

**THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**AUDIT (AMENDMENT) BILL 1993**

**EXPLANATORY MEMORANDUM**

**Circulated by the authority of the  
Chief Minister and Treasurer  
Rosemary Follett MLA**

## AUDIT (AMENDMENT) BILL 1993

### Outline

The Audit (Amendment) Bill 1993 amends provisions of Section 33F of the Audit Act 1989 (the "Principal Act").

Section 33F of the Principal Act, dealing with financial exposure management, is amended to extend the use of financial derivatives to cover the investment of funds from Trust Accounts.

Financial derivatives provide investors with an agreed future price or interest rate for market securities and are used by fund managers as a means of protecting investment exposures from unfavourable price changes or interest rate movements. The types of financial derivatives to which this Section applies are identified in subsection 33F (1).

Subsection 33F (2) is amended to remove the restriction on the use of financial derivatives for investment purposes with moneys from the Trust Fund. The amendment enables the Territory, where approved by the Treasurer, to use financial derivatives in the investment of any moneys standing to the credit of the Territory Public Account.

The Bill also makes provision for the use of financial derivatives by certain persons, other than the Territory, namely, persons who, under contract with the Territory, manage the investments of moneys belonging to specified Territory Trust Accounts.

This amendment will enable the Treasurer to authorise the use of financial derivatives by persons contracted to manage funds on behalf of the Territory without having to certify individual transactions. The scope of authority of such persons to use derivatives and the conditions under which they may be used will be governed by the relevant contract.

### Revenue/Cost Implications

Nil.

### Formal Clauses

Clauses 1, 2 and 3 are formal requirements. They refer to the short title of the Bill, commencement and definition of the Principal Act.

## **Financial Exposure Management**

Clause 4 amends Section 33F of the Principal Act dealing with financial exposure management.

Subsection 33F (2) (a) is amended to enable the Territory to enter into a transaction to which this section applies in the investment of any moneys standing to the credit of the Territory Public Account.

Subsection 33F (2) (b) is amended to require the Treasurer to certify each transaction to which this section applies unless the transaction is subject to the provisions of a new Subsection 33F (2A).

New subsection 33F (2A) (a) makes provision for the Treasurer to specify by instrument those Trust Accounts in respect of which persons can be contracted to manage the investment of moneys.

New subsection 33F (2A) (b) enables the Treasurer to specify the conditions of any contract proposed for the purposes of subsection 33F (2A).