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**SUBJECT: PGPA Independent Review - Central Land Council (CLC) comments**

Dear Reviewers

The following comments are provided to the "consultation draft":

Recommendation	Comments
4. Audit Committees - members	4(b) refers to AC members having "sufficient knowledge of the business of the entity" - care should be taken with a recommendation that only focusses on business knowledge. The collective knowledge of AC members should meet a higher test. The CLC's experience is that the AC should at least comprise a member with legal expertise, a member with financial management/accounting/audit expertise and a member with a knowledge of the business of the entity.
15. Audit Committees - independence	The CLC fully supports the recommendation that committee members are all independent. The CLC has had an entirely 'independent' audit committee since 2010 and this independence is a valuable contribution to the audit process and good governance through eliminating conflicts of interest that may arise with any members that are not independent. It is suggested that the <u>second</u> part of the recommendation be amended from "independence defined as not being an official or employee of 'a' Commonwealth entity" to ' <b>the</b> ' Commonwealth entity. Senior officials of one entity could make valuable contributions as members of 'other' entities, especially if the entity is in a similar operating environment. The use of the word 'a' suggests that any Commonwealth official could not be an AC member of any Commonwealth entity.
18. Audit committees - rotation policy/terms	The CLC supports the recommendation, but request that additional clarity be included on the maximum term of any member, to remove subjectivity, taking into consideration the balance gained from experience as a member and the risks of continuity. The maximum

	term should be stated in the rule as 7 years. It should also be clarified that a rotation policy should be devised to ensure that no more than 1/3 of the AC members are rotated unless there are extenuating circumstances, e.g. member resignation.
23. Reporting - burden on small entities	The CLC supports the recommendation. It should be noted that a significant burden in small entities is caused by unplanned, ad hoc demands for information by Commonwealth departments. Small entities do not have the resources to adequately respond to tight deadlines. This demand has accelerated in recent years, especially with requirements related to Indigenous matters, e.g. procurement. Finance should have a general rule that ad hoc demands should be avoided and that general demands for information should be included within <b>annual reports</b> for which entities can plan data collection.
25. Standardised corporate plans	The CLC fully supports the recommendation. Small entities do not have dedicated resources for corporate planning, and the annual requirement for producing a corporate plan (regardless of the merits) has placed a considerable strain on limited management resources, at a time when funding for these resources are being reduced.
29. Annual reports by 30 September	It needs to be recognised that annual report processes for corporate entities are actually determined by Ministers and portfolio departments that significantly increase the time required, applied by power to 'independent' statutory authorities. The departments' demands to view and comment on annual reports 'before' being printed and provided to the Minister significantly adds to production time. For the 2017/18 annual report, PM&C have advised Indigenous Portfolio Bodies that the final draft copy of the annual report must be provided to PM&C by 31 August. Feedback is then proposed to be provided by PM&C within 7 business days. "Print ready" versions are then to be provided by 21 September, with a final check by 28 September. To achieve the 31 August deadline requires that the Audit Committee (AC) and the ANAO finalise the audited financial statements during August. To achieve post-AC ANAO audit letter and draft annual report checks requires that the AC meet in mid-August, requiring that the ANAO completes the audit prior to that date. It is improbable that financial statement compilation, AC and ANAO requirements could be completed any earlier. If annual reports are to be finalised by 30 September the departmental checking process needs to be condensed to 3 weeks from 31 August (process currently takes 6 weeks). There is a risk, which will have consequences, that departments will demand draft annual reports even earlier than 31



	<p>August, with dysfunctional outcomes for the quality of financial statements and audit. The phasing out of the 'hard copy' will be of minor benefit, possibly reducing current delays by about a week.</p>
34. Executive remuneration reporting	<p>Northern Territory Land Councils have submitted to PM&amp;C that for Indigenous cultural reasons the publishing of remuneration details for indigenous executives would cause those individuals significant hardship. Due to the small size of the entities and the small number of senior executives, the individuals will be easily identified. All of the detailed information of the remuneration, for 'every' individual employee of a Land Council is required to be transparently included in the Estimates submitted for Ministerial approval. Therefore, the Minister and PM&amp;C are fully aware of the magnitude and details of the remuneration and is able to make a judgement as to whether this expenditure is a proper use of public resources. Also, the draft recommendation refers to both 'executive' remuneration and 'key' management personnel. The distinction requires clarification. Appendix C also seems to assume that the accountable authority is 'one' individual, which indicates a mis-understanding of the accountable authority (AA) concept. At Land Councils, the AA comprises the elected Chair (whose allowance is set by the Remuneration Tribunal, so is already transparent) and the CEO. At other entities the AA is a board. Table C2 refers to 'senior' executives. The definition of 'senior' needs to be clarified, i.e. when is a senior executive not key management personnel?</p>
37. Contracts and consultancies	<p>Recommendation 37 (b) is supported. However, it is requested that consideration be given to defining 'contract' and 'consultancy'. These terms can be used in general language inter-changeably with some confusion, caused expenditure for any external contract to be defined as 'consultancy'. A 'contract' is a legal concept. It is suggested that a distinction be made by having a separate disclosure for <u>Contractors</u> and a separate disclosure for Consultancies. 'Contractors' can be defined as the acquisition of services when the acquiring entity has insufficient internal staff resources to undertake the service. A 'Consultancy' can be defined as an acquisition of services where the acquiring entity does not have the technical 'expertise' to undertake the service. This distinction in a disclosure would provide valuable additional information.</p>
40. Legal advice on PGPA	<p>Recommendation to share legal advice is fully supported, and would encourage consistent application of the law across Commonwealth entities.</p>

44. Boards to inspect the 'books'	It should be noted that not all corporate entities have boards. The term 'books' should be refined. Presumably, it refers to the 'financial records' of the entity.
General comment	The review fails to come to terms with the unique position of corporate entities of Northern Territory Land Councils as they relate to the PGPA. Land Councils are large 'elected' bodies whose functions exclude PGPA responsibilities. Responsibility for the PGPA rests with an 'elected' Chair and the Chief Executive.

Yours sincerely,



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