

**PROOF**



**COMMONWEALTH OF AUSTRALIA**

# **JOINT COMMITTEE**

of

**PUBLIC ACCOUNTS**

**Reference: Review of financial reporting requirements for Aboriginal and Island local government councils**

**BRISBANE**

**Friday, 26 September 1997**

**PROOF HANSARD REPORT**

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JOINT COMMITTEE OF PUBLIC ACCOUNTS  
AND  
QUEENSLAND PUBLIC ACCOUNTS COMMITTEE

*Review of financial reporting requirements for Aboriginal and Island local government  
councils*

BRISBANE

Friday, 26 September 1997

Present

Mr Somlyay (Chair) Mr Woolmer (Chair)

Mr Griffin Mr Hayward

Mrs Stone Mr Malone

Mr Mulherin

The committee met at 11.11 a.m.

Mr Woolmer took the chair

COMMONWEALTH JURISDICTION  
Aboriginal and Torres Strait Islander Commission

**ALLMARK, Mr Richard, State Manager, Queensland**

**DAGGE, Mr John, Assistant State Manager (Policy)**

**McDOUGALL, Mr Ross, Manager, Grant Procedures Implementation**

**SCHNIERER, Mr Peter, General Manager, Corporate Services Division**

Torres Strait Regional Authority

**GALVIN, Mr David, General Manager,**

QUEENSLAND JURISDICTION  
Department of Families, Youth and Community Care

**BALDWIN, Mr Frank, Acting Special Projects Coordinator (Financial  
Accountability)**

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

Department of Local Government and Planning

**LING, Ms Julie, Manager, Aboriginal and Islander Infrastructure Program**

Department of Public Works and Housing

**ACKFUN, Mr Alex, General Manager, Aboriginal and Torres Strait Islander  
Housing**

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**OPIO-OTIM, Mr Peter, Executive Director, Island Co-ordinating Council**

**ANDERSON, Mr Peter, Secretary**

**CHAIR**—Good morning, ladies and gentlemen, and welcome. It gives me great pleasure to open this public hearing by the Queensland Public Accounts Committee for this review of financial reporting requirements for Aboriginal and Torres Strait Islander councils.

I welcome members of the Joint Committee of Public Accounts from the Commonwealth who are at this point observers. The conduct of the proceedings is that QPAC will proceed until the arrival of a further member of the committee, whose plane has been delayed, whereupon it will become the proceedings of the joint committees of the Commonwealth and the State.

As you are aware, the two committees are reviewing the financial accountability requirements faced by Queensland Aboriginal councils and Torres Strait Islander councils in their dealings with the Commonwealth and state funding agencies. I believe that this is the first time since Federation that committees from different parliaments have conducted a joint inquiry. The committees hope that this cooperation will overcome the usual Commonwealth/state jurisdictional barriers and allow a holistic review of this issue. During the inquiry, the two committees have worked together closely. We have jointly produced two issues papers and committee members have travelled throughout rural Queensland and the Torres Strait islands to learn about the issues facing Aboriginal and Islander councils first-hand. Each committee intends producing and tabling reports in their respective parliaments in late November this year.

The committees have decided to conduct this final round table hearing in order to bring the parties together and discuss the views and opinions that have been conveyed to it during its research tours and via submissions and prior hearings. This is the first time that the Queensland Public Accounts Committee has held a public hearing in a round table format and both committees look forward to positive outcomes and enhanced procedures that will arise from the inquiry as a whole.

Today we will be taking evidence from a number of participants and ask that to facilitate the running of the hearing, participants observe the following procedural rules. Only members of the committee may put questions to witnesses. If other participants wish to raise issues for discussion, they will need to direct their comments to the chair who will decide whether to pursue the matter. It will not be possible for witnesses to respond directly to each other. The hearing will focus on each section of the issues paper in turn. Instead of making a broad opening statement, each agency will be asked to make a brief two-minute comment on the possible solutions canvassed in the section under discussion and this will be followed by questions from members of the committees. Witnesses are required to assist Hansard by identifying themselves whenever they wish to make a comment, please. Statements and comments by witnesses are to be kept brief and succinct so that all issues can be covered in the time available. No more than two representatives from each agency should be at the witness table at any one time as the topics under discussion vary. Other representatives may replace those at the table as appropriate.

However, all representatives will be asked to take an oath or affirmation at the commencement of the hearing. I would also remind you that you may make application before or during the hearing for any or all evidence to be heard in a private session. The committee will consider your reasons for this and inform you as to whether or not such application will be granted and the reasons therefore.

At this point, I will make it clear that the issues to be discussed here today are a summary of the major ideas or solutions which have been consistently raised with the committees in the extensive consultation process we have undertaken. These ideas and solutions do not represent the views of either the QPAC or the JCPA and are being raised for discussion with the major stakeholders in the funding provision and administrative processes. It is the committee's intention that this hearing will aid in determining appropriate recommendations which will lead to improvements in the financial reporting requirements for Aboriginal councils and Torres Strait Islander councils. Before we commence the official hearing program, I would like to offer the Chairman of the Joint Commonwealth Public Accounts Committee, Mr Alex Somlyay, the opportunity to make a few comments.

**Mr SOMLYAY**—Thank you. I apologise for our late start. Mr Griffin is about five minutes away so we can duly constitute our joint inquiry. We are very pleased to participate in this cross-jurisdictional inquiry, which is the very first one that has happened since Federation. For the Commonwealth committee, it may well be the first of many not only in Aboriginal and Torres Strait Islander affairs but also in many other areas where this sort of procedure could be useful. We thank you all for participating. We have found at the federal level that this round table format is quite useful and I hope that it will be productive as well at this level. So thank you, Mr Chairman.

**CHAIR**—Thank you very much. A requirement of the PAC in Queensland is that evidence be taken either under oath or affirmation.

With the arrival of Mr Griffin, we can now resume the proceedings and we will act in a joint hearing from this stage forward. The proceedings thus far will be incorporated in the joint hearing proceedings as a total.

**Mr SOMLYAY**—The proceedings are under privilege in both parliaments.

**CHAIR**—Yes. We now commence the hearing program. This morning's session is concerned with identifying ways to improve the financial management procedures at agency level. Before we commence the committee questioning, I would like to invite a representative from each of the organisations to make a brief comment, if you so wish, on the possible solutions which were canvassed in Issues Paper No. 2 and for the benefit of the committee. I will start with the state government organisations first. The Department of Families, Youth and Community Care—Mr Wauchope, do you wish to make a brief statement and address some of the issues that are addressed in the program?



**Mr Wauchope**—The first issue that we are currently addressing is the fact that our department in its own right has 13 or 14 different funding programs which councils can access. As a starting point, we are going through those programs and ensuring that the application and the acquittal procedures in relation to those grants, even though they deal with different programs, are at least standardised.

Although I do not want to talk about it at great length, I think that the key to the issue of acquittal of grants is the monthly financial statements that the council clerks are meant to present to councils. Not only do the external stakeholders have a real degree of interest in what is happening financially with the council; the council members themselves also have an interest. We think that there should be an opportunity to utilise those monthly statements to deal with the external reporting requirements. That is consistent with the Queensland Treasury's guidelines for grant administration, which state quite succinctly that external reporting requirements should be developed as an aggregation or a subset of what would be required for good internal management control by the grant recipient. It essentially says that you should be utilising the information that the council management—that is, the councillors—need to run an effective operation for the purposes of your grant acquittal. I can go into more detail as questions arise.

**CHAIR**—Department of Public Works and Housing: Mr Carfoot, do you wish to make an opening statement?

**Mr Carfoot**—Mr Ackfun will make our statement.

**Mr Ackfun**—By way of background information for the committee, the funding that comes into the Department of Public Works actually comes into a trust account for the Aboriginal rental housing program. That is looked after within the confines of that particular trust account. The mechanisms that we have put into place there are established in a way that makes it more effective and practical for councils to actually acquit their funding on the ground. As a division of the Aboriginal and Torres Strait Islander Housing program, we certainly have inspection processes of a practical nature that would look after the acquittal of grant funding and outcomes for those particular capital works projects.

The other comment I would make is that the majority of the funding that we provide to Aboriginal and Torres Strait Islander councils is by way of capital funding and not by way of recurrent funding. The mechanisms that we have in place actually reflect the simplicity of that. I can go into greater detail later on about the funding agreements that we have established, but that is all I have to say at the moment.

**CHAIR**—Ms Ling, from the Department of Local Government and Planning, would you like to make an opening statement?

**Ms Ling**—The Department of Local Government and Planning provides two sources of funds for Aboriginal and Torres Strait Islander communities. One is capital

funding provided in the same way as described by Mr Ackfun. Generally, they are specifically project based for infrastructure development. The other form of funding is for Mornington Shire and Aurukun Shire. Those are the operating grants and they are provided directly to Mornington and Aurukun Shires. All of the financing and reporting arrangements for those two shires are captured within the Local Government Act. As such, they have the same reporting requirements as all other councils within Queensland.

In terms of the infrastructure funds, two processes are currently available within the department. The principal process is an analysis of need, so there is not, in fact, an application process for those projects. That is all done by an analysis of where need is and then funds are provided directly to communities. Other mainstream programs that indigenous communities can access have a range of processes, but are generally application based and are the same as are required for the other 125 local governments within Queensland.

**CHAIR**—Mr Rollason of the Queensland Audit Office, would you like to make an opening statement?

**Mr Rollason**—On this question, we really do not have a very strong view. Our view is that any form of simplification or consolidation of the various grants would make a lot of sense, but I think that there has to be a lot of agreement between the funding agencies to achieve that. We really only come along afterwards and endeavour to give this acquittal signature. Simplicity of that process would make a lot of sense. Other than that, I have nothing more to say.

**CHAIR**—Mr Opio-Otim of the ACC?

**Mr Opio-Otim**—I think that the view that we are going to express today represents the collective view of the community councils. If you look at the Public Accounts Committee report of 1990, page 37, they discovered that there were a number of agencies that normally provided funding to Kowanyama. In that particular case, they identified 47 different agencies. Given the nature and the complexity of the job of the council clerk and the accountant, I think that too much time is being spent on reporting and acquitting these grants. We subscribe to the view that there is a need for the committee to think in terms of standardising and making uniform the reporting requirements. That will lessen the burden on our community councils and it will give them time to devote to other more important issues.

In addition to that, we would raise the issue that perhaps the time has come for the committee to look at the requirements that the Treasury normally demands of each of the grantees and, if possible, to begin to make uniform the reporting requirements that the Treasury demands of the grantees, and to bring in a system which is fairly consistent.

**CHAIR**—Mr Anderson, from the ICC?

**Mr Anderson**—In relation to the proposed or possible standardisation of application and acquittal processes for grants, the ICC believes that the confusion caused by the many and varied different application and acquittal requirements could be addressed, at least partly, by having a common basis on which councils apply for and ultimately acquit their grants. 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.

**CHAIR**—Mr Schnierer from ATSIC?

**Mr Schnierer**—Obviously we will be addressing each of the issues in greater detail through the course of day, but initially I would mention, as we have previously briefed the committee, the efforts that ATSIC has taken to streamline and simplify its grant procedures, in particular the acquittal processes. I hope that we can work through some of those particular aspects through the course of the day. I hear what a lot of people say about wanting to simplify the processes and make them more standard and consistent. At this point we have been able to reduce our grant procedures from several hundred pages to less than 20. From our perspective, ATSIC has a genuine commitment to making it more straightforward for grantee organisations to comply with our standards. Hopefully, we can negotiate on some of the principles that are behind that and agree to those.

**CHAIR**—Mr Galvin, from TSRA?

**Mr Galvin**—Just briefly, we believe that, at least at the Commonwealth level, all agencies should use one standard grant application process and acquittal process. From the perspective of the Torres Strait Regional Authority, we suggest that that be our process and maybe the process that ATSIC is using, given that we are the major funding bodies for the Commonwealth in those Aboriginal communities.

Secondly, I think there should be a basis of risk management where certain communities are deemed to be low risk or high risk and the acquittal processes for those communities would be appropriate to their rating. For instance, instead of providing a quarterly financial statement, maybe a community could provide a six-monthly statement. That would take the burden off those communities and reward them for a low-risk rating.

**CHAIR**—Would anyone else to make an opening statement? I will move on. Analysis of the requirements of granting agencies shows that there are certain commonalities in grant conditions and acquittal processes. Therefore, it would seem possible that there are opportunities to standardise the application and acquittal processes. I direct my first question to ATSIC and TSRA, and then I would ask the State Department of Families, Youth and Community Care to comment as well.

If standardisation of the grant process is possible, how should the process of the

coordination of Commonwealth and state agencies be managed? The issue is one of coordination between the state and the Commonwealth. If we are going to standardise the processes, how would we manage that?

**Mr Schnierer**—In order to get a standardised set of processes, we have to look at some of the more fundamental processes before we get to the point of implementing the processes. They include things like needs identification, planning and coordination. Fundamental to that is Commonwealth and state agencies working more closely together than ever before. ATSIC has been committed to this overall process since its existence, because it is fundamental to the act that ATSIC is an agency that can interact with all levels of government. We take that seriously and that is reflected in our role, in terms of being part of the development of a national commitment that was agreed to by government several years ago. We have been working towards setting an overall broad framework, so that the fundamental processes like needs identification, planning and coordination can be brought together. I believe that if we can move further down those tracks, the processes in terms of procedures and what we ask of grantee organisations, and particularly councils, can be more easily brought together.

Fundamental to all of that is both levels of government interacting and communicating much more closely than ever before. From our perspective, we need to have the role of our elected arm acknowledged and included in that process of sorting out what needs to happen in relation to prioritisations of need and planning. As I have advised the joint committees before, we have gone through a rigorous and thorough assessment and review of our grant procedures, and we have a fairly streamlined and more simplified set of procedures than ever before. We hope to bring those forward over the next couple of months and to include other levels of government in terms of bringing them up to speed in relation to what is involved and, hopefully, gaining some acceptance and capacity to work together with respect to those procedures.

In the past, other state governments have picked up some of the principles that we have used. We are pleased to see that and we would be happy to see that happen in this case as well. Risk management was mentioned earlier as one of the things that is seen to be a positive. That is certainly a major feature of our new procedures. We will be looking at making quite substantial assessments of organisations in terms of their risks and looking at freeing up some of the administrative burdens that have been on those organisations, which will now hopefully be classified as low risk.

The bottom line is our working much more closely together with other government agencies, particularly at the Queensland level. Richard Allmark, our state manager, can give you more details in terms of some of the more specific aspects of coordination that are already happening. The bottom line is that we have to look at some of those fundamental issues first. From ATSIC's perspective, we need to make sure that our elected arm has a key role in following through on some of those processes at the state level.

**CHAIR**—This issue is about procedures and the state department's and the federal government's role in ATSIIC. You deal with six states and two separate territories. Are the same difficulties that we are confronted with in Queensland evident in all of the other relationships between ATSIIC and the other states?

**Mr SOMLYAY**—And are they different in each state?

**Mr Schnierer**—It varies dramatically. The legislation in relation to these councils is, as I understand it, fairly unique. We do have land councils in other jurisdictions, but they are set up as land councils. They deliver essential service-type functions and services. Generally, we are able to work fairly closely with the other states. That does not mean that the relationships are always happy and close, but we are working towards, particularly in the context of the national commitment, looking at major agreements at the state level. For example, in the NT we have settled an agreement in relation to housing. More recently, we settled with the South Australian state government an agreement to bring our resources together in relation to essential services. That is one of the pleasing developments from ATSIIC's point of view. We are keen to pursue that with the other states and to take it further.

**CHAIR**—Mr Galvin, what is the TSRA's point of view about the standardisation of the grants process? How would you see the coordination between the Commonwealth and state agencies working?

**Mr Galvin**—As I said in my opening statement, firstly, at the Commonwealth level we should draw that together through the various departments which grant to the island councils. We should standardise those processes. As Mr Schnierer has just said, the Torres Strait Regional Authority will run off the back of ATSIIC's grant procedures. It has put a big effort into reducing the procedures through that. We will take that on board. We think ATSIIC has done a very good job. As to procedures between ourselves and the state—we already have a local committee consisting of our members and officers of the Department of Families in Queensland that gets together every six weeks to discuss accountability in general. We could develop that further down the line to look at the grant procedures and see whether we can rationalise them into a common base.

**Mr SOMLYAY**—Do you have a relationship with any other agencies, or just with the Department of Families?

**Mr Galvin**—Just with the Department of Families at the moment.

**Mr SOMLYAY**—Would that be useful?

**Mr Galvin**—Yes, I think that would be useful. One problem in the Torres Strait is that the Department of Families is really the only department that is represented there in strength. Perhaps it could represent other government departments, if we look at it from

the Queensland government's and the Torres Strait Regional Authority's point of view.

**CHAIR**—Mr Wauchope, would you like to comment on the original question about the standardisation between the Commonwealth and state grant processes and how you would coordinate it?

**Mr Wauchope**—I would not disagree with the other comments that have been made. I would like to think that we would be able to get to that point, particularly with the acquittals, which may be easier than the actual settling of the grant processing. I agree that we have to work our way through that issue. 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.

In terms of the coordination, I agree with the point that Mr Galvin made. Also, I think we had a very good example recently of working together with the ACC and ATSIC in looking at the problems in a particular council. We joined together to say how we, as the major stakeholders in terms of the funding bodies in the ACC, could work out what needed to happen. That process worked well. There is no reason to suggest that the goodwill is not there to allow it to happen.

