



Auditor-General for the Northern Territory  
Auditing for Parliament

# August 2014 Report to the Legislative Assembly



ORDERED TO BE  
PRINTED BY THE  
LEGISLATIVE ASSEMBLY  
OF THE  
NORTHERN TERRITORY

**ISSN 1323-7128**



**Auditor-General for the Northern Territory**

*Auditing for Parliament*

# **August 2014 Report to the Legislative Assembly**

This page deliberately left blank.

# Contents

	<b>Page</b>
<b>Contents</b>	<b>3</b>
<b>Transmittal letter to the Speaker</b>	<b>5</b>
<b>Auditor-General's Overview</b>	<b>7</b>
<b>Reports on the Results of Audit, Reviews and Assessments</b>	<b>9</b>
<b>Matters Referred to the Auditor-General Pursuant to Section 6 of the Public Information Act</b>	<b>74</b>
<b>Appendix 1: Audit Opinion Reports Issued Since 31 December 2013</b>	<b>81</b>
<b>Appendix 2: Status of Audits and Reviews which were Identified to be Conducted in the Six Months to 30 June 2014</b>	<b>83</b>
<b>Appendix 3: Proposed Audit Activity in the Six Months Ending 31 December 2014</b>	<b>85</b>
<b>Appendix 4: Overview of the Approach to Auditing the Public Account and Other Accounts</b>	<b>87</b>
<b>Appendix 5: Overview of the Approach to Auditing Performance Management Systems</b>	<b>89</b>
<b>Appendix 6: Agencies not Audited relating to the year ended 30 June 2014</b>	<b>91</b>
<b>Appendix 7: Abbreviations</b>	<b>93</b>
<b>Index of Matters Reported</b>	<b>95</b>

This page deliberately left blank.



# Northern Territory Auditor-General's Office

Auditing for Parliament

The Honourable Speaker of the Legislative  
Assembly of the Northern Territory  
Parliament House  
Darwin NT 0800

15 August 2014

Dear Madam Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits conducted during the six months ended 30 June 2014 and I request that you table the report in the Legislative Assembly.

The larger part of the report deals with the results of performance management system reviews, compliance audits that were performed to assess the adequacy of controls over the administration of public monies and audits of information technology systems that were undertaken to assess whether access to those systems and controls over systems' data were adequate. Also included are the results of audits of financial statements for those institutions that are required to report on a calendar year basis.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'F. McGuinness'.

F McGuinness  
Auditor-General for the Northern Territory

This page deliberately left blank.



# Auditor-General's Overview

This is my final report to the Legislative Assembly as my appointment as Auditor-General will shortly come to an end.

I have always considered that it would not have been possible for me to discharge my statutory obligations without the assistance of people too numerous to acknowledge individually, but they do include the chief executives and officers of all public sector organisations with which I have been involved in my official capacity, my authorised auditors and, of course, the staff of the Northern Territory Auditor-General's Office.

My thanks must also go to Members of the Legislative Assembly and in particular the Members of successive Public Accounts Committees with whom I have had the privilege of working over a period of almost ten years and who have been a source of thoughtful commentary over that period.

## **Audits included in this report**

This report outlines the results of audits conducted during the period 1 January 2014 to 30 June 2014.

The audits that are reported here cover four broad areas; financial audits, reviews of information technology systems, compliance audits and a review of performance management systems in one Agency.

The first half of the 2014 calendar year saw the completion of audits of the financial statements of each the Territory's principal tertiary educational institutions: Charles Darwin University, Menzies School of Health Research and Batchelor Institute of Indigenous Tertiary Education, each of which is required to report on a calendar year basis.

Financial statements prepared by Agencies each year are not audited as this would first require a direction from the Treasurer to Accountable Officers to submit those statements to the Auditor-General pursuant to section 11(3) of the *Financial Management Act*. Consequently, I place considerable reliance upon what are known as compliance audits to assess the extent to which Agencies' internal control systems function effectively, whether Agencies are complying with prescribed requirements pertaining to internal control and, flowing from that, whether I am able to rely upon the financial information prepared by Agencies at the end of each financial year as part of my audit of the Treasurer's Annual Financial Statements.

## Auditor-General's Overview cont...

Compliance audits were conducted at 14 Agencies during the period covered by this report. The issues raised by the audits bear similarities to the results of similar audits conducted in other Agencies in earlier periods and while I do not consider the results to affect the reliability of data used in the preparation of the Treasurer's Annual Financial Statements, they do highlight the need for Accountable Officers to satisfy themselves on a regular basis that their internal controls are functioning in the way that might be expected.

The restructuring of the General Government Sector over the past two years has presented a number of challenges to Accountable Officers and the extended use of service level agreements under which a number of Agencies are providing financial and other administrative services to other Agencies only serves to highlight the importance of ensuring that internal controls are, in fact, in place and performing their intended roles. Outsourcing of functions does not relieve an Accountable Officer of primary responsibility for the reliability of ensuring that internal controls in his or her Agency are in place and operating properly.

The compliance audits undertaken over the six months to 30 June 2014 did not identify any material issues. When that result is considered in the context of the significant changes to the General Government Sector that have occurred since 2012, I believe it is a testament to the efforts of Accountable Officers and the staff of their respective Agencies.

It has become customary to conduct information technology audits during the first half of the financial year in order to gain some assurance about the adequacy of information system controls in order to form a view as to whether those systems can be relied upon as part of the audits or reviews of financial statements that are conducted at the end of the financial year. Included in this report are the results of audits of the Electronic Invoice Management System that is used by Agencies, a review of the Trust Accounting Database, used by the Department of the Attorney-General and Justice, and the Police Real-time Online Management Information System, used by the Northern Territory Police, Fire and Emergency Services.

# **Reports on the Results of Audit, Reviews and Assessments**

This page deliberately left blank.

# Batchelor Institute of Indigenous Tertiary Education

## **Audit findings and analysis of the financial statements for the year ended 31 December 2013**

### **Background**

The Batchelor Institute of Indigenous Tertiary Education (the Institute) is established under the *Batchelor Institute of Indigenous Tertiary Education Act*. Section 46 of the Act requires the Institute to prepare financial statements within 3 months of the end of the Institute's financial year (31 December) and to submit those to the Auditor-General.

### **Audit Opinion**

The audit of the financial statements of the Institute for the year ended 31 December 2013 resulted in an unqualified independent audit opinion. That opinion was issued 2 June 2014.

### **Key Findings**

#### *Financial analysis*

The financial performance and financial position of the Institute are illustrated in the following tables.

## Batchelor Institute of Indigenous Tertiary Education cont...

Financial Performance for the year		
	2013	2012
	\$'000	\$'000
<b>Revenue from continuing operations</b>	<b>41,550</b>	<b>43,108</b>
<b>Less expenses from ordinary activities</b>		
Employee expenses	(26,680)	(26,242)
Depreciation	(1,571)	(1,551)
Other	(13,227)	(13,603)
<b>Total expenses from continuous operations</b>	<b>(41,478)</b>	<b>(41,396)</b>
Operating result before income tax expense	<b>72</b>	<b>1,712</b>
Less Income tax expense	-	-
<b>Operating result after income tax expense</b>	<b>72</b>	<b>1,712</b>

The Institute reported an operating surplus for the year ended 31 December 2013 of \$0.72 million, in comparison to an operating surplus of \$1.712 million in the prior year. The decline in the surplus was due mainly to a decline of \$1.558 million in income recognised by the Institute for 2013.

The fall in income was mainly a result of:

- a reduction in Australian Government funding of \$1.612 million;
- a decline of \$0.371 million in funding provided by the Northern Territory due to the cessation of the VET Infrastructure for Indigenous People Program at the end of 2012 (decrease of \$1.186 million); and
- a decrease in grant funding that was offset by an increase in consultancy and contracts revenue by \$0.785 million. \$0.488 million of the increase in consultancy and contracts revenue related to monies received from CDU in relation to the Australian Centre for Indigenous Knowledges and Education.

## Batchelor Institute of Indigenous Tertiary Education cont...

Financial Position at year end	2013	2012
	\$'000	\$'000
Current assets	18,155	18,830
Less current liabilities	(5,191)	(6,236)
<b>Working capital</b>	<b>12,964</b>	<b>12,594</b>
Add non current assets	35,394	35,700
	48,358	48,294
Less non current liabilities	(774)	(782)
<b>Net assets</b>	<b>47,584</b>	<b>47,512</b>
Represented by:		
Reserves	30,393	30,393
Accumulated funds	17,191	17,119
<b>Equity</b>	<b>47,584</b>	<b>47,512</b>

# CDU Amenities Limited

## **Audit findings and analysis of the financial statements for the year ended 31 December 2013**

### **Background**

CDU Amenities Limited is a company limited by guarantee with the liability of each member being limited to an amount of \$20. The sole member of the company is Charles Darwin University.

CDU Amenities Limited was formed in March 2007 to coordinate some support activities for students and student organisations.

### **Audit Opinion**

The audit of the financial statements of CDU Amenities Limited for the year ended 31 December 2013 resulted in an unqualified independent audit opinion. That opinion was issued on 6 May 2014.

### **Key Findings**

#### *Financial analysis*

The company's total revenue increased significantly from \$208,382 in 2012 to \$399,270 in 2013. This was due mainly to a full year of gymnasium operations in the 2013 year compared to 5 months of operation in the prior year. Expenditure also increased from \$207,708 in 2012 to \$418,991 in 2013, with that increase being due largely to salary and wages, and consultancy expenses, again reflecting the effect of a full year of gymnasium operations. Flowing from the revenue and expenses outlined above, the company made an operating loss for 2013 of \$19,721.

#### *Going Concern*

At 31 December 2013 the company had negative working capital, as its current liabilities exceeded its current assets by \$4,876. The company is dependent on the University, as its parent entity, to enable it to sustain its operations. The University has provided a letter of support to the company confirming it will provide financial assistance to enable the payment by the company of its debts as and when they fall due.

Notwithstanding the support that the University has provided to the company, the directors should assess regularly the ongoing viability of the company's future operations.



## CDU Amenities Limited cont...

Financial Performance for the year		
	2013	2012
	\$'000	\$'000
<b>Revenue from ordinary activities</b>		
CDU grant	119	100
Gym sales	225	90
Other	55	19
<b>Total revenue from ordinary activities</b>	<b>399</b>	<b>209</b>
<b>Less expenses from ordinary activities</b>		
Employee related costs	(259)	(120)
Administration, operational and other expenses	(160)	(88)
<b>Total expenses from ordinary activities</b>	<b>(419)</b>	<b>(208)</b>
<b>Operating result for the year</b>	<b>(20)</b>	<b>1</b>

## CDU Amenities Limited cont...

Financial Position at year end	2013	2012
	\$'000	\$'000
Current assets	62	83
Less current liabilities	(67)	(68)
<b>Working capital</b>	<b>(5)</b>	<b>15</b>
Add non current assets	-	-
	<b>(5)</b>	<b>15</b>
Less non current liabilities	-	-
<b>Net assets</b>	<b>(5)</b>	<b>15</b>
Represented by:		
Accumulated funds	(5)	15
<b>Equity</b>	<b>(5)</b>	<b>15</b>

# Charles Darwin University

## **Audit findings and analysis of the financial statements for the year ended 31 December 2013**

### **Background**

The Charles Darwin University (the University) is established under the *Charles Darwin University Act*. The University controls three subsidiary entities: the Menzies School of Health Research; the Charles Darwin University Foundation, a company limited by guarantee and which acts as trustee of the Charles Darwin University Foundation Trust; and CDU Amenities Limited, which is also a company limited by guarantee.

The University provides both higher education, and vocational education and training (VET). Higher education funding is provided to the University by the Commonwealth Government through direct grants, and through the proceeds of student loans under the auspices of the HECS-HELP Scheme. VET funding is provided by the Northern Territory Government through monies appropriated by the Legislative Assembly to the Department of Education. The University also attracts research funding from a variety of sources.

The University is required by its enabling Act to prepare financial statements as at 31 December each year and to submit those statements to the Auditor-General by 31 March each year.

### **Audit Opinion**

The audit of the financial statements of Charles Darwin University for the year ended 31 December 2013 resulted in an unqualified audit opinion. That opinion was issued on 15 May 2014.

