



**REVIEW OF THE AUDITOR-GENERAL'S
AUDIT REPORT No.24
OF 1994-95**

**FOLLOW-UP AUDIT ON THE
NORTHERN LAND COUNCIL**

House of Representatives
Standing Committee on Aboriginal and
Torres Strait Islander Affairs
October 1995

The Parliament of the Commonwealth of Australia

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Abbreviations

ANAO	Australian National Audit Office
ATO	Australian Taxation Office
ATSIC	Aboriginal and Torres Strait Islander Commission
MWT	Mining With holding Tax
NLC	Northern Land Council

MEMBERSHIP OF THE COMMITTEE

37th Parliament

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AUDIT REPORT No. 24, 1994-95
FOLLOW-UP AUDIT
NORTHERN LAND COUNCIL

Following a request from the Minister for Aboriginal and Torres Strait Islander Affairs in June 1993 an audit was conducted of the Northern Land Council with the Audit Report being tabled in the House on 14 December 1993. The Committee conducted an inquiry following the Audit Report and tabled its report in May 1994.

At the time of the first Audit Report being completed the Minister requested a follow-up audit after 12 months. The Follow-up Audit Report was tabled in the House on 27 March and referred to the Committee on 30 March 1995. Following invitations to the relevant agencies to make submissions the Committee held public hearings in Canberra on 28 August 1995.

The key findings and Audit recommendations of the Follow-up Audit Report and agency responses are in Appendix 2. While the NLC had made significant progress in implementing the 52 recommendations of the first Audit Report there remained some outstanding concerns on the implementation of several recommendations.

The Follow-up Audit Report acknowledged the concerted effort made by the Northern Land Council in addressing the 52 recommendations of the First Audit Report. Most of the recommendations have been satisfactorily complied with and substantial progress has been made with most of the remaining recommendations. The NLC have pointed out that some recommendations could not be complied with until other prerequisite actions, such as strategic planning, had been completed. Nonetheless, while acknowledging the very considerable progress made and the ongoing nature of some recommendations, the Audit Office noted that in a small number of areas further action was needed.

The Follow-up Audit report made five recommendations, four of which were addressed to the Northern Land Council and one to the Australian Taxation Office.

In its Recommendation 1, the Audit Office recommended that the NLC review the royalty payment procedures to ensure their completeness. The ANAO sought the implementation of an appropriate royalty trust fund accounting system to ensure the effectiveness and efficiency of the accounting function.¹ The NLC advised that the new financial management accounting package was now in place and that the trust accounts were in the process of being changed over to the new system.² The ANAO stated that it was satisfied with the actions taken to meet this recommendation.

Recommendation 2 is that the NLC ensure that all branch managers are conversant with the budget monitoring system. This followed findings by the ANAO that some branch managers were not aware of and therefore not using the system to monitor their budgets.³ The NLC

¹ *Follow-up Audit Report*, p. x

² *Evidence*, p4

³ *Follow-up Audit Report*, para 2.58

advised that there had been an increase in the training of managers. Staff are being trained on the newly installed financial management system.⁴ In addition, following the completion of a strategic plan, a corporate planning exercise will be completed this year.⁵ The ANAO indicated that these developments were in the right direction but warned that new staff coming into the organisation after the initial training exercise will need appropriate induction training.⁶

Recommendation 3 dealt with aspects of the NLC debt recovery process. The NLC response indicated the emphasis it has given to debt avoidance. However, the ANAO noted that a significant proportion of the existing debts had been outstanding for more than 90 days and that improvements to the recovery procedures were needed.⁷ The NLC indicated that it is now trying to identify those debts that are recoverable and those that need to be written off.⁸ The ANAO believed that the NLC evidence indicated that procedures had been put in place.⁹

Recommendation 4 was for the NLC to immediately take action to monitor the use of fuel cards and motor vehicles and include these arrangements in the procedures manual. The NLC stated that a fleet management system had been introduced to facilitate appropriate monitoring.¹⁰ The ANAO believed this was an appropriate measure and similar to that used by the Department of Administrative Services for its fleet.¹¹

Recommendation 5 was addressed to the Australian Taxation Office. It recommended urgent action be initiated to make the reduction in the Mining Withholding Tax effective. The reduction was implemented before the Audit Report was completed. However, the ANAO was concerned that the Department of the Treasury and the Australian Taxation Office need to establish appropriate mechanisms so that legislative changes can be implemented promptly and guidelines disseminated to the appropriate officers for immediate action.

