



Auditor-General for the Northern Territory
Auditing for Parliament

August 2015

Report to the Legislative Assembly



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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

27 August 2015

Dear Madam Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits, reviews and assessments conducted during the six months ended 30 June 2015 and I request that you table the report in the Legislative Assembly.

This report presents the results of 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 together with controls over data maintained within such systems were adequate.

The findings from data analysis conducted at selected agencies upon transactions generated using purchasing cards and fuel cards have been reported within this report.

This report presents findings from performance management system audits and audits conducted under section 14 of the *Audit Act* and the results of audits of financial statements for those entities that are required to report on a calendar year basis.

Yours sincerely,

Julie Crisp
Auditor-General for the Northern Territory

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Auditor-General's Overview

Audits Included in this Report

This report outlines the results of 42 separate audits and other tasks conducted during the period 1 January 2015 to 30 June 2015. This report summarises the results of the following types of audits and legislated tasks conducted during the period:

- Statutory Audits of Financial Statements;
- Information Technology Audits;
- Controls and Compliance Audits
- Performance Management Systems Audits; and
- *Public Information Act* Referrals.

The report presents the results of compliance audits that were performed to assess the adequacy of controls over the administration of public monies. Findings arising from these audits have been reported to the affected agencies to enable them to address control weaknesses as required. Agency compliance audits address a wide range of topics however the audit focus for many of these audits is compliance with the Treasurer's Directions and the *Financial Management Act*. Beyond identifying control weaknesses within selected agencies, these audits also identified numerous instances where the Treasurer's Directions themselves require updating to ensure that appropriate and clear guidance is provided and references are correct. I understand the Department of Treasury and Finance is presently reviewing the suite of Treasurer's Directions.

Other compliance audits undertaken during this period focussed upon controls surrounding Official Travel and Ministerial Travel.

A review was conducted on the reimplementation of the legacy systems used to manage government assets following the move away from the former Asset Management System. Findings arising from this review are being addressed across government by the Department of Corporate and Information Services.

My Office continued conducting data analysis at selected agencies in relation to transactions incurred using purchasing cards and fuel cards. The approach undertaken is to review the data for selected agencies at a high level and then refer anomalous information to each selected agency to enable investigation of individual transactions. The agencies then report back to my Office the outcomes of their investigation together with any planned actions to address the findings. The results of the data analysis have been reported within this report.

Auditor-General's Overview cont...

During the year ended 30 June 2015, the Office completed development of a revised performance management system audit methodology. Two performance management system audits were conducted at two separate agencies. The audits found that, with respect to the strategic goal selected for audit from the agencies' Budget Paper 3 extracts, both agencies had developed and implemented a performance management system that enables public reporting against established performance outcomes. A number of recommendations to enhance the effectiveness of these performance management systems were identified and have been reported to the agencies for consideration.

During the six months to 30 June 2015, I undertook and completed an audit on the special purpose financial statements for the Territory Insurance Office which comprised the balance sheet and notes to the balance sheet as at 31 December 2014. These special purpose financial statements were prepared to support the sales of the insurance and banking businesses. I was directed to undertake this audit under section 14 of the *Audit Act*. An unmodified opinion was issued in respect of the special purpose financial statements. My audit procedures did not extend to auditing the sales transactions.

Also included are the results of audits of financial statements for those entities that are required to report on a calendar year basis.

There were a number of interim audit visits undertaken to support the 30 June 2015 financial year audits that will be conducted between July 2015 and October 2015 however the results of these visits are usually only reported to management to enable any matters identified to be addressed prior to year end.

There were no *Public Information Act* Referrals received for consideration during the period 1 January 2015 to 30 June 2015.

Agencies and entities are provided with the opportunity to comment on any of the matters reported. Where they choose to do so, their responses are detailed at the end of a particular section.

The Role and Responsibilities of the Auditor-General

The Auditor-General's powers and responsibilities are established in the *Audit Act* by the Northern Territory's Parliament, the Legislative Assembly. The Auditor-General is required to report to the Legislative Assembly at least once each year on any matters arising from the exercise of the auditing powers established in that Act.