### **Key Findings**

#### *Financial Performance and Financial Position of the University – excluding controlled entities*

The financial performance of the University, as measured by its operating result, was \$10.5 million (\$25.4 million for 2012). The higher education component of the University achieved a surplus of \$14.8 million for the year, which was offset by a \$4.3 million deficit on the part of the VET component.

## Charles Darwin University cont...

### Financial Performance of the University for the year – excluding controlled entities

	2013	2012
	\$'000	\$'000
<b>Revenue from ordinary activities</b>		
Financial assistance and grants from the Commonwealth	121,555	124,937
Financial assistance from the Northern Territory Government	61,188	59,781
Other revenue (HECS, fees, interest, etc)	93,538	71,125
<b>Total revenue from ordinary activities</b>	<b>276,281</b>	<b>255,843</b>
<b>Less expenses from ordinary activities</b>		
Employee related costs	(135,911)	(127,339)
Administration, operational and other expenses	(129,879)	(103,021)
<b>Total expenses from ordinary activities</b>	<b>(265,790)</b>	<b>(230,360)</b>
<b>Operating result for the year</b>	<b>10,491</b>	<b>25,483</b>

The increase in revenue for the year was predominantly due to income received of \$19 million relating to the Palmerston Residential Estate development.

The increase in expenses was predominantly due to:

- an increase in employee related expenses, which increased by \$8.6 million for the year. This was attributable to an Enterprise Bargaining Agreement increase of 4% coupled with a small increase in staff numbers; and
- expenses of \$19.5 million relating to the Palmerston Residential Estate development.

## Charles Darwin University cont...

### Financial Position of the University at year end – excluding controlled entities

	2013	2012
	\$'000	\$'000
Current assets	126,431	127,981
Less current liabilities	(39,532)	(31,482)
<b>Working capital</b>	<b>86,899</b>	<b>96,499</b>
Add non current assets	456,669	406,657
	543,568	503,156
Less non current liabilities	(17,811)	(7,734)
<b>Net assets</b>	<b>525,757</b>	<b>495,422</b>
Represented by:		
Reserves, restricted and accumulated funds	525,757	495,422
<b>Equity</b>	<b>525,757</b>	<b>495,422</b>

## Charles Darwin University cont...

**The Charles Darwin University has commented:**

*The reported surplus of the University for the 2013 year is comprised principally of funds that are already committed. This includes funding received in advance for capital projects and research projects.*

# Charles Darwin University Foundation

## **Audit findings and analysis of the financial statements for the year ended 31 December 2013**

### **Background**

The Charles Darwin University Foundation (the Foundation) is a company limited by guarantee that acts as trustee of the Charles Darwin University Foundation Trust (the Trust). The Foundation incurs liabilities on behalf of the Trust and discharges those liabilities out of the assets of the Trust.

The Foundation and the Trust were established as the fundraising arm of the University and both are controlled entities of the University within the meaning of section 41 of the *Charles Darwin University Act*.

The purpose of the Foundation is to enhance the relationship between the University and the wider Northern Territory community, and to raise funds for the University. In pursuit of this objective, the Foundation seeks donations and other contributions while also providing assurance to donors that bequests and donations will be applied in accordance with the wishes of the testator or donor.

### **Audit Opinion**

The audit of the financial statements of the Foundation and the Trust for the year ended 31 December 2013 resulted in unqualified independent audit opinions for both entities and these were issued on 6 May 2014.

### **Key Findings**

As noted in previous years, there are instances where in-kind donations are provided to the Foundation without supporting evidence to substantiate the donors' advice as to the value of the donations. However, the risk of misstatement of the financial performance or financial position of the Foundation is not considered to be material given that in-kind donations are recorded as income and expense in the same period in which they are received.

This and previous audits have also identified a weakness in the control over the receipt of "over the counter" cash donations. However, as the amounts received by this method occur relatively infrequently, I did not consider it necessary to qualify my audit opinion in relation to the completeness of revenue.

## Charles Darwin University Foundation cont...

### Financial Performance for the year – CDU Foundation – Trust Only

	2013	2012
	\$'000	\$'000
<b>Revenue from ordinary activities</b>	<b>1,658</b>	<b>4,617</b>
<b>Less expenses from ordinary activities</b>		
Trust donations disbursed	(3,759)	(2,449)
Donations in kind – operational	(5)	(78)
Other	(7)	(4)
<b>Total expenses from ordinary activities</b>	<b>(3,771)</b>	<b>(2,531)</b>
<b>Net operating result for the year</b>	<b>(2,113)</b>	<b>2,086</b>

Revenue received by the Trust declined from \$4.6 million in 2012 to \$1.6 million in 2013 and this was due largely to a decline in donations for the year. The decline in donations was a reflection of a \$3 million donation by Inpex in 2012 for the establishment of the North Australian Centre for Oil and Gas program.

Trust distributions increased from \$2.4 million in 2012 to \$3.8 million in 2013, with the distribution of the balance of \$2.1 million of the Inpex grant having a material effect. The net result for the Trust was a deficit for the year of \$2.1 million compared to a net surplus in the prior year of \$2.1 million.



# Charles Darwin University Foundation cont...

## Financial Position at year end – CDU Foundation – Trust Only

	2013	2012
	\$'000	\$'000
Current assets	4,435	6,588
Less current liabilities	-	-
<b>Working capital</b>	<b>4,435</b>	<b>6,588</b>
Add non current assets	554	463
<b>Net assets</b>	<b>4,989</b>	<b>7,051</b>
Represented by:		
Investment revaluation reserve	160	109
Retained earnings	4,829	6,942
<b>Total Trust funds</b>	<b>4,989</b>	<b>7,051</b>

# Department of Arts and Museums

## Collections Management

### Introduction

The Museum and Art Gallery of the Northern Territory (MAGNT) has as its mission *“making sense of our world by discovering and interpreting the past and present for the future”*<sup>1</sup>. MAGNT is somewhat unique in the Australian context in that it is both a museum and an art gallery. This presents both opportunities in terms of the ability of the institution to conduct research and display natural science specimens juxtaposed with historical and cultural artefacts, but it also presents management challenges. Whilst the high level principles of managing both collection types are similar, the individual procedures are quite different. Their storage requirements and their access and use are often for quite different purposes.

### Review Scope and Objective

A high level review of MAGNT, in particular the systems and processes in place to assist with the management of its collections, was undertaken during the period September to December 2013.

The objective of the review was to determine whether the systems and processes in place at MAGNT support the management of its collections. The review focused on the MAGNT site at Bullocky Point. There are a number of other sites administered by MAGNT but these were excluded from the review.

The review focused on the areas of collection development, collection management, collection access and use, collection data systems, and facilities management and risk management, with benchmarking against the National Standards for Australian Museums and Galleries, visitor statistics and exhibition statistics forming part of the review. A number of themes, reported below, emerged as a result of the review.

As indicated above the review was undertaken in late 2013 and focused on the collection items located at Bullocky Point, an offsite storage location, and loaned items on display at the Motor Vehicle Enthusiast Club, Defence of Darwin Experience and the Darwin Military Museum.

---

<sup>1</sup> MAGNT Collection Policy

# Department of Arts and Museums cont...

## Review conclusions

Based upon the evidence gathered during the review I have concluded that the systems that were in place at MAGNT at the time of the review are adequate for the purpose of managing the MAGNT collections. However, there were several issues that I believe require attention to ensure the ongoing safeguarding of the collections. I consider that most of the issues raised may require additional resources to address them successfully. This may prove difficult to achieve in the prevailing budgetary climate.

## Key findings

It can be argued, I believe, that there is an expectation on the part of the wider community that MAGNT will care for its collections appropriately and that the collection holdings will be accessible rather than viewing MAGNT as being simply a storage repository.

Seven key issues were identified, with an underlying theme relating to staffing. Timeliness, physical care of the collections and challenges of managing collections data – both collection records and digital presence, are affected by the staffing issue. These findings are detailed later in this report.

As a general comment several of the issues raised below appear to be longstanding and pre-date the employment of many of the current staff of MAGNT.

## Detailed review findings

### 1. Staffing

An organisation such as MAGNT is unlikely to fulfil its obligations if it lacks sufficient staff to manage its collections – from preserving, safe-guarding and caring for the physical items, to ensuring they are housed in facilities that are fit for purpose.

National Standards for Australian Museums and Art Galleries Benchmark A3.1.8 states that there should be “enough workers to meet day-to-day management and program requirements”. The results of the review suggest this may not be the case at MAGNT.

Budget constraints that have affected MAGNT over an extended period of time have led to progressive reductions in staff numbers and at the time of the review there were vacancies across the curatorial and collections management areas of the organisation. A lack of adequate staff numbers may affect MAGNT’s ability to discharge its core functions.

# Department of Arts and Museums cont...

## ***2. Performance data collection and reporting***

Capturing, reporting and monitoring performance data is one technique that can be used to determine if the collections are being managed appropriately and whether adequate resources have been allocated to that task. Data were either not generated, unable to be generated or not focused on areas that would allow MAGNT to identify if it was doing things efficiently, effectively, or with economy.

It was noted during the review that the collection and reporting of performance data on the collection holdings is largely a manual process that involves the extraction of data at the level of individual collection items. For example, MAGNT staff:

- had to examine each physical item record in the database to quantify the percentage of the collection that has been exhibited or never been on display;
- were unable to quantify the percentage of the collection that is or has been on loan without checking each physical collection item record in the database; and
- were unable to identify the percentage of the collection that has been digitised and whether a high resolution or low resolution image of the item is available without checking each physical item record.

The review identified other instances of inconsistency in the provision of data related to visitor statistics reporting.

It was also noted that there was limited reporting to management on the outcomes of work undertaken by Emeritus Curators, Research Associates and Visiting Researchers.

## ***3. Delays in the accessioning of collection items***

It was noted during the review that certain activities appeared to take an inordinate amount of time to complete. For example, completing the accessioning process, as noted below.

### *Accessioning process*

Accessioning is the process whereby MAGNT decides whether an item should be included as part its permanent collections while also ensuring that MAGNT holds legal title to the item.

## Department of Arts and Museums cont...

Development of the MAGNT collections at Bullocky Point appears to be a generally robust process. For the History and Culture collections, the process consists of an assessment of items against specific acquisition criteria by curatorial staff, checks by conservators on the condition of items, an assessment of specific storage needs and whether there is adequate storage space available is made by collections management staff, following which approval to accept items is given by the Director and ratified subsequently by the Board.

The process for accessioning items into the History and Culture collections was tested in some detail and it was noted that the process can take a considerable period of time from the date an item is registered in the Receipts Database until it is approved to be accessioned by the Board. For example, delays of almost 4 years were noted between the date of receipt of items and the date of approval and ratification by the Board.

Additions to the Natural Sciences collection were also evaluated and assessed in much the same manner as for items that fall within the History and Culture collection. Additions to the Natural Science collection are also reported to the Board for ratification.

A review of the robustness of the collection management records across both the History and Culture collections and the Natural Sciences collections was included in the scope of the review and involved the matching of physical items to database records.

It was found that there were items for which no decision had been made about accessioning and which were stored with the permanent collection items. The storage of non-accessioned items in this way may lead to MAGNT having to limit its acquisition program due to constraints on storage space.

### *MAGNT has receiving backlogs*

Receiving backlogs were identified across both the History and Culture, and the Natural Sciences collections. Receiving backlogs refer to items that have been received by MAGNT, but where a decision is yet to be made about whether or not the items should be accessioned.

## Department of Arts and Museums cont...

The Natural Sciences area was unable to quantify the amount of material that is to be examined to determine whether or not it will be accessioned. While there were some aspects of the collection, for example samples collected during field surveys, that were able to be quantified, there were others such as samples from the Darwin Harbour that could not be assessed for acquisition purposes until the contents of containers had been examined in detail.

The History and Culture area was, however, able to be quantified with greater reliability as each item that is received at MAGNT is now given a unique receipt number and entered in a specific Receipts Database. There were a total of 1,547 records in the Receipts Database with 384, or 25% awaiting decisions about accessioning. It was identified during the course of the review that there were a number of items that appeared to be in MAGNT's possession prior to the establishment of the Receipts Database. This suggests that these items may have been held for approximately 20 years with no decision being made about whether or not they should be accessioned.

It is expected that there will be items waiting to be accessioned, given the rigorous acquisition process that is applied before accepting items into the permanent collections. An apparent lack of sufficient staff in collections management at the time of the review, coupled with the lack of curatorial staff may be contributory factors in delays noted in clearing the receiving backlog.

