such as creditors, borrowings, provisions and leases are disclosed.

3.30 Support for the retention of the modified cash reporting format came from the DFYCC and the Queensland Audit Office (QAO). The DFYCC in its submission to the second issues paper stated that:

The Department contends that the current reporting format [modified cash] prescribed by the Director-General is an appropriate reporting format for the councils ...¹⁰

3.31 In support of this format the DFYCC noted that:

In terms of financial reporting the modified cash basis is the simplest format to follow and represents the easiest reporting format to comply with. These facts combined with the support of the Notes to and Forming Part of the Financial Statements provides Aboriginal and Island Councils with an appropriate reporting format that allows them to present to all interested parties the financial position of the Council for a given financial year.¹¹

3.32 The QAO also supported the current modified cash reporting arrangements noting that:

... it is preferable to be content with an acceptable minimum standard of accounting and reporting, modified cash, until such time as Councils are all able to cope adequately with accrual accounting. Modified cash accounting currently provides a sufficient and efficient reporting framework for Councils. Most Councils are coming to grips with this reporting method and the acceptability rate is improving.¹²

Accrual accounting

3.33 Accrual accounting requires the recognition of all assets, liabilities, revenue and expenses. Revenue is recorded when earned, and expenditure on obligation. There was support expressed by a number of respondents for either the immediate introduction, or movement to, accrual accounting and reporting.

3.34 The Murray Island Council indicated they believe accrual accounting should be adopted for Councils, provided that Council administrative staff receive adequate training.¹³

10 Written Submission No. 49, p. S338.

11 Written Submission No. 49, p. S338.

12 Written Submission No. 43, p. S296.

13 Written Submission No. 42, p. S292.

3.35 Price Waterhouse indicated that accrual accounting should be introduced immediately following a significant training and education program, proposing that the information is easier to understand and its introduction would reduce the incidence of over expenditure against grants.¹⁴ Another accounting organisation suggested privately to the Committees that the introduction was inappropriate until after extensive training.

3.36 The ANAO was also supportive of accrual accounting:

Accrual reporting is acknowledged as providing more useful information to the users of financial statements, and Councils should be encouraged to work towards early adoption of accrual reporting...¹⁵

3.37 However, the ANAO qualified its response by stating that:

... As staff preparing financial statements in this format need a reasonable level of accounting expertise, training may be necessary.¹⁶

3.38 The Aboriginal Co-ordinating Council supported the introduction of accrual accounting however, in their opinion the pace of movement to accrual accounting should be left for the determination of individual Councils.¹⁷

AAS 27 — Financial Reporting by Local Governments

3.39 The Committees sought the opinion of interested parties on the introduction of AAS 27 — Financial Reporting by Local Governments to all Queensland Aboriginal and Torres Strait Island Councils. In their combined submission to the inquiry, the National President of the Australian Society of Certified Practising Accountants and the President of the Institute of Chartered Accountants in Australia stated that:

14 Written Submission No. 44, p. S302.

15 Written Submission No. 45, p. S309.

16 Written Submission No. 45, p. S309.

17 Written Submission No. 48, p. S321.

Reporting by Councils in accordance with Australian Accounting Standard AAS 27 "Financial Reporting by Local Governments" is regarded as the ultimate objective, producing high-quality general purpose financial reports as envisaged in Statement of Accounting Concepts SAC 2. The preparation of general purpose financial reports complying with AAS 27 should meet many (if not most) of the accountability requirements of funding agencies.¹⁸

3.40 However, support for its introduction was qualified, in that adoption of AAS 27 would seem to be unhelpful if Councils were not in a position to comply with the comprehensive requirements of the Standard. Further, in the short term, it would probably be more appropriate to aim for a lesser reporting standard, and provide sufficient training to Councils to ensure that those requirements can be satisfied. After achieving those requirements, a Council could then aim for compliance with AAS 27 (and other Accounting Standards) and UIG Consensus Views.¹⁹

3.41 The Committees were advised that full compliance with the provisions of AAS 27 was not considered an appropriate solution to Council accountability by the majority of respondents.

3.42 In its submission to the inquiry, the Queensland Division of the Australian Society of Certified Practising Accountants stated:

The issues of adopting Australian Accounting Standard (AAS) 27 should not necessarily be equated with Council's abilities to provide more useful information to fund providers. This can be achieved through modified cash/modified accrual financial reporting. It is recognised that accruals of creditors and debtors are essential to the financial analysis carried out by fund providers in acquitting grants.

18 Written Submission No. 11, p. S111.

19 Written Submission No. 11, p. S111.

Adoption of AAS 27 has far reaching implications for Councils which go beyond the provision of information to fund providers. The difficulties experienced by Local Governments in implementing this Standard are not to be ignored.²⁰

3.43 Price Waterhouse was also unsupportive of the introduction of AAS 27, citing the difficulties incurred by the Aurukun and Mornington Shire Councils:

The reports and other information produced by these Councils (Mornington and Aurukun) are meaningless in relation to the operation of the communities, and take unnecessary time and cost in preparation. The requirements of AAS 27 do not take into account the special needs and requirements of the communities, such as Selling Price Controls.

No additional information would be gained by the funding providers in return for the additional cost to councils.

Council staff and budgets could not cope with the AAS 27 requirements. Additional specific funding for councils would be needed for training and implementation.²¹

3.44 The QAO observed that the capacity of Councils in the keeping of accounts and financial reporting under the current prescriptions (cash basis of accounting) ranges from extremely poor to moderately capable.²² The QAO proposed that councils need to achieve competency in basic accounting and financial reporting functions, including certain aspects of accrual accounting, before having the additional complexities of AAS 27 imposed upon them.²³

3.45 The DFYCC were also not in favour of the introduction of AAS 27. As well as agreeing with other respondents about the ability of Councils to implement it, understand it, and meet associated costs, the DFYCC also questioned its relevancy, in that the majority of providers of

20 Written Submission No. 7, p. S89.

21 Written Submission No. 13, p. S120.

22 Written Submission No. 15, p. S134.

23 Written Submission No. 15, p. S135.

specific funds would only need to see that their funds have been spent for the purpose provided, usually where a grant is provided and expended by the Council within a specific period.²⁴

3.46 The Department also commented in relation to relevancy, that:

Some other aspects of AAS 27 may not be relevant to Council's operations. For example, mainstream local governments would cost certain amounts for depreciation each year so that funds were available for asset replacement when the need arises. In terms of Aboriginal Councils and Island Councils the vast majority of assets are acquired via grant income, therefore the need for provision for future acquisition of assets is negligible.²⁵

Conclusion

3.47 Arguments were put forward to the Committees in favour of both retaining the current modified cash reporting regime and the introduction of accrual accounting. There was an almost unanimous rejection of the introduction of reporting in accordance with the provisions of AAS 27.

3.48 The Committees concur with the arguments put forward for the retention of modified cash accounting. The Committees can, however, see the benefits of moving to full accrual accounting and believe that with the increasing sophistication of accounting software and the provision of appropriate training, an eventual move to accrual accounting will be possible.

3.49 The Committees would be reluctant to see the introduction of differing requirements for reporting for individual Councils as this may introduce further inconsistencies in accountability and unfairly penalise some Councils by way of cost of compliance etc.

24 Written Submission No. 17, p. S147.

25 Written Submission No. 17, p. S148.

3.50 The Committees believe that the requirements of Council Clerks under the respective Acts, to produce monthly management reports, should ideally be a simplified or condensed version of the annual financial statements. The increasing sophistication of accounting software in use by Councils should enable the efficient production of periodic financial statements and the Committees can see no reason why the information produced annually for external reporting purposes, would not be of use to the Councillors to aid in their administration of the Council during the year.

Outcome reporting

3.51 This section examines both the effect on accountability, and the suitability of, the introduction of a greater focus on reporting performance, or outcomes, rather than strict adherence to the current financial compliance reporting regime.

3.52 The introduction of performance, or outcome, reporting by Councils was seen as a positive step by the majority of respondents. It was recommended as a positive initiative when used to supplement financial compliance reporting, but in most cases was not considered suitable as a replacement.

3.53 The Aboriginal Co-ordinating Council (ACC) offered the following definition and description of the possible benefits of performance, or outcome, reporting:

A simple model of 'Performance' involves Input, Output and Results. This will allow performance to be judged in terms of effectiveness (the relationship between program objectives and the results) and efficiency (ratio of Inputs and Outputs). Key element in performance reporting will be the performance targets ...²⁶

3.54 The ACC commented that a shortcoming of the current compliance reporting regime is that presentation of financial reports in a prescribed format, certified as to truth, fairness and compliance does not necessarily imply that the quality of community life is acceptable or has been enhanced by public expenditure.²⁷

3.55 The ACC stated that the additional benefits of outcome reporting are that:

... The Councils know their constraints including the scope to generate additional revenue from sources outside the Government Grants and subsidies. In addition, they will have a strategy to achieve the desired targets and improve on financial and physical financial information systems.²⁸

3.56 In concluding, the ACC qualified its support for the introduction of outcome reporting noting that whilst it is essential that a Council have the capacity to safely control and monitor its fiscal resources and position, increased emphasis must progressively be placed on performance evaluation and community benefit.²⁹

3.57 Price Waterhouse was also supportive of the introduction of outcome reporting commenting that the success of a grant should be measured by the extent to which it achieved what it was intended to achieve, and that public accountability also requires assurance that the funds have been spent in accordance with the grant conditions. Therefore, an increase in emphasis on performance reporting should not be at the expense of compliance reporting.³⁰

3.58 The Queensland Division of the Australian Society of Certified Practising Accountants also offered qualified support for the introduction of outcome reporting:

In an era of program and performance management, it is expected that fund providers would seek to have Councils report on the outcomes of projects and programs for which

27 Written Submission No. 48, p. S322.

28 Written Submission No. 14, p. S129.

29 Written Submission No. 14, p. S129.

30 Written Submission No. 44, p. S303.

funding is provided. This is encompassed by the broad concept of accountability and would also assist fund providers in making decisions on the effective allocation of resources.

Reporting on outcomes is seen as complementary to reporting on compliance with conditions attaching to funding.³¹

3.59 The ANAO were also of the opinion that outcome reporting would be beneficial, however, it also advised that it should only complement compliance reporting:

Reporting of government funded organisations' compliance with the terms and conditions of grants is a central element of the accountability requirements, both for government and for the funded organisations. However, compliance reporting will not usually indicate whether the funded activities actually achieved their objectives. On the other hand, performance reporting aims to provide the information necessary to determine whether funded goals were achieved cost effectively. Therefore, compliance financial reporting and performance reporting are clearly complementary activities.³²

3.60 The QAO also concurred with the complementary status of outcome reporting:

Reporting on outcomes is seen as complementary to reporting on strict compliance with conditions attaching to funding.³³

3.61 The Committees note the favourable response to the introduction of outcome reporting, and the respondents' opinions that it is essentially only suitable as an addition to financial compliance reporting and not as a substitute.

3.62 In addition to being informed that outcome reporting was only considered suitable as complementary reporting, and not a replacement for compliance reporting, a number of other problems were highlighted.

31 Written Submission No. 7, p. S90.

32 Written Submission No. 10, p. S105.

33 Written Submission No. 15, p. S135.

3.63 The DFYCC indicated that, although it is committed to outputs based budgeting and reporting, it recognises that this methodology has its disadvantages. The Department noted that for Aboriginal Councils and Island Councils its introduction will probably mean that additional systems will have to be established to capture the data required, and the end result may be that Councils will be required to complete very specific reports which would be unique to the various categories of grant.³⁴

3.64 In summary, the Department stated:

*... reporting by Councils against performance criteria is considered to be very desirable. It is very difficult, however, to foresee a standard reporting option which would meet the needs of various grant providers which provide funds for a diverse range of functions. The problem will remain that each grant provider will have different expectations and this will produce similar problems for Councils as those currently experienced with financial reporting.*³⁵

3.65 The National President of the Australian Society of Certified Practising Accountants and President of the Institute of Chartered Accountants in Australia also raised concerns about the effects of outcome reporting on standardisation of accountability requirements for Councils, noting that:

*... One issue with performance reporting requirements in a range of grants is that they could be difficult to standardise. This could result in the range of such requirements imposed by funds providers proving burdensome to the Councils.*³⁶

34 Written Submission No. 17, p. S150.

35 Written Submission No. 17, p. S150.

36 Written Submission No. 11, p. S112.

Conclusion

3.66 There is widespread support for the introduction of outcome reporting. Funding agencies may benefit from advice on the outputs achieved by Councils resulting from funding supplied, in addition to basic financial acquittal of the funding. Outcome reporting was seen as being complementary to, but not a substitute for, financial compliance reporting.