In doing so, the Auditor-General is providing information to the Parliament to assist its review of the performance of the Executive Government, particularly the Government's responsibility for the actions of the public sector entities which administer its financial management and performance management directives. The Parliament has a responsibility to conduct this review as the representative of the people of the Northern Territory.

The Auditor-General is also able to report to management of public sector entities on matters arising from the conduct of audits.

Reports provided to Parliament and public sector managers should be recognised as a useful source of independent analysis of Government information, and of the systems and controls underpinning the delivery of that information.

The Auditor-General is assisted by personnel of the Northern Territory Auditor-General's Office who plan audits and tasks conducted by private sector Authorised Auditors.

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.

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.

The Role and Responsibilities of the Auditor-General cont...

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 Treasurer's Annual Financial Statement are in accordance with the disclosure requirements adopted by the Treasurer, and are within acceptable materiality standards.

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

Statutory bodies, Government Owned Corporations and Government Business Divisions are required by various Acts of Parliament to prepare annual financial statements and to submit those statements to the Auditor-General for audit. Those statements are audited and audit opinions issued accordingly. The opinions are included in the various entities' annual reports that are tabled in the Legislative Assembly. If matters of concern were noted during the course of an audit, specific comment is included in my report to the Legislative Assembly.

In addition, the Northern Territory Government controls, either directly or indirectly, a small number of companies that have been incorporated pursuant to the *Commonwealth Corporations Act 2001*. These audits are performed subject to the provisions of the Commonwealth legislation, with the Auditor-General being deemed by the *Corporations Act 2001* to be a Registered Company Auditor.

Audits by my Office are conducted in accordance with Australian Auditing Standards. Those standards are issued by the Australian Auditing and Assurance Standards Board, a Commonwealth statutory body established under the *Australian Securities and Investments Commission Act 2001*. Auditing standards issued by the Board have the force of law in respect of audits of corporations that fall within the ambit of the *Corporations Act 2001*, while the *Audit Act* also requires that I have regard to those standards.

The Role and Responsibilities of the Auditor-General cont...

Audit of Performance Management Systems

Legislative Framework

A Chief Executive Officer, as an Accountable 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 the premise 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;
- development of strategies for achievement of the desired performance outcomes;
- monitoring of the progress toward that achievement;

The Role and Responsibilities of the Auditor-General cont...

- 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.

Timing of Auditor-General's Reports to the Legislative Assembly

The *Audit Act* requires the Auditor-General to report to the Legislative Assembly at least once each year. Established practice has been for reports to be submitted twice each year.

Each report may contain findings from financial statement audits, agency compliance audits, information technology audits, controls and compliance audits, performance management system audits and findings from any special reviews conducted.

Where there are delays in Agencies or entities completing financial statements and resultant delays occur in the associated audit, it is sometimes necessary to comment on these activities in the next report.

Results of any reviews of referred information under the *Public Information Act* are included when the reviews are concluded.

The approximate timing and the contents of these reports are:

- First half of the calendar year – contains commentary on Agencies and entities with a 30 June financial year-end being 30 June of the previous calendar year. Material is included depending on when each audit is completed. The report also contains commentary on the Auditor-General's audit of the Treasurer's Annual Financial Statement.
- Second half of the calendar year – contains commentary on Agencies and entities with a 31 December year-end being 31 December of the previous calendar year together with the results of information technology audits, compliance audits and audits of performance management systems. Material is included depending on when each audit is completed.

Reports on the Results of Audit, Reviews and Assessments

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Batchelor Institute of Indigenous Tertiary Education

Audit findings and analysis of the financial statements for the year ended 31 December 2014

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 2014 resulted in an unmodified independent audit opinion. That opinion was issued on 30 June 2015.