### *Loans*

The review included the testing of the loans to the Darwin Military Museum, Defence of Darwin Experience and the Motor Vehicle Enthusiasts Club (MVEC). As a result of this process it was observed that identification tags were missing on items loaned to the MVEC and it was noted that stocktaking staff have requested – for at least three years – that new tags be provided by MAGNT and affixed to the relevant items.

### **4. Physical care of the collections**

The physical care of collection items lies at the heart of effectiveness of an institution such as MAGNT. Staff displayed a keen awareness about the importance of safeguarding the collections, but several findings suggest some scope for improvement in this area.

## Department of Arts and Museums cont...

### *Security and access*

Physical access to the collections is maintained through the use of customer service officers, security staff, security cameras and in some instances alarms on specific displayed items. Access to the “back of house” and storage vaults is maintained by a combination of locked doors coupled with swipe card access, together with specific access privileges for different categories of staff. The presence of security staff during the course of the review was also noted, with this presence taking the form of patrols during the course of the day accompanied by evening checking to ensure that access points were locked properly.

### *Disaster and risk planning*

MAGNT has prepared detailed disaster plans and the content of the plans and activities observed during the review fieldwork suggested that the plans and their execution were satisfactory.

### *Aging infrastructure*

The risk of water damage from monsoonal storms or plumbing leaks presents an ongoing challenge for staff. From a review perspective MAGNT’s aging infrastructure presents a potential risk and the failure of air handling units in 2013, which threatened the premature closure of a travelling exhibition, highlights that risk.

A challenge that faces MAGNT is the priority given to addressing the problem of aging infrastructure at Bullocky Point and at other storage sites. The problems may not be capable of easy resolution in the current budgetary climate, but it is a matter that should be pursued with vigour by the new MAGNT Board.

### *Physical identification and location of items*

It was noted that there were items in the collections that were numbered using an earlier convention and sequence, and that there were items that were not in the locations recorded in the collection databases. These observations applied to both the History and Culture collection and the Natural Sciences collection.

## Department of Arts and Museums cont...

There was no evidence that MAGNT has performed scheduled, regular stocktaking of the collections. While several tasks had been undertaken in recent years to redesign storage spaces resulting in complete collections being relocated and collection records updated, a number of discrepancies between physical location and collection records were identified. Regular stocktaking assists in ensuring that items are stored appropriately and are locatable and this is a policy that should be introduced to ensure that collections are well managed.

### *Offsite storage*

A significant issue for collections management exists in the case of items stored at locations remote from the MAGNT site at Bullocky Point, as well as loaned items, where difficulties may exist in managing items in a way intended to ensure that they do not deteriorate or are not at risk of loss.

National Standards for Australian Museums and Art Galleries Benchmark C2.2.2 require that “[t]he collection storage and display areas are cleaned regularly and kept tidy and free of rubbish”. This appears to have not always been the practice in the case of an offsite storage location that was visited during the course of the review. A visit to this site revealed that protective coverings on many items had perished, raising the prospect of the risk of damage to or accelerated deterioration of the collection items held there. This venue stores both permanent collection items as well as significant numbers of Regional, Local and Special Outreach Collection items.

### *Loans*

The review included the testing of loans to the Darwin Military Museum, Defence of Darwin Experience and the Motor Vehicle Enthusiasts Club (MVEC). As a result of this process it was observed that:

- systematic physical checking of loaned items on a regular basis had not been carried out at any of these sites;
- some items at MVEC and Darwin Military Museum showed signs of deterioration;
- loan agreements with MVEC had not been renewed prior to their expiry; and
- loan agreements and stocktake sheets had not been updated to reflect returned items.



## Department of Arts and Museums cont...

### *5. Completeness, existence and validity of data*

Sampling and testing of data identified weaknesses in the completeness, existence and validity of data across a variety of platforms.

#### *Collections database software is no longer being supported*

The database system provides the primary record of the MAGNT collections and considerable reliance is placed upon the data held in the system.

The software product is no longer supported by the Northern Territory Government and there is no local support available. It was noted that there was no approved timetable for replacing this system at the time of the review.

#### *Ability to extract performance data from collections database system is limited*

As noted earlier, the ability of MAGNT staff to extract performance data directly from the database is limited, and results in labour intensive methods being used, for example checking each individual collection item record.

#### *Data recorded in the Collections Databases requires cleansing*

An examination of the data extracted from the collection databases revealed the existence of a large number of blank fields, including records of items with no collection number recorded and other instances where no current location was recorded.

The History and Culture collection's central acquisitions register (CAR) database, which is the permanent record of these collections database, contained 23,797 records. There were also 2,180 records, or 9% of total records, for which there were no current location recorded. That, in turn raises questions about the actual location of the items and whether they are, indeed, held by MAGNT.

Furthermore, there were fields that contained incorrect information. For example there were 233 active records that showed a current location as being the Two and a Half Mile Store; a site that has not been used since 1999.

Duplicate records of items also existed and 114 duplicate records were identified in the CAR database.

## Department of Arts and Museums cont...

Similar findings apply when the Receipts database and Loans databases of the History and Culture collection are examined, with blank records and collection item status shown as 'unknown'.

Fewer issues were identified in the Natural Sciences collection databases.

*Acquisition values of items are recorded inconsistently in the Central Acquisitions Register database*

MAGNT does not have a policy to guide staff on how to calculate the value to be recorded for acquired items in its database. It was noted that the basis of the values recorded in the collections database as the cost of the acquisitioned items varied. Some values were recorded inclusive of Goods and Services Tax (GST), some were exclusive of GST, others were inclusive of freight and others were exclusive of freight. It is understood that these values are not currently used as the basis for financial reporting or management reporting purposes.

*Valuation, collection growth and statistical data*

The review identified inconsistencies in data provided to the Australian Valuation Office (AVO), data recorded in the databases and with data recorded in other internal management planning reports.

The total fair value of the collections at MAGNT as at 30 May 2012 was based on a desktop valuation conducted in 2010 by the AVO. The AVO used a valuation methodology based on inferential statistics to derive the 2012 value. That valuation was limited to the permanent collections, and did not include the Regional, Local and Special Outreach Collection or the receiving backlogs may suggest that the reported value of the collections are understated.

### **6. Digital presence and care of digital collections**

Standard C1.5 of the National Standards for Australian Museums and Art Galleries require that "[t]he museum makes its collection accessible in digital formats and in online environments, as resources permit." The availability of resources may represent a significant constraint upon MAGNT in this regard.

## Department of Arts and Museums cont...

MAGNT does not have a digital collections management policy. The MAGNT website provides basic information about the institution, its facilities, exhibitions and its galleries but it does not provide an interactive environment for the public to engage with MAGNT.

MAGNT has begun to incorporate more technology including the use of touch screens into display spaces and experiences, for example at the Defence of Darwin Experience at East Point, and other online initiatives include:

- access to the Natural Sciences collection being facilitated through the progressive loading of data and images into the Atlas of Living Australia; and
- MAGNT participating in the Google Art Project, where 50 items in the National Aboriginal and Torres Strait Islander Art Award were able to be viewed during review fieldwork; a small percentage of MAGNT's collections.

MAGNT holds significant quantities of digital images of collections items. MAGNT also holds recordings, both digital and analogue, that include a narrative about a particular object or someone's experience with that object. It was noted during the review that management of these digital collections was dispersed, with an accompanying risk that they may be lost or misplaced over time. This highlights the need for management of the digital collection process so that images and recordings are properly stored, catalogued and preserved for future use.

### ***7. Financial considerations***

If MAGNT is to achieve its goals and objectives, particularly in the current budgetary climate, good financial management must occupy a central position in the activities of MAGNT management.

#### *Potential revenue stream not being captured*

Through discussions with Collections Management, Curatorial and Finance staff it was identified that MAGNT is not capturing all the revenue that it might. Expertise of MAGNT staff is called upon by other public sector agencies and by businesses operating in the Territory to assist in identifying specimens. This area of activity has increased in line with an increase in the number of environmental impact studies and with increased environmental monitoring associated with the level of mining and dredging activity during the last few years.

Given the level of resources that have been made available to MAGNT through the budget process there may be opportunities to supplement funds made available by the Legislative Assembly with income derived from the provision of services.

## Department of Arts and Museums cont...

**The Department of Arts and Museums has commented:**

*The review findings for the Performance Management Review – Collections Management are acknowledged and the Agency is taking action where required.*

*On 1 July 2014, the Museum and Art Gallery of the Northern Territory Act commenced. The Act establishes the Board of the Museum and Art Gallery of the Northern Territory as a body corporate responsible for the management and financial affairs of the Museum and Art Gallery of the Northern Territory (MAGNT) and the venues it manages through which it delivers services.*

*The new structure will allow MAGNT to attract philanthropic donations and corporate sponsorship to enhance its exhibitions and programs. A copy of the Performance Management System Review will be provided to the Board for its consideration.*

# Department of Corporate and Information Services

## **Electronic Invoice Management System**

### **Audit Objectives and Scope**

The objective of this audit was to assess the design and implementation of key application and general IT controls relating to the Electronic Invoice Management System (EIMS) that is managed by the Department of Corporate and Information Services.

The focus of the audit was upon:

- information security (applications, database and operating system);
- user access management;
- change management;
- IT operations;
- business continuity management; and
- application controls (user access, workflow configuration).

The findings of the audit are based on a review of documentation and discussions with a number of DCIS personnel.

### **Audit Opinion**

Based on discussion with key stakeholders and review of project documentation I have determined that appropriate management controls have been applied over the Electronic Invoice Management System, but it is considered that opportunities exist to strengthen user access management and security monitoring while also formalising procedures.

# Department of Corporate and Information Services cont...

## Background

The Electronic Invoice Management System application is used to provide automated scanning of creditors' invoices together with approvals for payment of invoices. The system was implemented at the Department of Corporate and Information Services (DCIS) in 2011 and has been rolled out to most agencies across the NT Government.

The DCIS Finance Systems team is responsible for the support and maintenance of both the application and its interfaces with other systems. The system architecture includes client software which is primarily used by the DCIS accounts payable team and a web-based portal used by agencies. The software interacts directly with the EIMS database. Database midrange servers are hosted and supported by Data Centre Services.

I was advised that, in the short-term, the EIMS will be enhanced to include the ability for creditors to review the status of their invoices, and that it is possible that EIMS may also be extended to replace legacy applications.

## Key Findings

### *Information Security (Application, Database, Operating System)*

Users are able to login to the EIMS using their NT Government network login user names and passwords. An automated process has been established for the creation and removal of access to the EIMS application and additional access privileges within EIMS must be assigned directly once a user account has been created.

The database and midrange servers that support the application have been configured to the vendor requirements and based on the Data Centre Services standards. This audit identified some minor weaknesses relating to the security configuration.

### *User Access Management*

The DCIS Finance Systems team has overall responsibility for security within the EIMS application. That team provides some support for maintaining user access, but the responsibility for assigning additional access privileges has been assigned to administrators within each agency. At the time of the audit a process had yet to be established for the periodic review of user access to ensure that access is appropriately restricted by agencies. However, the audit noted that controls in place for the dual authorisation of invoices go some way towards reducing the risks associated with user access management.

# Department of Corporate and Information Services cont...

## *Change Management*

An informal process had been established to govern changes to the system. It is understood that a revised change control process will be established during 2014-15. It was noted that changes to the database and midrange servers referred to above follow a defined change process that is managed by Data Centre Services.

## *IT Operations*

A set of scheduled, daily tasks provide for the automated export and upload of approved invoices from EIMS into Government Accounting System general ledgers. The DCIS Finance Systems team is responsible for the monitoring the success or failure of these processes. It was noted during the audit there was a lack of a clearly defined process for the monitoring and resolution of issues that may arise during the upload and approval processes.

## *Business Continuity Management*

An overarching business continuity plan and EIMS disaster recovery plan have been developed. It was noted that the business continuity management plan is at a high level and does not address arrangements to minimise business interruption should the EIMS application not be available. It was submitted to the Department that the business continuity plan should be defined based on a Business Impact Assessment to ensure key risks, critical business process and acceptable outage times are addressed. In particular, I recommended that consideration be given to defining “work around” requirements which could be applied in the event of an interruption to EIMS systems or processes.