The Committee believes that actions taken by the NLC in response to both Audit Reports have implemented the changes sought. The Committee agrees with the ANAO that there has been a positive response from both the NLC and ATSIC and with their 'well done' comment on the outcomes.¹² There has been a substantial change in the management culture of the NLC and the Committee commends their commitment and effectiveness in becoming a more efficient organisation. The Committee believes it important that the annual audit process for the NLC monitor the recent changes to ensure that they continue to be implemented.

Garrie Gibson MP

⁴ Evidence, p3

⁵ Evidence, p3

⁶ Evidence, p20

⁷ Follow-up Audit Report, para 3.37

⁸ Evidence, p7

⁹ Evidence, p20

¹⁰ Evidence, p7

¹¹ Evidence, p20

¹² Evidence, p21

APPENDIX 1

Public Hearings Held and Witnesses Heard

28 August 1995 - CANBERRA

ATSIC

CHAPMAN, Mr M	Assistant General Manager, Land Heritage and Culture Branch
POLLACK, Mr D	Senior Policy Officer, Land Rights Policy Section
SEE, Mr R	Acting Manager, Land Rights Legislation Section

Australian National Audit Office

GOLIGHTLY, Ms M	Executive Director, Performance Audit
MEERT, Mr J	Group Director
THURLEY, Ms A	Senior Director

Northern Land Council

PEARCE, Mr D	Director
ROBERTS, Mr J	Senior Policy Officer

ANAO key points, recommendations and agency responses

Key Points

The NLC has made significant progress in addressing the concerns raised by the ANAO in Audit Report No.20 1993-94. The ANAO acknowledges the concerted effort made by the NLC given that the report made 52 recommendations and was tabled in Parliament in December 1993. The NLC has made substantial improvements in a number of areas. These include:

- advances to Council members have ceased
- improvement in the budget estimation and review process
- corporate planning processes have commenced
- a complete review of NLC's information technology needs has been undertaken; and
- control of assets has been addressed through undertaking a complete stocktake and establishing an assets register.

However, a number of the recommendations in Report No.20 require further action in order to rectify the concerns identified by the original audit. Outstanding concerns include:

- need for substantial improvement in the administration of the royalty trust accounts
- inadequate debt recovery procedures and practices, and
- lack of appropriate action in relation to the review of leave airfares policy.

The NLC has drafted procedures covering its administration and financial management. These procedures require further development and review to ensure that they are complete. This is particularly important given the level of staff movement within the NLC.

The ANAO has made some additional recommendations aimed at further improving the operations of the NLC.

Recommendations and Responses

No.1 In addition to implementing recommendations of the original report the ANAO *recommends* that a review of the royalty payments procedures should be undertaken to ensure they are complete.

NLC Comment

The NLC advised that no errors or problems have arisen in the area of bank reconciliations but acknowledged that the review process needs to be formalised.

No.2 The ANAO *recommends* that the NLC should ensure that all branch managers are conversant with the budget monitoring system

No.3 The ANAO *recommends* that:

- the NLC review and revise the debt recovery procedures to include details on debt write-off policy and procedures
- the NLC staff are clearly made aware of their responsibilities in relation to the procedures
- follow-up action on debts outstanding for more than 60 days and 90 days needs to be regularised
- monthly status reports need to be provided for review and monitoring purposes, and
- there should be adequate maintenance of file records.

NLC comment

The NLC has given emphasis to debt avoidance. The success of this approach is obviating the difficulties associated with debt recovery.

Further ANAO comment

The ANAO recognises debt avoidance is important. However, given that the NLC has a significant proportion of debts outstanding for more than 90 days, the ANAO has made recommendations for the improvement of debt recovery procedures.

No.4 The ANAO *recommends* that the NLC should immediately take action to monitor the use of fuel cards and motor vehicles and, these arrangements should also be included in the procedures manual.

No.5 The ANAO *recommends* that the ATO initiate urgent action to make the reduction of MWT effective.

ATO comment

Action has now been taken to make the reduction in Mining Withholding Tax effective.

In relation to the matter of the relevant branch being notified when a Bill receives Royal Assent, it is normal practice that notification is given and that copies of the Bill and any other relevant papers are made available as soon as possible. The practices in the particular area involved in this case have been reviewed to ensure that any further amendments are brought to the attention of the relevant branch in a timely manner.