**CHAIR**—Was that a one-off? Do you not do that regularly?

**Mr Wauchope**—We would do that wherever the need arose. In this case, it included the council. The parties agreed that there needed to be a very close look at the problems in that area. Yes, we would do that elsewhere when it was needed.

**CHAIR**—Do you not see that there is a need for doing it for all cases across the state?

**Mr Wauchope**—No, because you would not necessarily have to do that where things are proceeding well. In respect of those councils that have sound accountability, you would not do a review. Coming back to your original question, obviously you would want to develop standard acquittal procedures which applied to all councils, and you would do that by bringing the parties together to work out how to do so.

**CHAIR**—In your department, are there any thoughts of doing that?

**Mr Wauchope**—We have been looking at it in a number of different contexts. But the impetus for doing it in this context will be the outcome of your joint report.

**CHAIR**—I have just heard that your department meets with the TSRA every six weeks. Do you meet with other agencies and authorities?

**Mr Wauchope**—Yes. We have a similar arrangement based in Cairns, which works with the ACC and ATSIC in relation to financial accountability matters.

**CHAIR**—Would any of the other agencies like to comment on the issue of the management of a coordinated approach?

**Mr D. Brown**—Obviously, there are economies of scale to consider in relation to grant application and compliance procedures. It would be our view that there is scope for a uniform code of application and reporting standards to be considered. One way that that might be achieved is by expanding some of the activities which have been announced around the table this morning, that is, to float that proposal and to have some focus put into that area by a joint ACC/ICC state/Commonwealth working group which could assess all of the different application and acquittal processes currently in force with a view to simplifying and standardising them. We think that would be a concept worth pursuing.

**CHAIR**—We have travelled widely and listened to a lot of advice and reports from all of the different agencies, councils and so on. We have heard myriad views on this next issue. I wish to give everybody an opportunity to respond. Do the participants today believe that agencies should adopt the current procedures of any one particular agency and should all of those agencies then move to adopt those as common procedures? We have heard people say, "Yes, we would like to standardise", but the issue is on whose terms that is done. We might start with ATSIC.

**Mr Schnierer**—To be quite frank, over the past 12 to 18 months in particular, we have gone through a long and thorough resource-expensive process, with a strong focus on our procedures, as a result of our government's determination to have a good look at ATSIC's grants and grant processes. We have been through a very rigorous and thorough exercise since the appointment last year of the special auditor. Prior to that, we had already established, I think, probably a too flexible position in relation to listening to people and dealing with their concerns about our procedures. Typically, we seem to add another procedure to deal with every issue. Hence we ended up with a set of procedures in excess of 200 pages. That has proven to us not to be the best way to approach these things.

In respect of that scrutiny that we specifically came under in the past 12 to 18 months, which has resulted in a very in-depth look at how we go about our business and refocusing our business particularly on outcomes for clients, we are also very keen to have a look at the most cost-effective way to get services delivered to our clients. For us, in addition to the councils that are under focus in particular here today, that involves a whole lot of incorporated organisations having to suffer the burden of pretty heavy and cumbersome procedures.

To be frank, there has been a great investment in time and resources. We would hope that others have been briefed thoroughly and properly on the nature, content and

detail of that. As I said earlier, we have been able to reduce it to less than 20 pages. At the same time, we have been able to adopt more contemporary approaches to dealing with grants. An outside consultant has done that, with express direction to have a look at what the industry standards were, if that sort of concept can be used in this situation. They reviewed other Commonwealth agencies and what was being done in other state departments and brought to the process what is happening in other fields.

We are pretty confident that what we have—I will not describe it as necessarily state of the art or anything as grand as that, but I think we have certainly moved ATSIK's position on these things quite dramatically forward in terms of making more workable arrangements for organisations in terms of interacting with us and dealing with our grant processes. We would be keen to interact at whatever levels with other government agencies to talk them through those procedures. We hope we can agree that we have been able to—our consultants and our staff have distilled the best principles and practices at this point in relation to those things. Hopefully, they would be reflected by others. Of course, we would be keen for others to pick these up.

**CHAIR**—So I gather that after all the work that has just gone on you would hope that everyone would adopt and follow the ATSIK model?

**Mr Schnierer**—Definitely.

**CHAIR**—Mr Galvin, you are trying to adopt their procedures, so you would hope the same, would you not?

**Mr Galvin**—Yes, that is what we will do and we will have the same consultant. We were about to launch on the same path as ATSIK until they did it, so then we stepped back and we are going to employ the same consultant. We will have that consultant look at ATSIK's results and see if they are entirely applicable to the Torres Strait. I assume that they probably will be. We would also like to say that 70% of the grant fundings that go to our island councils are basically Torres Strait Regional Authority funds. Given that, we would see that, after the extensive effort that has gone through with the ATSIK consultant and whatever and given that we are the primary funder there, people would come on the back of those grant conditions.

**CHAIR**—Mr Ackfun, if we went down this path of possible standardisation with the Commonwealth models or whatever, how would that impact on your division in Public Works and Housing? Would you be able to work in that context?

**Mr Ackfun**—Just to answer that question or partly answer it, the documentation that we have now in our funding agreement acquittal process actually takes the best part of all the other agencies' acquittal processes, and certainly the ATSIK model as well. I have not seen the latest ATSIK process or documentation of acquittal processes there, but the idea that we would have, anyway, would be to adopt the acquittal process that would



best look after the needs of our processes as well as simplify the processes for individual Aboriginal and Torres Strait Islander councils.

The fact that we actually went and did a scoping exercise of every other agency that was relevant to our program—and certainly the ATSIC model was in that as well in the earlier part—we came up with a documentation and acquittal process that we believe suits our needs and is simple enough and effective enough to ensure that it is not an onerous task for Aboriginal and Torres Strait Islander councils. We would certainly be happy to have a look again at ATSIC and its processes to see whether or not we could gain anything from that in looking after our own acquittal of grant funding.

**CHAIR**—So there would be a reluctance to move away from what you are currently doing?

**Mr Ackfun**—Currently, we believe that we have a system and process in place that suits our needs. But that certainly does not mean that we are set in concrete in future times. We might be able to gain much from the work that has already been done in other agencies. But the work that we have done in the funding agreement actually specifies in very simple terms and terminology—which I might add has been signed off by Crown law and our legal and contractual people—and sets out some very clear outcomes for community councils which are negotiated, I might add, with those community councils in the way of whatever capital works program they want to entertain.

**CHAIR**—Ms Ling, excluding Mornington and Aurukun, you have said you have a capital program. Could you see yourself fitting into that national model?

**Ms Ling**—We would be very keen to pursue anything which improves outcomes for Aboriginal communities. The process that we have we consider to be extremely simple. It is supported by the process that it drives all funding to all local governments within Queensland. We are one very small program within an area that is traditionally providing infrastructure funding to local governments. So our financial systems are those that are the same for everywhere else. But ours is simple—the applications are—as I said to you earlier, because we have a needs based methodology which has looked at the state of infrastructure across the state. We can therefore work out which communities are most in need of infrastructure.

Those projects are specifically funded. We have an infrastructure funding agreement which is signed with the councils. In most cases that requires the appointment of a project manager because of the size of the grants. We are dealing with the building of significant sewerage and water infrastructure. Then project managers send in invoices and payment is made upon construction. So we, in fact, wear the administrative burdens for these particular processes, not the council. We think that that is extremely efficient and allows the time that might be spent on checking and double checking acquittal processes to be focused on ensuring that the projects are actually completed.

**CHAIR**—Therefore, when you are looking at these issues with the communities, do you as a department liaison with the program directors in DFYCC and build up a profile and all that? Because Local Government is doing it; the Transport Department is trying to put infrastructure in; Health services are operating as well, where is the glue that pulls it all together? That is what I am looking at. I come to the next question—I guess the same question. I left you deliberately till second last from the state agencies, Mr Wauchope, as the one which is primarily affected in this circumstance.

**Mr Wauchope**—I will respond very briefly. We would be interested in any process that reduced the number of different acquittal processes. The issue that you would 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. Our basic bottom line is that we would want to develop the best acquittal process that reduces the number of different sorts of acquittals that the councils have to give.

**Mrs STONE**—As you know, councils are required under the state Community Services (Aboriginals) Act 1984 and Community Services (Torres Strait) Act 1984 to hold trust moneys in separate trust funds and bank accounts to manage other funds, including grants through an operating fund. We have seen a proliferation of all sorts of bank accounts being requested and requests being complied with. What are your views on how we can make all of that more sensible? In particular, evidence has been presented to the committees that these requirements make it very difficult to use modern computerised accounting systems. I address this to any of the groups here today. Do you have any particular views? Have you already started to review those banking and trust account issues?

**Mr Wauchope**—Perhaps I can lead off. The issue of the two accounts was actually a recommendation of the Queensland Public Accounts Committee and that was deliberately done to simplify the arrangements. The trust account is actually meant to be a true trust account and should not have very much in it, if anything. The system is meant to be that the councils have one operating account and we would prefer one banking account. The key issue is that they maintain separate accounts within that account, which is not impossible, as you say, with current technology. That separate accounting should then satisfy the funding bodies. Generally, we take the view that there should not be a proliferation of bank accounts because, inevitably, they lead to difficulty.

**Mr SOMLYAY**—I thought you mentioned before that it might have been a federal government requirement for the councils to have separate bank accounts.

**CHAIR**—One of the issues that we found is that, as you have said, there is a requirement to have a trust account—a general fund. We have found a number of federal bodies and funding bodies require the communities to have single accounts—new

accounts—for each grant. I might just put that one back to Mr Schnierer.

**Mr Schnierer**—ATSIC has a view that we would like our funds in a separate account for ATSIC but within that, because of our program structure, organisations can apply across a range of programs. As part of our new procedures, we have been able to bring all those programs into one submission. They will plan and budget in that one submission but showing, based on our estimate items, separate items in relation to those particular programs. We are required to do that because in the end ATSIC has to report against those estimate items so we are a little bit hamstrung in terms of being able to consolidate that even further.

Previously, we moved from a position of separate accounts for each of those programs now to one account for ATSIC funds. The sub-account process is what we are probably looking towards in terms of being able to track through say, for example, CEP funds or housing or CHIP funds in specific because we have to come back ourselves to be able to report against those items as a result of our program structure, which is based on our requirements in relation to estimates from Finance. So we are a little bit hamstrung in whether we can consolidate that even further.

**CHAIR**—Why the need for separate bank accounts? Why not just separate ledger accounts? It would seem to give you the outcome you are looking for and it would be a lot similar for the community on the ground.

**Mr Schnierer**—It is a question that we are prepared to look at, but we have obviously had problems in the past in terms of tracking funds and not so much keeping a close eye on them but being able to track them. As I said, we can look at those issues, but at this point we have moved to the point of just one account for ATSIC so that we can be quite clear about our ability to be able to report against where those funds are going. We are, of course, a little bit sensitive to our ability to be able to do that as a result of things over the last year or so.

**CHAIR**—I just want to go back to a comment that Mr Wauchope made about five minutes ago. He said that there are 40 or 50 different acquittal processes. You are right, there are. Numerous government departments at both the state and the federal levels require numerous different types of acquittal processes. I ask you to put yourself in the council's position. Sometimes in very isolated places—I am not certain in my mind here exactly at what stages we are requiring new bank accounts from a state and federal perspective or whether we require ledger accounts as well. How are we going to overcome this need? It seems awfully confusing to me. We have been to these island and remote councils. Local people are dealing at a local level, trying to get all the best advice they can, which is often conflicting. How are we going to make it simpler for them? I would ask once again Mr Schnierer.

**Mr Schnierer**—I can really talk only about the ATSIC situation. I would like to

also signal that I cannot talk on behalf of the other Commonwealth agencies in terms of DEET and Health as well, which I think are involved in delivering services in some of these communities. I can really talk only about the ATSIC perspective on these things from the point of view of ATSIC trying to, as I have said previously, streamline, simplify but also consolidate our processes. I am sure these councils and other organisations will notice a dramatic change when they see what we are describing as our holistic approach to it. Just last year we required people to fill in separate submissions for each program activity. So there will be a dramatic reduction just from the ATSIC side of it alone in terms of the amount of paperwork that people have to fill in and bring together into one submission. We see that as a dramatic step forward.

We are very confident that what we are putting together will work, but we have to go through a cycle of putting those procedures in place, because it is going to require ATSIC and, in particular, ATSIC staff, to go through a cultural change or a mind-set change in relation to how they administer grants and relate to organisations. We are hoping that they will take a much different approach, particularly coming to grips with this notion of risk management and being able to assess risk and deal with the pressure involved in risk management. So we are taking what might appear to be a cautious approach in terms of trying to get together with other agencies, but we have wanted to clean up our own backyard first. I think we are making quite significant advances in that direction.

As I said earlier, we are quite keen to assist any organisations in terms of the amount of work that they have to do on administrative trivia, because it is just ridiculous. This has been pointed out for years and years. In fact, there is a recommendation of the royal commission into deaths in custody about organisations and governments coming together and simplifying these things. That was just another contributing reason for our trying to get a national approach through the national commitment idea.

The last point I want to make is that once ATSIC has been able to clean up our own backyard—and I think we are making good progress there—we have to look at the Commonwealth level as well. People are maybe thinking that I can comment on some of the processes of other departments. Personally, I think that there is a lot more effort that we need to do at that coordination level as well in terms of standardising and making more consistent our policy frameworks and then the processes we have been talking about.

**Mr HAYWARD**—I understand the argument towards simplifying the acquittal process. That is probably important, given that there are many and varied processes. But from my impressions—and I ask the Auditor-General to comment on this—in general I do not think the acquittal processes are the problem; it is more the actual acquittal of the money that is the problem. I am interested to know whether the Auditor-General has some comments on that issue.

**Mr Rollason**—If I could just answer something else that was mentioned earlier

before I answer this one—I have grave doubts, and I am not wishing to dispel the goodwill that all Commonwealth and state agencies might have about talking to each other and getting on the same wave length, but 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. I think there has been a Commonwealth public accounts committee hearing on that one, and I think I gave evidence to that. 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. Personally, I believe that points two and three on the issues paper have a lot of appeal to me. They are about getting one joint sort of a grant. I think that is perhaps a little bit of what our friends from the Aboriginal Co-ordinating Council were talking about. Maybe there are a lot of constitutional and other issues in there, but you see that this does happen a little bit with the local governments through the local government Grants Commission. All I would say is that, in my view, the energy perhaps ought to be put into trying to do something of the nature of the ideas that are put into points two and three there rather than everybody trying to talk to each other across 55 agencies. Now, that is just me as a cynic talking, but through experience.

To answer Mr Hayward's question—it really is about the accounting for the moneys which causes the problems with the acquittal process. It has always been a bit of a puzzle to me. I heard something said earlier about why the Commonwealth want some of their acquittals anyway in the detail that they want them. I think that is something that needs to be examined as well. Our experience has been that it is not so much about, I suppose, filling in the forms, if that is what you are meaning; it is about justification for how the money has been utilised. That presents the greatest problem. That is then all linked with the accountability and training and knowledge of people about how to keep the books and how to account. That is how we see it, anyway.

**Mr HAYWARD**—What do ATSIC, for instance, think about that issue? It seems to come through to me all the time that we spend a lot of time working through how we are going to have a general, simplified acquittal process. But when the issues come up, it is about actually accounting for the cash as such rather than the process. I just need to know what people think about that. I have heard before in evidence what the Auditor-General has said. I think that we need to focus on this, otherwise we will be back here year after year after year if we do not find some way between us of improving the actual acquittals rather than the process.

**Mr Schnierer**—I would like to add another dimension to what has been discussed because I think it does need to be emphasised. I am sure it is covered in what people have said. One of the features of our new approach is a change for ATSIC as well as in relation to a greater focus and emphasis on outputs and outcomes. We have been found lacking on that and found lacking on the quality of monitoring of the financial processes and that as well. I do not think you can necessarily move away too far. I think we have moved a long way down the track in terms of our new approaches and in terms of the monitoring that

we are looking at in relation to the financial processes that are required of organisations. The area where we need to progress a lot further ourselves is outputs and outcomes and being able to account properly for those.

In relation to where we go from here, ATSIC is following what we are informed by the Australian National Audit Office is best practice in relation to grant procedures. We are listening to what they are saying and trying to follow through on those things. We are obviously having to respond to our own auditor in that sense. So to a certain point, ATSIC is obviously required to comply with those frameworks. Through this process of bringing someone from outside, we have tried to have a look at where we can go in relation to passing onto our clients and our grantee organisations much more simplified ways of doing things in that context. We have had to do it from that perspective because ATSIC needed to have an objective view in relation to where gains could be made, otherwise it might look like ATSIC alone was determining that it could ease up here or ease up there.

If you are detecting a note of caution from me in not being able to move too quickly on some of these, it is that we are subject to intense scrutiny—and so we should be—at the national level if we wish to utilise Commonwealth funding. We try to comply as positively as we can to those frameworks. As I said earlier, we have taken a lot of effort to comply with what is required of us at a national level in relation to directions of government that we have been able to follow in relation to the national Commission of Audit, previous public accounts committees and their reports and, more particularly, the best practice guidelines, especially from the Australian National Audit Office.

I tend to think that a higher level of work needs to be done in terms of having a look at those frameworks. It is very difficult for ATSIC, having been criticised quite dramatically for a long period about those procedures, to really be saying anything that criticises that framework in any way, but possibly that is where it is. We are now taking a positive and constructive approach to complying with those frameworks in a way that complies satisfactorily and, at the same time, eases the burden on people down the line in terms of how they can go about doing business with us.

**Mr SOMLYAY**—I would like the other agencies to comment on the possibility of the creation of a separate grants coordinating body. Would that improve the situation, or could an existing agency take on this role?