## *Application Controls (Security Design, Workflow Configuration)*

There are a number of components to the EIMS application security model including privilege assignment, workflow and configuration menu access. These privileges can be further restricted to an agency and transaction type (credit invoice, non invoice payment and purchase request). During the assessment I noted that there were some opportunities to reduce the level of privileged access that had been assigned to some users.

## Department of Corporate and Information Services cont...

System workflows have been established which drive business processes (i.e. data input, quality, assignment, coding and approval). Each workflow is configured based on the requirements of individual agencies and the system has an in-built control intended to ensure the same user cannot create and approve a transaction within EIMS. It was noted, however, that financial delegations were not being enforced by the system to ensure the appropriate level of approval was obtained prior to vendors' payments being made.



## Department of Corporate and Information Services cont...

**The Department of Corporate and Information Services has commented:**

*DCIS notes that the audit determined that appropriate management controls are applied over EIMS.*

*System access security configuration has been further strengthened since the audit, including account 'lockout' where required. Additionally, independent penetration testing of the host environment, including EIMS, has been undertaken with no security issues or concerns identified.*

*A bi-annual process for agency review of their administrator's access has been implemented. Agencies determine the system access privileges for their staff according to their business requirements. The system has in-built controls requiring dual authorisation of invoices to provide safeguards and reduce risk.*

*Formal change management processes are established and a dedicated change management system is being implemented, supplementing DCIS' existing defined protocols for managing changes. The EIMS interface is always actively monitored. Procedures have been documented for the interface monitoring processes that are in place, including escalation and resolution processes.*

*DCIS develops business continuity management plans using a structured approach that includes conducting business impact assessments. The EIMS disaster recovery plan is being updated and includes 'work around' options.*

*Financial delegations are determined by the Accountable Officer (Chief Executive) of each agency according to the specific circumstances and business requirements of the agency. There is substantial variation in delegation requirements across agencies and changes over time. It remains appropriate and effective for delegations to continue to be managed by agency Accountable Officers within their internal control frameworks.*

# Department of the Attorney-General and Justice

## **Trust Accounting Database**

### **Audit Objectives and Scope**

The objective of this audit was to assess the key controls associated with the Trust Accounting Database (TACT) that is used by the Office of the Public Trustee.

The audit findings are based on a review of documents, system configuration and discussions with a number of staff at the Department of the Attorney-General and Justice, and the Department of Corporate and Information Services.

### **Audit Opinion**

In my opinion the IT general computer controls over TACT are not considered to be satisfactory.

### **Key Findings**

Control weaknesses were noted in the area of login and password controls, and reviews of user access.

I also noted that the agreement between the Department and the TACT application service provider for the development of system changes and maintenance was executed in 1999 and had not been reviewed or updated since then.

## Department of the Attorney-General and Justice cont...

**The Department of the Attorney-General and Justice has commented:**

*The Department of the Attorney General and Justice has acknowledged the key findings of this audit and in line with the audit's key recommendations is identifying and evaluating procedural and system enhancement options for addressing identified user access internal control deficiencies. An assessment of system development and maintenance arrangements is currently underway to ensure an appropriate service agreement is in place and is monitored and reviewed in line with NTG procurement requirements.*

# Land Development Corporation

## Interim Financial Statements Audit

### Audit Objectives and Scope

The objectives of this interim audit were:

- to facilitate the end of financial year audit of the financial statements of the Land Development Corporation (the Corporation) for the year ending 30 June 2014 as required under section 10 of the *Financial Management Act*;
- follow up the issues identified during the previous financial statements audit and assess their ongoing impact; and
- in accordance with section 13 of the *Audit Act* address any control/compliance issues arising from an examination of the accounts and records.

### Audit Opinion

As this was an interim financial statements audit no formal opinion has been issued.

### Key Findings

#### *Accounting treatment for a land payment of \$1 million to the Tiwi Land Council*

During the financial year the Land Development Corporation paid an amount of \$1 million to the Tiwi Land Council as consideration for the provision of long term leases on the Tiwi Islands. As at the date of the audit, the parcel of land that is to be leased had not been identified and it was unclear what future economic benefits will flow to the Corporation.

## Land Development Corporation cont...

**The Land Development Corporation has commented:**

*The Corporation and the Tiwi Land Council have identified general areas that may be available for leasing. Specific leasing parcels are in the process of being formalised with the Tiwi Land Council. This will result in the achievement of land leases for the economic development of Tiwi Islands and the economic benefits that will flow to the Corporation.*

# Menzies School of Health Research

## **Audit findings and analysis of the financial statements for the year ended 31 December 2013**

### **Background**

The Menzies School of Health Research (the School) is established under the *Menzies School of Health Research Act* in 1985 and operates as a medical research institute within the Northern Territory. The School is deemed to be controlled by Charles Darwin University by virtue of Section 11(1) of the Act which specifies that the Vice-Chancellor and the Deputy Vice-Chancellor (Research) of the University will be *ex officio* members of the School's Board, and through Section 11(2)(d) which specifies that five of the ten persons appointed to the Board by the Administrator are appointed on the nomination of the University.

### **Audit Opinion**

The audit of the financial statements of Menzies School of Health Research for the year ended 31 December 2013 resulted in an unqualified independent audit opinion, which was issued on 14 May 2014.

### **Key Findings**

#### *New Buildings*

The construction of new research and training facilities located on the Charles Darwin University's Casuarina Campus and at the Royal Darwin Hospital site were nearing completion at the time of the audit and occupancy of the buildings has since commenced. Costs incurred on these projects during 2013 totalled \$27.2 million with the costs of construction to 31 December 2013 amounting to \$34.4 million.

The expected future costs to complete the projects are estimated to be of the order of \$14 million with the final costs expected to fall within the amount budgeted. My earlier misgivings about the adequacy of the budget for these projects were unfounded and I believe credit is due to the School for the way it has managed the projects.

## Menzies School of Health Research cont...

### Financial Performance for the year ended 31 December 2013

	2013	2012
	\$'000	\$'000
<b>Revenue from continuing operations</b>	<b>62,601</b>	<b>38,461</b>
<b>Less expenses from ordinary activities</b>		
Employee expenses	(24,008)	(24,692)
Administration, operational and other expenses	(14,915)	(13,996)
<b>Total expenses from ordinary activities</b>	<b>(38,923)</b>	<b>(38,688)</b>
<b>Net operating result for the year</b>	<b>23,678</b>	<b>(227)</b>

There was a significant increase in the School's total revenues for the year, with \$62.6 million being recognised in 2013 compared to \$38.5 million recognised in 2012. That increase was due largely to capital funding of \$25.7 million received during 2013. The School's operating expenses remained relatively stable at \$38.9 million in 2013 compared to \$38.7 million in 2012. Flowing from the movements in revenues and expense outlined above, the School achieved an operating surplus of \$23.7 million for the year.

## Menzies School of Health Research cont...

### Financial Position as at 31 December 2013

	2013	2012
	\$'000	\$'000
Current assets	36,879	40,294
Less current liabilities	(5,554)	(5,142)
<b>Working capital</b>	<b>31,325</b>	<b>35,152</b>
Add non current assets	35,031	7,776
	66,356	42,928
Less non current liabilities	(290)	(545)
<b>Net assets</b>	<b>66,066</b>	<b>42,383</b>
Represented by:		
Reserves	9,992	10,988
Retained earnings	56,074	31,395
<b>Equity</b>	<b>66,066</b>	<b>42,383</b>



# Northern Territory Police, Fire and Emergency Services

## Police Real-Time Online Management Information System

### Audit Objectives and Scope

The objective of the audit was to assess the design and implementation of key IT general controls within the Police Real-time Online Management Information System (PROMIS) computer environment.

The design and implementation of controls pertaining to the following areas related to the PROMIS application were assessed as part of this audit:

- information security management;
- application and database security;
- operating system security;
- change management;
- systems resilience; and
- operations.

The findings are based on a review of documentation, system configuration and discussions with relevant personnel. Some aspects of the system were excluded from the scope of the audit due to the sensitivity of data held in the system.

### Audit Opinion

Based on discussions with key stakeholders and review of documentation I have determined that appropriate computer controls have been designed and implemented for the PROMIS computer environment, but opportunities existed to strengthen information security controls and disaster recovery planning as described below.

# Northern Territory Police, Fire and Emergency Services cont...

## **Background**

PROMIS is the primary information and case management system for the Northern Territory Police. PROMIS was introduced in 1999 and provides the NTPFES with a single application in which all cases and incidents could be managed or investigated on a Territory wide basis. PROMIS is supplied under license to the Northern Territory Police by the Australian Federal Police. The PROMIS application is currently maintained in-house by the Agency's IT team with support provided by contractors. The database which supports PROMIS is hosted and managed by the Northern Territory Government's Data Centre Services. The future requirements and direction for the PROMIS application were being reviewed at the time of the audit.

## **Key Findings**

While overall system controls were considered to be satisfactory, a number of recommendations intended to enhance system security and disaster recovery planning were made at the conclusion of the audit.

# Selected Agencies

## Agency Compliance Audits

### Audit Objectives and Scope

Agency compliance audits are intended to ascertain the extent to which Agencies' Accountable Officers have implemented and maintained procedures that assist in ensuring that the requirements set out in Acts of Parliament, and subordinate and delegated legislation, are adhered to.

### Background

The use of delegated legislation, for example Treasurer's Directions and Procurement Directions, devolve responsibility to Accountable Officers of line Agencies. That devolution has an accompanying requirement for accountability by Accountable Officers to their Ministers. Compliance audits are intended to assess how well that accountability is being discharged. The audits for this period concentrated on the extent to which Agencies had complied with promulgated requirements with respect to:

- the maintenance of registers of financial interests, contingencies, guarantees and indemnities;
- validation of accounts payable and claims for payment, including funds availability;
- compliance with the *Procurement Act*, Regulations made under that Act and Procurement Directions;
- the maintenance of registers of losses, and whether investigation, and reporting and recovery of losses accorded with the requirements of Treasurer's Directions;
- ensuring that expenditure on official travel, telephones and hospitality was properly authorised, recorded and acquitted;
- the recording and accounting for trust monies;
- the legal and statutory arrangements governing the recovery of certain debts, the retention of financial management records, the granting of ex-gratia payments, and the maintenance of Registers of Fees and Charges;
- the control of physical assets; and
- budget management, including financial and performance reporting.

## Selected Agencies cont...

Audits were performed in each of the following Agencies during the six months covered by this report:

- Department of Children and Families;
- Department of Correctional Services;
- Department of Education;
- Department of Health;
- Department of Housing;
- Department of Infrastructure;
- Department of Lands, Planning and the Environment;
- Department of Mines and Energy;
- Department of Primary Industry and Fisheries;
- Department of Sport, Recreation and Racing;
- Department of Transport;
- Northern Territory Electoral Commission;
- Northern Territory Police, Fire and Emergency Services; and
- Parks and Wildlife Commission of the Northern Territory.

### Key Findings

A number of issues were raised as a result of the audits including:

- lack of compliance with Procurement Directions, and procurement policies;
- weaknesses in the reconciliation of Accountable Officers' Trust Accounts;
- lack of compliance with Treasurers' Directions, particularly in relation to controls over telephones, hospitality and travel expenditure;
- deficiencies in controls over fixed assets;
- incomplete registers of financial interests, contingencies, guarantees and indemnities;
- lack of internal audit capacity accompanied by weaknesses in internal audit procedures; and
- incomplete Agency Accounting and Property Manuals that did not fully comply with Treasurer's Directions.