3.67 Concerns were raised about the consequences of outcome reporting on standardisation of accountability requirements across funding agencies. The DFYCC also expressed reservations about the timing of outcome reporting noting that they were not supportive of its introduction at present because of the difficulties already incurred by Aboriginal and Torres Strait Island Councils in meeting their current financial compliance reporting requirements.

3.68 The Committees conclude that outcome reporting would be beneficial in assisting funding agencies to determine whether program objectives were being achieved, in relation to funding supplied to Aboriginal and Island Councils.

3.69 The Committees believe that a greater degree of emphasis should be placed by funding agencies on the real benefits being obtained 'on the ground' at the Aboriginal and Island Communities, and this may not readily be achieved through the current financial compliance reports.

3.70 However, the Committees would be reluctant to see the widespread introduction of objective or subjective outcome reporting developed by funding bodies, as this will certainly lead to an increase in the variation in accountability requirements between agencies.

Timeliness of funding process

3.71 During the inquiry the Committees have noted the widespread criticism of the timeliness of all aspects of the grant funding process. Criticism was received in relation to the grant application process, notification of intended funding and release of grant funding by funding agencies.

3.72 For example, in relation to the timeliness of the application process, subsequent notification of intended funding and release of funds, the Committees received evidence, that the timeliness of their receipt of funds to address infrastructure needs, tended to suit the needs of the fund provider and had little regard for Council requirements. The Committees were also advised that with regard to ATSIC and Torres Strait Regional Authority (TSRA) funding, the timeliness of notification of funding and its release to Councils doesn't allow time for sufficient forward planning.

3.73 Written submissions outlining concerns on the timeliness of the application process were also received by the Committees.

3.74 Murray Island Council noted that:

The time-spans involve [sic] in the entire grant process needs to be adequately addressed and revised, the implementation of proposed council work programs can be severely effected where there are lengthy time periods between initial advertisement of the availability of funds, application, assessment and subsequent release of funds.³⁷

Notification of funding and the budget process

3.75 Murray Island Council also pointed out an anomaly between the State government requirement to frame and adopt a Council budget prior to 31 August each year, for the year commencing on 1 July, and the timeliness of notification of funding:

Consideration needs to be given to the state legislative requirement for council to determine and adopt budgets. Council is required to set budgets in August and there are many instances when notification of available grants occur later during the year. This effectively means that council is in breach of its budget if it successfully obtains additional funding through these later grant offers.³⁸

37 Written Submission No. 42, p. S293.

38 Written Submission No. 42, p. S293.

3.76 The DFYCC also indicated their support, for more timely notification of funding by funding agencies, to aid the councils to meet their statutory budgeting requirements.

... if funding agencies were able to provide Councils with earlier notification of funding, it would allow Councils to improve their budgetary process.³⁹

3.77 Price Waterhouse also pointed out the need for more timely committal of grant funds to enable a more holistic funding approach and to assist the formulation of Council Community Management and Development plans.⁴⁰

3.78 ATSIC described the funding application and approval process, highlighting the reasons for notification of funding to Councils after the commencement of the financial year:

... [Funding] Allocations are based on this [Regional Council Budget] final draft. Based on budgets and Program allocations letters' of offer are sent out. This has usually not occurred until July when funds are distributed to all cost centres. Releases follow receipt of letters-of-acceptance. Between letters-of-offer going out and letters-of-acceptance coming in there is a period of negotiation, both in relation to changed organisational circumstances since submissions in November/December and/or because budgets need to be modified to match the level of actual funds available.⁴¹

3.79 The Committees note the effects, particularly from the point of view of Councils, in relation to the notification and release of funding. The Committees understand and wish to promote the importance of sound forward planning, such as that provided for in Council management plans, and appreciate the necessity for timely advice of intended funding by funding agencies.

39 Written Submission No. 49, p. S345.

40 Written Submission No. 44, p. S305.

41 Written Submission No. 50, p. S364.

Streamlining the application and approval process

3.80 The Committees acknowledge that the primary Council funding agencies of ATSIC and the DFYCC have, as advised in written submissions to the second issues paper, recently streamlined their grant application and notification process.

3.81 ATSIC advised that the introduction of the single grant and single letter-of-offer per organisation in the new procedures is intended to relieve some of the workload in the grant application and processing area. It also noted that, in addition, the implementation of triennial funding should enable Regional Councils and grantees to better plan for the out years and reduce the number of applications/complexity of application to be prepared and that, taken together, it is hoped that these measures will improve the rate of funds releases.⁴²

3.82 The DFYCC also advised that they support the improvement in funding timeliness proposal and has taken number of steps to ensure that its grant programs are administered in a manner which allows for accountability requirements to be met, while ensuring that grants are released in time:

Firstly, the Department created the Grants Administration Unit within the Aboriginal and Torres Strait Islander Affairs Program, which has resulted in a more efficient grants process.

Secondly, the recent re-structure of the Department placed an increased focus on regional offices. This focus along with the CSOs [Community Service Officers] will provide the Department with the ability to further improve the grants process.

Conclusion

3.83 The Committees received criticisms about timeliness of the funding process and the effects that late notification of funding by funding agencies in particular, has on the forward planning and statutory budget process of Councils. The Committees acknowledge that appropriate departmental practices and procedures over application processing and funding authorisation and factors external to funding agencies including their own budget submissions, for example, may impact on this process.

3.84 The Committees acknowledge the efforts made by ATSIC and the DFYCC to address timing issues.

Timeliness of the external reporting process

3.85 This section deals with the timeliness of the annual external reporting process undertaken by Councils in accordance with the requirements of the *Community Service (Aborigines) Act 1984* and the *Community Service (Torres Strait) Act 1984*. The external reporting process consists of the production of annual financial statements (as prescribed) by Councils, the external audit of these accounts and the forwarding of these audited statements to funding providers which require them to acquit funding they have supplied during the period.

3.86 During the inquiry, the Committees were made aware that there are concerns over the timeliness of the external reporting process.

Effect On councils

3.87 The ACC, as a representative of the Aboriginal Councils, raised concerns over delays in the external reporting process, highlighting the effects on recipient Councils of delays in reporting:

... an audit qualification indicating poor internal control and a possible high level of risk would of course signal caution and care by funding providers.

It is therefore vitally important to the Councils, that audit findings and recommendations are transmitted to them following completion of the audit process within the shortest possible period. This will enable remedial and corrective action to proceed where necessary ...⁴³

3.88 The representative of the Island Councils, the Island Co-ordinating Council (ICC), also noted the effect of delays in the external audit process, stating that late audit reports may have an effect on the grantor, and may have a significant theoretical effect on grantees in the case of surplus funds being carried forward from one year to the next year. The ICC commented that some fund providers insist surplus funds may not be used until they have given clearance for them to be used, and that clearance may depend on the audit report. This may force a recipient Council to either suspend a project or use funding nominated for another purpose.⁴⁴

3.89 Murray Island Council also expressed concern about the timeliness of the external reporting process particularly in relation to the external audit. The Council indicated that the 1996-97 audit of Council's account was not expected to occur until late October 1997 and, historically, these audit reports are not released until the early months of the following calendar year. The Council noted that it could be up to nine months before it is in a position to address audit and accountability problems.⁴⁵

3.90 St Pauls Island Council also indicated its concern regarding the effects of a delayed external reporting process, commenting that:

... late Audit reports are a cause of great concern, if Councils are to fully adopt requirement[s] of AAS27, the lateness of these Audits will significantly restrict the Councils ability to comply. At present the time frame makes the document "old news" reducing its impact and in most Councils, the report is classed as insignificant, as they say "that was last year".

43 Written Submission No. 14, p. S132.

44 Written Submission No. 25, p. S205.

45 Written Submission No. 42, p. S293.

Audit reports need to be received by Council no later than 30th September, to enable Councils to act on significant issues and comply with all requirements.⁴⁶

Effect on funding providers

3.91 A significant proportion of funding agencies rely on the certified annual financial statements of Councils as part of their acquittal process and as satisfaction that the funding is being used legitimately and continued funding of the Council is appropriate.

3.92 A number of concerns were raised with the Committees by the funding agencies.

3.93 The ACC commented, from the point of view of funding providers, that an absence of the written report and an appropriate audit certification on annual financial statements are factors likely to cause hesitation and reservation in the funding processes of public authorities, and their early availability to client Council's is therefore strongly recommended by the ACC.⁴⁷

3.94 The ANAO also raised concerns in relation to the delay in the external reporting process from the point of view of funding providers commenting that fund providers need to be able to assess the capability of an organisation to handle grant funds. Audit reports provide independent assurance in relation to the information contained in the financial statement, and are a valuable source of information to fund providers for both acquittance of past grants and assessment of the future viability of the organisation. The timeliness of audit reports is of vital importance if these reports are to be of benefit for these purposes. For instance, an audit report is more useful for decision making purposes the closer it is received to the end of the financial year that is being reported.⁴⁸

46 Written Submission No. 3, p. S37.

47 Written Submission No. 14, p. S132.

48 Written Submission No. 10, p. S106.

3.95 The ANAO pointed out that qualified audit reports contain details in relation to the qualification. Therefore fund providers should consider the nature of the qualification and its impact on the financial information for their purposes.⁴⁹

3.96 The ANAO concluded noting:

The timeliness of the provision of a report detailing the weaknesses in financial administration and/or record keeping is of paramount importance to funds' providers in order for them to make early decisions in relation to the allocation of funds and/or the provision of other forms of assistance to Councils. If major shortcomings do exist, the sooner remedial action is instigated the more likely that any loss or other funds risk will be minimised.⁵⁰

3.97 The National President of the Australian Society of Certified Practising Accountants and the President of the Institute of Chartered Accountants in Australia also highlighted the importance of timely financial reporting stating that timely financial reports and audit opinions, and timely reporting of shortcomings in financial administration, would both assist funding agencies in making decisions about the provision of further funds, their objectives for the grants, and the reporting required of the recipient.⁵¹

3.98 The Queensland Department of Main Roads stated that in relation to grant funding it provides:

More timely information in this area may be useful in establishing better risk management profiles in respect of individual grantees.⁵²

3.99 ATSIC also expressed concern about the timeliness of the reporting process, noting that while it currently accommodates the Queensland Government time frame, it still has concerns about the time of submission of annual financial statements. ATSIC has amended the acquittance requirements of its Supplementary Terms and Conditions of

49 Written Submission No. 10, p. S107.

50 Written Submission No. 10, p. S107.

51 Written Submission No. 11, p. S112.

52 Written Submission No. 8, p. S98.

Funding applying to Deed of Grant in Trust communities and Shire Councils, permitting them to lodge annual financial statements one month after receiving them from the Queensland Audit Office.⁵³

3.100 ATSIC commented that remedial action, determination of grant surpluses and approval for their use are severely impeded by the late receipt of audit reports. Surpluses identified by the auditor as existing at the 30th June may be spent by grantees before ATSIC receives advice of the surplus in the audit report. This places the grantee in breach of grant conditions and deprives Regional Councils of their prerogative to determine alternative uses of surplus funds within the Region.⁵⁴

3.101 ATSIC concluded stating that:

... financial management problems may not become evident to funds providers (through audit findings) for some time, delaying remedial action and potentially allowing the problem to grow. Frequently this leads to delays in corrective action into the second year after the original grant was made, when it is either impossible to correct weaknesses or the matter has become irrelevant due to the time elapsed.⁵⁵

3.102 The DFYCC also highlighted problems faced by grant providers via delays in external reporting, noting:

At present grant providers may have provided funds for a project in a particular financial year. The funds may have been expended within that year and the Council applies to the grant provider for further funding in the ensuing year. At this time the grant provider does not have access to the external audit opinion in relation to the particular grant therefore is caught in a quandary as to whether its previous grant has been properly expended and whether it should provide further funding.⁵⁶

3.103 St Pauls Island Council also noted concerns with the timeliness of the external audit process from the point of view of the funding provider, commenting:

53 Written Submission No. 23, p. S192.

54 Written Submission No. 23, p. S192.

55 Written Submission No. 23, p. S192.

56 Written Submission No. 17, p. S155.

*Fund providers need to acquit all grants offered by them, and the Audit report is used to verify balances. Early Audit opinions would be of great assistance in this area. Further they would provide the TOOL that was intended to detect irregularities in Councils overall performances, giving the funding bodies more of an insight into the capabilities of the Council to manage further funding releases.*⁵⁷

Contributing factors and solutions

3.104 The Committees received a number of reasons for, and suggested solutions to address the problems of, the delays in external reporting of these Councils.