**Mr D. Brown**—In discussions with our members and with our chairman particularly, it has become evident that, in their perception, the number of agencies dealing with councils in the grant arena needs to be reduced. As my colleague here has pointed out this morning, in relation to one community 47 agencies were dealing with the one council. The ACC would see extreme merit in some movement towards a consolidated single parliamentary appropriation for Aboriginal local government and Aboriginal community care, which could perhaps be appropriated to a recognised Aboriginal statutory body, such as the ACC. There is certainly scope for reducing the number of relationships

between government and Aboriginal councils and consolidating that into a far lesser degree of intensity.

**Mr SOMLYAY**—Does anybody else want to comment?

**Mr Wauchope**—Quite clearly, something like that is a matter of policy for government because it has quite serious implications. It is difficult to see how that would actually work. I can understand something functioning like a grants commission dealing with the local government-type funding but, of course, you then have the issue of all the other funding agencies—and ATSIC, I guess, would be a classic example—not wanting their funding controlled through another body like the Grants Commission. In a practical sense, I think it would be difficult to do.

**Mr SOMLYAY**—Peter, that would create problems for you from the point of view of delivery and measuring outcomes, would it not?

**Mr Schnierer**—Sure. It also creates a problem for us. ATSIC is unique for a couple of agencies here in the sense of having an elected arm who have to be involved in the process as well and their being satisfied with those arrangements. But I do not believe that it is outside the realms of possibility for us to make steps forward in terms of getting closer together. I do not want to keep going back to other agreements that we have done with other states, but there are possibilities there in terms of us bringing those resources together. I think the long history of us not being able to do it is going to take some time to work through in terms of getting closer together. It has happened in other states, and it has happened in states where ATSIC is not necessarily the most popular Commonwealth agency either, but we have been able to get to arrangements which satisfy the sorts of accountability frameworks I talked about earlier and the secondary and, in some ways, more important accountability framework, which is via our indigenous elected arm.

**CHAIR**—Do you have any agreements in Queensland? If not, are you negotiating some? If you are, how long have those been going on? What is the process?

**Mr Allmark**—Mr Chairman, we have been negotiating for some considerable time in attempting to make some formal agreement. We have one formal relationship with the joint ministerial advisory committee, of which Mr Ackfun's department is the lead agency. We have representation from our elected arm on the JMAC. That is a formal arrangement. There is some further work being done in that particular area to broaden, we hope, the involvement of our elected arm with that. Crucial to the work that they are doing is a joint action planning process. This is done between ourselves and the Department of Works and Housing to coordinate the works that we are doing using our funds through the housing programs. We have a rather more loose arrangement with the Department of Local Government and Planning. There is no situation there in which our elected arm is able to sign off or be part of the planning processes in there. That is not to say that they are not done. They are achieved at the officer level to the point that we have embarked upon joint

infrastructure exercises in a number of places in the cape and in places like Palm Island where we are working very closely with the Department of Local Government and Planning.

We are keen to see the outcomes of a whole-of-government approach, which we think has been beginning to emerge in the Queensland government. We are excited about the prospects for it. I have had some preliminary meetings with officials in the Queensland government and we understand that some pilot projects are coming forth through the Department of Local Government and Planning as the lead agency for those to look at a holistic planning approach with all levels of government, including ATSIC and other Commonwealth agencies.

It seems to me that that is the crucial element of what we are trying to do. The thought of a joint federal/state grants commission would not be at odds with the principles of the national commitment; not at odds at all. How we actually get to that stage is difficult for me to see. It takes much better brains than mine to work their way through those sorts of issues. If we can achieve at least a coordinated joint planning regime with, as Peter has said on a number of occasions, our elected arm being an integral part of that, and they must be because, ultimately, they are the ones who sign off on the usage of our funds. If we achieve that, and I think that we are making steps towards that at the present time, then we will be a long way down the track towards a coordinated effort.

**CHAIR**—Mr Galvin?

**Mr Galvin**—Thank you, Mr Chair. On the issue of a joint grants commission, I think before that step, particularly on the Commonwealth side, we could look, in the Torres Strait in particular, at putting Commonwealth funds through the TSRA. Those funds could be granted by us and acquitted by us. We are actually doing that at the moment with the Department of Sport, Territories and Local Government. They have funded positions and programs within the Torres Strait Regional Authority and we carry out those programs on behalf of the Department of Sport, Territories and Local Government. So that forms a basis of consolidating the Commonwealth's funds through one agency, and I think that would be very productive.

For instance, at one stage we had defunded a community because of its bad management practices while another Commonwealth agency was still providing funds for it. I think that shows that the coordination between the Commonwealth agencies has to be a lot better. As I said before, given that we provide 70 per cent of the funds to the communities, anyway, particularly on the Commonwealth side of things, those grant funds could come through us and we could administer them. Like ATSIC, we are on the ground with project officers going around. Other Commonwealth agencies do not have those project officers looking at the outcomes of what the funds were provided for in as great a scrutiny as we do.



**CHAIR**—Thank you.

**Mr SOMLYAY**—One of the problems that I find with Commonwealth agencies is that they can adopt a policy at the Canberra level or you can adopt a policy at the Brisbane level, but how do you make sure that that policy overcomes the culture that has developed between agencies out in the regions? We are assured that something is policy at the federal level and then maybe the Townsville office or the Cairns office or your department tells us that in reality it operates differently. So how are we going to overcome that problem? ATSIIC?

**Mr Schnierer**—In terms of getting the message through more clearly, ATSIIC can have a role to play in that situation in creating the awareness, the lines of communication and the lines of coordination. In some ways, the process that ATSIIC has gone through over the last seven or eight years is a good way to achieve what you are saying in terms of clients getting a better deal in the end, and that is having this elected arm being part of the process, knowing what the inputs are and what the conditions are around the inputs. As I said earlier, it brings in for us a second arm of accountability. That, from a Commonwealth level, is very important. Our minister has taken great lengths to try to create the lines of communication between himself and various other Commonwealth ministers. It has to start at that level. The minister needs to set the culture, and as organisations in our structures we need to follow through to make sure that our staff appreciate that fully. That is very important. It really puts members of our elected arm in a stronger position when they are out in the communities, their zones and regions to take up some of these concerns because they have had relationships develop with the various Commonwealth ministers. That gives them considerable opportunity to raise issues and make sure that people out there understand what their ministers are saying to ATSIIC in Canberra at our national level. I think that there is some scope for that to be reflected in other agencies. We have not got that right yet. That needs to be followed through through our various hierarchical structures in terms of state and regional managers. It is that business of bringing the clients into the process a little bit and making them aware of what their rights are and allowing them to have some interaction with bureaucrats on the ground. Over the last seven or eight years, our ATSIIC staff are starting to really get used to that now and understand that what they do has to be more positive and constructive towards clients. That has really moved along our system.

**CHAIR**—I just want to reiterate or wrap up some of this. ATSIIC has a formal arrangement with the state Department of Public Works and Housing and with the local government, or works in cooperation with them. However, the agency that deals the most, and has 13 separate grant programs, is the Department of Families, Youth and Community Care. Mr Wauchope, what sort of interaction do you have? Do you have formal arrangements?

**Mr Wauchope**—Mr Chair, I do not think that they are vastly different from the others, although there would be differences of degree. We endeavour to work as closely as

we can with ATSIC in the process, particularly in relation to the issue that we are discussing in this forum, that is, financial accountability.

**CHAIR**—Does that mean that you have regular meetings and you discuss your funding programs, cross-funding arrangements and things like that?

**Mr Wauchope**—It could be expanded to do that.

**CHAIR**—Tell me what it means.

**Mr Wauchope**—Essentially, at the moment it means that there is a formal process in the steering committees that we discussed earlier, which looks particularly at the financial accountability issues. You are now saying that you want to broaden that into the general issue of funding. Yes, there would be an opportunity to do that.

**CHAIR**—So you discuss the financial accountability but you do not actually discuss what the money is used for?

**Mr Wauchope**—No, obviously that comes out in that process of those steering committee meetings. The problems will range from just a matter of a minor accountability problem to the misspending of funds and the identification of a range of programs which all have their recourse in the accounting for the funding.

**CHAIR**—At one of the places that we went to, we received evidence that your department has not had any formal contact with the ATSIC officers, after repeated attempts by them, for at least six months—I think that it was six months, or a lot of months—and that there were no formal arrangements between those departments. I do not know if it is true, but basically, the state broke off arrangements with the Commonwealth department. Then there was no coordination whatsoever for four months, five months, six months, or something like that.

**Mr Wauchope**—It is difficult for me to comment without knowing specifically. Quite clearly, I would be very concerned if that had happened. I would want to know why and what circumstances had caused it. I would be interested in finding out.

**Mr SOMLYAY**—That was the thrust of my question as to how you can make sure that people at the regional level, who may have been working in a conflict situation, actually go ahead and carry out that policy of coordination? I think that Mr Allmark wanted to make a comment on that.

**Mr Allmark**—There was a follow-up, which I have lost at the present time. I would like to follow on a little from Mr Wauchope's comments. 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. We are funding things that we think that perhaps he might wish to fund and likewise, he is funding things that perhaps falls more into our bailiwick. The point is that ATSIC has a highly devolved level of responsibility for the delivery of these programs. We put that right down to regional office levels. The delivery of programs, and consequently the carrying out of policy, can be done at that level at which place we can quite readily coordinate with agencies who are on the ground. Some of our Commonwealth colleagues who do not have the same level of devolution of their program delivery as ATSIC does have a little more difficulty in that area. The point is that the Commonwealth can make policy, but how do we make sure that this fits or is coordinated with state policy is perhaps a little harder for some of the other agencies than it is for ourselves.

**Mr SOMLYAY**—We heard evidence in various places that, with the housing programs, the state government is building a number of houses and ATSIC is providing funding for housing. There are two sets of documentations and one agency does not know what the other agency is doing. There are two sets of drawings and different standards. The cost differences were something like \$30,000 or \$40,000 more to build a house funded by ATSIC than a house funded by the state government. How do these anomalies take place?

**Mr Allmark**—For our major housing program, we have a program under the National Aboriginal Health Strategy. There are two arms to that, one of which is the environmental health group, which is administered through my office and there is the HIPP element of that, which is administered nationally. Both of those are larger-scale projects, usually in the \$2 million to \$3 million range. Those programs are administered by a program manager. In our case, it is the civil engineering firm of Ove Arup. There is a degree of coordination in that, as part of their contractual arrangements, they must liaise with state and local government instrumentalities before establishing those programs.

Where there could be degrees of difference is in the regional councils' housing program, CHIP. It is at their discretion how and on what they spend the funds within the limits of the program guidelines. There may not be the degree of coordination at that level as there might be with the Department of Public Works and Housing if it is working in other areas. Of course, our programs go far beyond the DOGITs and the communities, as we pointed out to the committee earlier. It only constitutes 22 per cent of the Aboriginal population of Queensland, and we and our regional councils are also responsible for delivering programs like housing and so on to the other 78 per cent.

**Mr SOMLYAY**—I know how the programs work, but my point is that houses are being built and approved by one agency without the agency at the regional level knowing about it. I do not know if there is coordination at the top level.

**Mr Ackfun**—My understanding is that there is a degree of coordination at the regional level. I am advised by my regional manager in Cairns that every month he sits

down at a meeting of all agencies and discusses where their funding is going and what projects are available on the ground. I understand your concerns about the different standards of housing, but we connect with ATSIC on projects when the funding goes from ATSIC into Aboriginal and Torres Strait Islander councils. At that stage, there is an opportunity for those councils to say to us, "We would like the division to actually project manage those projects as well." It makes good sense to do that, given that we are on the ground and ATSIC does not have a great enough spread of resources and staff around the countryside. We get some synergy and some focusing of effort in that regard. However I suppose that, at the end of the day, if councils have a preference for a different standard of house to what they negotiate with us in their capital works program, and if we as a division are getting paid to project manage a certain type of project or house for ATSIC, the community council has the obligation to decide what style of house it wants, of what materials it is made and so on. I suppose that the opportunity is there for differences in standards of houses.

**Mr SOMLYAY**—That is reflected in the difference in costs?

**Mr Ackfun**—That is right, yes. I would be concerned if there was no discussion at all at the regional level, especially when I am advised that there is a constant mechanism in place that actually demonstrates that my manager in Cairns knows where ATSIC is putting all its CHIP money and all of its HIPP money in each of those communities.

**Mr GRIFFIN**—Following on that from, Mr Wauchope, you mentioned steering committees that are in operation and that meet regularly. How regularly do they meet?

**Mr Wauchope**—My colleagues from those particular locations will be able to correct me if I am wrong, but generally it is about every six weeks. Is that right, David?

**Mr Galvin**—Yes.

**Mr Wauchope**—The Aboriginal councils probably meet slightly less frequently.

**Mr GRIFFIN**—I am conscious of the time because it is getting away from us. My question relates to a central database system that could be used for grant coordination by establishing exactly what money is going into particular communities through grants from various organisations, and how that system could be used as a planning tool. If each council provided the information on their current status, the criteria that would be used to assess their applicability for grants would actually be in one place and, therefore, could be accessed by all relevant agencies. I ask this of anybody who wants to comment, but again I am conscious of the time so could comments be relatively quick. Is that a feasible option or is it inherently bureaucratic and difficult? Are we in a situation where the commuter system has not been devised yet to cover that sort of operation?

**Mr Schnierer**—In relation to housing and infrastructure, some years ago we

conducted a national housing infrastructure survey. We have tried to cover all of Australia in looking at overall needs in those particular areas. We discovered a huge unmet need in relation to what is required around the country. We will be doing that survey again in the very near future. That data is on the public record for people to use. It is a question of how agencies come together to look at it, use it and link their plans.

**Mr GRIFFIN**—Is there access so that state agencies can see the Queensland data on that survey?

**Mr Schnierer**—I believe so, but I would have to check that point. I believe it is on the public record.

**Mr Galvin**—We conducted a joint total management plan with the Queensland government that gave the basis of what you have just outlined. That is across the system and it can be accessed by all agencies through a computer system. We have done a similar thing with the ICC in relation to housing needs in the Torres Strait, which built on from ATSIIC's national housing needs survey. I do not know if your question extended to linking a computer network throughout the island councils as well. Were you suggesting that?

**Mr GRIFFIN**—I guess that is another issue and you can comment on it if you like. The question of having a commonality of computer systems across councils is a bit more difficult, given the varying circumstances of particular councils and the fact that a lot of them now have systems in place which they are relatively comfortable with. I am looking at the question of, for example, the management plan, which I think in itself is a good thing.

The question relates to having that sort of information in a readily updatable fashion and available for all agencies to access. The councils would have the information that they need to show what they are doing and where they are at, whether that be at the council or elsewhere, and then any agency that is looking at questions of what might be done in a particular council area or that is making decisions about what should be done across all the councils within Queensland can access that system and use it as a planning tool.

**Mr Galvin**—I think that that would be an incredibly difficult system to establish, going back to having a system of centralised accounts as has been talked about before. At one stage I was in favour of such a system. In theory it is good, but in practice it would be extremely expensive to administer and technically difficult to put together, particularly in the remote areas where we do not have the data rates on the Telecom lines to do it. In theory it has a lot of merit, but in practice it could be quite expensive and very technically demanding to put together.

**Mr GRIFFIN**—I expect you are right.

**Mr Schnierer**—Previously I mentioned the national housing infrastructure survey that covers those sorts of areas. The other framework that ATSIC is able to bring to the table, and it is ATSIC specific of course, is our regional council planning process that covers all of the regions across Australia. At this point, it is a framework for data to be gathered and for needs to be identified. One of the key sources of data that we bring into that process and make available to regional councils is longitudinal data that we obtain from ABS on a whole lot of indicators. Obviously, there are long time frames between collection points and that needs to be refined more regularly. You need a process which can cut and carve that massive amount of data into something that can be used in the areas that you are looking at. For us, obviously it is our regional council boundaries. We try to bring together that data. A large database is already there and, for me, it is an uncut diamond in terms of the information about the needs and unmet needs of each of the communities, regions and zones that we can look at. Obviously we supplement that with the CHIP survey that I talked about and, also, through the consideration of other specific indigenous national surveys such as we did a year or so ago, which will bring together that data. There is a database there in a sense, but I am a little cautious about it because of the difficulty that Commonwealth agencies that are very close together have in getting common databases. You have to look to somebody like ABS to bring it together and from that we cut and carve out information on our specific interests.

**Mr GRIFFIN**—Do the state organisations have any comments?

**Mr Wauchope**—I think most of the useful comment has been made. As people have said, the issue is how you actually get a system that delivers the end outcome that you want and the obvious cost of doing that. Given the overall need in communities, you have to wonder what priority the communities themselves would give to that particular proposal.

**Mr GRIFFIN**—It need not be a computerised database, although that is what we have flagged in the issues papers. I am looking at the question of ensuring that there is as clear an understanding as possible of the priorities of a particular council or community and ensuring that not only the community but also the relevant funding agencies are aware of those priorities, so that hopefully better decisions are made through those processes. I am concerned about how well that is being done and whether it can be done better, or whether it is in fact a Holy Grail?

**Mr Wauchope**—Julie will be able to assist the committee about how we are proposing to tackle the issue that you have described.

**Ms Ling**—As mentioned earlier, the Queensland government has undertaken the development of a whole-of-government coordinated strategy for the provision of infrastructure to indigenous communities. As Mr Galvin referred to earlier, in the previous two years, in cooperation with other agencies, our program had undertaken the development of these total management plans, which only look at water, sewerage and

transport related infrastructure. They have been done in every community and then they have been prioritised across the state to come up with priorities for funding, as you were referring to.