## Selected Agencies cont...

**The Department of Children and Families has commented:**

*A number of key findings identified in the Auditor-General's Report apply to the Department of Children and Families, particularly procurement. The Department has implemented a range of measures to facilitate compliance with requirements.*

**The Department Education has commented:**

*We continue to implement improvements in our systems and note key areas you have identified in your compliance audit across a number of agencies including the Department of Education.*

**The Department of Mines and Energy has commented:**

*The Department of Mines and Energy (DME) notes the Audit Opinion of the Auditor General in relation to DME's Compliance Audit 'that in general the accounting and control procedures examined provide reasonable assurance that the responsibilities of the Accountable Officer, as set out in the Treasurer's Directions and Procurement Regulations and Guidelines, will be met if those systems continue to operate in the manner identified in the audit'.*

*The Agency continues to reinforce the requirements under the Accounting and Property Manual through written notifications and reminders and in house training.*

## Selected Agencies cont...

---

**The Department of Primary Industry and Fisheries has commented:**

*The Department of Primary Industry and Fisheries (DPIF) notes the Audit Opinion of the Auditor-General in relation to DPIF's Compliance Audit 'that in general the accounting and control procedures examined provide reasonable assurance that the responsibilities of the Accountable Officer, as set out in the Treasurer's Directions and Procurement Regulations and Guidelines, will be met if those systems continue to operate in the manner identified in the audit'.*

*The Agency continues to reinforce the requirements under the Accounting and Property Manual through written notifications and reminders and in house training.*

---

---

**The Department of Sport, Recreation and Racing has commented:**

*The compliance audit of the Department of Sport, Recreation and Racing found no significant issues. The audit found that processes and procedures are sufficient and working effectively.*

---

# Selected Agencies

## Fuel Cards

### Background

The objective of this assessment was to examine transactions for the purchase of fuel, using fuel cards, that were undertaken by the Department of Arts and Museums, the Department of the Attorney-General and Justice, the Department of Health, and Tourism NT between 1 July 2013 and 31 December 2013 in order to identify transactions that displayed unusual characteristics or characteristics that might suggest the existence of fraud, and to provide information about those transactions to the Agencies' management for review and follow-up. Fuel cards issued to officers of the Agencies, and pool vehicles were included in the assessment.

### Overall Assessment

It should be noted that this assessment did not constitute an audit.

#### *Department of Arts and Museums, Department of the Attorney-General and Justice, and Tourism NT*

Based upon the assessment undertaken by my Office and discussions with staff representing the Department of Arts and Museums (A&M), the Department of the Attorney-General and Justice (AG&J), and Tourism NT the probability of significant fraudulent transactions having occurred during the period assessed was very low.

#### *Department of Health*

Based upon the assessment undertaken by my Office and discussions with staff representing the Department of Health (DoH), the probability of significant fraudulent transactions having occurred during the period assessed was low.

## Selected Agencies cont...

### Recommendations

I recommend that:

- detailed monthly reviews of fuel purchases commence, or be enhanced, with particular attention being paid to ascertaining the reasons for small fuel purchases and missing, or incorrect, odometer readings; and
- the Agencies should also consider whether the distance travelled by each vehicle is reasonable when taking into account the business activities, and reasonable private use, of that particular vehicle.

### Key Findings

The following table outlines the vehicles identified as being in use at some time during the period 1 July 2013 to 31 December 2013:

Department	Fuel Cards	Vehicles
Department of Arts and Museums	18	16
Department of the Attorney-General and Justice	96	95
Department of Health	390	389
Tourism NT	8	8

There was evidence that all agencies perused the monthly accounts, but there was no evidence of:

- detailed analysis or review of kilometres travelled;
- investigation of the nature of small purchase; or
- regular investigation of incorrect fuel purchases.



## Selected Agencies cont...

### Vehicles Unable to be Analysed

#### *Department of Arts and Museums*

Of the 18 fuel cards that were in use at the Department there were 5 where there was insufficient data to permit a reasonable analysis to be performed. Specifically:

- one was considered to represent a reasonable exception in that there was only one transaction recorded for the vehicle against which the card had been issued and the vehicle had been acquired shortly before the commencement of the review;
- two cards were 'any vehicle' meaning that they could be used to acquire fuel for a range of vehicles;
- one card was allocated against a fork lift truck; and
- the remaining card could not be analysed as there was only one transaction recorded and the odometer reading had not been provided. I note that this vehicle has since been returned to NT Fleet as surplus to requirements.

#### *Department of the Attorney-General and Justice*

Of the 96 fuel cards that were in use at the Department there were 5 where there was insufficient data to permit a reasonable analysis to be performed. Specifically:

- one card was considered to represent a reasonable exception in that there was only one transaction recorded for the vehicle with the odometer reading being provided for that purchase;
- one was an 'any vehicle' card; and
- the transactions made against three cards could not be analysed due to the frequency of errors and/or omissions.

The three cards that were unable to be analysed due to the frequency of errors and/or omissions were:

Vehicle Registration	Transactions recorded	Percentage of erroneous/missing odometer readings
AG&J Car 005	5	100%
AG&J Car 004	4	75%
AG&J Car 007	4	50%

## Selected Agencies cont...

### *Department of Health*

Of the 390 fuel cards that were in use at the Department there were 84 where there was insufficient data to permit a reasonable analysis to be performed. Specifically:

- 16 cards were considered to represent reasonable exceptions in that there was only one transaction recorded for the vehicle with the odometer reading being provided;
- four cards could not be analysed as there was only one transaction recorded and the odometer was not provided; and
- the remaining 64 cards could not be analysed due to the frequency of errors and/or omissions.

### *Tourism NT*

Of the eight fuel cards that were in use at Tourism NT all cards had sufficient data to permit a reasonable analysis to be performed.

## Unusual Transactions

### *Department of Arts and Museums*

In relation to the 128 individual transactions recorded against the fuel cards at the Department:

- There were five instances where it appears that incorrect fuel was purchased, for example, unleaded fuel was purchased for a vehicle recorded by NT Fleet as requiring LPG and unleaded fuel was purchased for a vehicle recorded as requiring premium unleaded.
- There were six instances where less than 15 litres of fuel was recorded as being purchased. Purchases of this size appear unusual in the context of motor vehicle usage.

### *Department of the Attorney-General and Justice*

In relation to the 1,110 individual transactions recorded against the fuel cards at the Department:

- There were five instances where it appears that incorrect fuel was purchased, for example, premium unleaded fuel was purchased for a vehicle recorded as only requiring unleaded fuel, and unleaded fuel purchased for a vehicle recorded as requiring premium unleaded.
- There were 11 instances where less than 15 litres of fuel was recorded as being purchased. As noted above purchases of this size appear unusual in the context of motor vehicle usage.

## Selected Agencies cont...

- The following transactions are highlighted as being particularly unusual (either individually or as part of a pattern of transactions):
  - AG&J Car 010 – 2 purchases on 29 August with the second purchase being for 93.12 litres of fuel after a distance of 140 kilometres. A purchase on 6 October followed by 40.47 litres purchased on 13 October for a distance travelled of 72 kilometres.
  - AG&J Car 017 – 2 purchases on 17 August for the same quantity. This appear to be the same transaction processed twice without a reversal being recorded.
  - AG&J Car 082 – 2 purchases on the same day only 3 minutes apart for different quantities and different odometers.
  - AG&J Car 010 – purchased 93.12 litres of fuel for a vehicle with a reported fuel capacity of 55 litres.

### *Department of Health*

In relation to the 4,710 individual transactions recorded against the fuel cards at the Department:

- There were 35 instances where it appears that incorrect fuel was purchased. In 26 of those instances premium unleaded fuel was purchased for a vehicle recorded as only requiring unleaded fuel, or unleaded fuel purchased for a vehicle recorded as requiring premium unleaded. There were also the following unusual fuel type purchases:

Health Car 016 – recorded by NT Fleet as requiring “Diesel” fuel. The following “Unleaded” purchase was the sole purchase of fuel recorded for this vehicle.

Date	Fuel Type	Quantity	\$
30 November 2013	Unleaded	86.31 litres	\$165.00

Health Car 053 – recorded by NT Fleet as requiring “Diesel” fuel. Of the 12 purchases the following purchase was recorded as “Unleaded”.

Date	Fuel Type	Quantity	\$
30 November 2013	Unleaded	84.00 litres	\$45.92

## Selected Agencies cont...

Health Car 122 – recorded by NT Fleet as requiring “Diesel” fuel. Of the 29 purchases the following 5 were recorded as “Unleaded”.			
Date	Fuel Type	Quantity	\$
31 July 2013	Unleaded	7.12 litres	\$17.28
12 September 2013	Unleaded	20.68 litres	\$50.22
26 September 2013	Unleaded	10.89 litres	\$26.43
22 November 2013	Unleaded	23.74 litres	\$54.56
20 December 2013	Unleaded	21.89 litres	\$50.29

Health Car 227 – recorded by NT Fleet as requiring “Diesel” fuel. Of the 9 purchases the following purchase was recorded as “Unleaded”.			
Date	Fuel Type	Quantity	\$
22 December 2013	Unleaded	80.75 litres	\$185.56

Health Car 330 – recorded by NT Fleet as requiring “Diesel” fuel. Of the 9 purchases the following purchase was recorded as “Unleaded”.			
Date	Fuel Type	Quantity	\$
13 December 2013	Unleaded	93.87 litres	\$185.45

- There were 103 instances where less than 15 litres of fuel was recorded as being purchased. In 25 of these instances no odometer reading was provided. There were 2 instances of “Lubes” of an unusually high dollar value and 3 instances of “Shop” recorded. The remainder were small purchases with an odometer being provided. As noted above purchases of this size appear unusual in the context of motor vehicle usage. Some of these purchases are further detailed below as they occurred at the same date/time as other purchases.

## Selected Agencies cont...

- The following transactions recorded for Health are highlighted as being particularly unusual (either individually or as part of a pattern of transactions):

Health Car 122 – all purchases were made at Pirlangimpi				
Date	Odometer	Product	Quantity	\$
31 July 2013 14:40	Unknown	Diesel	21.33 litres	\$51.79
31 July 2013 14:43	Unknown	Unleaded	7.12 litres	\$17.28
12 September 2013 10:10	Unknown	Unleaded	20.68 litres	\$50.22
12 September 2013 10:12	Unknown	Diesel	40.41 litres	\$98.11
26 September 2013 12:54	Unknown	Diesel	115.96 litres	\$281.55
26 September 2013 12:56	Unknown	Unleaded	10.89 litres	\$26.43
18 November 2013 8:20	Unknown	Diesel	12.60 litres	\$29.71
18 November 2013 9:15	Unknown	Diesel	53.12 litres	\$125.27
22 November 2013 8:56	Unknown	Diesel	55.19 litres	\$130.14
22 November 2013 14:22	Unknown	Unleaded	23.74 litres	\$54.56
16 December 2013 10:43	Unknown	Diesel	21.61 litres	\$50.95
16 December 2013 12:20	Unknown	Diesel	21.02 litres	\$49.57
16 December 2013 17:34	Unknown	Diesel	57.05 litres	\$134.53
20 December 2013 11:01	Unknown	Unleaded	21.89 litres	\$50.29
20 December 2013 11:05	Unknown	Diesel	57.06 litres	\$134.54

Health Car 010				
Date	Location	Odometer	Quantity	\$
16 November 2013 10:59	Batchelor	Unknown	49.41 litres	\$86.32
16 November 2013 11:00	Batchelor	Unknown	4.67 litres	\$8.16

Health Car 025				
Date	Location	Odometer	Quantity	\$
12 July 2013 13:10	Ramingining	Unknown	67.85 litres	\$144.39
12 July 2013 13:18	Ramingining	Unknown	123.38 litres	\$262.55

## Selected Agencies cont...

Health Car 052					
Date	Location	Odometer	Quantity	\$	
26 September 2013 11:05	Gulf Mini	28,672 km	38.49 litres	\$49.19	
26 September 2013 11:07	Gulf Mini	28,672 km	30.95 litres	\$39.56	

Health Car 054					
Date	Location	Odometer	Quantity	\$	
27 July 2013 12:19	Gulf Mini	51,576 km	1 Lubes	\$91.19	

Health Car 075 – whilst lubes are an acceptable purchase on the fuel card this seems unusually high.					
Date	Location	Odometer	Quantity	\$	
23 September 2013 10:33	Erlunda	Unknown	1 Lubes	\$115.01	

Health Car 063 – 2 purchases that appear to be the same transaction without a reversal being recorded.					
Date	Location	Odometer	Quantity	\$	
26 September 2013 11:31	Aurora	Unknown	92.93 litres	\$178.23	
26 September 2013 11:31	Aurora	Unknown	92.93 litres	\$178.23	

Health Car 073					
Date	Location	Odometer	Quantity	\$	
9 September 2013 11:45	Numbulwar	Unknown	39.48 litres	\$96.65	
9 September 2013 11:47	Numbulwar	Unknown	22.49 litres	\$55.06	
9 October 2013 9:24	Numbulwar	Unknown	59.46 litres	\$145.56	
9 October 2013 9:27	Numbulwar	Unknown	0.69 litres	\$1.69	

## Selected Agencies cont...

Health Car 140 – the following transactions provide examples of instances where 2 transactions occurred on the one day. In one instance (30 July) 20 kilometres was travelled followed by a refuel of 44.55 litres. In another instance (30 August) 19 kilometres was travelled followed by a refuel of 40.61 litres. In other instances, although the timeframe of the purchases appears reasonable, the odometer readings appear to be incorrect and it is not possible to ascertain whether, or not, the refuel was appropriate. The following examples are a small sub-set of the anomalies noted for this particular vehicle. Overall this vehicle recorded a fuel economy of 20 litres per 100 kilometre.