3.105 The QAO, who are responsible for the external audit of all Queensland Aboriginal Councils and Island Councils, noted that in relation to external auditing delays:

*There are logistical difficulties in concurrently carrying out the audits of 31 Councils, many of which are in remote locations. Under conditions where accounting and related financial management issues are not a concern, audits can be finalised within a reasonable time after the close of the financial year. However, there are very few Councils where that is currently the case and has been so for many years as reported [by the Auditor-General] to the Legislative Assembly.*⁵⁸

3.106 The QAO did however suggest that improvement would flow from some current initiatives. It was noted that the QAO anticipates that the timeliness of reporting should improve with the cooperation of Councils, internal audit and the DFYCC CSOs who visit Councils on a regular basis to assist them with financial administrative matters.⁵⁹

3.107 The DFYCC also noted reasons for delays in the external reporting process and made suggestions for improvements:

57 Written Submission No. 3, p. S37.

58 Written Submission No. 15, p. S136.

59 Written Submission No. 15, p. S136.

... It is recognised that delays in the release of audit reports are attributable to a number of factors including timeliness of Councils own reporting, the logistics of conducting audits in remote locations and the assessment constraints experienced by the Queensland Audit Office.⁶⁰

3.108 Suggestions for addressing the problems offered by the DFYCC are:

The Department considers that internal audit services currently provided by the ACC and the ICC to be adequate in that these achieve the objective of identifying problem issues and reporting findings to Councils on a regular basis. The Departments FAIP [Financial Accountability Improvement Program] Steering Committee oversees the provision of these services to Councils through regular quarterly meetings.

An option which the Department would like to canvass with both the ACC and the ICC is to expand the role of internal auditors to assist with the acquittal of grants at the end of each financial year. It will be proposed to the ACC and ICC that (suitably qualified) internal auditors' responsibilities be expanded to include certification of grant acquittals which may serve to satisfy grant providers in the interim until such time as the formal certification by the Auditor-General is received ...⁶¹

3.109 The Department considers that this would alleviate much of the uncertainty experienced by grant providers in determining whether the administration of the grant had been satisfactory prior to considering grant applications for the ensuing financial year.⁶²

3.110 The DFYCC also suggested the option of the Auditor-General performing interim audits towards the end of June each year with the focus particularly on grant expenditure. However, DFYCC acknowledged that this

60 Written Submission No. 17, p. S155.

61 Written Submission No. 17, p. S154.

62 Written Submission No. 17, p. S154.

proposal would need to be developed further with the Auditor-General as there are some apparent difficulties foreseen as to how an interim report could be formally communicated to the Council and other agencies.⁶³

3.111 In concluding, the DFYCC noted:

*In summary the Department would recommend either of the above options in preference to the present system which protracts the acquittal process to the detriment of Councils and grant providers alike.*⁶⁴

3.112 ATSIC was also confident that improvements to the timing of reporting were imminent due to changes in practices, commenting that it does not rely on an organisation's acquittal information as the primary means to identify potential problems, although problems may come to light through this process.⁶⁵

*... ATSIC's new grant procedures include a redesigned risk management regime. As also indicated, there will be tailored monitoring and reporting requirements attaching to each grantee organisation based on the risk classification allocated to that organisation. The purpose of this approach is to catch and correct potential problems as they arise.*⁶⁶

3.113 ATSIC were also positive about the effects of Queensland Government CSOs for more timely identification of problems and commented that cooperation between ATSIC officers and the CSOs, should lead to improved standards of administration by grantee organisations.⁶⁷

3.114 The Committees feel that the QAO makes a valid point in regard to the delays experienced with the external reporting process and the effects this has on Councils and fund providers administration:

Councils need to take the initiative after the audit exit interview (conclusion of audit) together with the CSO and prepare an action plan to address the various audit issues

63 Written Submission No. 17, p. S156.

64 Written Submission No. 17, p. S156.

65 Written Submission No. 50, p. S365.

66 Written Submission No. 50, p. S365.

67 Written Submission No. 50, p. S365.

raised. The auditor is required to provide the Council with a copy of the issues raised at the exit interview and the subsequent formal audit report concludes the process.⁶⁸

3.115 The Committees understand that the majority of the field work of Council audits is completed by the QAO during September/October of each year and exit interviews take place at the completion of the field work. Councils should be made aware at this point, of any problems identified by audit in relation to the financial administration during the period under review, and the accuracy and completeness of the external report. The Councils may take steps immediately to address any problems identified by audit. The Committees can see no reason why the Councils need to wait until the formal audit report is received from the Auditor-General.

3.116 In relation to Councils' concerns arising from delays in the external audit process, the Committees concur with the Queensland Auditor-General who stated:

... There have to be other mechanisms put in place by the grant providers so that they can satisfy themselves completely that the money was not entirely wasted and that what was built was done so in the manner that was required or intended. I agree with the viewpoint of the Aboriginal Coordinating Council that there needs to be a lessening of the emphasis on the acquittal business, if that is what [the Executive Director, ACC] is saying, and move to another form of support mechanism to satisfy the grant providers.⁶⁹

3.117 The Committee also commends the steps currently being undertaken by the DFYCC and ATSIC in conjunction with the Coordinating Councils to provide assurance to fund providers through other more timely means than the annual external reporting and auditing process.

3.118 In addition, the Queensland Auditor-General also gave support to aspects of these changes noting:

68 Written Submission No. 43, p. S298.

69 Transcript of Proceedings, Public Hearing, 26 September 1997 p. 221.

I do not see anything really wrong in the fact that, if a Commonwealth providing agency wanted some interim warmth or assurance about funding prior to the external audit being completed, an internal audit certification of some sort by a qualified person could not suffice ...⁷⁰

Conclusion

3.119 Widespread advice was received of the effects of the delay in the external reporting process on both the administration of Councils and grant administration by funding providers. Councils indicated that they face delays in having problems brought to their attention and are prevented from taking timely remedial and corrective action where necessary, and Councils may also be disadvantaged if funding providers are reluctant to release additional funding prior to receiving acquittal of prior funding.

3.120 Funding providers require timely external reporting by the Councils to assist them in their decision making process over allocation of future funding and in assessing the possible necessity of other forms of assistance to Councils.

3.121 The Committees note the concerns of both Councils and fund providers, on the delays experienced with the external reporting process and the effects this has on Councils and fund providers administration.

3.122 In relation to Councils, the Committees note the main concerns are the delay in notification of problems and the apprehension of fund providers to release funding, until they receive independent verification of the legitimacy of use of prior funding, and the continued viability of the Council.

70 Transcript of Proceedings, Public Hearing, 26 September 1997
p. 234.

Recommendations

The Joint Committee of Public Accounts and the Queensland Public Accounts Committee jointly recommend that:

3.123 Recommendation 5

Commonwealth and Queensland funding providers, in consideration of the forward planning and statutory budget requirements of Councils, are to review grant application processes and procedures to ensure that Councils are notified as early as possible of intended funding.

3.124 Recommendation 6

Commonwealth and Queensland funding providers, in overcoming the problems caused by delays in the external reporting process, continue to develop mechanisms for the timely identification and addressing of accountability problems within Councils.

The Queensland Public Accounts Committee recommends that:

3.125 Recommendation 7

The Department of Families, Youth and Community Care, in consultation with the Co-ordinating Councils, settle on two or three accounting software packages for Council use, to maximise consistency of use and to aid the interchange of staff.

3.126 Recommendation 8

Copies of the monthly financial statements provided to Councils by the Council Clerk be forwarded each month to grant providers to assist in their monitoring and acquittal of grants.

3.127 Recommendation 9

The current arrangements for prescription of financial reporting annually by the Director-General of the Department of Families, Youth and Community Care be retained.

3.128 **Recommendation 10**

The Department of Families, Youth and Community Care, in consultation with the Co-ordinating Councils, continue to bring accrual accounting concepts into the modified cash basis of reporting in consultation with all Councils.

4

ASSISTING COUNCILS

Introduction

4.1 Previous Chapters have focussed on the requirements placed on Councils and the systems and processes which impact on them.

4.2 The Committees believe that while changes in these aspects are needed to assist Councils in meeting their accountability obligations, the long term goal should be the raising of the general level of skills available to Councils and their staff. Raising this skill base will ensure that any improvements in financial performance will be maintained.

4.3 This Chapter discusses various avenues of support that are currently provided or which might be provided to Councils aimed at improving financial performance.

Provision of increased hardware and software support

4.4 In its submission the Department of Families, Youth and Community Care (DFYCC) suggested that one option could be the creation of central processors situated in strategic locations and connected to Councils via computer links. At these processor sites 'a high level of technical and accounting support' would be provided. Each Council would collect and enter its relevant data, retaining source documents and generating in-house reports as required.¹

1 Written Submission No. 17, p. S152.

4.5 The response to this suggestion was mixed. The Island Co-ordinating Council (ICC) supported the idea and suggested it should be extended to cover the best practice usage of software packages.²

4.6 The Torres Strait Regional Authority (TSRA) believed that while desirable in theory, technical, logistical and price factors would preclude establishment of a computer network.³ This view was also supported by the final submission the DFYCC, in contrast to its earlier submission. The DFYCC's reasons included:

- the cost which could be better spent on other projects;
- the difficulty in providing coordination; and
- the raising of confidentiality issues and threats to self determination from the use of a wide area network.⁴

4.7 The Aboriginal and Torres Strait Islander Commission (ATSIC) was cautious about imposing uniform internal management processes or systems on the organisations it funded because grantee organisations were autonomous.⁵ The response from the Murray Island Community Council lent support to this view:

The implementation of a centralised computing unit utterly and totally detracts from the basic concept of autonomy and self-government of individual Torres Strait Island Councils. This is seen as denying councils the right to manage their own financial affairs.⁶

4.8 However, the Murray Island Council considered using a network for access to funding bodies would be helpful, but that the idea assumed 'remote island councils have the capacity and knowledge to use such hi-tech modem technology.'⁷

2 Written Submission No. 41, p. S288.

3 Written Submission No. 52, p. S372.

4 Written Submission No. 49, p. S340.

5 Written Submission No. 50, p. S358.

6 Written Submission No. 42, p. S292.

7 Written Submission No. 17, p. S152.

4.9 In contrast, ATSIC advised that a number of organisations were using the services of umbrella Indigenous Resource Centres which might undertake 'bookkeeping, accounting, and financial planning etc, for smaller or less well resourced organisations.'⁸

4.10 The Committees question the benefit of creating at this stage central computing units. Establishment of such a network across remote areas would be costly and there may be resistance from some Councils due to a perceived loss of autonomy. Moreover, the complexity of the proposed solution is not justified as Councils already have available to them relatively simple pc-based accounting packages which are adequate to administer a Council's finances.

4.11 As well, if Council's do not have appropriately trained staff or appropriate administrative systems in place, no 'hi-tech' solution offered by a centralised computer unit will prevent accountability problems. As Price Waterhouse commented the proposal achieves nothing in the long term.⁹

4.12 Advances in communications and increased understanding by Councils of computer-based technology might in the future make a centralised computer processing facility a viable option for groups of Councils. The initiative though, should come from the Councils themselves rather than be 'imposed' by government agencies.