The Queensland government has now tasked our program to proceed with developing demonstration projects, in only four communities to begin with. With the communities, we will document all of the infrastructure and service needs that they have, and the communities' priorities will be identified through those community infrastructure plans. Initially, we will do those projects in four communities. That demonstration process will then be evaluated and analysed. The information that is collected about the priorities of those communities will become the basis for any budget bids that go to the state government for funding for indigenous communities. If the four projects are successful, it is anticipated that we would then do similar infrastructure plans for all 34 communities, which are DOGIT, and Mornington and Aurukun Shires.

In fact, we will have the data—which I think is the data that you are referring to—that will include the communities' assessments of their priorities across the range of infrastructure, which would be hard and soft and would include services. We have fully briefed ATSIIC and the island communities about this process. This is the fundamental plank of the state government's whole-of-government infrastructure coordination strategy. We will then have the total management plans, which will be fully available to all agencies. Then, over a period of years, the state government will also have a fully documented, absolutely prioritised and costed—both capital and recurrent costed—priorities for communities to achieve their vision and their self-sustainability as they see fit. I think we will have what you are looking for. The usefulness of loading that into a central database and the costs that would be associated with operating and maintaining such a database are separate questions. Going back to a previous point, this program is fully involved in the joint ministerial advisory council. Along with Mr Ackfun and ATSIIC, we are full members of that. That joint ministerial advisory council advises our minister as well as the Minister for Public Works and Housing.

**CHAIR**—We have all seen the TMPs, or the big, foot-high green folders that at the moment are used mostly for holding open doors in different communities. That was done across all of the departments that you have just mentioned. My question relates to the funding bids. Will there be a holistic funding bid from the MAC, as you have said, to fund the whole TMP, or will each individual agency wrestle with Treasury on a one-on-one basis for its component of it? I think this was put to us by Peter when we were in the Torres Strait.

**Mr Anderson**—It may have been.

**CHAIR**—Will it be funded in one big block, or will each of the agencies reapproach Treasury and try to fight for its little slice of the infrastructure to be delivered?

**Ms Ling**—The Queensland government has in place a CEOs committee for social development, and that includes indigenous development. The TMPs were for only water and sewerage. The community infrastructure plans are much broader. That will be coordinated by the Department of the Premier and Cabinet and will go as a whole-of-government budget bid into the cabinet budget committee. The priorities will be there.

**CHAIR**—Is the answer yes?

**Ms Ling**—No, it is not yes, because it will be a whole-of-government budget bid, it will not be an individual agency budget bid.

**CHAIR**—Mr Griffin, did you have any more questions?

**Mr GRIFFIN**—No. In the circumstances, I think we have covered that one fairly well. In relation to overall management, I think you are taking the right approach. The question will be how applicable that will be and how long it will take. The matter then becomes making it more useful at the local level, which is I think what Mr Woolmer was referring to. I have some concerns about that, but I do not know whether we will resolve them today. Given that we are nearly 45 minutes behind in the schedule, I will leave it at that for now.

**Mr MULHERIN**—My first question is directed to the general forum. ATSIC's new grant procedure proposes one letter of offer to cover all ATSIC grants. Could that be extended so that one letter of offer would cover grants from all or most agencies within one jurisdiction or even both Commonwealth and Queensland agencies?

**Mr Schnierer**—As I said earlier, I would hope that our model would be very relevant for other agencies to look at and consider adopting as far as possible. We would obviously like to bring together the funding in a more unified and consistent way. That is a bit of a leap for us at this point, because we are just leaping through the first hurdle of bringing all of ours together into one. But we are committed to the principle of a holistic approach to funding in communities. I think we need to have a look at it and how it could be brought together. But to be fair, we have not yet taken other agencies through those procedures. In addition to that, while we have been able to streamline and simplify procedures, we have a set of terms and conditions which can get added as well to grants, and that makes it a little more complicated. That is something else that we would have to work through with other agencies. However, at this point we would need to talk very closely with other agencies about whether they thought there was merit in the way we are going and how far they could be adopted. If necessary, in the longer term we will have to see whether changes could be made which adopt some of theirs.

**Mr MULHERIN**—Would any other agencies care to make a comment?

**Mr Wauchope**—Certainly, our department has the same objective that ATSIC has



apparently achieved. For example, our equivalent to a letter of offer is a service agreement which spells out the relationship between the department and the grant recipient. We have people now working on that grants process. That is where we want to get to so that, generally, the service agreements are consistent with all of those different grant programs.

**Mr MULHERIN**—In your opening comments, I think you made the point that you are reviewing the 13 or 14 different funding programs and are reviewing and standardising the process of acquittal. Is it possible that you could have one form on which a box could be ticked for those 13 or 14 programs?

**Mr Wauchope**—At this stage, I do not know the answer to that. We have people off line working on that issue and looking at the whole grants process, which will include the service agreements. The objective is getting the consistency that people so desperately seek.

**Mr MULHERIN**—More importantly, if this were adopted, which agency would you see as being responsible for coordinating such a process?

**Mr Galvin**—As I said before, just focusing on the Commonwealth, for specific grants and so forth from other Commonwealth agencies I believe a system could be devised, particularly in the Torres Strait, such that that would go through the Torres Strait Regional Authority. I do not know whether it would be applicable to rationalise that through a Queensland government department. Certainly, from our perspective, if we look at the Commonwealth grants going to Torres Strait communities, as I stated before, we are the major funder. Because they would not be large, I do not think there would be any great difficulties with other funds coming through the Torres Strait Regional Authority.

**Mr MULHERIN**—Mr Wauchope, would you like to comment on that?

**Mr Wauchope**—I am reluctant to volunteer for a task that I think the Auditor-General described as being very difficult. If a decision was made that all departments were willing to go down that path, that would be an issue that we, as the lead agency, would have to pursue.

**Mr MALONE**—When the committee travelled to the communities, it was put to us that electronic banking would probably be of benefit and would remove the risks associated with cash and cheque reconciliations. Is it feasible to introduce electronic banking into remote areas, for instance, for the payment of wages? Secondly, would Aboriginal and Torres Strait Islander culture pose any impediments to its introduction?

**Mr Galvin**—I think you would find that extremely difficult in remote areas, because the cash is not in the community. You have to get the cash into the community. There is no point transferring X dollars to somebody's account if you cannot get the cash to the community. There are not huge reserves of cash out there. The basis of people

flying in cash is to have that money there and then to spend it. There would be real difficulty in introducing electronic banking, particularly in relation to wages through CDEP and so forth. There would not be sufficient cash in the communities for a transfer of funds. There are no banks there that can hand out the dollars.

**Mr Schnierer**—From ATSIC's perspective, we are trying to move as much as we can towards electronic banking so as to speed up the movement of funds to communities. One criticism of us in the past concerns the delays involved in getting grants to organisations and so on. Most of our grants are headed in that direction. We understand the problem that Mr Galvin is talking about. In respect of our major grants to organisations, which involve expenditure over a long period, it is up to them to make arrangements with the banks to make those funds available. We certainly see that as being the way to go. From an internal point of view, it allows us to streamline some of our processing within the organisation, which allows us to free up resources for other matters. For us, that is a step in the right direction.

As to the cultural perspective—people's understanding and awareness of that technology will vary from community to community. But even some of the remotest communities are world leaders in the use of technology. Again, it does vary from community to community. You cannot just say that it is okay for every community. Some are selling art material over the Internet, and that involves the electronic transfer of funds. That is quite acceptable even to people in some of the most remote areas. We try to respect that as far as possible. But from ATSIC's point view, in terms of our administration, we are moving as far as we can towards electronic banking.

**Mr Anderson**—I think that the move to electronic banking in the Torres Strait would be a good thing. I have to disagree with my colleague. It is already in place in a number of communities and it has the potential to reduce the large amounts of cash that often go missing in transit. The aim of the exercise is simply an extension of the cashless society. In those communities where EFTPOS facilities and funds transfer facilities have been put in, it has been readily accepted. It is new, but it has been started by our local bank. The manager of the local bank came and spoke with the ICC a week or so ago to explain to members what had been done so far. On the face of it, it looks quite promising.

**Mr Galvin**—I take Mr Schnierer's point. I was particularly focusing on the wage aspects of money and cash going to the communities. In respect of grants for capital requirements and so on, I can see no problem with that.

**CHAIR**—This session has run well over time. I will bring the first section about the acquittal and application processes and procedures in the delivery of grant moneys to a close. We will move on to the next session. I will juggle around the session times later this afternoon to accommodate some changes. The next session relates to financial systems and reporting. This session is concerned with identifying opportunities to improve those financial systems and the annual reporting of the various councils. The discussion paper

outlined a number of areas under that subheading, which talks about cash accounting, accrual accounting and so on. I would ask the members present once again whether they would like to make a brief opening statement in relation to this item. Ms Ling, would you like to make a statement about the accounting processes?

**Ms Ling**—No, not particularly. As I stated earlier, the accounting processes required for the Mornington and Aurukun Shires are required under the Local Government Act. Since 1 July, they have been required to report in AAS 27 format.

**Mr Anderson**—The ICC believes that it is horses for courses. You have given a range of options, from simple cash accounting right through to AAS 27. We believe that the thing to do is to pick the format which is most relevant to the community concerned. For example, on our smallest community you certainly would not want to be imposing AAS 27. They have enough difficulty dealing with the cash.

**Mr Rollason**—Briefly, as I have said in evidence before, we would express some caution about taking these councils too quickly into some modernistic AAS 27 format. Modified cash seems to me to be about the level at which they can cope. I agree with Mr Anderson that sometimes it is horses for courses. That seems to be a benchmark with which they can cope at the moment.

**Mr Galvin**—I would back up the statements by the Auditor-General and Peter Anderson. In our submission of 12 March we basically said exactly that, that we believe that the AAS 27 would be too complicated for the councils and we prefer a more simplified method with training of the local clerks to be able to deal with those methods first before even thinking of moving towards AAS 27.

**Mr Schnierer**—As you are probably aware, the Commonwealth government is moving all departments and agencies towards accrual accounting. That is to be introduced by 1999-2000. We have not worked through what the actual implications of that would or should be for our grantee organisations. We are attracted to it because of its greater focus on outcomes and the attribution of costs outcomes—and that is something that we think has some benefit in it. However, at this point we accept either modified cash or accrual financial statements from organisations, so we are not too bothered.

**Mr Wauchope**—We share the Auditor-General's view.

**Mr Ackfun**—We certainly agree with the previous commentators. The response would really depend on the level of sophistication of the community to comply with any of these requirements. That really depends on the level of staffing skills in the community at the time and a whole range of other issues like that.

**Mr D. Brown**—Most councils which we internally audit seem to be moving from a simple cash-based accounting system into a modified type of cash accounting. The

question of AAS 27 is a matter for them to determine at their own pace. We certainly would have reservations about any imposition of AAS 27 standards upon councils at this stage, certainly until they have the skills and the professional expertise within their organisational structures to manage that type of accounting.

**CHAIR**—There seems to be fairly much consensus. Everybody nodding?

**Mrs STONE**—Perhaps I could continue on. When we were out in the islands, too—a lot of you would be familiar with the fact that some of the councils are using a small number of user friendly accounting packages and some are very pleased with those, particularly when they are becoming trained with new staff. To the Torres Strait Regional Authority can I ask: what experience has there been in the Torres Strait in the sense of promoting a particular accounting package so that there is one or two shared across all islands, say, for the transfer of staff or a common computer language or common computer package being used to bring it around in a greater sense of their being able to understand what is happening in each other's islands and their accounts?

**Mr Galvin**—We are certainly, together with the ICC and the Queensland government, focused on the Mind Your Own Business accounting package. We cannot force the councils to go down that system, but we have given them good incentives to do it by purchasing it for them through our joint financial accountability funds and also providing training to the council workers to use that package. We believe it is a good idea. My staff in particular know that system; they can go out there and access that system; they are not confused from one system to the other system. If we have staff within the islands themselves, they can rotate through councils and different offices, and that does happen. They come to a system that they are familiar with and do not need training on another system.

I also think that through our local forum there that the Queensland government also takes that opinion that the Mind Your Own Business has been a very good system to put in because the local CSOs as well as my staff can go out there, get into the system and know what it is going to produce, and both parties along with the island councils have a greater degree of familiarity with it.

**Mrs STONE**—Can I ask Mr Schnierer: in terms of ATSIC Aboriginal communities, have you had a similar policy of trying to encourage MYOB, being the standard package they use? Have you had preferential purchase of the package, for example, or training programs for it?

**Mr Schnierer**—No, we have not. We have a chequered history in relation to trying to get organisations to do those sorts of things simply because we have a strong commitment to allowing organisations to run their own business and, in effect, be self-determining as far as possible. When it comes to us looking towards trying to impose a particular commercial package of some sort on organisations, we get into difficulties with

procurement guidelines and the like in terms of organisations being in themselves, in the main for us, incorporated entities. So we do not try to impose one system on them.

However, in relation to CEPs, I have to mention that we do have a standard package for participant schedules and the management of the relevant information there. We have to do that because of the CEP program involving unemployment benefits through the Department of Social Security. So we have to have a formal arrangement there to make sure that those things are formally managed properly, and that is as far as we go in relation to that. We would be quite comfortable if organisations did themselves choose a similar standard package.

**Mrs STONE**—Given the enormous problems they have with staff training and staff moving between islands and so on, would you agree that—you talk about self-empowerment; we all understand that, of course—perhaps in this instance with these packages, there is a great deal of benefit in you suggesting to the parties that they do some looking at each other's software and choosing a similar product?

**Mr Schnierer**—We would be very keen to promote amongst them looking at best practice from other organisations, and for organisations to adopt that.

**Mr GRIFFIN**—Just on from that, one thing that concerns me a little bit is the very great differences between communities in terms of their sizes and locations, et cetera. One issue that was raised was that a particular accounting package which may suit a small community, in fact, would be inappropriate for a larger community and vice versa. Any comments on that?

**Mr Schnierer**—That is another horses for courses type thing. We are wary of that in terms of trying to apply it across-the-board. This is across-the-board: across Australia. In terms of over 1,000 grantee organisations and slightly different approaches in different states as well, it becomes even more difficult for us to point to one thing. We are developing a training program for organisations and we will probably get into that later, but that will look at principles rather than "Here is the answer to all your accounting needs" type thing or "Here are the skills you need to do it" rather than try to sell them on a particular package at this point.

**Mr GRIFFIN**—I am a bit worried that, like a lot of community groups, a group becomes comfortable with a particular option because it is the option they have had like the Ford and Holden argument in cars: "My family has always had a Holden so we will always get a Holden." So I wonder about that aspect of it, too, and whether there are ways to actually ensure that communities are exposed to the options in a way which will actually lead them to making the best decision for them rather than being in a situation where there is a familiarity which develops over time which, in fact, is probably not in their best interests.

**Mr Galvin**—I think that is a good point you make. That is what we have endeavoured to do—the three parties in the Torres Strait—is to be able to promote one package and ask, "What are the benefits from that package?" and purchase that package and provide the training. But if there is a community which that package is demonstrably not suitable for—and Bamaga is that community in the Torres Strait—and they have the accounting skills and the level of staff to use another package, we have no difficulty with that. I suppose we are trying to get the commonality across a broad range of communities in the Torres Strait which will enable us all to be more familiar with the systems, including the people who deal with the systems. I think we have got one out of 17 that is not going down that path.

**Mr GRIFFIN**—Does anyone else want to make a quick comment on the issue at all?

**Mr Wauchope**—If I can make a comment just quickly, the simple answer to whether it would be a good thing is: yes. There is a great amount of difficulty that we have when a community gets into trouble, especially when the person who has been responsible for managing the accounts disappears overnight. You then find it almost impossible to untangle the computer arrangements and it delays the whole process of getting a council back on line for an inordinate amount of time. Yes, if you had a vision, that is where you would want to be with the councils having a single computing accounting package.

**CHAIR**—At this stage, just looking at the clock, I will suspend the hearings now until after lunch. There are some other areas on this that we would like to canvass and we will come back to these after lunch. I will suspend the hearings and I will recommence them at 2 o'clock.

### **Luncheon adjournment**

**CHAIR**—Before we adjourned for lunch we were trying to complete section 2 in relation to the financial accounting practices, procedures, systems and the like for all the different councils. We were talking about whether or not it is more appropriate to have different financial accounting standards and whether it is cash and accrual or modified cash or we go to a full 27 and some of the computing systems. I think Mr Griffin was discussing computer systems or standardisation across the different councils. There was comment that the Island councils were going to MYOB from Solution 6, I believe. During our committee travels, a number expressed a desire to return to Solution 6. There is an issue of training which I would like to raise. It is not really in the notes.

One of the other things that we came across was that there were some homemade systems. Not just in the islands but also in some of the Aboriginal communities, there are a number of extended Excel spreadsheets which have particular accounting procedures written down in people's own books. The problem that was pointed out was that, as soon

as they leave, no-one else is going to have the faintest idea what was going on. I would like to come back to this idea of standardisation and also to cover the area of training. Mr Wauchope, the training that was provided out of the DFYCC in those training packages in the islands was through Price, was it?

**Mr Wauchope**—And Coopers.

**CHAIR**—Yes. I certainly spoke with Coopers in Townsville. There was one thing that I did not quite get a handle on. Was that developed in close consultation with both the ICC and TSRA and ATSIC and the ACC?

