

The Conditions of Service Trust is a significant asset and it is appropriate that it be brought into the public account as part of the preparation for the accrual framework to better match liabilities that will be recorded in the future. Furthermore, the balances of the Conditions of Service Trust have been built up by expenditure from the public account. When the funds held in the trust are brought back into the public account, it is appropriate for them to be treated as a receipt. However, a technical deficiency has been identified in the current definition of receipts in the *Financial Management Act*. The definition of receipts was only recently included in the *Financial Management Act* in 1998-99 and has not been used extensively.

The balances of the Conditions of Service Trust are currently held in the form of cash deposits and units and/or funds in managed investment funds. The *Financial Management Act* defines receipts to mean money received into the public account and includes a transfer advance or other remittance within the public account. Furthermore, the definition of money is limited to cash or negotiable instruments. This is a limited view having regard to current financial practices. Accordingly, it seems that, apart from the cash deposits, the transfer of the other investments held by the trust would not classify as receipts for the purposes of the *Financial Management Act*.

To unquestionably satisfy the terms of the existing act, the investments held by the Conditions of Service Trust would need to be liquidated back into cash, then the cash transferred to the public account and then reinvested in similar investments. However, this would incur substantial transaction costs of around \$1m on the exit from and re-entry into those investments. Clearly, such a process is costly, inefficient and carries the investment risk of market movements in the intervening period between liquidation and reinvestment.

While the Conditions of Service Trust could be brought into the budget by broadening the budget scope without a change in the *Financial Management Act*, this transaction would not be recorded as a receipt. This would also mean that budget scope would be different from the public account. While the public account opening balance could be adjusted to include the Conditions of Service Trust, this is not desirable. Further, this would be inconsistent with the transfer of funds from the public account to the Conditions of Service Trust which was classified as expenditure under the *Financial Management Act*. Accordingly, by changing the definition of receipts in the *Financial Management Act*, crediting funds of the Conditions

of Service Trust in the public account can be done without having to liquidate existing investments and incur substantial transactional losses.

Thus, the preferred option is to clarify the definition of receipts by narrowly extending it to cover money received and units and/or funds managed on behalf of the Territory under the terms of an investment management agreement. The Auditor-General has been consulted and noted that the terminology proposed in the amendment bill will need to be reviewed as part of the broader amendments the *Financial Management Act* necessitated by the transition to accrual accounting environment commencing 1 July 2002.

As a final matter, I also note that these changes and the transfer of funds from the Conditions of Service Trust are government funds and are not related, in any way, to the Public Service Employees Funds.

Mr Speaker, I foreshadow that I will be seeking passage of the bill of an urgency basis. This will enable the funds of the Conditions of Service Trust to be transferred to the public account by 30 June 2001 as foreshadowed in the budget.

I commend the bill for honourable members.

Debate adjourned.

SUSPENSION OF STANDING ORDERS

Take four bills together

Mr PALMER (Leader of Government Business): Mr Deputy Speaker, I move that so much of standing orders be suspended as would prevent bills entitled Corporations (Northern Territory Request) Bill 2001 (Serial 331), Corporations Reform (Northern Territory) Bill 2001 (Serial 332), Corporations (Northern Territory) Amendment Bill 2001 (Serial 333), and Corporations Reform (Consequential Amendment NT) Bill 2001 (Serial 334): (a) being presented and read a first time together and one motion being put in regard to, respectively, the second readings, the Committee's report stage and the third readings of the Bill together and (b) the consideration of the Bills separately in the Committee of the whole.

Motion agreed to.

CORPORATIONS (NORTHERN TERRITORY REQUEST) BILL

(Serial 331)

CORPORATIONS REFORM (NORTHERN TERRITORY) BILL

(Serial 332)