4.13 There is in fact an increasing awareness of the benefits of improved communications. ATSIC drew the attention of the Committees to its presence on the internet and that it was actively encouraging Community Development Employment Project organisations to access the internet as soon as possible. This would enable access to procedures manuals, examples of best practice and the transmission of financial reports to Regional Offices.¹⁰

8 Written Submission No. 50, p. S361.

9 Written Submission No. 44, p. S303.

10 Written Submission No. 50, p. S361.

Support provided by community service officers

4.14 In September 1996, the DFYCC appointed twelve Community Service Officers (CSOs). The Director, Office of Aboriginal and Torres Strait Islander Affairs, DFYCC, told the Committees that the aim was to provide :

... some link that ensured that when a problem was identified either at external or internal audit there was some capacity and responsibility within the department for saying that something happened. The prime role of the CSOs is not to duplicate internal audit. ... They are there to work in conjunction with the councils on a strategy for overcoming the problem.¹¹

4.15 ATSIC has regional officers who undertake field visits to communities. These visits 'are to focus on the grantee's performance of the activities funded by ATSIC.' The results of the visits should include 'identification of matters that may affect the achievement of the objectives' of the project.¹²

4.16 There are two issues which have arisen during the inquiry. First, are the responsibilities of the CSOs and ATSIC regional officers clearly defined and understood by Councils, and second, is there a need for increased coordination and cooperation of these Queensland and Commonwealth officers?

11 Transcript of Proceedings, Public Hearing 26 September 1997, p. 224.

12 Exhibit No. 7, *ATSCC Draft Grant Procedures*, 27/08/97, p. 13. Attachment to Submission No. 38.

The responsibilities of Community Service Officers

4.17 Both ATSIC and TSRA welcomed the creation of the CSOs.¹³ The ICC Secretary also commented favourably on the performance of the CSOs stating that they provided a very regular monitoring function and were able to visit Councils sufficiently often to be able to identify problems as they were arising.¹⁴

4.18 However, in their separate submissions, TSRA stated that it believed the role of the CSOs should be more clearly defined,¹⁵ and ATSIC indicated the interpretation of their role may differ:

*From the duty statements for the CSO positions, their role appears to be quite clearly defined ... However these are relatively new positions ... and individual CSOs are likely to take different approaches while they are developing their roles.*¹⁶

4.19 During the inquiry the Committees visited almost all of the Deed of Grant in Trust communities on the Queensland mainland and in the Torres Strait and found that the reception to the introduction of the CSOs varied. Generally the CSOs had been seen to benefit the communities they served, but on one Torres Strait Island the relationship between the Council and its CSO had broken down. The Murray Island Council also was critical and suggested more consultation with Councils on the role of the CSOs was required:

*... quite often these officers conduct their visits around some self-determined itinerary, with pre-determined goals and targets, that have little or no bearing on the areas that council itself identifies as problems. ... Councils should have input into determining the roles and responsibilities of the CSOs.*¹⁷

13 Transcript of Proceedings, Public Hearing 26 September 1997, pp. 224-225.

14 Transcript of Proceedings, Public Hearing 26 September 1997, p. 226.

15 Written Submission No. 52, p. S372.

16 Written Submission No. 50, pp. S361-S362.

17 Written Submission No. 42, p. S293.

4.20 The Committees have reviewed the duty statements of the CSOs¹⁸ and are satisfied that the role of the CSOs are clearly defined in these documents as assisting Councils in meeting their financial accountability and legislative obligations. The Committees consider this is an appropriate role.

4.21 However, Price Waterhouse (a firm that provides training to Island Councils) commented that:

*... there is certainly a need to publicise the services that CSOs can provide to Councils ... Equally, there is a need to publicise the role of the ATSIC officers.*¹⁹

4.22 The Committees agree.

Coordination between State and Commonwealth

4.23 In a submission to the inquiry, ATSIC acknowledged that there were 'some parallels between the roles of CSOs and ATSIC field officers' and scope for them to complement each other especially in 'identifying need, community planning and budgeting, [and] the preparation of submissions for funding assistance'.²⁰

4.24 The Committees therefore sought information about the liaison between the CSOs and Commonwealth officers employed by ATSIC and TSRA.

4.25 Whereas TSRA has a formal arrangement in which TSRA project officers meet with the CSOs on a six-weekly basis, no formal arrangement exists between ATSIC and the CSOs.²¹

18 Exhibit No. 10, *Position Description, Community Services Officer (Financial Accountability) Regional Services Branch, Office of Aboriginal and Torres Strait Islander Affairs*, pp. 2-3.

19 Written Submission No. 44, p. 303.

20 Written Submission No. 39, p. 281.

21 Transcript of Proceedings, Public Hearing 26 September 1997, pp. 224-225.

4.26 The Queensland Manager, ATSIC, told the Committees that liaison between ATSIC officers and the CSOs does occur informally, but that the level of contact varied and there were instances of very good relationships being established.²² A later submission from ATSIC central office stated:

There may be merit in negotiating with affected parties to develop a more formal networking arrangement to ensure that resources are being used to achieve optimum outcomes for indigenous organisations and for funding agencies. A prototype might be the Cairns-based Queensland Government Financial Management Committee, which met for the first time in July 1997 and included representation from CSOs, ACC and ATSIC.²³

4.27 The Committees are encouraged by these developments and, because ATSIC's move towards a risk management approach to monitoring Councils will require greater emphasis on information gathering, consider that formal liaison arrangements should be set in place.

Improvements in training

4.28 The Special Auditor appointed in June 1996 by the Minister for Aboriginal and Torres Strait Islander Affairs, Senator the Hon John Herron, commented that the primary reason for accountability breaches was the lack of financial management expertise within organisations and that board and management skills needed improvement.²⁴

4.29 There was general agreement from agencies and the Councils and organisations visited by the Committees that there is a need for more training. While the Committees agree with this view, the important issues are how should training be best delivered and what other factors affect the effectiveness of training programs.

22 Transcript of Proceedings, Public Hearing 26 September 1997, p. 224.

23 Written Submission No. 50, p. S362.

24 Written Submission No. 28, p. S232, referring to *Report of the Special Auditor*, October 1996, Department of Prime Minister and Cabinet, Canberra, pp. 18-19.

Training and coordination

4.30 The DFYCC advised the Committees that it had adopted a two tier approach to training:

- a financial management and administrative training program aimed specifically at 'the statutory requirements and compliance issues which councils must address'; and
- a 'TAFE administered Certificate of Community Management' which provides a formal qualification.

4.31 The Department also noted that in March 1997 about 'one hundred students were enrolled in the certificate course, with many of those students employed by Aboriginal Councils and Island Councils.'²⁵

4.32 Officers from Coopers & Lybrand's Indigenous Business Services Group, who undertake training of Aboriginal Councils, have briefed the Committees on the nature of the training they provide. The Committees noted the comprehensiveness of this training and the comment in a submission from Coopers & Lybrand that:

*... services will be delivered in a culturally appropriate and sensitive way. The non indigenous consultants will participate in a comprehensive cross cultural training program to help them appreciate and understand [Aboriginal and Torres Strait Islander] culture and lifestyle.*²⁶

4.33 A similar training program has been undertaken for Island Councils by Price Waterhouse and Hall Chadwick under the DFYCC initiative.²⁷

4.34 ATSIC advised the Committees in a submission that the ATSIC Board had endorsed a proposal to develop and deliver a nationally coordinated training package targeted at directors and senior managers of ATSIC funded indigenous organisations. The aims included improving accountability and understanding of ATSIC's grant procedures and

25 Written Submission No. 17, pp. S152-153.

26 Written Submission No. 20, p. S169.

27 Written Submission No. 49, p. S342.

requirements. The submission acknowledged the training initiative being undertaken on behalf of the Queensland Government by consultants Coopers & Lybrand and Price Waterhouse and suggested that:

An example of possible cooperation between the jurisdictions would be to ensure that linkages be established between [ATSIC's] exercise and the [Queensland Government's] training initiative ...²⁸

4.35 The Committees consider there is a need to coordinate training provision to ensure training effort is not duplicated, and are reminded of a comment made by Coopers & Lybrand during its briefing which was that several training providers had contacted a particular Council with a view to undertake training on various topics within a short period of time.

4.36 Regarding the need to improve coordination of training, the Committees note the DFYCC's comment in a submission that it was:

... supportive of this proposal which would however require development of an across government and agency strategy. There clearly exists a number of areas where greater coordination between agencies would provide Councils with greater choice and flexibility in accessing training that is designed to address their training needs.²⁹

The method of training delivery

4.37 During its inspection visit to the Torres Strait the Committees met with officers from Sue Island Council including the Council Clerk. A submission from the Council clerk provided the following comment:

28 Written Submission No. 50, pp. S362-S363.

29 Written Submission No. 49, p. S344.

More emphasis should be placed on the way training is delivered. Accountants coming in to the Community every four months for two days is not the answer. Training needs to be coordinated on the job with each staff member so that there becomes an understanding of how their job relates to the whole office structure.³⁰

4.38 This opinion was endorsed by the General Manager, TSRA, who advised the Committees that the training program in the Torres Strait had been completed and reassessed. It had been concluded that a better form of training would be to employ qualified staff on the islands full time. These staff would not only undertake financial work but would also train the staff to take over from them.³¹

4.39 A compatible view was put by the Executive Director, Aboriginal Co-ordinating Council (ACC), who said:

... there is an urgent need for us to consider funding understudies, or counterparts, on many of the communities that we have in Queensland so that in the longer term we have indigenous persons who will be responsible for the total management of their affairs.³²

4.40 The Committees note the DFYCC's observation that it had received suggestions that the best way of training was to use the day-to-day, one-to-one, on the job training.³³ A similar view put in a submission from a CSO.³⁴

4.41 From the evidence presented, the Committees consider that once the initial training round has been completed the follow-up should be via extended training of Council officers. While more expensive, the employment of a consultant/trainer who remains within the community for an extended period will enable the identification and solution of

30 Written Submission No. 35, p. S263.

31 Transcript of Proceedings, Public Hearing 26 September 1997, p. 222.

32 Transcript of Proceedings, Public Hearing 26 September 1997, p. 223.

33 Written Submission No. 49, p. S344.

34 Written Submission No. 47, p. S317.

the little problems which might otherwise be overlooked in a fly in/fly out training program. Care would be needed, however, to select appropriate people to undertake this training role and individual Councils would need to be involved in the selection process.

Factors influencing training effectiveness

4.42 A major factor leading to financial accountability problems faced by Councils is the turnover of Council staff, notably the Clerk. The problem is not confined to Queensland and is widespread in remote areas. For example, since June 1996 over half of the Town Clerk/Council Coordinator positions in the Northern Territory have become vacant.³⁵

4.43 ATSIC has commented:

A common feature of Councils that have poor financial performance is a high turnover of staff. Training per se is not necessarily the answer to this situation, but rather a combination of early identification of local people who wish a career in Council administration and the right training. A medium strategy would be to target school leavers who wish to live in, and work for the benefit of, their home communities and provide them with the appropriate training
...³⁶

4.44 The ICC Secretary told the Committees that training will always be needed due to routine changes of staff and the three yearly Council elections.³⁷

4.45 With the election of new Councils there comes the possibility of disharmony between the incoming Chairperson and the existing Council Clerk. This may be accentuated if newly elected representatives are less aware of their responsibilities as community representatives.

35 Written Submission No. 32, p. S252.

36 Written Submission No. 28, p. S234.

37 Transcript of Proceedings, Public Hearing 26 September 1997, p. 223.

4.46 During the inquiry the Committees have become aware of a training initiative in the Northern Territory. The Remote Area Management Project (RAMP) is a joint project of the Local Government Association of the Northern Territory and the Northern Territory Department of Housing and Local Government and is funded through the National Office of Local Government, Department of Transport and Regional Development. The aim of the RAMP is to provide skills development training for elected members from remote Aboriginal communities in the Northern Territory.³⁸

4.47 As part of the RAMP, a CD-ROM has been produced which is designed to address problems experienced by elected members in reading budgets, recruiting and managing staff and comprehending the functions of various government departments.³⁹

4.48 The Committees believe that the use of such a computer-based training package would have merit in making elected Councillors aware of their financial responsibilities and could contribute to the smooth working of Council administration. This could assist in maintaining continuity of Council staff.

4.49 The Committees consider that it may be possible to adapt elements of the RAMP initiative to make them useful in providing training to indigenous communities on the Queensland mainland and in the Torres Strait.

4.50 On the broader front, the Executive Director, ACC, suggested that training should not be in response to short-term, intermittent problems but should be 'towards "upskilling" the entire community population so that they become increasingly aware, as responsible persons, of what it means to be a responsible community resident.'⁴⁰ The general level of numeracy and literacy skills in the staff of Aboriginal Councils and Island Councils was also seen by the DFYCC as limiting the effectiveness of training.⁴¹

38 Written Submission No. 32, p. S250.

39 Written Submission No. 32, p. S252.

40 Transcript of Proceedings, Public Hearing 26 September 1997, p. 223.

41 Written Submission No. 17, p. S153.

4.51 While outside the terms of reference of the Joint Inquiry, the Committees consider the general level of education in communities may be an important indirect factor affecting the financial accountability of Councils.