**Mr Wauchope**—Yes, it was. We have to give credit where it is due. Basically, the initiative really came from the ICC in the Torres Strait. It was then extended, in consultation with the ACC, to the mainland communities. The decision to use those firms was really taken on the basis that there needed to be some degree of professionalism brought into the training arena. Those firms were certainly impressive in terms of their capacity to effectively deliver the sort of training that was needed.

**CHAIR**—I cannot remember what your particular view was in relation to the standardisation.

**Mr Wauchope**—Very strong support.

**CHAIR**—Very strong support for standardisation of systems?

**Mr Wauchope**—Yes.

**CHAIR**—You are not particularly sold on any one?

**Mr Wauchope**—I do not profess to be an expert in that area, but I take guidance from others who say that MYOB is particularly good. The other advice that we generally get is that, for local government and certainly the bigger Aboriginal councils, Practical is quite a useful model. But I would have to be very careful in that I just do not know enough to make an accurate pronouncement.

**CHAIR**—You mentioned Practical, being the local government management system. To a certain extent MYOB had some currency up there. Solution 6 has been proposed as an option, and some would like to go back to it. CYBASE and another couple of packages have also been promoted and used. There are some home-based or self-developed systems in those different jurisdictions as well. My question is really to the audit office. Does that pose a difficulty for you in the accountability and in the auditing of that? It appears that they are all using different approaches. We even had a number requesting to go to full accrual systems.

**Mr Rollason**—It would make it easier if they were all on the one type of system, because then we could develop a more standardised audit program, I suspect. But the auditing still gets carried out, whether they have brand X, Y or Z. That is about all we have to cope with. Even if they have a handwritten Kalamazoo system or something like that, we still have to cope with that. Maybe some of them ought to have only that, in my view. Nevertheless, standardisation would help. Certainly homespun things are not the best way to go, as we found out with Woorabinda. When the debacle happened there a couple of years ago, the unravelling which Mr Wauchope talked about was quite monumental.

**CHAIR**—I want to change tack a little. In relation to the auditing of all the communities, we visited approximately 37 different communities. Are you comfortable and satisfied with the approach that is used in the auditing of those communities?

**Mr Rollason**—Yes, I am comfortable.

**CHAIR**—What is the best way to audit them?

**Mr Rollason**—I do not know that there are too many easy ways to audit them, actually. The best way to audit them is the way it is done now through our own staff. This is external auditing you are talking about, or through the contract labour. The contractors work to a program which we stipulate. They cannot just do their own thing entirely, although they are on the site and, therefore, have absolute ability to make judgments about the worth of things. We dictate a fairly strong line, and that is fairly standard. The same thing actually happens with local governments. I am the auditor for the 150-odd local governments in Queensland, but I do not have the staff—our own staff—to do them. We have them on a contract, and they work to work programs, et cetera, that we set down. There is nothing wrong with that.

**Mrs STONE**—You mentioned the contracted auditors whom you brought into the various communities. We have had a lot of feedback on various islands about their actual work. Some concern has been expressed that they were very junior or inexperienced auditors and that, at the end of the day, there was not a job done that we could be very pleased with. Do you have any comments on that?

**Mr Rollason**—I have not heard that. That is about all I could say. From what we see at this end—and we examine all the reports and all the work papers, and we do a quality control over what has happened—they probably would use junior people. But you have to accept the fact that all of the people that I contract are qualified members of either the Institute of Chartered Accountants or the Australian Society of CPAs, so they know full well what standards of auditing are required and the ethics and all of that.

**Mrs STONE**—So the Queensland Audit Office has never had a problem with the standard of auditing undertaken by contracted groups?



**Mr Rollason**—I would not say that we have had no problems, but I think we deal with those ourselves in our way. I have had no reports to me which suggest that any poor auditing standards have been employed.

**Mr SOMLYAY**—One of the criticisms we heard about in a number of communities was that the contracted auditors just did not have the patience and the time; they were limited by time in sitting down and going through the material with people. Therefore, they were getting qualified audits, and problems were arising because those people did not have the patience to go through it with them.

**Mr Rollason**—If they had the patience, I doubt if it would have got them an unqualified audit opinion, anyway. Their problems are monumental; they really are. I have not heard of any impatience. The trouble is, you see, that with the contract auditor, as with ourselves, cost is a consideration. I am on the receiving end of quite a lot of letters—put it that way—from councils which are disputing the fee or wishing it was not as high as it is. We are all the time naturally trying to control that. The contractor on site, of course, sees the clock going around, I suspect. You do require a lot of patience; I would quite agree. It is not that they are not wishing to help, but it is a combination of a whole series of things. One is the standard of work. It is not that you have two problems; you have 102 problems, and they were the 102 that you had last year to some degree. You can understand that some frustration goes on. I think that the contractors do a pretty good job. I am not saying that there would not be cases where there is some sort of dissatisfaction, but I can tell you that there is dissatisfaction with auditors from time to time in the ordinary scenery, because no-one likes an auditor.

**Mr SOMLYAY**—I would not say that.

**CHAIR**—I would not say that either, actually. It was fairly consistent. We had a number of complaints—and "complaints" is probably strong—a number of representations to us from many communities that the contracted auditors do not spend enough time. They are not really interested, they are on the clock, they send the most junior people, and they are of the opinion, "We are here for a day and a half. We have got to get out. We are not really worried about your problems. We want to get in and out as quick as we can. Give us your books and let's go." That was consistent with community after community. I ask Mr Galvin, as somebody who has the responsibility for a lot of communities, to make a comment on that in relation to contracted auditors versus QAO staff?

**Mr Galvin**—I would agree substantially with what the Auditor-General has said. I think that we have the internal audit process, which is more in line with assisting the councils to go through their practices and rectify problems that they do have.

**CHAIR**—Is this internal or external financial audits that you are talking about?

**Mr Galvin**—I was trying to make the differentiation between the Queensland

government's external audit and we then have contractors who go in and do internal audits. I would not have thought that it was the Queensland Auditor-General's job to teach and assist the councils. It is definitely the internal auditor's job to do that. I think that you should make the differentiation. Maybe the councils are confused on that matter.

**CHAIR**—Mr Anderson wants to make a comment.

**Mr Anderson**—I agree with both of the previous speakers. The councils are probably confused about the nature of the external audit and what the external auditors are there for. They have had and they do get a lot of support and a lot of auditing—certainly the island councils have had a lot of auditing—by internal auditors and then follow-up support from either people from the same firm or others who have been assisting with training. It is entirely possible that when the Queensland Audit Office or its appointees come into a council, the council is not sure quite what they are there for and certainly does not appreciate the rush and lack of assistance and lack of training.

**CHAIR**—So is there a communication problem as well?

**Mr Anderson**—There should not be, Mr Chair.

**Mr Rollason**—Mr Chairman, if I could answer that? There really should not be a communication problem and there really should not be a misunderstanding, either. However, I accept the fact that there could well be. We explain it to them in writing, which is the formal way we do it with any auditing. These people have seen me many times. I have been to Thursday Island and I have been to Cairns to talk to the coordinating council, which is talking about the external audit role, and all the representatives from the various councils are there. I just do not really understand the strength of what you are talking about.

**CHAIR**—It was not so much the people in Cairns and Thursday Island; I am talking about the people out at Darnley, Saibai and Palm Island.

**Mr Rollason**—Yes, but those people are at the coordinating council meetings when I have been to Thursday Island to talk to them. They know what the external auditing role is about. I would agree with David: it is not the role of the external auditor to be the teacher and the fixer of things but sometimes they think that that is what it is. I think that is where some of the misunderstanding may lie.

**CHAIR**—Do you see more of a role in the future for providing advice in those areas as, you said, the fixer or the adviser?

**Mr Rollason**—Again, there is a price in all of that. You would have to really look at what package of assistance you really want to be given to these people. The Goss government introduced a fairly significant training program, then we went to internal

auditing and now we have CSOs and there are other consultants assisting people. You throw in internal auditing and ask, "Have they got to do some work?" I think that you have to get it right as to what is really the best mixture. Personally, I do not believe that it is fit and proper for the external auditor to get too involved in training and setting up systems—all of that sort of business. That is an absolute contradiction of the role of external audit, because we would end up auditing ourselves. We would put in systems, we would write up the books and then come along and audit them. That is quite a contradiction to the whole of the auditing principles. So I do not really see the role of the Auditor-General going too far.

In contradiction to what you might have had said to you, and I am not sure I know what they said, we are on the receiving end. Currently, Ray Brown is the director in charge of this whole area in our place. We give out an awful lot of assistance and help. After one Aboriginal Coordinating Council in Cairns, I made the offer to prepare, and did, a check list type of thing that they should go through and ready themselves and prepare themselves for an audit. I do not know: we sent it out all right; I do not know whatever happened to it after that. We really do a lot of things, but there is a limitation and you have to make sure that the roles do not get muddled.

**CHAIR**—Mr Brown? What happened to it? Did it all go away?

**Mr D. Brown**—Mr Chairman, I could offer the comment that we have noticed that some assistance is provided by external auditors to community council staff probably beyond the scope of the audit contract. Of course, as far as internal audit is concerned, we have a much wider commission than the external audit. We can penetrate areas beyond which the external audit can. In the context of this focus, one of our main tasks is to provide an internal control mechanism for the external audit. If an external audit views the internal audit process as quite satisfactory, of course, that will contribute to a lessening in the time necessary.

**CHAIR**—Can you just go back and explain? I did not understand what you just said. An external process for the internal? What does that mean?

**Mr D. Brown**—Internal auditors act as part of the internal control function for the external audit process. If the work of the internal auditor is tested by the external auditor and proven to be quite satisfactory, then the time devoted by the external auditor to that particular aspect of the audit will be reduced. So in that sense, they relate.

**CHAIR**—Thank you. Now I understand. Yes.

**Mr D. Brown**—To that extent, internal audit and external audit relate in the business of conducting audits. As I said, the internal audit has a much broader commission, if necessary, to look at areas which are quite beyond those of the external audit process.

**CHAIR**—I just want to touch on one other subject before we move on to the other areas. In relation to the reporting requirements and the timing issues for acquitting back to the funding authorities, there seems to be a number of different time frames and calendar dates which are required. The Department of Families, Youth and Community Care has 13 separate application processes and ATSIC has a number of different funds. Do they all run on the same time schedules? Are they all due to be acquitted on the same days? Do you require the bank statements as at the end of April, May and June? The advice that we have was that they spend the whole time every end of the month for one different grant, even from the same agencies, to be acquitted, prepared and submitted and then at the close of the next month, there is another grant from the same agency. Can you comment on those please, Mr Wauchope or Mr Baldwin?

**Mr Wauchope**—In terms of the actual overall operation of the council with what we call their state government financial aid fund, which is their main operating account, it is fine——

**CHAIR**—Which council is this?

**Mr Wauchope**—For all the 31 councils. That is fine in terms of the audited financial statement at the end of the year in the time period that we get it. In terms of other reporting requirements, we rely as much as possible on the material the councils do for themselves. So it should not be a problem for them. When we require a quarterly return, all we want them to do is to send us basically the information that they have assembled for themselves.

**CHAIR**—Do your quarters close as at 31 March and 30 June? The standard quarters?

**Mr Wauchope**—The standard quarters.

**CHAIR**—I put the same question to Mr Schnierer or Mr Allmark. Is it the same approach at the federal level at ATSIC?

**Mr Allmark**—Yes, much the same approach. Under our current procedures, we require a quarterly statement and we require an annual financial statement. Our acquittal processes are based upon the audited annual financial statement. Under the new grant procedures, which we are implementing, depending upon risk assessment there is some degree of manoeuvrability as to when those periodic financial statements may be due.

**CHAIR**—That is annually at the moment, is it? Or is it quarterly?

**Mr Allmark**—Quarterly.

**CHAIR**—Is that 31 March and 30 June? So it is the same?

**Mr Allmark**—Yes, and we require them to be within two weeks of the end of that period.

**CHAIR**—That seems at odds with the information that we have had in the past. I accept it, but maybe there are a lot of other agencies as well that require it at different times. So I am glad that we have cleared that up. That was a point that was raised. Is there anything else on this area that you would like to ask? Shall we move on?

**Mr Anderson**—For the benefit of the committee, I would just like to touch on the subject of the Solution 6 package, which some councils apparently want to go back to. The reason that is being phased out is that it is no longer supported. It is a package that is dependent upon hardware configuration within computers. Since computers have now advanced way past the earlier forms of chip, in modern machines that package will not run. So there is no software support for it and the hardware support is rapidly diminishing.

**CHAIR**—Thank you. We would like to move on to the third section of the issues paper, which is in relation to identifying opportunities to improve support.

**Mr Opio-Otim**—I would like just to draw your attention to your No. 7, which I do not think was covered fully.

**CHAIR**—Appropriate styles of reporting and increasing the focus on outputs? Yes?

**Mr Opio-Otim**—Up till now, one of the major assumptions that we have made is that the financial reports that are given out tend to summarise the total picture of what goes on in a community. There is a big danger of excessive reliance on figures when other important and significant variables are being neglected. It is quite possible for a community to get a clean audit report, but events unfolding in that community may not necessarily attest to a positive improvement in the quality of life. To a large degree, a lot of the reporting is being done to meet the requirements of the sponsoring agencies, but in my opinion the time has come for the reports to be comprehensive enough to give the population of a community a better report of what is taking place. There may be a need to begin to offer different styles of reporting to different agencies, which will tend to focus upon the interests of each of the different agencies.

Ultimately, we should move away from an input emphasis, which is the current trend, towards benefits. The current reporting technique that is being employed in many community councils greatly emphasises input analysis and not output analysis. That is the tragedy that will continue to flow through a number of systems until such a time when the architects of this program begin to look at things much more objectively from the outward point of view.

**CHAIR**—Do you endorse a more holistic view of a community in terms of being audited or in terms of its achievements, rather than just whether it has the financial tick in the box? You would look at infrastructure development and the standard of living in the community as opposed to where the money has gone?

**Mr Opio-Otim**—That is what I am saying, because under section 20 of the Community Services Act, the government could very effectively use the results of financial accounting to dissolve a council when, in fact, there could be other brighter signs taking place in the community. We need to be a bit careful when we put excessive emphasis on figures at the expense of some other important variables that also measure success in communities.

**CHAIR**—You advocate more of a risk-management approach when auditing communities and less of a prescriptive approach?

**Mr Opio-Otim**—I would be tempted to go with a more prescriptive analysis than just a quantitative analysis of the results.

**CHAIR**—Can the Queensland Audit Office give an opinion on that, please?

**Mr Rollason**—I would agree that undue reliance on a set of financial statements certified by an external auditor would not always suffice or may never always suffice for a grant provider, because the auditor is not certifying that the building is sitting upright or that the water is flowing out of the tap, or whatever. The auditor is saying, as best as he or she can determine, that if they were given \$10,000, or whatever sum of money it was, it would appear from the records that the money was spent for that purpose. By and large, that is all that the auditor is saying. 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 Peter is saying, and a move to another form of support mechanism to satisfy the grant providers.

**CHAIR**—How do we get there?

**Mr Rollason**—The grant providers have their own regional offices and facilities and can satisfy themselves that in the last quarter, or whatever, \$100,000 was given to such and such a place. They can progressively monitor the construction of whatever it is and see that the money is going to the right place. Sitting back and waiting for me as the Auditor-General or whoever to come along 12 months later and say, "Well, it looks as though \$99,999 has been spent" is not an entirely satisfactory way of acquitting.

**CHAIR**—This is the crux of one of the problems that I have in my mind. The process that you have just outlined is exactly the process that I remember from a number

of communities, and I am sure I can drag the relevant transcripts out. They wait until a representative of the audit office or a contractor comes in to highlight a problem, and inevitably it will be only a financial problem or a finance issue. It does not matter whether the community is in dire straits or if it faces big problems. So long as it can get the tick in the box and get a clean, unqualified audit, it seems to me that no-one worries.

We went to a number of places that had no qualified audits and that, on the whole, were operating marginally. I suspect that other places were not as developed and had lesser opportunities. They were not as well run or managed, but they had clean audits so no-one really focused on their activities. I agree with Mr Opio-Otim on taking a more holistic approach. Some of the communities which are running well have bad qualifications and a lot of them challenged audit findings or said that they had been rectified. It is necessary to find a balance and a broader approach when looking at communities as whole.

I see Mr Wauchope nodding as well. Do you have a comment to make, because most of the agencies are actually funded from your department?

**Mr Wauchope**—I guess that these days there is a much broader range of funding agencies. Setting that aside, yes, the problem that Mr Opio-Otim identified is a real one. I have rarely seen a situation where a community is operating well once it gets to the point where an audit opinion is disclaimed—that is, the audit office cannot form an opinion. However, I agree that there are times when a reasonably minor qualification requires some effort to be fixed and where the community is functioning well.

The department and a whole range of people are looking at the outputs. We are looking at what you actually achieve as a result of your expenditure. That is the path we are going to have to head down so that we find out what is actually done in terms of the money that is spent.

**CHAIR**—I would move away from the prescriptive financial auditing process and ask the Auditor-General: is that a requirement of a change of your act?

**Mr Rollason**—I think you are talking about performance auditing. We have the power to engage in a certain form of performance auditing that, I must admit, we have not bothered to extend into the audits that we are talking about at this stage, simply because, although there is some improvement, we are still largely confronted with poor basic accounting for the moneys. At this stage we do not think that going much further would be worth while. It could be looked at in the future, but we are treading very carefully with it at the moment. We cannot impose that on the councils at this stage of their progression. We heard earlier that they seem to be drowning in auditors of all shapes and forms. To impose something more on them might be the straw that breaks the camel's back. That is why we have backed away at the moment.