Date	Location	Odometer	Quantity	\$
15 July 2013 10:27	Gulf Mini Mart	62,167 km	33.54 litres	\$63.67
15 July 2013 17:52	Gulf Mini Mart	52,320 km	30.79 litres	\$58.44
19 July 2013 12:04	Gulf Mini Mart	63,258 km	51.53 litres	\$97.81
19 July 2013 13:42	Gulf Mini Mart	63,295 km	26.67 litres	\$50.62
24 July 2013 9:08	Gulf Mini Mart	64,814 km	45.29 litres	\$85.95
24 July 2013 17:33	Gulf Mini Mart	64,985 km	48.77 litres	\$92.57
30 July 2013 16:28	Gulf Mini Mart	66,009 km	57.61 litres	\$109.34
30 July 2013 18:04	Gulf Mini Mart	66,029 km	44.55 litres	\$84.56
12 August 2013 11:52	Gulf Mini Mart	67,123 km	41.31 litres	\$78.41
12 August 2013 17:19	Gulf Mini Mart	67,290 km	52.16 litres	\$99.01
30 August 2013 7:35	Gulf Mini Mart	69,304 km	41.46 litres	\$78.68
30 August 2013 14:27	Gulf Mini Mart	69,323 km	40.61 litres	\$77.08

### Health Car 089

Date	Location	Odometer	Quantity	\$
6 August 2013 14:41	Numbulwar	Unknown	32.92 litres	\$80.59
6 August 2013 14:53	Numbulwar	Unknown	90.03 litres	\$220.39
6 December 2013 15:32	Numbulwar	Unknown	42.62 litres	\$108.59
6 December 2013 16:17	Numbulwar	Unknown	86.84 litres	\$222.27

## Selected Agencies cont...

Health Car 106					
Date	Location	Odometer	Quantity	\$	
15 October 2013 14:00	Ramingining	Unknown	99.69 litres	\$227.11	
15 October 2013 14:06	Ramingining	Unknown	72.35 litres	\$164.81	

Health Car 110					
Date	Location	Odometer	Quantity	\$	
27 December 2013 9:34	Numbulwar	Unknown	25.90 litres	\$65.99	
27 December 2013 9:35	Numbulwar	Unknown	26.46 litres	\$67.42	

Health Car 165 – 2 purchases that appear to be the same transaction without a reversal being recorded.					
Date	Location	Odometer	Quantity	\$	
27 December 2013 10:08	Gulf Mini Mart	22,016 km	53.33 litres	\$101.21	
27 December 2013 10:09	Gulf Mini Mart	22,016 km	53.33 litres	\$101.21	

Health Car 170					
Date	Location	Odometer	Quantity	\$	
7 November 2013 11:36	Wauchope	39,617 km	95.95 litres	\$203.13	
7 November 2013 11:45	Wauchope	42,036 km	38.52 litres	\$81.54	

Health Car 194					
Date	Location	Odometer	Quantity	\$	
16 October 2013 10:05	Katherine	16,752 km	6.14 litres	\$9.59	
16 October 2013 10:07	Katherine	16,752 km	28.86 litres	\$45.11	

Health Car 214					
Date	Location	Odometer	Quantity	\$	
13 November 2013 10:18	Lazy Lizard	Unknown	Shop – 1	\$10.95	
10 December 2013 16:20	Lazy Lizard	Unknown	Shop – 1	\$36.80	
10 December 2013 16:20	Lazy Lizard	Unknown	Shop – 1	\$65.00	



## Selected Agencies cont...

Health Car 216					
Date	Location	Odometer	Quantity	\$	
12 December 2013 11:28	Ti-Tree	Unknown	36.12 litres	\$74.05	
12 December 2013 14:58	Ti-Tree	Unknown	60.19 litres	\$123.39	

Health Car 224 – 2 purchases that appear to be the same transaction without a reversal being recorded.					
Date	Location	Odometer	Quantity	\$	
11 October 2013 7:58	Bagot Road	8,378 km	37.53 litres	\$62.18	
11 October 2013 7:58	Bagot Road	8,378 km	37.53 litres	\$62.18	

Health Car 239					
Date	Location	Odometer	Quantity	\$	
15 November 2013 9:40	Alice City	8,367 km	1 Lubes	\$8.30	
15 November 2013 9:40	Alice City	8,367 km	2.95 litres	\$5.03	

Health Car 252 – 2 purchases that appear to be the same transaction without a reversal being recorded.					
Date	Location	Odometer	Quantity	\$	
12 November 2013 16:02	BP Palms	29,310 km	127.91 litres	\$211.44	
12 November 2013 16:02	BP Palms	29,310 km	127.91 litres	\$211.44	

Health Car 307					
Date	Location	Odometer	Quantity	\$	
7 November 2013 12:05	Wauchope	37,393 km	28.36 litres	\$60.04	
7 November 2013 12:06	Wauchope	37,693 km	24.58 litres	\$52.04	
7 November 2013 12:16	Wauchope	38,501 km	56.56 litres	\$119.75	

## Selected Agencies cont...

Health Car 328				
Date	Location	Odometer	Quantity	\$
18 December 2013 14:23	ALPA	Unknown	59.90 litres	\$136.46
18 December 2013 14:30	ALPA	Unknown	80.37 litres	\$183.08
18 December 2013 14:40	ALPA	Unknown	126.58 litres	\$288.34

- The following fuel purchases appear to be higher than the fuel capacity of the vehicle.

Vehicle	Reported Capacity	Quantity
Health Car 025	76 litres	149.6 litres
Health Car 052	90 litres	113.9 litres
Health Car 062	76 litres	93.3 litres
Health Car 071	135 litres	159.8 litres
Health Car 094	170 litres	189.4 litres
Health Car 103	53 litres	79.3 litres
Health Car 122	76 litres	116.0 litres
Health Car 140	70 litres	194.3 litres
Health Car 144	180 litres	199.3 litres
Health Car 258	42 litres	64.2 litres
Health Car 262	140 litres	165.3 litres
Health Car 266	90 litres	126.9 litres
Health Car 297	13 litres	74.4 litres
Health Car 322	76 litres	90.4 litres
Health Car 346	42 litres	50.4 litres

## Selected Agencies cont...

### *Tourism NT*

In relation to the 84 individual transactions recorded against the fuel cards at Tourism NT:

- There were 1 instance where less than 15 litres of fuel was recorded as being purchased. Purchases of this size appear unusual in the context of motor vehicle usage.
- The following transactions were highlighted as being particularly unusual (either individually or as part of a pattern of transactions):
  - Tourism Car 001 refuelled on 3 July and then on 9 August with 1,623 kilometres recorded as having been travelled between refuels. This is possibly due to an incorrect odometer being provided or fuel being purchased other than with the fuel card.

## Selected Agencies cont...

### Missing or Incorrect Odometer Readings

There were numerous instances of anomalous transactions recorded by the Agencies as outlined below:

Department	Transaction Errors	Population	% of errors at Agency level
Department of Arts and Museums	19	128	15%
Department of the Attorney-General and Justice	127	1,110	11%
Department of Health	1,087	4,710	23%
Tourism NT	19	84	23%

Anomalous information included:

- Missing odometer readings possibly due to:
  - the driver failing to provide an odometer reading;
  - the console operator not recording the odometer reading provided;
  - the accounts department of the fuel supplier not providing the odometer reading on the invoice; or
  - the fuel card not allowing the odometer reading to be recorded.
- Incorrect odometer readings, for example a reading that was lower than the previous reading or is obviously incorrect (e.g. a reading in excess of 100,000 kilometres). This may be due to:
  - the driver misreading the odometer;
  - the driver guessing the reading;
  - the console operator mishearing the reading; or
  - the console operator mistyping the reading.

## Selected Agencies cont...

### *Acceptable error rate*

In analysing the transaction errors I consider an error rate of less than 5 per cent to be reasonable. I also consider an error rate between 6 per cent and 25 per cent to be reasonable when taking into account the probability of some console operator error occurring, however I would recommend that the users of the fuel cards for these vehicles be reminded of the need to provide accurate odometer readings to the fuel supplier.

Even taking into account the probability of some console operator or supplier error I consider an error rate of 26 per cent or greater to be unacceptable.

### *Department of Arts and Museums*

9 cards (50%) had what appeared to be the correct odometer readings on more than 95 per cent of the transactions.

3 cards (17%) had missing or incorrect odometer readings for between 6 per cent and 25 per cent of the transactions.

For the remaining 6 cards (33%), which included the card allocated to the fork lift, errors were noted on more than 26 per cent of the transactions.

### *Department of the Attorney-General and Justice*

40 cards (42%) had what appeared to be the correct odometer readings on more than 95 per cent of the transactions.

49 cards (51%) had missing or incorrect odometer readings for between 6 per cent and 25 per cent of the transactions.

For the remaining 7 cards (7%) errors were noted on more than 26 per cent of the transactions.

### *Department of the Health*

121 cards (31%) had what appeared to be the correct odometer readings on more than 95 per cent of the transactions.

148 cards (38%) had missing or incorrect odometer readings for between 6 per cent and 25 per cent of the transactions.

For the remaining 121 cards (31%) errors were noted on more than 26 per cent of the transactions.

## Selected Agencies cont...

### *Tourism NT*

No cards had what appeared to be the correct odometer readings on more than 95 per cent of the transactions.

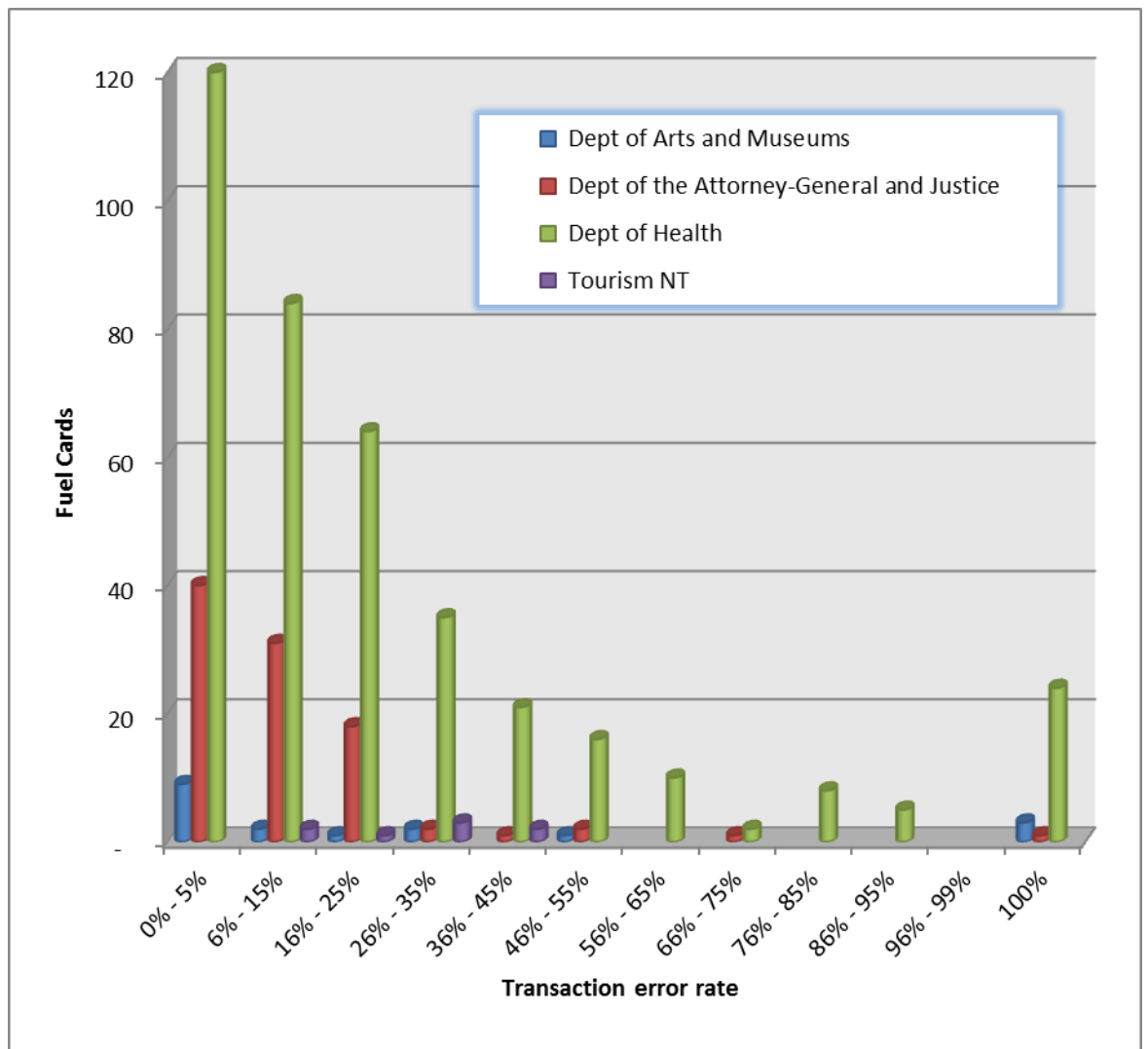
3 cards (38%) had missing or incorrect odometer readings for between 6 per cent and 25 per cent of the transactions.