4.52 Another indirect factor is the ability of Councils to provide appropriate housing for financial advisers.⁴²

Internal audit

4.53 Under the DFYCC's Financial Accountability Improvement Program, funding was provided from 1994 to the ACC and the ICC for provision of an internal audit service.⁴³ Submissions to the Committees indicated that the DFYCC, the ACC and the ICC were generally satisfied with the initial outcomes of the internal audit program.⁴⁴

The role of internal audit

4.54 The Coordinator, Internal Audit, ACC, told the Committees that the ACC wished to expand the role of internal audit from just looking at financial reporting and quality financial management to areas:

... like performance auditing and operational auditing ... as well as looking at community benefits, community outcomes, management efficiency, system efficiency, the quality of training, the standard of staffing ... We have moved to take some steps to improve our internal auditing techniques. ... we prepare audit plans and we insist on entry interviews at council level to make sure that council members are familiar

42 Transcript of Proceedings, Public Hearing 26 September 1997, p. 222.

43 Written Submission No. 49, p. S345; Transcript of Proceedings, 26 September 1997, p. 227.

44 Written Submission No. 14, p. S131; Written Submission No. 17, p. S154; Written Submission No. 25, p. S205.

with the standards and concepts of internal auditing ... We insist on [exit] interviews at the same level to cover all of the issues which we have studied and provide recommendations, if possible, at that time.⁴⁵

4.55 The ICC Secretary told the Committees that in the first three years of the ICC's internal audit program Councils had probably been over-audited having received 'at least two and sometimes three audits' in a year in addition to the external Queensland Audit Office (QAO) audit. It had now been decided to reduce the level of auditing. However, at least one internal audit would be required each year, but Councils would have some choice over who would undertake the audit and when it would occur.⁴⁶

4.56 The Committees are pleased with these developments especially in the light of criticisms from W L Gort, Chartered Accountant, that internal audit may in some Councils become a precursor to the external audit, and that a conflict of interest might arise due to the Coordinating Councils taking on the role of internal auditors.⁴⁷

4.57 The Murray Island Council has also called for Councils to be able to appoint their own internal auditors 'so that relevant terms of reference and target goals can be identified and set.' The Council suggested the present system seemed to provide internal auditors who were working to the benefit of government agencies/bodies.⁴⁸

4.58 The Committees believe there is some justification of this view as internal audit reports are tabled at meetings held under the DFYCC's Financial Accountability Improvement Program which are attended by the ACC, the ICC, ATSIC, TSRA and the QAO.⁴⁹ As well, the Queensland Auditor-General advised the Committees that, although there was no statutory requirement for the QAO to receive the

45 Transcript of Proceedings, Public Hearing 26 September 1997, p. 226.

46 Transcript of Proceedings, Public Hearing 26 September 1997, p. 227.

47 Written Submission No. 2, p. S13-S14.

48 Written Submission No. 42, p. S293.

49 Transcript of Proceedings, Public Hearing 26 September 1997, p. 230.

internal audit reports, such reports were provided through the access powers of the Queensland Auditor-General. The information from internal audit was fed into the external audit process.⁵⁰

4.59 Councils receive funds from governments and the internal audit process is funded by the DFYCC being provided through the ACC and the ICC. The Committees therefore consider it is appropriate for internal audit reports to be included in the accountability chain.

4.60 However, there is merit in Councils having an input into the appointment of internal auditors. Indeed there is no reason why Councils should not engage their own internal auditors independent of, but in addition to, those provided by the ACC and the ICC. The Committees note the comment in the submission from the ACC, that two Aboriginal Councils 'engage private sector assistance'.⁵¹

Internal audit, Community Service Officers, and training

4.61 The Committees believe there is currently a risk that the role of internal audit at least in the perception of the Councils may become confused with that of the CSOs and training providers. The submission from the ICC states:

*... from personal experience we know that the appointment of the Community Service Officers has in some quarters been viewed as just another audit. To a certain extent this is unavoidable. If we accept that the concept of internal audit is to identify areas of need and then to respond to those areas of need by recommending or providing support personnel and by providing training then within that concept, the level and quality of internal audit is adequate.*⁵²

4.62 The Committees note the comment by the ICC Secretary that for Island Councils, during the first three years internal audit and training was undertaken by the same firms for the reason that:

50 Transcript of Proceedings, Public Hearing 26 September 1997, p. 230.

51 Written Submission No. 14, p. S131.

52 Written Submission No. 25, p. S205.

... when these professional people identified problems within councils, they had the skills and the mandate to assist the council to address that problem with whatever training was needed.⁵³

4.63 The Committees support the concept of internal audit, the CSOs and the provision of training. They are concerned however that there seems to be overlap between the three types of assistance provided to Councils.

4.64 This concern is not about the overlap itself or that there should be rigid lines of demarcation between internal audit, the CSOs, and trainers. Rather, it is that there may be duplication of effort and, more importantly, different (and conflicting) approaches being used by the three groups, and that this leads to mixed messages being conveyed to Councils and their staff. This could result in confusion and thus be counter-productive.

Encouraging improvement

4.65 Comments from the St Pauls Island Council, Price Waterhouse, and the QAO indicate there is a widespread view that audit qualification has little effect on funding.⁵⁴ This raises the issue of whether incentives should be provided to encourage or reward good performance, or whether there should be penalties for poor performance.

Rewards for good performance

4.66 The Committees were told by the General Manager, Corporate Services Division, ATSIC, that his agency's new grant procedures allowed low risk Councils to be subject to less monitoring:

53 Transcript of Proceedings, Public Hearing 26 September 1997, p. 227.

54 Written Submission No. 3, p. S36; Written Submission No. 13, p. S122; Written Submission No. 43, p. S298.

For those in the low category ... we will be looking at fewer financial statements and that sort of thing through the course of the year. Obviously regional office management will decide how many times field officers will be sent to a particular community to check up on things. Hopefully, this will reduce intrusive visits and establish more of a community development approach ...⁵⁵

4.67 TSRA advised that it had adopted a similar approach.⁵⁶

4.68 ATSIC also informed the Committee it was about to implement triennial funding as an option for grantees. The extent to which this would be offered would in part depend on the performance history of an organisation.⁵⁷

4.69 The submission from the Department of Health and Family Services (DHFS) indicated the potential for similar rewards. The Committees note that the department is:

... exploring the possibility of introducing three year funding agreements for effectively managed organisations based on a risk management strategy that is currently being developed.⁵⁸

4.70 The Committees have not asked the DHFS whether it is considering ATSIC's procedures when devising its risk management strategy or whether it would seek advice from ATSIC when determining the risk status of a particular indigenous organisation. If it is not already doing so, the DHFS should liaise with ATSIC on this matter.

4.71 However the DFYCC noted there were other ways to reward good performers including the option of changing the funding cycle. The DFYCC was currently developing, with other Queensland departments, a Community Infrastructure Plan model. This would incorporate community priorities and lead to the development of a management plan. This would specify the types of services to be delivered and outcomes to be achieved over a five year period which would be submitted to

55 Transcript of Proceedings, Public Hearing 26 September 1997, p. 239.

56 Written Submission No. 52, p. S373.

57 Written Submission No. 50, p. S365.

58 Written Submission No. 53, p. S375.

the DFYCC, ATSIC or TSRA. A five year funding guarantee would be given and remain in place as long as there were no qualified or disclaimed audit opinions.⁵⁹

4.72 The Committees agree with the DFYCC that the incentives such as those outlined above are appropriate. To go further by providing financial incentives would be inappropriate. As the DFYCC and the Department of Local Government and Planning (DLGP) have noted, effective financial management is a statutory responsibility of Councils.⁶⁰

Penalties for poor performance

4.73 The DFYCC has suggested that Councils which perform poorly could be denied access to departmental funding which is 'non-essential to the provision of local government services.' Several programs were nominated.⁶¹

4.74 A note of caution, however, was provided by the submissions from the ICC, Price Waterhouse and the DLGP which all drew attention to the likelihood that members of the community would suffer if services or benefits were withdrawn. This would jeopardise the likelihood of future improvement and be counter to social justice obligations which require that members of the community should not be deprived of any services or facilities because of penalties.⁶²

4.75 The Committees also note the comment by the QAO that 'there is a need to ensure funds available for assistance are channelled to the poor performers.'⁶³

4.76 The current sanction for under performing Councils is the appointment of a grants controller. Indeed, if the grant controller has a role in training this can be a positive step.

59 Written Submission No. 49, pp. S335, S348.

60 Written Submission No. 49, p. S348; Written Submission No. 55, p. S388.

61 Written Submission No. 49, p. S349.

62 Written Submission No. 41, p. S290; Written Submission No. 44, p. S306; Written Submission No. 55, p. S389.

63 Written Submission No. 43, p. S298.

4.77 The General Manager, TSRA, advised the Committees that the grant controller appointed to one of the Island Councils had undertaken training. However the Queensland Manager, ATSIC, said that while communities would like to see grant controllers undertake training, ATSIC's view was that the controller's prime task was 'to make sure that Commonwealth funds are spent correctly'. Also ATSIC did not have the capacity to fund a grant controller in a training role, but he noted that the DFYCC had such a capacity and was assisting ATSIC.⁶⁴

4.78 The Director, Office of Aboriginal and Torres Strait Islander Affairs, DFYCC, added that his department's position was that if it was necessary to appoint a grant controller for an Island Council it was important to make it a joint Queensland-Commonwealth decision so that there is total control of all funds to a Council.⁶⁵

4.79 The Committees consider that when financial accountability problems arise within a particular Council, the problems are likely to involve the administration of both Commonwealth and Queensland Government funds. Consequently, the appointment of a grants controller should be for both jurisdictions. Where practical and appropriate, grant controllers should assist in the training of staff.

64 Transcript of Proceedings, Public Hearing 26 September 1997, pp. 242-243.

65 Transcript of Proceedings, Public Hearing 26 September 1997, p. 243.

Recommendations

The Joint Committee of Public Accounts and the Queensland Public Accounts Committee jointly recommend that:

4.80 Recommendation 11

The Aboriginal and Torres Strait Islander Commission and the Department of Families, Youth and Community Care enter into a formal agreement whereby Aboriginal and Torres Strait Islander Commission field officers meet regularly with Community Service Officers.

4.81 Recommendation 12

The Grant Providers Forum should form a Training Working Group comprising representatives of all stakeholders. The tasks of the Training Working Group should include:

- (a) *the assessment of the training needs of Aboriginal Councils and Island Councils;*
- (b) *the coordination of training provision to Aboriginal Councils and Island Councils;*
- (c) *seeking advice from the Commonwealth Department of Transport and Regional Development about the Remote Area Management Project with a view to assessing the usefulness of this initiative in providing a model for computer-based training to Aboriginal Councils and Island Councils.*

In performing its task the Training Working Group should take into account the training provided by Community Service Officers, internal auditors and others.

4.82 Recommendation 13

When appointing grant controllers the Aboriginal and Torres Strait Islander Commission or the Torres Strait Regional Authority should consult with the Department of Families, Youth and Community Care with a view to the grant controllers also administering Queensland Government grants.

4.83 Recommendation 14

Grant controllers should liaise with the Training Working Group to assist with identifying the training needs of Aboriginal Councils or Island Councils.

4.84 Recommendation 15

When agencies that provide funds to Aboriginal Councils or Island Councils undertake risk assessments of indigenous organisations they should take account of the results of risk assessments by other agencies and provide the results of their own risk assessment to other agencies via the Grant Providers Forum.

4.85 Recommendation 16

The Grant Providers Forum address the issue of financial compliance, and maladministration of Council affairs, with a view to applying an interim step between full Council control of its affairs and the appointment of an administrator.

The Joint Committee of Public Accounts recommends that:

4.86 Recommendation 17

The Aboriginal and Torres Strait Islander Commission and Torres Strait Regional Authority review and define the role of its field officers in consultation with the major stakeholders. The resulting information should be widely distributed and include the elected representatives on Aboriginal Councils and Island Councils and their Council Clerks after each Council election.