**Mr MALONE**—I ask the general forum: evidence presented to the committees in our travels throughout the communities would seem to indicate that they would benefit from additional or improved training, particularly in financial administration and accountability concepts. Would anybody like to comment on the specific areas where an increase in that type of training could be targeted to ensure an improvement in financial accounting? Secondly, given factors such as the remoteness of communities and staffing turnover, what types of training would you consider appropriate in the circumstances?

**Mr Galvin**—The program that was undertaken by KPMG and Paul Chadwick in the Torres Strait has come to a conclusion. We collectively reassessed that training and came to the conclusion that a better form of training would be to ensure that qualified people are with the staff on the islands full time. Those people would not only do the financial work but would also train the staff to eventually take over from them. There are two issues. Firstly, we need good quality housing to attract people to the islands and to keep them there. Secondly, from our collective point of view in the Torres Strait, it is not as effective to have trainers who come and go as it is to have somebody who is dedicated to training the staff and who is also the financial administrator. Now when we advertise for positions, we advertise them on the true criteria. We look for somebody who has the financial capabilities to look after the council and can also pass that knowledge on to the local staff. The problem with bad housing and so on is that when qualified indigenous people go into the communities, proper housing is not available for them and their families and, therefore, they cannot establish a career path. There are two points: we really need dedicated housing for financial advisers and they have to be capable of training the staff to eventually take over the job.

**Mr MALONE**—Peter, would you like to comment in relation to that?

**Mr Schnierer**—Obviously ATSIC's special focus is the introduction of the new grant procedures. We are going to implement that progressively over the next two to three months. A fairly large component of training of our own staff is involved, as well as providing ongoing advice to organisations about the various processes in our grant cycle.

In terms of organisations specifically, we are looking at a two-pronged approach. Since the last time we talked to the joint committee, our board has decided to reinstate a national training program that will be directed specifically at directors and senior managers of indigenous organisations and will focus on business management, planning and administration. We are currently getting into that through resource allocation and it is, I think, a good step forward. That is our long-term objective and we hope it will unfold in the second half of this financial year. Obviously over the next month or two we will be trying to draw together the representatives of organisations for training on our new procedures and our new approach to grants administration. We think that that is a fairly comprehensive approach and obviously we have taken a step forward from where we were at previous hearings.



**Mr MALONE**—Does anybody wish to comment about any process for delivering that training in a better way? Peter has a view on that. Are there any other views? Mr Anderson?

**Mr Anderson**—I have a comment about training in the island councils as it affects the Torres Strait. Our view is that training has to continue for all time. It is not something that you wheel in, deliver and wheel out again. The job will never be done completely, because there are routine changes of staff in all councils. Every three years, you get at least some changes in the councils themselves. Each of those factors generates a training opportunity. Training has to carry on forever. In terms of its delivery, we were pretty happy with what was delivered in the first three years. We looked at a range of structured modules to be delivered either to the councils themselves—the chairpersons and councillors—or to the staff. Those were pretty basic sorts of modules designed to get certain messages across. We now think that that was probably a little too structured, although it was necessary at the time. We are now looking to give the councils more say in what is delivered to them and who delivers it. But as David mentioned earlier on, a key feature is that wherever possible if we can find a properly qualified person—an accountant who has also done training in an indigenous community—we grab them with both hands. But they are very rare.

**Mr Opio-Otim**—To a large degree, a lot of the training that is currently being conducted on the community councils has been in response to poor financial management practices. But if we take the issue of training a bit further to its logical conclusion, that is, as a basis to build the skills base for the community so as to ensure future prosperity, I think training should begin to move away from just reacting to short-term, intermittent problems and towards building the longer term base for the future of the community. We would very much like to see a redirection of training 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. We are not actually undermining the efforts that are being taken right now to improve financial accountability. However, in the long term, if the issue of self-management is to have any meaning at all, it must be based upon skills. We would very much like to suggest to the committee today that 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. For the benefit of people today and tomorrow, the sooner that this emphasis on counterpart training is embarked upon the better.

**Mr MALONE**—Who do you see providing that training to the general community? Would that be through an extension of TAFE, through a private provider or through a government agency?

**Mr Opio-Otim**—We have had some informal discussions with Jim's office. When the review was done, we were hoping that stage 2 of the Financial Accounting Improvement Management Program will see the project extend its frontier towards "upskilling" the communities. We are hoping that at that point we could agree about what agency would be responsible for carrying out that type of function. But in the shorter term we would very much like to see a situation whereby every non-indigenous person employed in the community has a fairly strong component of training prescribed in his or her duty statement. There must be a system that regularly monitors that these persons are transferring their skills across to their counterparts.

**Mr SOMLYAY**—The Queensland Department of Families, Youth and Community Care employs community service officers—CSOs. Do you regard CSOs as a successful initiative? How has their introduction improved council administration and community life?

**Mr Wauchope**—In September of last year, the department appointed 12 community service officers on a two-year basis. Their terms will run until September 1998. In relation to the philosophy behind the appointment of the CSOs, you had a system that had some elements of training and internal and external audits. However, from the department's perspective, we felt that there needed to be 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. I have to keep reinforcing that position to them and others. It is absolutely of no use to us if they duplicate the internal audit process. They are there to work in conjunction with the councils on a strategy for overcoming the problem. Very soon, we will be reviewing how effective they have been. One of the key indicators will be the next audit outcomes, which will start to flow in very shortly.

**Mr SOMLYAY**—From ATSIIC's and the TSRA's point of view, would there be value in having formal liaison between the CSOs and your organisations?

**Mr Allmark**—We see the introduction of the CSOs as being a very positive step, because in the past where we have identified problems within a community we have had difficulties in being able to address them. There has not been a mechanism. It is not our council. We do not have the right to go in to try to address any problems they may have. We felt that the introduction of CSOs was a positive step. The liaison between the CSOs and our own people has been mixed. In some places it has been very good. In others it has been less than we might have hoped for. That is a matter of people coming to address their roles. It has been in place for only a year now. That has been very much an individual thing. Some people have taken a little while to get into their roles. Some of our people have been unsure of precisely what the roles of the CSOs may be. That was helped very much by a joint meeting which we held just a few months ago at which the CSOs and our operational people got together over a couple of days and worked through what

their respective roles were and how we might go about our business. We felt that was very positive.

**Mr Galvin**—We would agree with the statement from ATSIC that it was a positive move on behalf of the state to have the CSOs. Certainly, it has assisted us in the Torres Strait. We do have formal mechanisms in that my project officers meet with the CSOs on a six-weekly basis. That has proven to be good. We have come to an agreement that we share information, and not just at the six-weekly meetings. If one of my staff were to find out that there were some difficulties on a community in relation to state government matters, we would ring the CSOs and inform them, and vice versa. We are finding it a good arrangement and look forward to strengthening it.

**CHAIR**—I was just commenting to the chair of the joint committee in relation to a point that struck me when I was listening to Mr Wauchope. I heard the ACC say that we should look at a more holistic approach—auditing, procedures, financial management and things other than finance. I heard the audit office saying that there are opportunities to do that as well. I have heard that said often. I just heard a comment that the CSO initiative has been applauded by ATSIC and the TSRA. I also heard a comment that the success of the CSOs will be judged by the number of qualified audits.

**Mr Wauchope**—The number of unqualified audits. That is just one indicator. There would be a whole range of things that the CSOs might improve. But it is true that—and I would not purport to mislead people—as the Auditor-General said, we have to get the basics right. You have to have that sound starting point before you move on. It is true that it is generally their priority to get that right. That does not detract from what Mr Opió-Otim said. You then move on from there. But we are always going to be struggling while that basic accountability is not fixed.

**CHAIR**—I have been the chair of the PAC for only about four or five months. I am told that these problems have been around for five or six years. Is that right, Mr Rollason?

**Mr Rollason**—The Auditor-General first reported, I think, in 1985.

**CHAIR**—Can you give us a brief history.

**Mr Rollason**—It has been around for roughly 12 years. It is mixed. We sometimes find rays of light and then have them dashed. I think that is what some people are saying. You really have to concentrate on training. As Mr Anderson was saying, it is not something that you turn on and off like a tap. You have to keep wearing away at it. That is what we have seen. There has been a vast array of programs from time to time. They have produced some benefits and, all of a sudden, funds are withdrawn for one reason or other. We have seen that happen in Queensland, and the Auditor-General has reported that to the Parliament. When that happened, there was a very big downward slide. At the

moment, we are on a bit of an upward slope and are starting to see the benefit of the various initiatives of governments over the past three years in this State through training, internal audit, other consultants and this last venture of the government—the CSO initiative. We are also seeing that it has some advantages.

**CHAIR**—Everyone else has commented except for the ICC. Do you have a comment about the CSOs?

**Mr Anderson**—We are really happy with the arrangement. The CSOs provide a very regular monitoring function and get out to the councils sufficiently often to be able to identify problems as they are arising. I think in that regard it is a big plus.

**Mr GRIFFIN**—During our travels, we detected confusion about the role of internal audit. For example, should it be an auditing service only, or should it also provide guidance to councils on better practice and training? That question is similar to that which we were discussing before in relation to external audits. Is there a need to clarify that role and to develop a better understanding amongst councils of the role of auditing services, internal as well as external, and is there a value in providing more resources for internal audit to increase its impact and to improve that educative role within councils?

**Mr D. Brown**—In the ACC, we operate with limited resources, but we would prefer to expand our internal auditing services in a number of ways. Internal audit has a very broad commission which extends, as I said, well beyond looking at financial reporting and quality financial management. We should be looking at things like performance auditing and operational auditing—as internal auditing is becoming referred to currently—as well as looking at community benefits, community outcomes, management efficiency, system efficiency, the quality of training, the standard of staffing and a whole range of issues which can fall within internal audit focus.

We have moved to take some steps to improve our internal auditing techniques. For instance, we prepare audit plans and we insist on entry interviews at council level to make sure that council members are familiar with the standards and concepts of internal auditing and what issues will be brought under internal audit scrutiny. We insist on external interviews at the same level to cover all of the issues which we have studied and provide recommendations, if possible, at that time.

**Mr GRIFFIN**—Exit interviews?

**Mr D. Brown**—Exit interviews, yes. Sorry, what I did I say?

**Mr GRIFFIN**—I thought you said external interviews.

**Mr D. Brown**—Sorry, exit interviews. We also feel that there is a need for more time to be spent in conducting internal audits than has been spent in the past. It seems that

the time allocated for internal audits has been predetermined and that is set; you must operate to that particular time constraint. So we are looking at expanding the time spent on internal audits.

We are also looking at how internal audit can be supported locally within the council through mechanisms such as audit committees whereby perhaps a member of a council takes responsibility for chairing an audit committee which can follow up on matters raised by both external and internal audit and carry these forward to resolution. We are very anxious to try to bring into the internal audit establishment within the ACC audit cadets who are indigenous people. We feel that that would be a very positive step. I believe in the Torres Strait that may have been commenced through Price Waterhouse and some of the accounting firms.

**Mr GRIFFIN**—You say that you are planning on it?

**Mr D. Brown**—We are planning on it, yes. Funding again is a constraint, but we have had some very positive responses from DEETYA which may be interested in giving us some money for that sort of initiative. There are areas where internal audit standards can be improved. We must be careful to preserve the independence of internal audit. We certainly would not see internal auditors embarking physically in the training arena as trainers, but we would certainly be able to recommend and advise on training programs and the design of training components which would deliver to councils a more skilful staff resource.

**Mr GRIFFIN**—The conduct of internal audit basically is a training mechanism in itself, I think.

**Mr D. Brown**—It can be interpreted that way, yes.

**Mr GRIFFIN**—If it has been done properly.

**Mr D. Brown**—We would hope so. We would hope that our efforts are beneficial to improving skills within the community, yes.

**CHAIR**—Does anyone else want to talk about internal audit?

**Mr Anderson**—Three years ago we established an internal audit process for the island councils with the understanding and acceptance of the councils. In that, we appointed two major accounting firms to carry out the internal auditing. Since then, we have come to the end of that first three-year period and we are now embarking on the second triennium. We have taken the view that the councils were probably overaudited in the first three years. They generally received at least two and sometimes three audits in the course of a year in addition to the external audit by the Queensland Audit Office. We have taken the view this time around that the councils will still be required to have at least

one audit, but we propose to give them some choice over who they have to do the audit and when they get it done.

One of the rationales for having the audit and training done by the same firms was to ensure that, 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. This time around we will still look at having the audit function, but give the councils greater choice as far as who delivers their training and what is delivered to them.

**Mr D. Brown**—Could I just make a final comment? In relation to our own internal audit processes, the Aboriginal council accounting standards require one visit per year to each council. We certainly will aim to discharge that obligation. It has the practice to routinely provide more than one visit to the same council. Getting back to risk management and these sorts of issues, we will be looking at the reporting on the first visit in relation also to the reporting by the external audit on that particular community. If the signs are healthy, of course, we would consider not returning to that particular council in the same year, but concentrating our efforts and focus on those councils where there is a higher level of risk detectable within the accounting systems.

**CHAIR**—Is that the same for ICC?

**Mr Anderson**—Under the FAIP guidelines, yes, the emphasis will be on those councils that need it rather than those which do not.

**CHAIR**—My question is: in conducting internal audits and going out to the separate communities under their own internal structures, if the ACC and ICC find issues of difficulties, do you provide that information back to ATSIC and to the Department of Families, Youth and Community Care which are the two primary funding agencies?

**Mr D. Brown**—We report within the financial accountability improvement program steering committee.

**CHAIR**—That is not what I asked.

**Mr D. Brown**—I am sorry. Could you ask the question again?

**CHAIR**—Do you report back and give that information direct to ATSIC and to Families, Youth and Community Care? When doing an internal audit, when you are out there in the communities regularly looking at the issues, if there is a problem do you bring it back to the funding bodies?

**Mr D. Brown**—Our principal client is the council. Our first reporting destination is to the council itself.

**CHAIR**—Is that a decision of the council as a group, whether they provide any anomalies or problems that were highlighted back to ATSIC? Is that the way it works?

**Mr D. Brown**—I am not sure what the role is with ATSIC in relation to the council or internal audit.

**CHAIR**—Assume you have gone to a community and you have found a large problem. What happens?

**Mr D. Brown**—We provide a report to the council and we also provide a report to the funding body, which is the state department. The council is responsible for picking up these problems and developing solutions to these problems through the assistance of people like the CSOs, I guess, and other help that might be provided.

**CHAIR**—Is that prescriptive in an act that you must report back or is it a decision of the ACC that if you have found a problem you should go and tell DFYCC in Queensland and ATSIC or whoever the funding authority is?

**Mr D. Brown**—It is certainly not prescriptive in an act.

**CHAIR**—So it is a decision of the ACC at a meeting?

**Mr D. Brown**—Yes, I guess it would be.

**CHAIR**—So if you find a funding anomaly, problems or issues that you think warrant concern, you report back to the ACC at a meeting and then they decide what to do with it—whether or not to report it?

**Mr D. Brown**—The ACC is the contracting body for the client council. The ACC will provide a report to their council highlighting these anomalies. These anomalies will also be discussed in the FAIP steering committee arena, and ways of assisting councils to address these anomalies and difficulties will be developed in consultation with them, I would think.

**CHAIR**—But there is nothing in a statute that says that you have to highlight these problems?

**Mr D. Brown**—The only statutory requirement is that each council will have an internal audit of its affairs once a year.

**CHAIR**—It just seemed to me to be a little more convenient, I guess, for people like the Queensland Audit Office whose job it is to audit these communities, if you have already been in there looking for problems as well if you were bound by statute to supply that information to, say, the Queensland Audit Office. Would you care to comment on

that?

**Mr D. Brown**—As far as internal audit is concerned, we provide advice to any organisational party who feels that they will benefit from receiving that advice.

**CHAIR**—I am just trying to get an understanding of the process.

**Mr D. Brown**—Certainly a statutory requirement would impose an obligation for internal audit to do these things, yes.

**CHAIR**—Is that overkill, is it?

**Mr D. Brown**—It may well be an overkill, yes.

**Mr Wauchope**—If I can just comment, I think it is a difficult issue. If I looked at it from the point of view of the department, I would say: yes, let us——

**CHAIR**—I look at it from the point of view of the taxpayer.

**Mr Wauchope**—You will then have to deal with the issue of: should that same consideration apply in respect of all the internal audit services in local government, that is, that the internal auditor should then report to the Minister for Local Government? I am not detracting from the merits of what you have said; I am simply pointing out that there are other issues that have to be taken into consideration before you reach that conclusion; that is all.

**CHAIR**—I am a pretty simple soul. If the internal auditor goes into an area and finds that there are glaring problems with a stream of funding which has come out of a particular department and reports it to the ACC—and I suppose exactly the same applies to the ICC—should there not be some requirement that they provide that information to either the audit office, if they want to keep it independent, or back to the granting authority? I am not getting told here that there is. It seems to be at the discretion of the people who find the problem. I want to know. I want an answer, please.

**Mr Opio-Otim**—Basically, what happens at the ACC is that we have got a committee under the FAIP that meets regularly. This committee comprises the ACC, ATSLA, ATSIC and the Auditor-General's office. Many of these internal reports are ultimately tabled at our meetings. Then at this meeting discussions are made as to what needs to be done to tackle the problem. So there is some element of coordination amongst the different agencies in looking at reports from the internal audit unit.

**CHAIR**—Mr Galvin, can you help me here?

**Mr Galvin**—I do not think we would need a statutory requirement for that to be



provided. I think we basically do that in the Torres Strait at the moment through our meetings every six weeks. Also, as Peter has just said, the internal audit report is presented to the financial improvement committees and then those issues are discussed and action will be taken to rectify any great problems. I do not think there is a great danger in the funding agencies not having information to act on through the internal audit process.