For the remaining 5 cards (62%) errors were noted on more than 26 per cent of the transactions.

## Selected Agencies cont...

### *Missing or Incorrect Odometer Readings*

The graph below summarises the distribution of missing or incorrect odometer readings for each of the 4 agencies:

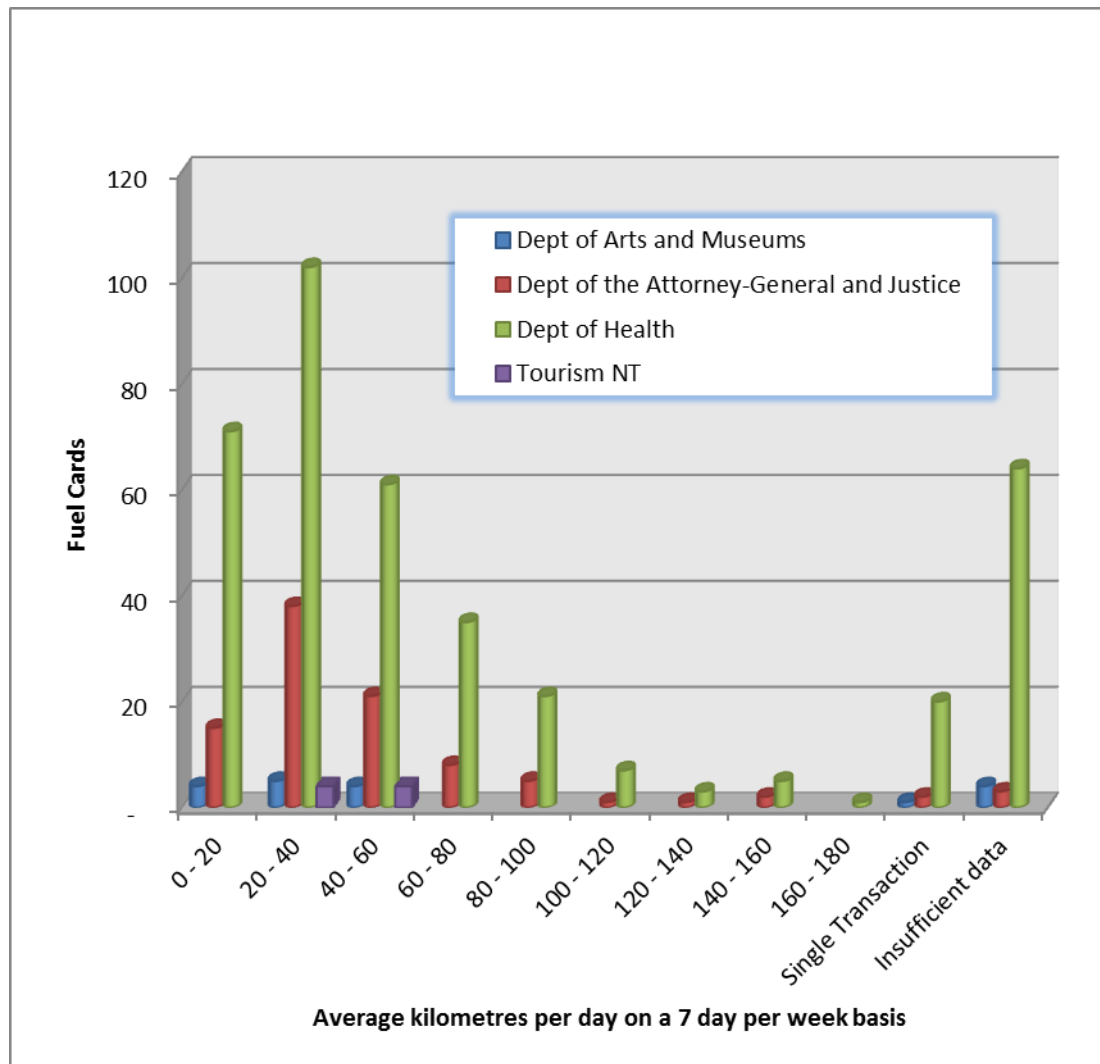


## Selected Agencies cont...

### *Distance Travelled*

The average kilometres per day travelled in respect of the 18 Arts and Museums fuel cards, 96 Attorney-General's and Justice fuel cards, 390 Health fuel cards, and the 8 fuel cards allocated to Tourism NT is represented in the graph below.

Vehicles that travelled in excess of 100 kilometres per day based on a 7 day week (140 kilometres per day based on a 5 day week) may represent anomalies.





## Selected Agencies cont...

### *Department of the Attorney-General and Justice*

As noted previously for the Department there were three cards against which only a single transaction was recorded, and three cards allocated to vehicles where there was insufficient data to enable the average kilometres travelled per day to be calculated.

Of the remaining 91 vehicles, 17 vehicles travelled in excess of 60 kilometres per day based on a 7 day week (84 kilometres per day based on a 5 day week). 72 of the 306 vehicles able to be analysed travelled in excess of 60 kilometres per day based on a 7 day week (or 84 kilometres per day based on a 5 day week). Four vehicles that travelled in excess of 100 kilometres per day based on a 7 day week (or 140 kilometres per day based on a 5 day week) are reported here:

<b>Vehicle</b>	<b>Odometer First Reading</b>	<b>Odometer Last Reading</b>	<b>Distance travelled</b>	<b>Days</b>	<b>Average km per day</b>	<b>Average km per work day</b>
AG&J Car 092	1,525 km	12,468 km	10,943 km	75	146 km	204 km
AG&J Car 090	571 km	1,842 km	1,271 km	9	141 km	197 km
AG&J Car 070	13,024 km	33,164 km	20,140 km	167	121 km	169 km
AG&J Car 052	58,712 km	77,828 km	19,116 km	175	109 km	154 km

## Selected Agencies cont...

### *Department of Health*

As noted previously for the Department there were 20 cards against which only a single transaction was recorded, and 64 cards allocated to vehicles where there was insufficient data to enable the average kilometres travelled per day to be calculated, leaving 306 vehicles that were able to be analysed.

72 of the 306 vehicles able to be analysed travelled in excess of 60 kilometres per day based on a 7 day week (or 84 kilometres per day based on a 5 day week). 16 vehicles that travelled in excess of 100 kilometres per day based on a 7 day week (or 140 kilometres per day based on a 5 day week) are reported here:

<b>Vehicle</b>	<b>Odometer First Reading</b>	<b>Odometer Last Reading</b>	<b>Distance travelled</b>	<b>Days</b>	<b>Average km per day</b>	<b>Average km per work day</b>
Health Car 242	28,210 km	59,864 km	31,654 km	177	179 km	251 km
Health Car 265	59,945 km	85,524 km	25,579 km	167	153 km	214 km
Health Car 189	53,574 km	75,568 km	21,994 km	146	151 km	211 km
Health Car 013	17,728 km	42,476 km	24,748 km	172	144 km	202 km
Health Car 295	32,867 km	51,741 km	18,874 km	131	144 km	202 km
Health Car 140	59,736 km	76,612 km	16,876 km	119	142 km	199 km
Health Car 201	33,899 km	45,614 km	11,715 km	86	136 km	190 km
Health Car 137	64,611 km	87,056 km	22,445 km	181	124 km	174 km
Health Car 234	25,533 km	44,987 km	19,454 km	165	118 km	165 km
Health Car 090	60,302 km	80,145 km	19,843 km	173	115 km	161 km
Health Car 220	93,886 km	111,392 km	17,506 km	155	113 km	158 km
Health Car 014	63,876 km	83,246 km	19,370 km	174	111 km	155 km
Health Car 058	68,842 km	87,758 km	18,916 km	176	107 km	150 km

## Selected Agencies cont...

**The Department of Arts and Museums has commented:**

*The Department acknowledges the audit findings and recommendations and continues to monitor and report on compliance matters including the purchase of fuel and usage of fuel cards.*

**The Department of the Attorney-General and Justice has commented:**

*The Department of the Attorney-General and Justice acknowledges the findings of the review as well as the opportunities for sustainable process improvement through the across government fuel card arrangements that will shortly be made available that includes enhanced system and reporting functionality. During the course of the year, vehicle management and fuel account processing procedures will be reviewed and strengthened to incorporate this new functionality and to address the review's key findings to ensure risks for fraud remain low.*

# Matters Referred to the Auditor-General Pursuant to Section 6 of the Public Information Act

## Background

The *Public Information Act* (the Act), which came into effect in 2010, seeks to achieve a transparent and accountable mechanism for the review of public information produced by public authorities. A public authority is defined in section 5 of the Act and that definition is broad, capturing any:

- Member of the Legislative Assembly or the holder of any office of the Legislative Assembly;
- Agency or body corporate established under a law of the Territory;
- body corporate that is held to be controlled by a public authority; and
- person appointed or engaged to perform work for a public authority.

Excluded from the definition are holders or occupiers of:

- judicial office;
- an office as a member of a tribunal established under a law of the Territory;
- the Auditor-General;
- a council constituted pursuant to the *Local Government Act*;
- the Territory Insurance Office;
- the Power and Water Corporation; and
- a person or body prescribed by regulation.

The definition of what constitutes public information is equally broad and is defined as “information given by a public authority to the public by using money or other property of the Territory...”. Exemptions from this definition are:

- information provided by a Member of the Legislative Assembly to members of his or her electorate if the preparation and giving of the information is funded by an allowance payable to the Member for the electorate under a law of the Territory;
- a media release of a Member of the Legislative Assembly; and
- information prescribed by regulation.

# Matters Referred to the Auditor-General Pursuant to Section 6 of the Public Information Act cont...

The Act does place a limit on the scope of what might be considered to be public information in that section 4(2) provides that a “*public authority gives information to the public when it makes the information available to the public generally (rather than any particular members of the public) through any medium*”.

Section 6(1) of the Act provides that the Auditor-General must, upon the receipt of a written request of a Member of the Legislative Assembly, conduct a review of that information to determine whether the provisions of the Act have been contravened.

The Auditor-General may determine that the Act has been contravened if the material that is the subject of the review contravenes section 6(2) of the Act in that it:

- promotes particular party interests;
- includes statements that are misleading or factually inaccurate; or
- does not clearly distinguish a statement of facts from a statement of comments.

## **Referral of a Complaint to the Auditor-General**

On 11 June 2014 a Member of the Legislative Assembly referred to me, pursuant to section 6(1) of the Act, copies of four letters, each of which was accompanied by a survey, and which were sent to electors.

The letters were undated and were headed:

- Power and Water Survey
- Old Hospital Site Survey
- TIO Not For Sale Survey
- Territory Teachers Survey

# Matters Referred to the Auditor-General Pursuant to Section 6 of the Public Information Act cont...

## **Review of the Allegations**

The contents of each of the letters might, in different circumstances, be considered to have contravened the Act. However, in this case I accepted the assertion by the Leader of the Opposition that the information contained in the letters was not made available to the public generally and that the letters were sent to individual electors who had previously expressed interest in the various topics.