The Queensland Public Accounts Committee recommends that:

4.87 **Recommendation 18**

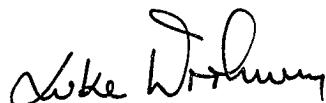
The Department of Families, Youth and Community Care review and more clearly define the role of its Community Service Officers in consultation with the major stakeholders and this review be of current operations of the Community Service Officers and be separate from the two year review of the results on Council accountability.

4.88 **Recommendation 19**

The Aboriginal Co-ordinating Council and the Island Co-ordinating Council review and define the role of its internal audit function in consultation with the major stakeholders. The resulting information should be widely distributed and include the elected representatives on Aboriginal Councils and Island Councils and their Council Clerks after each Council election.



Bob Charles MP
Chairman
Joint Committee of
Public Accounts



Luke Woolmer MLA
Chairman
Queensland Public
Accounts Committee

I

APPENDIX I - MOTIONS AUTHORISING THE JOINT INQUIRY

**Motion of the House of
Representatives - 25 March 1997**

COMMITTEES

Public Accounts Committee

Mr REITH (Flinders - Leader of the House) (3.33 p.m.) - by leave - I move:

- (1) That the House, noting:
 - (a) that the Joint Committee of Public Accounts is at present conducting an inquiry into Commonwealth and State accountability requirements for Aboriginal and Torres Strait Islander local government councils;
 - (b) that the Public Accounts Committee of the Legislative Assembly of Queensland is at present conducting an inquiry into the same matter; and
 - (c) that the two committees have agreed to work together in their inquiries into this matter in order that the Senate and the House of Representatives and the Legislative Assembly of Queensland will have the benefit of comprehensive reports taking account of federal and State issues,

authorises the Joint Committee of Public Accounts to confer and sit with the Public Accounts Committee of the Legislative Assembly of Queensland in connection with the consideration of Commonwealth and State accountability requirements for Aboriginal and Torres Strait Islander local government councils.

- (2) That, at meetings for the purposes of the proceedings authorised by paragraph (1) of this resolution:
 - (a) Members and Senators for the time being appointed to the Joint Committee of Public Accounts and Members of the Public Accounts Committee of the Legislative Assembly of Queensland are authorised to participate in the proceedings;
 - (b) at all times during such proceedings the presence of 3 members of the Joint Committee of Public Accounts will be necessary to constitute a quorum;
 - (c) the Chairman or Vice Chairman of the Joint Committee of Public Accounts or the Chair or Deputy Chair of the Public Accounts Committee of the Legislative Assembly of Queensland shall preside. In the absence of agreement on the selection of a Chair the proceedings shall be adjourned and the secretary attending the committee shall convene a meeting at another time;
 - (d) the determination of questions and the examination of witnesses shall be conducted in accordance with the procedures applicable to Committees of the Senate in so far as those procedures are applicable to Legislative and General Purpose Committees of the Senate and of the statutory provisions relating to the committees (in so far as those procedures are applicable).
- (3) That for the purposes of any interim, final, joint or separate reports to the Senate, the House and the Legislative Assembly of Queensland on Commonwealth State accountability requirements for Aboriginal and Torres Strait Islander local government councils, the Joint Committee of Public Accounts and the Queensland Public Accounts Committee may consider and make use of any information gained as a result of the proceedings authorised by this resolution.

- (4) That the foregoing provisions of this resolution, so far as they are inconsistent with the standing and sessional orders, have effect notwithstanding anything contained in the standing and sessional orders.
- (5) That in the event that a question arises in a meeting of the two committees in relation to the interpretation of either the Public Accounts Committee Act 1951 or the Parliamentary Committees Act 1995 (Qld), that question shall be resolved by the committee to which it applies.
- (6) That a message be sent to the Senate acquainting it of this resolution and requesting that it concur and take action accordingly.
- (7) That the terms of this resolution be transmitted to the Legislative Assembly of Queensland.
- (8) That the meetings provided for by this resolution may proceed when the Legislative Assembly of Queensland has notified the Senate and the House of Representatives of its agreement to a resolution in comparable terms to this resolution.

This matter has been the subject of discussions and I therefore will not speak to the motion. I commend the motion to the House.

Motion of the Queensland Parliament
- 20 March 1997

Commonwealth/State Public Accounts Committees
Joint Inquiry

Mr Fitzgerald (Lockyer—Leader of Government Business) (10.02 a.m.), by leave, without notice: I move—

- (1) That the Legislative Assembly, noting—
 - (a) that the Queensland Public Accounts Committee, is at present conducting an inquiry into Commonwealth and State accountability requirements for Aboriginal and Torres Strait Island local government councils;
 - (b) that the Commonwealth Joint Committee of Public Accounts is at present conducting an inquiry into the same matter; and
 - (c) that the two committees have agreed to work together in their inquiries into this matter in order that the Senate and the House of Representatives and the Legislative Assembly of Queensland will have the benefit of comprehensive reports taking account of federal and state issues;

authorises the Queensland Public Accounts Committee to confer and sit with the Commonwealth Joint Committee of Public Accounts in connection with the consideration of Commonwealth and State accountability requirements for Aboriginal and Torres Strait Island local government councils.

- (2) That, at meetings for the purposes of the proceedings authorised by paragraph (1) of this resolution—
 - (a) Members appointed to the Queensland Public Accounts Committee are authorised to participate in the proceedings;
 - (b) at all times during such proceedings, the presence of 3 members of the Queensland Public Accounts Committee will be necessary to constitute a quorum;

- (c) the Chairman or the Vice Chairman of the Commonwealth Joint Committee of Public Accounts or the Chair or Deputy Chair of the Public Accounts Committee of the Legislative Assembly of Queensland shall preside;
- (d) the determination of questions and the examination of witnesses by the Members of the Queensland Public Accounts Committee shall be conducted in accordance with the procedures applicable to Committees of the Legislative Assembly in so far as those procedures are applicable.

(3) That, for the purposes of its report to the Legislative Assembly on Commonwealth State accountability requirements for Aboriginal and Torres Strait Island local government councils, the Queensland Public Accounts Committee may consider and make use of any information gained as a result of the proceedings authorised by this resolution.

(4) That the foregoing provisions of this resolution, so far as they are inconsistent with the Standing Orders and Sessional Orders, has effect notwithstanding anything contained in the Standing or Sessional Orders.

(5) That Mr Speaker be authorised to acquaint the President and members of the Senate and the Speaker and members of the House of Representatives of this Resolution.

Motion agreed to.

II

APPENDIX II - SUBMISSIONS

- 1 K V Elligott, Member for Thuringowa, Queensland Legislative Assembly
- 2 W L Gort, Chartered Accountant
- 3 Miseron B Levi, Moa Island Council
- 4 Daryl Guppy, Outstation Self Management Consultancy
- 5 Brian McMillian, Commonwealth Department of Employment, Education, Training and Youth Affairs
- 6 Terry Waia, Torres Strait Regional Authority
- 7 Michael McKenna, Australian Society of Certified Practising Accountants
- 8 R J E Wharton, Queensland Department of Main Roads
- 9 Kevin Davies, Queensland Department of Public Works and Housing
- 10 Pat Barratt, Auditor-General for Australia
- 11 M S Henderson, Australian Society of Certified Practising Accountants and R H Wylie, Institute of Chartered Accountants
- 12 Troy Fraser, Doomadgee Aboriginal Community Council
- 13 W D McCluskey, Price Waterhouse
- 14 Peter Opio-Otim, Aboriginal Co-ordinating Council
- 15 B M Rollason, Queensland Auditor-General

- 16 F J Clair, Criminal Justice Commission
- 17 Allan Male, Queensland Department of Families, Youth and Community Care
- 18 Tom Tolhurst, Queensland Department of Environment
- 19 Anne Quinnell, Queensland Department of Training and Industrial Relations
- 20 John Lyons, Coopers & Lybrand
- 21 D F McTaggart, Queensland Treasury
- 22 Robert Griew, Commonwealth Department of Health and Family Services
- 23 Patricia Turner, Aboriginal and Torres Strait Islander Commission
- 24 Sema Varova, Commonwealth Department of the Environment, Sport and Territories
- 25 P W Anderson, Island Co-ordinating Council
- 26 Confidential
- 27 Gwen Andrews, Commonwealth Department of Finance
- 28 Bill Miller, Aboriginal and Torres Strait Islander Commission
- 29 Peter Schnierer, Aboriginal and Torres Strait Islander Commission
- 30 Sylvia Maseyk, Aboriginal and Torres Strait Islander Commission
- 31 Sylvia Maseyk, Aboriginal and Torres Strait Islander Commission

32 Alex Blake, Commonwealth Department of Environment, Sport and Territories

33 Robert Grieves, Commonwealth Department of Health and Family Services

34 Brian McMillan, Commonwealth Department of Employment, Education, Training and Youth Affairs

35 Olive Bob, Warraber Island Council

36 Lyn O'Connell, Aboriginal and Torres Strait Islander Commission

37 Ian Loganathan, Torres Strait Regional Authority

38 Susan Paton, Aboriginal and Torres Strait Islander Commission

39 Peter Schnierer, Aboriginal and Torres Strait Islander Commission

40 W L Gort, Chartered Accountant

41 P W Anderson, Island Co-ordinating Council

42 Ron Day, Murray Island Community Council

43 B M Rollason, Queensland Auditor-General

44 W C McCluskey, Price Waterhouse

45 J Meert, Australian National Audit Office

46 C W Thatcher, Commonwealth Department of Training and Industrial Relations

47 Tim Batterham, Queensland Department of Families, Youth and Community Care

48 Aboriginal Co-ordinating Council

- 49 Allan Male, Queensland Department of Families, Youth and Community Care
- 50 Peter Schnierer, Aboriginal and Torres Strait Islander Commission
- 51 Brian McMillan, Commonwealth Department of Employment, Education, Training and Youth Affairs
- 52 David Galvin, Torres Strait Regional Authority
- 53 Helen Evans, Commonwealth Department of Health and Family Services
- 54 Tom Tolhurst, Queensland Department of Environment
- 55 Di McCauley MLA, Queensland Minister for Local Government and Planning
- 56 R J E Wharton, Queensland Department of Main Roads

III

APPENDIX III - EXHIBITS

- 1 Aboriginal and Torres Strait Islander Commission —
Flow chart showing ATSIC funding arrangements for Aboriginal Councils
- 2 Aboriginal and Torres Strait Islander Commission —
Spread sheet showing Funding History of Queensland Aboriginal and Torres Strait Islander Community Councils
- 3 Aboriginal and Torres Strait Islander Commission —
Documents: *Chapter 3 Assessment of Grant Application*; *Letter of Offer*; *Government Councils in Queensland*; *ATSIC Regional Maps (Brisbane, Cairns, Cooktown, Mount Isa, Rockhampton, Roma and Townsville)*; and *ATSIC Information Leaflets: 1 - What is ATSIC?; 2 - How to apply for a grant; 3 - Starting a Project; and 4 - How much will it cost?*
- 4 Department of Health and Family Services —
 - 4(a) Office for Aboriginal and Torres Strait Islander Health Services (OATSIHS), *Program Management Guidelines* (January 1997);
 - 4(b) Department of Health and Family Services, *Sample letter of offer, with Terms and Conditions* (undated);
 - 4(c) OATSIHS, *Explanation Document of funding Agreement between the Department of Health and Family Services and the Aboriginal and Torres Strait Islander Community Controlled Health and Substance Abuse Service* (undated);
 - 4(d) OATSIHS, *Standard Terms and Conditions of Grant Contract* (undated);