**Mr Rollason**—If I could just clarify your concerns, a copy of the internal audit reports from the ACC and the ICC do come to the audit office. They do not come by any statutory requirement, they come by a gentleman's arrangement as we get most internal audit reports from any statutory entity through the access powers of the Auditor-General, but we do get those. We feed them back into the external audit process. The contract auditors are made aware of the problems that are detected by internal audit.

**CHAIR**—That is where I was going to. Thank you. I will call a recess for 10 minutes.

### Short adjournment

**CHAIR**—We will now commence the final session for this afternoon. The session is concerned with identifying opportunities to improve the timeliness of the grant process, including initial grant processing and attention to acquittal requirements by councils. We will also consider the current incentives and disincentives for councils to meet timeliness requirements. Before we commence this session, I will ask all the agencies whether anybody would like to make a submission or a two-minute lead-in statement. No? Okay.

As we have travelled around we have had a lot of people express concern in varying degrees about the entire grant process. These concerns have obviously covered areas of timeliness and the application process, releasing of funds by the fund providers and periodic reporting by the councils. Problems with the external audit have also been presented to us as a committee. As to the underlying factors in relation to the time concerns for the funding and the stages—I spoke earlier about the acquittal process where they were reporting back. But it is even a problem with the application. The grants seem to fall due—when you can apply for them—haphazardly throughout the year. You have 13 of them under your control. We might go to Mr Wauchope again.

**Mr Wauchope**—Yes, there is a degree of haphazardness, I guess, for want of a better description, in relation to applying for some of those funds. However, the key core financial requirement for the council is always met in relation to the fact that they do not have to apply. They can apply for extra, et cetera, but there is no issue of timing in relation to the funding for basic core services. They get them on 1 July, 1 October, et cetera. It is not an issue there. Where it is an issue is when they apply, along with a whole lot of other people, for one-off grants in a range of programs. There would be variations in terms of time there. I do not think it is a major issue. If you get it, you get it, and if you do not, then it just means that you do not undertake that particular project. Having

said that, we are certainly now trying to look at a system that says, "Let's get all our office grants dealt with in the period between September and December."

**CHAIR**—This is part of the review of the DFYCC's total grants package?

**Mr Wauchope**—Yes.

**CHAIR**—You are reviewing everything at the moment, are you not?

**Mr Wauchope**—Yes, that is right.

**CHAIR**—I think there are 2,000-odd grants for \$176 million across all agencies of your department.

**Mr Wauchope**—Yes, that would be about right.

**CHAIR**—Is that your area, Mr Baldwin?

**Mr Baldwin**—No, it is not really my area. We just happen to know, through our involvement with the departmental review of its grants processes, that they were the figures involved.

**CHAIR**—You spoke about 12 or 13 grants in your answer. What is the size of your program?

**Mr Wauchope**—In those 13 grants programs I would have to give you the——

**CHAIR**—A ballpark figure.

**Mr Wauchope**—It would probably be around the \$120 million mark, but I would want to check that, because some of those programs are not specifically in our area. I will come back to you with the accurate figure.

**CHAIR**—So it is \$120 million-odd to 37 different council-type communities plus a lot of other organisations as well?

**Mr Wauchope**—Yes, that is right. That is the key factor. The STFAs, which we described before, is exclusively a council funding system. All the rest are available in our area to indigenous people in general. In the other areas they would be available to a range of organisations, both indigenous and non-indigenous, across Queensland.

**CHAIR**—What percentage of emphasis do you put on the acquittal process? A lot of it goes into checking out all the people who submit grants and the different ways that they submit grants and who is who. What is the process of acquitting them? How do you

know that it is all getting to where it needs to go?

**Mr Wauchope**—Essentially by following it up and checking that we have the financial returns. We also ask people to report on the actual outcomes. So you would be looking to what happened. I would not say that we do that in 100% of cases in terms of actually making an assessment of each and every project on an annual basis, but we get the financial returns and then we do a review of a particular program and proceed down that path.

**CHAIR**—So you require annual audited financial statements signed by an auditor?

**Mr Wauchope**—Yes.

**CHAIR**—How do you know if you do not have them? What process do you have in place?

**Mr Wauchope**—We have a grants unit in our department.

**CHAIR**—Is this a card system or a you-beaut computerised system?

**Mr Wauchope**—It is a computerised system.

**CHAIR**—Not all sections of your department have it on computer, I believe.

**Mr Wauchope**—It would take me too long to explain it. There is a system that they call Mark I, and SAP 3, et cetera. I am not 100% sure just how they all interact. All I know is that we have a system that ensures that we know when our grants are being properly acquitted.

**CHAIR**—There were two parts to your answer. The first part was that they apply on those set dates. So you release your applications on set dates, unless it is a one-off issue; is that right?

**Mr Wauchope**—That is basically right. It varies from time to time.

**CHAIR**—The other part was the releasing of funds. You mentioned that the funding comes out on those set dates. Are there occasions when you will not release funds?

**Mr Wauchope**—Very rarely in terms of the funds for the core services. That issue has been debated back and forth.

**CHAIR**—When you say "core services"——

**Mr Wauchope**—It is basically the money for providing the water supply, collecting the garbage and maintaining the roads.

**CHAIR**—So they are the core services. What about the ancillary services?

**Mr Wauchope**—We generally would not distinguish, because the other part of the funding covers community police. We would be most reluctant to withdraw the funding for community police. It would be very rare that those funds would not go out.

**CHAIR**—Very rare?

**Mr Wauchope**—In fact, I cannot think of a circumstance in which it has not happened. They may be late at times. At other times we have responded by releasing them early. But I would have to say that as soon as we are requested to release funds early, it is an automatic warning signal to us that something needs attention.

**CHAIR**—So your funding goes out in four streams, does it? Would you just explain that?

**Mr Wauchope**—It is what we call funding for local government services. We do not specify that you have to spend X on your water supply or X on your garbage collection. We provide that baseline funding to the councils. They will add to that from the revenue that they collect from houses. Some of them will have a system of levies. They cannot actually rate the land, but a number of them do have levies that cover their service charges. They then operate in a similar fashion to other local governments. They formulate a budget which includes our core funding and their other revenue, and they provide their services on that basis.

**CHAIR**—Are you responsible, or is ATSI housing responsible, for the management of the collection of rents on the homes? Who has statutory responsibility?

**Mr Wauchope**—The councils themselves have statutory responsibility.

**CHAIR**—A number of problems have been presented to these committees in this area about the collection of rents and back rents and issues in that area. Is there someone from the state who manages or monitors or looks at these issues?

**Mr Wauchope**—Yes, we would do it collectively. It would be an issue for Alex in his role in the housing area. The ACC would be interested because of the impact that it has on the council operations. We have an impact. Once again, it makes it difficult for the council to function effectively with those back rents.

**CHAIR**—I will ask the same question then of ATSIC in relation to the releasing of funds. I suppose you are now putting everything into your one box in your new system,

are you?

**Mr Allmark**—I might answer that. We have one application period during a year, that is, October/November, when we call for applications for the entire range of our funding. Provided the program is approved, funds are released quarterly, as they are through the Queensland system. We have only one application period during the entire year, except for a couple of minor programs, and that is for national funding for economic activities.

**CHAIR**—Are there any times when you would not release funds?

**Mr Allmark**—Yes. If they are in breach of any of our grant terms and conditions we cannot release funds except under delegation. If the delegations have been exhausted we will not release funds at all.

**CHAIR**—Out of those two prime agencies of the people who issue the funds, is there any way of speeding up the process? You are streamlining your process. Is there a way we can do that at the state level as well?

**Mr Wauchope**—In terms of the way in which we process the one-off grants, yes, we could look at how we could speed up that process. But in terms of the core funding, it could not be made any faster.

**Mr SOMLYAY**—Can we go back to internal auditing? Internal audit certification of financial statements has been suggested as one way of improving the timeliness of the grant process. I ask the ACC and the ICC, as organisations responsible for providing internal audit services to councils, to comment on whether this is appropriate.

**Mr Anderson**—I will just read from the comment I made in the ICC submission, "If internal audit results are to be relied upon by funding agencies, then the nature of the work undertaken at internal audit will need to be very carefully defined. Some agencies have reviewing officers monitoring the activities of the council on a regular basis and others do not seem to bother at all." It would really come down to the funding agencies to decide what the nature of the internal audit would need to cover in order for them to be satisfied that they could acquit grants that had been provided to the council.

**Mr D. Brown**—Internal audit could certainly provide certification if that were the direction in which the government wished to travel. Under the present circumstances, of course, there is a limitation by section 32(d) of the Community Services Act which gives exclusive right to the Auditor-General to provide certification on the financial statements of a council.

In relation to speeding up the process, you would have to look pretty carefully at whether that is a solution. It would probably mean a concentration of personnel at a

particular time of the year to try to provide certifications fairly quickly. Considering that the act allows these councils a 31 August cushion before they are required to finalise statements, you are looking at two months into the financial year before anybody can get to the starting line, really, if councils wanted to delay the preparation of the statements. So it is a question of whether that would really speed up things. It would certainly need a concentration of people at a particular time of the year, say, the first week in September, to try to achieve any benefit.

**CHAIR**—Does anybody else want to comment on that? Mr Auditor-General?

**Mr Rollason**—Mr Chairman, I would agree with what Peter Anderson said. It is really a matter for the provider of the funding to determine the degree of certification that they want. I come back to the comment I made earlier about the battle royals that the Auditors-General around the country have had over all of this. It is true that not all Commonwealth agencies—and I am talking about Commonwealth agencies now—require the Auditor-General to sign his or her life away as the only means of acquitting the funds. They have some quite lesser requirements. It is also true that—and we are talking about state instrumentalities—no-one else has power to certify to the accounts of those agencies other than the Auditor-General of the state.

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. Again, I think that it comes back to what the provider would be prepared to accept. That would speed up the comfort zone. I do not know whether it satisfies the Commonwealth requirements about its acquittal procedures.

All this seems to me to get around to this one irritating problem, which is about satisfying some acquittal process at some particular point in time, which we really turn cartwheels over. I am not quite sure why there is such an urgency about it when there are other mechanisms available to the funding providers to assure themselves that things have gone reasonably well. That is the way I see it.

**Mr Schnierer**—I would like to make a general comment, if I could. The last hour or two has been quite illuminating for me from an ATSIC perspective. I must admit that it has been educative in the sense of not being quite sure of the extent of the internal audit processes that happen in the ICC and the ACC. When you ask this question, "Is that certification okay?" it poses a challenge for us. I am led to believe that ATSIC in Queensland has not been fully privy to that sort of internal auditing process for a long time; it is only a recent development that we are now being linked into. So it would be an interesting thing for us to have a closer look at it and see what it says to us in relation to our grants.

It may be, as the Auditor-General is saying, that that would assist us in terms of

our assessment of the risks involved in these organisations and, hopefully, form a stronger argument for them to be a low-risk organisation in relation to some of the new procedures that we are looking at. I just make that comment.

**CHAIR**—I am glad you brought that out. One of the designs of this forum was to put all the stakeholders or players into the one room at the one time. I have a quick question of the Auditor-General. You said that the acquittal process turns people through circles and they jump through hoops, or whatever. As you know, I am not an accountant or whatever, but they all do that to satisfy the granting authorities, as we have said, but most of them feel that they are doing it to satisfy your auditors, actually. Is there any scope or latitude for them? Everywhere we have gone, they feel like they have to satisfy the granting authorities so that they are eligible then for grants for next year in some way, shape or form, but when the auditor arrives on the ground, that is the issue for them. Is there any latitude under the FMS?

**Mr Rollason**—It all seems a bit confusing. I could not care two hoots whether they are accounting to the Commonwealth or not. What I am doing is by the state laws here performing an audit. They as the councils are required to prepare a set of statements according to accounting standards decreed under subordinate legislation, and that is that. That is the mystery to me: the funding providers tend to attach themselves to that process and say, "Until he has done all that," and then we get accused of being late with getting it done. Therefore, they are getting bashed over the head by somebody else in Canberra that they have not acquitted it. There is too much reliance being placed on the process of the external audit of a state instrumentality by the Auditor-General. I am not doing that to acquit the Commonwealth's needs; I am doing it because the entities in this state have to account for their funding and the parliament here has said that there are certain ways to do that. So that is the trick that we are in.

**Mr Schnierer**—Mr Chair, the point I was trying to make just a second ago was that it is not transparent to us what happens in those internal audits. So it is very difficult for us to build the confidence in those organisations. Maybe if that internal audit process was more transparent and accessible to us, it might be useful to ATSIC in terms of us having more confidence in them. There is no doubt that we do rely on the Queensland Auditor-General's role in this process, but it is more of a case of us not necessarily wanting to bring our audit framework into it. It would just add another dimension of auditing. So while it might be saddling up the Queensland Auditor-General, we are relying on the quality of his work to lessen the burden on us bringing in another set, if you like.

**Mr Rollason**—Mr Chairman, I can understand that. The access powers to the records from an auditing aspect lie with the Queensland Auditor-General. That is under the statutes here. So I can understand the reluctance of anyone outside to get in. In fact, I have been approached, I might admit, from time to time and I have told people, "You cannot, because the Auditor-General is the sole auditor." I still come back to the point that I think far too much reliance is placed on the external audit to satisfy the requirements for

acquittal. I think that we touched on this this morning. An external audit is not about saying that every single cent was spent in the right way. That does not happen with the public accounts of the state. It is in material terms. So I think that is where a lot of the problem lies. As to your earlier question of the councils believing that all they are doing it is for the Commonwealth's purposes; they are doing it for the state's purposes and no-one else's so far as I am concerned.

**CHAIR**—The comment I made was that the single focus of most of the people on the ground level, and maybe it is because we have been out there as well, is to get that unqualified audit. To get clear, there are three processes. One is that the Joint Public Accounts Committee is coming. Secondly, they have to be clean so that they are eligible for grants next year. That is another issue as well. There do not seem to be any punitive arrangements. It makes little difference whether or not they actually have qualified or unqualified audits; they still get their money, anyway. Thirdly, they have to get that tick in the box from the Auditor-General of Queensland.

**Mr Rollason**—Everybody in this state loves to get a tick in the box from the Auditor-General of Queensland. It is just that: it is the form of opinion given on the financial transactions for the year as expressed through the financial statements—and that is what I must stress—"Yes, you have not done too badly and, therefore, we are signing you off in a clean way." That is all we are doing with them. I want to stress that we are not doing those audits to satisfy the Commonwealth; we are doing those audits to satisfy the legislation of the state of Queensland. If they get used for another purpose, that is another story, but it is not the purpose I do the audits.

**CHAIR**—Peter?

**Mr Schnierer**—I accept what the Auditor-General is saying. When this conversation started off a little while back, I have to admit that I was not even sure whether all of ATSIK's funding, and apparently it is but correct me if I am wrong, is covered through that audit process and is included in the audit process. It seems to me, and I am speaking a little bit from an individual perspective in terms of ATSIK's policy position, we would not want to go much further than that. We would be wanting to be respectful of the Queensland Auditor-General's role and use his service in terms of ticking off how our grants are managed from a financial perspective. It seems to me that while the Auditor-General is not doing that on behalf of the Commonwealth or for the Commonwealth, does the Commonwealth need to do an extra one or is the Commonwealth in a position to be able to rely on the Queensland Auditor-General's works and not double up again?

**Mr HAYWARD:** Mr Rollason, it seems obvious that there is some significant reliance placed on your opinion. As I think Peter was saying before, in general the Auditor-General's opinion gives some guide as to what a particular administration is like at a particular community or whatever. Nevertheless, given that you do have audit



qualifications, I would be interested in teasing out your experience as to how problems within councils might be identified early so that remedial action can occur. From your experience as Auditor-General and given that the organisation has been looking at councils for a long period, you must have some ideas about how problems could be identified and remedial action undertaken to resolve them.

**Mr Rollason**—That is the whole purpose of the internal audit operation. They identify those things and, as I said earlier, we get a copy of the report, but a lot other people are supposed to do a lot of things before we get there. That is the principal independent mechanism for identifying those sorts of things. However, as was said earlier, those reports are the property of the respective councils.

**Mr HAYWARD**—Sure.

**Mr Rollason**—They are a statute created legal entity, so it is up to them to do something about it.

**Mr HAYWARD**—The internal audit is performed for the council and they are the ones that are paying for it, so I assume that it is going to help them.

**Mr Rollason**—Yes, so it is up to them to do something with the identifications, hopefully nudged along by the two coordinating bodies, the Aboriginal Coordinating Council and the Islander Coordinating Council. Hopefully they would be watching to see that something is happening.

**Mr HAYWARD**—Mr Wauchope, on the basis of that, the community service officers would see the internal audit reports and use them as a guide towards taking some remedial action if it was needed?

**Mr Wauchope**—Yes, and it would not only be that. In the course of addressing the problems that would have been identified in the internal audit report, that may lead on to——

**Mr HAYWARD**—That is the historical one? That would have been last year's?

**Mr Wauchope**—Yes, and you move on from there. One of their prime roles is to endeavour to identify these problems before they become too large.