## **Conclusion**

Given the wording of section 4(2) of the Act, I believe each of the letters referred to me fall outside the definition of public information and I concluded that the Act was not contravened.

## **Recommendation**

Section 8(3) of the Act permits me to make recommendations. However, any recommendations under that section are limited to:

- the withdrawal of the public information; or
- that specified changes be made to the content of the public information.

Given my conclusions, above, I made no recommendations.

# Matters Referred to the Auditor-General Pursuant to Section 6 of the Public Information Act cont...

## **Referral of a Complaint to the Auditor-General**

On 11 June 2014 a Member of the Legislative Assembly referred to the Auditor-General a flyer prepared by the Office of the Chief Minister. The complainant noted that the flyer contained the Northern Territory Government logo on the first page and the second page included the words “Country Liberals”, an expression used in Country Liberal Party election material, thereby intimating that the flyer promoted a particular political party.

## **Review of Allegation**

After examining the content of the flyer, including the reliability of data used to present statistics, I formed the view that the content of the document was objective and that a reasonable person was unlikely to conclude that the flyer was intended to promote specific political interests.

## **Conclusion**

Following from the above I concluded that the provisions of the Act were not contravened.

## **Recommendation**

Section 8(3) of the Act permits me to make recommendations. However, any recommendations under that section are limited to:

- the withdrawal of the public information; or
- that specified changes be made to the content of the public information.

Given my conclusions, above, I made no recommendations in relation to this letter.

This page deliberately left blank.



# Appendices

This page deliberately left blank.

# Appendix 1: Audit Opinion Reports Issued Since 31 December 2013

## Financial Statements for the year ended 30 June 2013

	Date 2013 Financial Statements tabled to Legislative Assembly	Date of Audit report Year ended 30 June 2013	Date of Audit report Year ended 30 June 2012
Desert Knowledge Foundation Ltd	Not required	9 May 14	Not applicable

## Financial Statements for the year ended 31 December 2013

	Date 2013 Financial Statements tabled to Legislative Assembly	Date of Audit report Year ended 31 December 2013	Date of Audit report Year ended 31 December 2012
Batchelor Institute of Indigenous Tertiary Education	Not yet tabled	2 June 14	31 May 13
CDU Amenities Limited	Not required	6 May 14	22 May 13
Charles Darwin University	Not yet tabled	15 May 14	28 May 13
Charles Darwin University Foundation (a company limited by guarantee)	Not required	6 May 14	3 May 13
Charles Darwin University Foundation Trust	Not required	6 May 14	3 May 13
Menzies School of Health Research	Not required	14 May 14	13 May 13

Not required – Financial statements are not required to be tabled

Not yet tabled – as at 30 July 2014

## Appendix 1: Audit Opinion Reports Issued Since 31 December 2013 cont...

### Acquittals or other returns – for the year ended 31 December 2013

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 31 December 2013	Date of Audit Report Year ended 31 December 2012
Charles Darwin University Higher Education Research Data collection	31 August 14	11 June 14	26 June 13
Department of Business - Summary AVETMISS Financial Data Acquittal	14 July 14	24 June 14	1 August 13

## Appendix 2: Status of Audits and Reviews which were Identified to be Conducted in the Six Months to 30 June 2014

In addition to the routine audits, primarily being end of financial year audits of Agencies and of financial statements, and follow-up of outstanding issues in previous audits, the following audits and reviews, were identified in Appendix 3 of the February 2014 as being scheduled for the period:

### **Department of Arts and Museums**

Collections Management Refer page 24

### **Department of Corporate and Information Services**

IT review of the Electronic Invoice Management System Refer page 35

### **Department of the Attorney General and Justice**

IT review of the Trust Accounting Database Refer page 40

### **Northern Territory Police, Fire and Emergency Services**

IT review of the Police Real-time Online Management and Investigation System Refer page 47

This page deliberately left blank.

## Appendix 3: Proposed Audit Activity in the Six Months Ending 31 December 2014

In addition to the routine audits, primarily being end of financial year audits of Agencies and of financial statements, and follow-up of outstanding issues in previous audits the following audits have been scheduled for the period:

### **Department of Corporate and Information Services**

IT Strategy and Governance

Purchasing Cards

This page deliberately left blank.



# Appendix 4: Overview of the Approach to Auditing the Public Account and Other Accounts

The requirements of the *Audit Act* in relation to Auditing the Public Account and Other Accounts are found in:

- Section 13, which requires the Auditor-General to audit the Public Account and other accounts, with regard to:
  - the character and effectiveness of internal control; and
  - professional standards and practices.
- Section 25, which requires the Auditor-General to issue a report to the Treasurer on the Treasurer's Annual Financial Statement.

## What is the Public Account?

The Public Account is defined in the *Financial Management Act* as:

- the Central Holding Authority; and
- Operating accounts of Agencies and Government Business Divisions.

## Audit of the Public Account

Achievement of the requirements of section 13, including the reference to the character and effectiveness of internal control, as defined, can occur through:

- annual financial statement audits of entities defined to be within the Public Account, in particular Government Business Divisions, which have a requirement for such audits under the *Financial Management Act*, and
- an audit approach which the Northern Territory Auditor-General's Office terms the Agency Compliance Audit. This links the existence of the required standards of internal control over the funds administered within the Public Account, to the responsibilities for compliance with required standards as defined for Accountable Officers.

# Appendix 4: Overview of the Approach to Auditing the Public Account and Other Accounts cont...

Areas of internal control requiring a more in-depth audit, because of materiality or risk, can also be addressed through:

- specific topic audits of the adequacy of compliance with prescribed internal control procedures. These can be initiated as a result of Agency Compliance Audits, or pre-selected because of the materiality or inherent risk of the activity; and
- reviews of the accounting processes used by selected Agencies at the end of the financial year, to detect if any unusual or irregular processes were adopted at that time.

## **Other accounts**

Although not specifically defined in the legislation, these would include financial statements of public entities not defined to be within the Public Account, as well as the Trust Accounts maintained by Agencies.

## **Audit of the Treasurer's Annual Financial Statement**

Using information about the effectiveness of internal controls identified in the overall control environment review, Agency Compliance Audits and financial statement audits, an audit approach is designed and implemented to substantiate balances disclosed in the Statement are in accordance with the disclosure requirements adopted by the Treasurer, and are within acceptable materiality standards.

The audit report on the Statement is issued to the Treasurer. The Treasurer then tables the audited Statement to the Parliament, as a key component of the accountability of the Government to the Parliament.

# Appendix 5: Overview of the Approach to Auditing Performance Management Systems

## Legislative Framework

A Chief Executive Officer is responsible to the appropriate Minister under section 23 of the *Public Sector Employment and Management Act* for the proper, efficient and economic administration of his or her agency. Under section 13 (2)(b) of the *Financial Management Act* an Accountable Officer shall ensure that procedures “*in the agency are such as will at all times afford a proper internal control*”. Internal control is further defined in section 3 of the Act to include “*the methods and procedures adopted within an agency to promote operational efficiency, effectiveness and economy*”.

Section 15 of the *Audit Act* complements the legislative requirements imposed on Chief Executive Officers by providing the Auditor-General with the power to audit performance management systems of any agency or other organisation in respect of the accounts of which the Auditor-General is required or permitted by a law of the Territory to conduct an audit.

A performance management system is not defined in the legislation, but section 15 identifies that: “the object of an audit conducted under this section includes determining whether the performance management systems of an agency or organisation in respect of which the audit is being conducted enable the Agency or organisation to assess whether its objectives are being achieved economically, efficiently and effectively.”

## Operational Framework

The Northern Territory Auditor-General’s Office has developed a framework for its approach to the conduct of performance management system audits, which is based on our opinion that an effective performance management system would contain the following elements:

- identification of the policy and corporate objectives of the entity;
- incorporation of those objectives in the entity’s corporate or strategic planning process and allocation of these to programs of the entity;
- identification of what successful achievement of those corporate objectives would look like, and recording of these as performance targets;

## Appendix 5: Overview of the Approach to Auditing Performance Management Systems cont...

- development of strategies for achievement of the desired performance outcomes;
- monitoring of the progress with that achievement;
- evaluation of the effectiveness of the final outcome against the intended objectives;  
and
- reporting on the outcomes, together with recommendations for subsequent improvement.

Performance management system audits can be conducted at a corporate level, a program level, or at a category of cost level, such as capital expenditure. All that is necessary is that there be a need to define objectives for intended or desired performance.

## Appendix 6: Agencies not Audited relating to the year ended 30 June 2014

Section 13(3) of the *Audit Act* permits the Auditor-General to dispense with an audit of an Agency.

For activities relating to the financial year ended 30 June 2014, no audits were, or are intended to be, conducted at the following Agencies:

- Department of Land Resource Management;
- Department of Local Government and Regions;
- Department of the Chief Minister;
- Department of the Legislative Assembly; and
- Tourism NT.

The increasingly stringent requirements of Australian Accounting Standards, and Auditing and Assurance Standards has required that audit effort be directed towards financial audits of those Agencies that are deemed to represent greater materiality and greater risk. It is proposed that each of the listed Agencies will be included in audit coverage at least once every three years.

It is also noted that an independent auditor appointed under section 27 of the *Audit Act* conducts an annual audit of the Auditor-General's Office.

This page deliberately left blank.

## Appendix 7: Abbreviations

CDU	Charles Darwin University
DCIS	Department of Corporate and Information Services
EIMS	Electronic Invoice Management System
GST	Goods and Services Tax
HECS	Higher Education Contribution Scheme
IT	Information Technology
NTAGO	Northern Territory Auditor-Generals Office
NTG	Northern Territory Government
VET	Vocational Education and Training

This page deliberately left blank.



# Index of Matters Reported

	Page
<b>Batchelor Institute of Indigenous Tertiary Education</b>	
Audit findings and analysis of the financial statements for the year ended 31 December 2013	11
<b>CDU Amenities Limited</b>	
Audit findings and analysis of the financial statements for the year ended 31 December 2013	14
<b>Charles Darwin University</b>	
Audit findings and analysis of the financial statements for the year ended 31 December 2013	17
<b>Charles Darwin University Foundation</b>	
Audit findings and analysis of the financial statements for the year ended 31 December 2013	21
<b>Department of Arts and Museums</b>	
Collections Management	24
Fuel Cards	53
<b>Department of Children and Families</b>	
Agency Compliance Audit	49
<b>Department of Corporate and Information Services</b>	
Electronic Invoice Management System	35
<b>Department of Correctional Services</b>	
Agency Compliance Audit	49
<b>Department of Education</b>	
Agency Compliance Audit	49
<b>Department of Health</b>	
Agency Compliance Audit	49
Fuel Cards	53
<b>Department of Housing</b>	
Agency Compliance Audit	49

# Index of Matters Reported cont...

<b>Department of Infrastructure</b>	
Agency Compliance Audit	49
<b>Department of Lands, Planning and the Environment</b>	
Agency Compliance Audit	49
<b>Department of Mines and Energy</b>	
Agency Compliance Audit	49
<b>Department of Primary Industry and Fisheries</b>	
Agency Compliance Audit	49
<b>Department of Sport, Recreation and Racing</b>	
Agency Compliance Audit	49
<b>Department of the Attorney-General and Justice</b>	
Fuel Cards	53
Trust Accounting Database	40
<b>Department of Transport</b>	
Agency Compliance Audit	49
<b>Land Development Corporation</b>	
Interim Financial Statements Audit	42
<b>Menzies School of Health Research</b>	
Audit findings and analysis of the financial statements for the year ended 31 December 2013	44
<b>Northern Territory Electoral Commission</b>	
Agency Compliance Audit	49
<b>Northern Territory Police, Fire and Emergency Services</b>	
Agency Compliance Audit	49
Police Real-Time Online Management Information System	47
<b>Parks and Wildlife Commission of the Northern Territory</b>	
Agency Compliance Audit	49

# Index of Matters Reported

<b>Public Information Act</b>	97
<b>Tourism NT</b>	
Fuel Cards	53

This page deliberately left blank.



Auditor-General for the Northern Territory  
GPO Box 4594  
Darwin NT 0801  
Australia

Level 12  
Northern Territory House  
22 Mitchell Street  
Darwin NT 0800  
Australia

Telephone: (08) 8999 7155

E-mail: [nt.audit@nt.gov.au](mailto:nt.audit@nt.gov.au)  
[www.nt.gov.au/ago](http://www.nt.gov.au/ago)