- 4(e) OATSIHS, *Memorandum of Understanding between the Commonwealth Minister for Human and Health Services and ATSIC Chairman (30 November 1995)*; and
- 4(f) OATSIHS, *Agreement on Aboriginal and Torres Strait Islander Health between the Queensland Minister for Health, the Commonwealth Minister for Health and Family Services and the ATSIC Chairman (23 July 1996)*.
- 5 Department of Employment, Education, Training and Youth Affairs —
 - 5(a) *Indigenous Education (Supplementary Assistance) Act 1989*;
 - 5(b) *National Aboriginal and Torres Strait Islander Education Policy (AEP). A summary of the Indigenous Education Strategic Initiatives Program (IESIP)*;
 - 5(c) *Indigenous Education Agreement between Commonwealth of Australia 1997-1999*;
 - 5(d) *Atas '97. A Guide for Tutors, Homework Centres, Students and Parents*;
 - 5(e) *Atas '97. Student Application*;
 - 5(f) *ASSPA '97. A Guide to ASSPA Committees*;
 - 5(g) *ASSPA '97. Application for Funding*;
 - 5(h) *VEGAS '97. A Guide for Sponsors*;
 - 5(i) *VEGAS '97. Application for Funding*;
 - 5(j) *AEDA, Policy and Procedures Manual 1997*; and
 - 5(k) *Education: Aboriginal and Torres Strait Islander Specific*
- 6 Torres Strait Regional Authority — *Grant Procedures*
- 7 Aboriginal and Torres Strait Islander Commission — Attachment to Submission 38, *Grant Procedures*
- 8 Infrastructure and Services, National Office of Local Government —
 - CD Rom: *RAMP Remote Area Management Project*

9 Commonwealth Department of Health and Family Services —
Terms and Conditions of Agreement between Commonwealth Australian represented by The Department of Health and Family Services and [grantee organisation]

10 Queensland Department of Families, Youth and Community Care —
Position Description for Office of Aboriginal and Torres Strait Islander Affairs Community Services Officer

11 Department of Health and Family Services —
Attachment to Submission 53, Aboriginal and Torres Strait Islander Health Service Management Development and Support Guidelines

12 Department of Health and Family Services —
Attachment to Submission 53, Activity Reporting Requirements Questionnaire, Aboriginal Health and Substance Misuse Services

IV

APPENDIX IV - WITNESSES AT PUBLIC HEARINGS

Canberra 8 April 1997

Aboriginal and Torres Strait Islander Commission

Mr Peter Schnierer
General Manager, Corporate Services

Mr Richard Allmark
State Manager, Queensland

Ms Sylvia Maseyk
Assistant Manager, Continuous Improvement and Client
Support Section

Ms Lyn O'Connell
Assistant Manager, Information Technology and Client
Services Branch

Ms Susan Paton
Manager, Continuous Improvement and Client Support
Section

Australian National Audit Office

Mr Edward Hay
Group Director

Mr Douglas Lennie, Executive Director, Financial Audit
Business Unit

Commonwealth Department of Environment, Sport and Territories

Mr John McLucas
Assistant Secretary
National Office of Local Government

Mr Alexander Blake
Director, Infrastructure and Services Section, National Office of Local Government

Commonwealth Department of Finance

Mr Peter Hamburger
Assistant Secretary, Central Agencies Branch

Mr Roger Hollis
Managing Director, Indigenous Affairs Section

Brisbane 9 April 1997

Aboriginal Co-ordinating Council

Mr Peter Opio-Otim
Executive Director

Queensland Department of Families, Youth and Community Care

Mr Michael Lockwood
Acting Program Development Coordinator, Community Practice and Standard Development Branch

Mr Russell Loos
Program Development Adviser, Community Care Program

Rev Allan Male
Director-General

Mr Colin Orr
Special Projects Coordinator

Mr Jim Wauchope
Program Director, Office of Aboriginal and Torres Strait
Islander Affairs

Price Waterhouse

Mr Paul Beasley
Director

Queensland Audit Office

Mr Barrie Rollason
Auditor-General

Mr Ray Brown
Executive Director

Mr Stephen Donohue
Audit Manager

Canberra 14 August 1997

Aboriginal and Torres Strait Islander Commission

Mr Peter Schnierer
General Manager, Corporate Services

Mr Richard Allmark
State Manager, Queensland

Ms Sylvia Maseyk
Assistant Manager, Continuous Improvement and Client
Support Section

Mr Ross McDougall
Manager, Grant Procedures Implementation Team

Ms Lyn O'Connell
Assistant Manager, Information Technology and Client
Services Branch

Brisbane 26 September 1997

Aboriginal and Torres Strait Islander Commission

Mr Peter Schnierer
General Manager, Corporate Services Division

Mr Richard Allmark
State Manager, Queensland

Mr John Dagge
Assistant State Manager (Policy)

Mr Ross McDougall
Manager, Grant Procedures Implementation

Torres Strait Regional Authority

Mr David Galvin
General Manager

Aboriginal Co-ordinating Council

Mr Peter Opio-Otim
Executive Director

Island Co-ordinating Council

Mr Peter Anderson
Secretary

Queensland Audit Office

Mr Barrie Rollason
Auditor-General

Mr Ray Brown
Executive Director Audit

Mr Stephen Donohue
Audit Manager

Queensland Department of Families, Youth and Community Care

Mr Frank Baldwin
Acting Special Projects Coordinator (Financial Accountability)

Mr Jim Wauchope
Program Director, Office of Aboriginal and Torres Strait Islander Affairs

Queensland Department of Local Government and Planning

Ms Julie Ling
Manager, Aboriginal and Islander Infrastructure Program

Queensland Department of Public Works and Housing

Mr Alex Ackfun
General Manager, Aboriginal and Torres Strait Islander Housing

Mr Eric Carfoot
Executive Director, Housing Services

Mr Tony Woodward
Director, Finance and Information Technology

V

APPENDIX V - INSPECTIONS

Monday 19 May 1997 to Thursday
22 May 1997

Group A

Bamaga Island Council
Injinoo Aboriginal Council
Seisia Island Council
Umagico Aboriginal Council
New Mapoon Aboriginal Council

Group B

Lockhart River Aboriginal Council
Napranum Aboriginal Council
Doomadgee
Pormpuraaw Aboriginal Council
Cairns - ATSIC Regional Office
Yarrabah Aboriginal Council

Group C

Hopevale Aboriginal Council
Aurukun Shire Council
Kowanyama Aboriginal Council
Wujal Wujal Aboriginal Council

28 July 1997 to Wednesday 30 July
1997

Group 1

Saibai Island Council
Yam Island Council
Kubin Island Council
St Pauls Island Council
Hammond Island Council
Thursday Island - Island Coordinating Council and
Torres Strait Regional Authority

Group 2

Boigu Island Council
Mabuiag Island Council
Badu Island Council
Coconut Island Council
Sue Island Council
Darnley Island Council
Murray Island Council

Group 3

Stephen Island Council
Dauan Island Council
Thursday Island - Torres Shire Council

Tuesday 12 August 1997 to Thursday
14 August 1997

Townsville - ATSIC Regional Office
Palm Island Council
Townsville - Coopers & Lybrand
Woorabinda Aboriginal Council
Cherbourg Aboriginal Council

VI

APPENDIX VI - SUMMARY OF COMMONWEALTH AND QUEENSLAND GOVERNMENT REPORTING REQUIREMENTS

Aboriginal and Torres Strait Islander Commission¹

Periodic financial statements

Frequency /Deadlines

- Frequency determined by risk management.
- Due within 2 weeks after end calendar month, each quarter, or within 1 month after end of each 6 month period, or as agreed by ATSIC.

Requirements

- Financial statements accompanied by the certification of grantee;
- Cash or accrual;
- Income/expenditure or receipts/payments compared with actual budget; schedule of assets; cash position; bank statement; and
- Where cash method used, debtors/creditors statement required.

1 Information obtained from ATSIC Grant Procedures for 1998-99 (Exhibit No. 7) and ATSIC Funding procedures manual dated 1/7/97. Nb. Where procedures differ, the Grant Procedures take precedence over the earlier manual. Information confirmed by ATSIC on 19/9/97.

Acquittal

Deadlines

If required:

- Grants < \$100,000—ASAP, but not later than 3 months after end of financial year, or as requested;
- Grants > \$100,000—due within 3 months of end of financial year; or
- For DOGIT communities, acquittance due within 1 month of receiving the audit from the Queensland Auditor-General.

Requirements for nominal grants (< \$100,000)

- Financial statements accompanied by the certification of grantee.
- Where periodic statements are required, a statement provided on completion of the activity is sufficient acquittance.
- Where total grant funds are for capital items, appropriate certified documentation is sufficient.

Requirements for major grants (> \$100,000)

- Financial statement accompanied by the certification of grantee;
- Financial statement for each activity;
- Audited balance sheet; and
- Copy of auditor's management letter; or
- Where total funds are for capital items, appropriate certified documentation.

*Performance reports*Deadlines

- Within 1 month of end of June, provide a report for the financial year; or
- other periods as agreed by ATSIC.

Requirements

- Report on activity performance information; and
- Reports to be accompanied by grantee certification.

Monitoring

- Field visits
- Performance reports
- Periodic financial statements
- Acquittance
- Grant controller if required

Bank account

Funds to be deposited into bank or financial institution account separate from other funding sources.

Interest

All interest generated by the activity must be used for objectives of the approved activity.

Surplus money

To be repaid, with the exception of CDEP monies.

Assets

- Asset register for assets > \$1,000
- Assets > \$1,000 to be insured
- Assets to be used for approved purpose
- Assets can be inspected
- Ownership vests with grantee unless otherwise stipulated
- Need approval for disposal assets costing > \$5,000

Torres Strait Regional Authority²

Periodic financial statements

Frequency /Deadlines

- Generally quarterly, but can be monthly or six-monthly.
- Due within 2 months of end of period.

Requirements

- Financial statement for each project certified by Treasurer or Accountant/ bookkeeper and signed by Chairman;
- Income/expenditure statement or receipts/ payments statement;
- Schedule of grant assets procured during year compared with budget;
- Debtors/ creditors;
- Reconciliation statement showing cash position of project;
- Copy of most recent bank statement; and
- Certificate signed by Chairman.

Acquittal

Deadlines

- Within 3 months of the end of financial year, or as requested; or
- For DOGIT communities—due within one month of receipt of audit report from State Auditor-General.

² Information extracted from TSRA submission (No. 6), TSRA submission (No. 37), Draft TSRA Grant Procedures (Exhibit No. 6), and ATSIC Funding Procedures Manual (dated 1 July 1997). Information confirmed by TSRA on 18/9/97.

Requirements for nominal grants (< \$50,000)

- Statement of receipts/payments or statement of Income/expenditure;
- Debtors/creditors;
- Evidence of bank balance; and
- Certificate signed by Chairman.

Requirements for major grants (> \$50,000)

- Financial statement for each project for the financial year (as per nominal grants); and
- Certificate signed by Chairman.

For recurrent or mixed recurrent/capital grants:

- Audited balance sheet showing financial position of whole organisation;
- Audit report by qualified auditor or State Auditor-General; and
- Copy of Auditor's Management Letter to the grantee.

For Capital grants:

- Schedule of assets.

Performance reports**Deadlines**

Within 1 month of the end of June.

Requirements

- Project performance indicators to cover the 12 months from 1 July to 30 June.
- Reports may be provided for such other periods as are agreed to in writing with TSRA.

Monitoring

- Field visits
- Reviews
- Grant controller if required

Bank account

From 1997/98 required to have separate bank account.

Interest

All interest and income earned on grant monies to be used towards the approved project.

Surplus money

Surplus funds may be either:

- allocated against another approved grant of the grantee;
- allocated to an alternative purpose; or,
- repaid to the TSRA.

Assets

- Asset register to be kept;
- Assets > \$2,000 to be insured; and
- Assets not to be used for other purpose.

Department of Health and Family Services³*Periodic financial statements*Frequency /Deadlines

- Usually quarterly, but can be varied by Department.
- Due within 6 weeks of each period.

Requirements

- Statement of income and expenditure;
- List of debtors/creditors;
- Signed declaration from authorised staff member and authorised board member;
- Bank reconciliation and bank statement; and
- Other documentation as required.

*Acquittal*Deadlines

- Annual—to be provided by 30 September.

Requirements for nominal grants (< \$30,000)

- Certificate signed by an authorised staff member and an authorised Board member; and
- Statement of income and expenditure for each project against the approved budget. Nb. 4th quarter periodic statement can be used as part of this requirement.

3 Information extracted from DHFS, Office for Aboriginal and Torres Strait Islander Health Services, Terms and Conditions 1996 (Exhibit No. 4) and DHFS Submission (No. 33). Information confirmed by DHFS on 26/9/97.

Requirements for major grants (> \$30,000)

- Certificate and statement of income and expenditure (as per nominal grant);
- List of debtors/creditors and a balance sheet showing assets and liabilities;
- Copy of the annual report;
- List of all assets > \$1,000 bought or sold during year with grant funds; and
- Auditor's report.