**Mr HAYWARD**—And fix them.

**Mr Wauchope**—Yes.

**Mrs STONE**—When we visited the islands, one of the things that seemed astonishing to me was that having a qualified audit did not seem to depend on the state of

the audited return and what the organisation on the island seemed to be. For example, sometimes the rents had not been collected for a very long time, indeed, for years. In other cases they had been paying their rent but there was no consistent sense through our processes that there was a disincentive. There was no loss of services if they were not audited satisfactorily each year. Do you have any sense that for year after year after year we have had a qualified audit for a number of these councils, but nothing much has happened because the housing applications still get processed and new waterworks, or whatever, are still processed? There seems to be no relationship between the performance in auditing and the services that continue to be provided from various organisations. Does anyone want to comment on whether we can somehow start to relate, for example, the auditing process, the use of grants and outcomes to some disincentives for a failure to perform as required?

**CHAIR**—I think we might be on this subject for a little while. Mr Galvin was first.

**Mr Galvin**—There are two points here. To quote the Auditor-General, the TSRA does care two hoots whether a council is qualified because the beer canteen is not running properly. Whether a beer canteen is running properly and whether that affects our CDP is not within our sphere of thought. We look at our programs and if our CDP is running properly and the beer canteen is not, we do not penalise the community for that. You have to look at the broad range of qualifications and not just say that it is qualified.

Like ATSIC, if the councils do not meet our performance criteria and so on, we will stop funding if need be or we will put in a grant controller. One problem is that if you suspend programs such as the garbage program or the water program, you are penalising the people and not the councils. I do not know how you get around that. If the council is not working properly, I do not know whether defunding the garbage run really helps the situation. You would face a deal of confusion in applying such penalties. However, if it is obvious that funds are being demonstrably wasted, you have the opportunity to defund or to put in a grant controller to look after those funds.

**Mr Ackfun**—Usually when dealing with disadvantaged groups and communities, you tend to look at the basic housing needs of individuals in the different community councils. We have funded the ACC and the ICC to go through a process of identifying housing needs in their individual communities and those survey instruments have actually identified a massive need that we have to try to rectify. Therefore, we are actually looking at trying to catch up to the general community. The dilemma for us is that if you go to a community where 64 houses are needed and where, generally, bare housing requirements are provided and the availability of housing is poor, and you use your muscle to get the local council to adhere to some collection of rents and to try to evict people from houses, first of all, the available housing is probably pretty poor. Then you have inadequate housing for community members to go to, anyway. If the houses go to anyone, they go to the family members and they overcrowd those houses. That creates more health problems

for the community and the cycle continues. Apart from looking at the financial aspects and the figures and so on, we have to weigh up the human dimension of the problem.

**Mrs STONE**—I understand that absolutely. Do you ever try to explain to the communities that by raising more rent there would be more dollars available for maintenance and, indeed, for new stock?

**Mr Ackfun**—Yes. Over the last two years we have gone through a process under the community housing management strategy, in conjunction with the ACC and the ICC, to increase the awareness of the councils and the communities about their responsibilities for the collection of rent, and that rental revenue will actually generate better housing, more employment, repairs, maintenance and so on. That process has been happening for the last couple of years. There has been a really great acceptance of that particular program by the ACC, the ICC and the communities. A number of agencies were involved in that, which would indicate that that process should continue.

Some comments have been made before about not turning the tap off and about training. Mr Anderson commented on that. I agree with him wholeheartedly that if you are going to make a real difference in those communities, you have to have consistency of funding and consistency of approach. The stakeholders involved—the ACC, the ICC and all the communities involved—need to be a part of their solutions.

**Mrs STONE**—Mr Anderson, did you have a comment?

**Mr Anderson**—It is important for councils to get a tick at external audit, more as a matter of personal pride than necessity to get funding, because they get funded, anyway. In terms of jumping on problems before they become serious, the critical factor there is to monitor what the council is doing while it is doing it. It is a waste of time coming along afterwards, because by the time you acquit the grant, the damage has been done. It has either gone well or it has gone badly, but it is finished. For that reason, the appointment of the CSOs and the existence of the field officers from ATSIC and the TSRA provide some inkling when a council is going bad. Very often, when a council starts going bad the first thing that you will see is that it stops reporting. The financial reports get left. That is the first indication. Once you get that, you know you have a problem.

**Mrs STONE**—Are any groups considering providing some sort of incentive for better management and accountability, where there begins to be a difference between those who, after a shorter time, do produce qualified accounts, audits that are approved and so on?

**Mr Schnierer**—Our new procedures are going to establish a framework for us to make assessments and judgments about organisations throughout the application of what I describe as a risk-management approach. For those in the low category that can be assessed in that way, 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, that will reduce intrusive visits and establish more of a community development approach where the officers are not simply going out there to check up all the time. The new procedures will provide us with a formal framework to allow our regional office managers to make better judgments about those sorts of organisations, and hopefully they will use commonsense when deciding how many visits will be made.

In addition to that, we have a regular program of major reviews of organisations. In the course of a year, our State managers are asked to identify and map out a program of major reviews of organisations that they might do. Obviously, with the assessment process that we are talking about now, the State managers will be better informed about which organisations really need to be reviewed through the course of a year. That may not necessarily involve the councils that we are talking about, because if we had better information about what was going on in those organisations State managers could pull back a little in terms of their scrutiny of what is happening. Those are the sorts of incentives that we will be trying to pursue. That requires us to go through an internal cultural change in terms of how ATSI staff have tended to look at organisations over the last few years.

**Mr MULHERIN**—My question is directed to the forum generally. It has been suggested that councils may underspend their grants through good management practices. Would it be appropriate for them to keep the funds to use for other legitimate uses, as is the case with CDP funds? If so, what would be the apparent risk in adopting something along those lines?

**Mr Allmark**—We have a process whereby funds are discretionary to the regional councils. At the end of the year, if there is a surplus through good management, it is quite within the right of the regional council to allow the organisation to spend that money on another purpose which is consistent with the original grant. We already have the provision to do that through our regional council system.

It is a little more difficult for national programs in that savings then become available to a much wider group of people, rather than the organisation. If it is possible to reallocate the surplus to the organisation that has made the savings, we make every effort to do so. However, because of the specific nature of the program, in some instances that might not be possible and we may have to allocate them to some other part of the State.

**Mr MULHERIN**—Mr Wauchope, would you like to comment?

**Mr Wauchope**—We generally do not have a difficulty with councils managing their funds very well, accumulating reserves and having money set aside for other purposes. We do not operate on the basis that you have saved X dollars this year and therefore we will reduce your grant next year by the same amount.

**Mr MULHERIN**—Is there a risk that councils could overbudget?

**Mr Wauchope**—They will probably not so much overbudget as overspend against budget. That is generally what will happen.

**CHAIR**—Could you clarify your answer? If they come in under budget on a project, say, by \$4,000, \$5,000 or something, do you allow them to keep that money, or do you ask for it back?

**Mr Wauchope**—I was specifically talking about the state government financial fund. If they operate their affairs in a way that means that there are surplus funds in that account, we do not penalise them. In relation to that specific point, if they had been given money for a project—and I guess it would vary from department to department—they would have to come to us and say, "We have saved this money on this project. We now want to spend it on something else." For example, they could not say, "Right. We will all go on a trip to Melbourne to watch the grand final."

**CHAIR**—Does that ever happen? Have they ever come back with excess funds?

**Mr Wauchope**—Yes. Organisations will often say, "We have saved money on a particular project. We want to do something else with it." Basically, the grant is just varied.

**CHAIR**—Briefly, I wish to touch on the role of the grant controller for both Aboriginal and Islander communities. We have been to a few of the communities where grant controllers were in place. I would like to hear the general opinion about grant controllers held by the various people in the forum who are responsible for appointing and managing them.

**Mr Opio-Otim**—I think two community councils have experienced the rather unfortunate situation of having a grant controller appointed—Woorabinda and, presently, Umagico. But before any agency decides to go ahead and appoint a grant controller to look after its interests, it may be necessary for all concerned parties to get together at a round table and agree about who should be appointed. The terms of the appointment need to be very clear. The council should play a very active role in the appointment. Having said that, I wish to make another point which did occur in the case of Umagico. If you have a very small community council, it does not make any good financial sense to have a grant controller and an accountant looking after 150 people. That is just far too excessive. There is a need perhaps for these agencies to sit down together and redefine the role of the grant controller. If I may reflect on the issue of Woorabinda, I think to some degree there was some misunderstanding between the grant controller and the fellow in charge of Woorabinda. If you are going to avoid these problems in the future, as I have said earlier on, there may be wisdom for all of the parties to sit down together and agree in very clear and precise terms who should be appointed and what the jurisdiction should be of that

person.

**CHAIR**—I take it you are saying that the size of the community should be an issue?

**Mr Opio-Otim**—That is one variable.

**CHAIR**—I went to Umagico. If my memory serves me correctly, Umagico is something like \$1.2m in trouble. That is a substantial amount of money for 150 people. Is that about right?

**Mr Opio-Otim**—I think the figures have come down much lower than the figure you are quoting now. It is about \$0.51 million.

**CHAIR**—Did you say "\$1.5 million"?

**Mr Opio-Otim**—No, \$0.5 million.

**CHAIR**—I thought it was much more than that. For a community of 150 people or thereabouts, that is a lot of money. That will buy another five houses, or training. I remember there were issues with rock crushers and so on at Umagico. I do not believe that the appointment of a grant controller should be dependent purely on the size of a community. Surely it should be based on the size of the problem. I think the ICC has a grant controller in a community of 45 people.

**Mr Opio-Otim**—That is perhaps one variable, but these problems do not come about overnight. They are problems that have been there for quite some time.

**CHAIR**—That was the issue that I wanted to get to. At what point do you put in a grant controller and when do the alarm bells start ringing? What mechanisms in the internal audit do you have that say, "We really should be looking closely at this community and putting in a grant controller"?

**Mr Opio-Otim**—Taking a fairly comparative analysis, ever since the internal audit staff of the ACC and the community service officers have come on deck, the incidence of grant controllers being appointed has reduced to nil.

**CHAIR**—Can we have a comment from the ICC on the same issue?

**Mrs STONE**—The grant controllers that I observed in the Torres Strait did not seem to have much of an educative role. I realise that they were there for another function. To what extent are those grant controllers also expected to assist the local community to understand the processes that have gone awry in the past?

**Mr Galvin**—I will go through all of the issues and then come to that one. From the Torres Strait Regional Authority's perspective, we would put in a grant controller when we start to feel that the council does not have the capacity to be able to fully manage our funds. That can occur through just being unable to get anybody on the islands to manage those funds. In the case of Saibai Island, we just could not get anybody there. That is from the state government and the Torres Strait Regional Authority. In discussions with the chairperson, he requested that a grant controller be put in. We were comfortable with that. With luck, we got a very good grant controller who has done both processes—the financial accountability side of things, and he also trained the staff extremely well. His period of grant controlling is now up. He is still on Saibai Island. The council is running the best it has in probably five years.

From the Torres Strait Regional Authority's perspective, we make a judgment based on the financial statements and based on our project officers going out there. We make it for two reasons: firstly, for the protection of Commonwealth funds and, secondly, to make sure that the services delivered to the community keep on being delivered to the community. I think they are a tool of last resort. But in my experience they have proven very beneficial for about two or three communities in the Torres Strait where, because of the unavailability of staff to manage their affairs properly, we have been able to step in and continue on with programs for the benefit of the whole community.

**CHAIR**—Mr Allmark?

**Mr Allmark**—The grant controllers are people who are put in by ATSIC in mainland parts of Queensland. They are there to protect Commonwealth funds. They are put in only after extensive attempts at remedial action from within the organisation. We are often criticised for not having acted soon enough in putting in a grant controller. It is a fine balancing act that we want the communities to manage. If after protracted efforts at remedial action this still does not occur, if the breaches in their grant terms and conditions are still not being addressed, we have no option other than to take one of two courses. One is to negotiate with the community to have a grant controller appointed. However, if the community does not want to negotiate that position and does not want a grant controller, the only option we have is to cease funding. Generally speaking, communities would like to see grant controllers taking a higher training role. We do not necessarily see that that is their prime task. Their prime task is to make sure that Commonwealth funds are spent correctly.

However, we have recognised that, particularly in the case of one community, we have a very expensive grant controller who lives some distance away from the community. That is generally the case, because you cannot, as we have heard from other speakers, get qualified accountants to live in places that perhaps you and I might not wish to live in. Again, for the benefit of that community, we are changing the grant controller and appointing someone who lives much closer. He is able to visit the community on a more regular basis. In conjunction with Mr Wauchope's department, we are also establishing

some training assistance utilising him. We do not have the capacity to fund a grant controller in a training role. Fortunately, Jim does and he is assisting us in this process. We are getting some training through that.

**CHAIR**—So we have the protectors of the Commonwealth's funds in ATSIC and TSRA. How do we approach it at the state level? I have just heard from Mr Galvin that there are problems with the water and garbage facilities and so on. However, most of the discretionary funding and other funding seems to come from the state level, and that is probably where perhaps a lot of the problems occur, do they?

**Mr Wauchope**—I guess problems occur across-the-board. From our perspective, we have developed a position now that, where it is necessary to have a grant controller, we feel that it would best function when that grant controller has total control of the funds going into the community. In relation to the problems in the Torres Strait, I have been saying to the TSRA and the ICC, "If there is a necessity to put in a grant controller, we should do so in a joint effort, otherwise the very problem that you have identified occurs, that is, the grant controller controls ATSIC's funds and the other problem continues unabated." We will do that together.

**CHAIR**—That now begs the question: are you having those same conversations with the ACC and ATSIC?

**Mr Wauchope**—Yes, if it is necessary to put in a grant controller.

**CHAIR**—You said you are arranging things with the TSRA and the ICC. What is happening at state level?

**Mr Wauchope**—The issue is that there is no proposal that I am aware of in relation to the mainland communities to put in any new grant controllers.

**CHAIR**—Thank you. We have covered a lot of ground today. I propose to draw these proceedings to a conclusion. In this morning's session we looked at process issues, systems, standards and training. This afternoon we looked at improvements in and the timeliness of grants. I now offer forum members the opportunity to make a final one or two-minute statement. This is the first time that such a forum has been held in Queensland. We will start from left to right. Ms Ling?

**Ms Ling**—I do not have anything to say other than that being able to sit in a room with everyone is extremely useful as opposed to dealing with evidence in isolation in other situations.

**Mr Anderson**—I have no comment. Thank you, Mr Chairman.

**Mr R. Brown**—I have no comment. Thank you.



**Mr Rollason**—This forum has been very useful. I think a few things have been aired which probably have been simmering around the corridors for a while and have not been stated, particularly perhaps my attitude to the auditing process so far as the Auditor-General's role goes, which may not have been well understood by the Commonwealth people. That has come out quite well.

**Mr Galvin**—I have no further comments, Mr Chairman.

**Mr Schnierer**—I made a comment earlier about the usefulness of the day and the way the forum has been conducted. The only other point that I wish to re-emphasise is that, while we can look at all of the processes and the issues and procedures that we have been talking about through the course of the day, I think we need to have a look at the bigger picture and make sure that the overall political framework is established where agencies can interact on a more pro-active basis. I will get back to the point I was making earlier about some broader based agreements under which bureaucrats can interact in a more open way and deal with some of the territorial issues which have been pointed to today. That does need to be reflected in the broader political framework in terms of settling some of these arrangements.

**Mr Wauchope**—Just very quickly, I agree with the others. I think the forum has been most useful and it gives us some guidance as to the way in which we might do things amongst ourselves. It has been very useful from that perspective. Some of these issues are very difficult to tackle and any guidance that we can get from the committee will be very helpful. Thank you.

**Mr Ackfun**—Just a general comment, I have found the proceedings very useful as well. I suppose it gives us an opportunity to get back together in discussions with the joint ministerial advisory committee. That committee comprises Local Government and Planning, Families, Youth and Community Care, ATSIIC, Public Works and Housing, the ACC and the ICC. These are some of the issues that we will be able to carry forward there, I am pretty sure. It has been useful to air these concerns here and to see where there are some common threads.

**Mr Opio-Otim**—I think this has been a fairly useful discussion today. We have heard and learnt a lot about the existing problems. We have looked at some of the common ground and we are quite hopeful that from now onwards there will be an incremental approach towards tackling problems more positively and, more importantly, towards the better end of trying to improve financial management at a community level.

**CHAIR**—During the course of this inquiry and in relation to the second issues paper, we have received a number of submissions. Are there any further submissions which you would like to have tabled? It looks like there is one from the Auditor-General, ATSIIC, and the ACC. Thank you very much. We have already received a number and I think we have just received another four or five. We will add them onto the schedule so

that we will in due course get those all together.

Is it the joint wish of the Joint Committee of Public Accounts and the Queensland Public Accounts Committee that the submissions in accordance with the schedule which I have before me, which includes all the ones which have just been submitted—I will take them as read—be accepted as evidence and authorised for publication?

**Mr MALONE**—Yes.

**CHAIR**—There being no objection, it is so ordered.

**Mr SOMLYAY**—I move that:

The Joint Committee of Public Accounts and the Queensland Public Accounts Committee jointly authorise publication including publication on the parliamentary database of the proof of the transcript of the evidence given before them at the public hearing today.

**CHAIR**—There being no objection, it is so resolved. Ladies and gentlemen, it has been a long day and on behalf of the two committees I sincerely thank all participants for the time and effort that you have taken to spend with us here today and to assist with this committee of inquiry. As I stated earlier, it is a first for the Queensland jurisdiction and something from which I think we have all learnt a lot, and it has been a valuable opportunity. I would like to thank Hansard for their valuable services today. As always they have gone about their work in an exemplary manner.

Hopefully, we will pool all this information. It is the intention of the joint committees to table something in late November. We will hopefully provide advice as to how we believe we can improve the financial management practices for all of the stakeholders in this area. I thank you very much for the day and I now declare this public hearing closed.

**Committee adjourned at 4.49 p.m.**