Performance reports**Deadlines**

- Major report within 3 months of the end of each financial year; and
- Quarterly returns of Daily Client Contact, within six weeks of the end of each quarter.

Requirements

Report on major events/ activities, services delivered, client contact information, progress in achieving objectives.

Monitoring

Field visits, reviews, funds adviser if required.

Bank account

Separate bank accounts may be required.

Surplus money

- May use surpluses, to 5% of total per financial year, for non-recurrent items without prior approval.
- Department can require that an organisation seeks approval before using any surplus funds.

Assets

- Asset register for assets > \$1,000
- Assets > \$1,000 to be insured.

**Department of Employment,
Education, Training and Youth
Affairs⁴**

Indigenous Education Strategic Initiatives Program

Periodic financial statements

Not required.

Acquittal

Deadlines

Annual—it must be received before the 2nd quarter payment in the calendar year will be paid or another time or times if so required by the Commonwealth. The acquittal must be approved before third quarter funds can be released.

Requirements for nominal grants (< \$2 m)

- Must identify unspent funds;
- Must identify any interest, royalties or other income derived; and
- Independent qualified accountant certificate, confirming that the funds have been expended for the purposes for which they were provided, and that a separate bank account was kept.

Requirements for major grants (> \$2 m)

- Must identify unspent funds;
- Must identify any interest, royalties or other income derived; and
- Audit certificate provided by a Registered Company Auditor (or State Auditor-General) confirming funds have been expended for purposes for which they were provided, and that a separate bank account was kept.

⁴ Information extracted from DEETYA's Indigenous Education Agreement 1997-1999, (Exhibit No. 5) and DEETYA Submission No. 34. Information confirmed with minor amendment by DEETYA on 1/10/97.

*Performance reports*Deadlines

Each calendar year, or within 6 weeks of the completion of the agreement, whichever is earliest.

Requirements

Address progress towards agreed performance targets and detail the actual outcomes in relation to the agreed objectives, strategies, or performance targets.

Monitoring

- A full financial or performance audit may be commissioned at any time;
- Grantee to provide findings of any self-initiated audit;
- Second quarter payment not made until annual acquittal and performance report received;
- Further payments depend on acceptance of acquittal and performance reports; and
- Must set up performance monitoring group.

Bank account

Separate bank account required unless otherwise agreed.

Interest

Interest to be used for approved project purposes.

Surplus money

Unspent funds at the end of a project, calendar year, and/or triennium period shall be repaid unless approved for carry over.

Assets

- Asset register
- Buildings, equipment and furniture to be insured.

**Department of Employment,
Education, Training and Youth
Affairs⁵**

Australian Vocational Training System (AVTS)

Periodic financial statements

Frequency/deadlines

Second and subsequent instalments require financial statements.

Requirements

Grantee's accountant or executive officer required to certify expenditure in accordance with the contract.

Acquittal

Deadlines

Within one month (or other such period stated in the Schedule) after the end of the grant period.

Requirements

- Audited statement of receipts/ expenditure; and
- A certificate certifying that all grant funds received were expended for the purpose of the project and in accordance with the contract, prepared by the person stipulated in the Schedule.

5 Information extracted from DEETYA submission (No. 5).Information confirmed with minor amendment by DEETYA on 1/10/97.

*Performance reports*Deadlines

Within 30 days of the project completion (or other such period stated in the schedule).

Requirements

Report evaluating the extent to which the project has achieved its objectives, the factors influencing project outcomes and the expected future impact of the project including any recommendations by the grantee relating to the future conduct of AVTS.

Monitoring

The grantee shall meet all reasonable requests relating to the monitoring and evaluation of the project.

Bank account

Unless stipulated otherwise, a separate account is needed.

Interest

Interest is to be used as if it were part of the grant.

Surplus money

At the completion of the grant period, all grant funds not expended or acquitted shall be repaid, with the exception of funds required for accrued expenditure.

Assets

- Asset register
- Insurance as specified in the Schedule.

Queensland Department of Health⁶**Home and Community Care (HACC)**
Aboriginal Coordinating Council (ACC)*Periodic financial statements*Frequency/Deadlines

- To be submitted either within three months of completion of project or within two months after the end of every quarter.

Requirements

- Financial statements accompanied by certification of grantee to the effect that funds have been used for the purposes for which provided.
- Financial statements to disclose expenditure against the grant.
- Statement of Assets and Liabilities in some cases (HACC).

*Acquittal*Deadlines

- Varies for each type of grant—either 30 September or 30 November each year.

Requirements

- Certified annual financial statements—comprising of a statement of income and expenditure and in some cases statement of assets and liabilities.

6 Information confirmed by the Department of Health on 3/11/97.

*Performance Reports*Deadlines

Quarterly reports.

Requirements

- For ACC grants—data showing service need, output and usage.
- Other grant types—reliance on quarterly and annual financial reports

Monitoring

- Field visits
- Business Unit (ACC)

Bank Account

Not specified.

Interest

To be used in accordance with purpose of original grant.

Surplus Money

On the approval of the Grantor surplus money may be:

- Offset against future grants;
- Reallocated to other approved projects; or
- Repaid to Grantor.

Assets

- Specified in the Service Agreement.
- In some cases title to the asset will pass to the grantee.

Queensland Department Of Main Roads⁷**Main Roads and Associated Infrastructure***Periodic financial statements*

Frequency, deadlines and requirements are not specified

*Acquittal*Deadlines

No specific requirements.

Requirements

- Plans must be submitted by councils for approval prior to work commencing;
- Funding is by way of reimbursement only and is provided after engineer certifies claim that the work claimed for has been completed.

Performance Reports, Monitoring, Bank Account, Interest, Surplus Money, and Assets

Requirements are not specified.

7 Information confirmed by the Department of Main Roads on 7/11/97.

**Queensland Department of Families
Youth and Community Care⁸**

**State Government Financial Aid—Operational Funding
to Councils**

Financial Accountability Improvement Program

Motor Vehicle/Heavy Equipment Replacement Program

Local Justice Initiatives Program

Alternative Governing Structures Program

Supported Accommodation Assistance Program

Domestic Violence Initiatives Program

Community and Individual Support Program

**Family Support Program, Family Support Worker
Program, Rural Family Support Program**

Periodic financial statements

Frequency/Deadlines

Varies across programs:

- Quarterly and within one month after end of quarter;
- Within three or four months of the end of the funding period;

Requirements

- For quarterly financial statements some programs require certification of the grantee that the expenditure has been incurred in accordance with relevant requirements.
- For financial statements required only at the end of the funding period, the statements must be audited and detail all payments received from government sources in respect of the approved initiative and certified items of expenditure.

8 Information confirmed by the DFYCC on 6/11/97.

*Acquittal***Deadlines**

Varies from:

- one month after end of quarter;
- within three or four months of end of the project; or
- end of financial year.

Requirements

Varies across each program to differing degrees:

- Copy of the Council's annual budget and date of the Council minute adopting the budget.
- Quarterly bank reconciliations.
- Audited statement of receipts and payments in respect of the grant.
- Council certified statement of receipts and payments for grants less than \$10 000.
- Listing of capital acquisitions.
- Annual statement of actual expenditure compared to budget.

*Performance Reports***Deadlines**

Not always specified, however within three months of the completion of the project (where relevant).

Requirements

Provide a detailed report relating performance against the goals and objectives set out in the grant agreement.

Monitoring

Periodical review by regional offices.

Bank Account

Not specified.

Interest

For most programs, not specified. For the Domestic Violence Initiatives Program interest can be directed towards approved services.

Surplus Money

Not applicable.

Assets

Only specified for *Motor Vehicle/Heavy Equipment Replacement Program*. Title to asset vests in the Council, however written approval from OATSIA required prior to asset disposal.

Queensland Department of Public Works and Housing⁹***Aboriginal & Torres Strait Islander Housing Program—Capital Funding******Community Housing Program******Rural and Regional Community Housing******Community Housing Partnership Program******Periodic financial statements***

Frequency, deadlines and requirements are not specified.

Acquittal**Deadlines**

End of financial year.

Requirements

- Progress payments must be supported by certification by engineer or like that the work has satisfactorily been performed.
- Audited financial statements of Council.
- Audited statement of receipts and payments relating to the specific grant.

Performance Reports**Deadlines**

As required, or at the discretion of the Department.

9 Information confirmed by the Department of Public Works and Housing on 28/10/97.

Requirements

- Project progress or status reports.
- Non identifying data relating to the project.

Monitoring

Independent certification of the progress claim.

Bank Account, Interest, Surplus Money, Assets

Not applicable.

**Queensland Department of Primary
Industries, Fisheries and Forestry¹⁰*****Landcare***

***Australian Centre for International Agriculture
Research Projects***

Brucellosis and Tuberculosis Eradication Campaigns

Periodic financial statements

Frequency/Deadlines

Depending on the size of the grant, it can vary from within two to three months of the close of specified period.

Requirements

Grants > \$100,000:

- Quarterly financial statements detailing expenditure against the grant and is to be signed by the Council Chairperson.

Grants >\$5,000 and <\$100,000:

- Six monthly financial statements.

Acquittal**Deadlines**

Grants >\$5,000:

- Within two months of close of period.

10 Information confirmed by the Department of Primary Industries, Fisheries and Forestry on 3/11/97.

Grants <\$5,000:

- Within three months of close of period.

Requirements

Nominal grants >\$5,000:

- Statement of project detailing expenditure against the grant. Council Chairperson to certify that the funds have been used for the purposes for which they were provided.

Major grants > \$5,000 and < \$100,000:

- Six monthly financial statements and within two months of the close of period.

Major Grants > \$100,000:

- Quarterly financial statements detailing expenditure against the grant and to be signed by the Council Chairperson.

Performance Reports, Monitoring, Bank Account, Interest, Surplus Money, Assets

Not specified or not applicable.

Queensland Department of Local Government and Planning¹¹

Aboriginal and Torres Strait Islander Infrastructure Program (ATSIIP)

Rural Living Infrastructure Program (RLIP)—Community Amenities

Local Governing Bodies' Capital Works Subsidy Scheme (LGBCWSS)

Rural and Drainage Grants

Rural Communities Infrastructure Program (RCIP)

Financial Assistance Grants to Local Governing Bodies—Local Government Grants Commission (LGGC)

Smaller Communities Assistance Program (SCAP)

Natural Disaster Relief Arrangements (NDRA)

Special Funding Programs

Periodic financial statements

Frequency/Deadlines

Not specified.

Requirements

- Total expenditure report at completion of project (ATSIIP).
- Final expenditure report at completion of project (RLIP, RCIP).

Acquittal

Deadlines

Not specified.

¹¹ Information confirmed by the Department of Local Government and Planning on 5/11/97.

Requirements

- Up to 20% of total funding can be supplied up front. Additional funding supplied on the basis of progress reports supplied by the Project Manager (ATSIIP).
- Payments can be supplied on a reimbursement basis. Claim form has to be completed and certified to by the CEO and Chairperson/Mayor (ATSIIP).
- Advances may be made ahead of works to a negotiated level (RLIP).
- Other than for advance payments, payments are made upon receipt of claim for reimbursement of expenditure incurred (RLIP).
- Claim is to be certified by the CEO and Chairperson/Mayor (RLIP).
- Payments made on receipt of reimbursement claims for expenditure incurred (LGBCWSS, RCIP, SCAP).
- Claim for reimbursement to be certified by Chairperson and CEO (LGBCWSS, RCIP, SCAP).
- Councils are required to certify that the funds have been expended in accordance with the purposes of the grant (Roads and Drainage)
- Funding is provided via quarterly instalments on the basis of an approved allocation schedule and is untied in the hands of the local bodies (LGGC).

Performance Reports

Deadlines

As specified in project.

Requirements

- Monthly report on progress in meeting milestones (ATSIIP).
- Six monthly progress report (RPLI).

Monitoring

Periodic inspections by ATSIIP Officers (ATSIIP).

Bank Account, Interest, Surplus Money, Assets

Not applicable.

**Queensland Department of Training
and Industrial Relations¹²*****Aboriginal Education Strategic Initiatives Program***

*Periodic financial statements, Acquittal, Performance Reports,
Monitoring, Bank Account, Interest, Surplus Money, Assets*

Not specified or not applicable.

12 Information confirmed by the Department of Training and Industrial Relations on 16/11/97.