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

	2014	2013
	\$'000	\$'000
Revenue from continuing operations	41,266	41,550
Less expenses from ordinary activities		
Employee expenses	(27,291)	(26,680)
Depreciation	(1,657)	(1,571)
Other	(13,635)	(13,227)
Total expenses from continuous operations	(42,583)	(41,478)
Operating result before income tax expense	(1,317)	72
Less income tax expense	-	-
Operating result after income tax expense	(1,317)	72

The Institute reported a deficit of \$1.3 million for the year ended 31 December 2014, in comparison to a surplus of \$0.1 million in the prior year. The decrease is mainly attributable to the Institute not achieving the set milestones on a specific project receiving NT Government funding and a provision for unearned revenue of \$1.8 million being recorded in the financial statements to reflect deferred income. Other movements were mainly related to:

- An increase in other revenue from funding bodies which is mainly due to increased course fees of \$0.8 million, increased Australian Government funding of \$3.7 million, and increased other consulting and contracting fees of \$0.9 million. These were offset by a reduction in Australian Centre for Indigenous Knowledges and Education revenue of \$3.4 million and NT Government funding of \$0.5 million (excluding the \$1.8 million provision mentioned above).
- An increase in employee costs of \$0.6 million which is largely attributable to the salary increases as per the Enterprise Bargaining Agreement for the year.
- An increase in other expenses of \$0.5 million primarily related to higher depreciation expense of \$0.1 million, communication and utilities expenses of \$0.4 million, and property management expenses of \$0.2 million, all of which were partially offset by a decrease in other expenditures of \$0.2 million.

Batchelor Institute of Indigenous Tertiary Education cont...

Financial Position at year end		
	2014	2013
	\$'000	\$'000
Current assets	19,685	18,155
Less current liabilities	(6,714)	(5,191)
Working capital	12,971	12,964
Add non current assets	34,166	35,394
	47,137	48,358
Less non current liabilities	(870)	(774)
Net assets	46,267	47,584
Represented by:		
Reserves	30,393	30,393
Accumulated funds	15,874	17,191
Equity	46,267	47,584

CDU Amenities Limited

Audit findings and analysis of the financial statements for the year ended 31 December 2014

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 2014 resulted in an unmodified independent audit opinion. That opinion was issued on 22 April 2015.

Key Findings

Financial analysis

The Company's total revenue has increased from \$399,270 in 2013 to \$464,014 in 2014 largely due to the increase in grant revenue received during the year compared to the prior year. Expenditure also increased from \$418,991 in 2013 to \$500,009 in 2014, mostly due to increased salary, wages and travel expenditure. The company incurred an operating loss for the year of \$35,995.

Going Concern:

In addition to incurring an operating loss of \$35,995 in the current year, the Company has net liabilities of \$40,871 at year end. This means that current liabilities outweigh current assets at this date. As such, the Company is dependent on continued financial support for its operations from Charles Darwin University, the parent entity. The parent entity has provided a letter of support to the Company stating that it will provide financial assistance to enable the payment of debts as and when they fall due.

As a result of the parent undertaking to extend continued financial support to the Company and, in the absence of any other issues identified as a result of the audit, an unmodified audit opinion was appropriate.

Although support has been provided by the parent entity, the Company should assess the ongoing viability of its future operations.

CDU Amenities Limited cont...

Financial Performance for the year		
	2014	2013
	\$'000	\$'000
Revenue from ordinary activities		
CDU grant	184	119
Gym sales	237	225
Other	43	55
Total revenue from ordinary activities	464	399
Less expenses from ordinary activities		
Employee related costs	(353)	(259)
Administration, operational and other expenses	(147)	(160)
Total expenses from ordinary activities	(500)	(419)
Operating result for the year	(36)	(20)

CDU Amenities Limited cont...

Financial Position at year end		
	2014	2013
	\$'000	\$'000
Current assets	47	62
Less current liabilities	(88)	(67)
Working capital	(41)	(5)
Add non current assets	-	-
	(41)	(5)
Less non current liabilities	-	-
Net assets	(41)	(5)
Represented by:		
Accumulated funds	(41)	(5)
Equity	(41)	(5)

Charles Darwin University

Audit findings and analysis of the financial statements for the year ended 31 December 2014

Background

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 Business.

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 2014 resulted in an unmodified audit opinion. That opinion was issued on 29 May 2015.

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 \$7.0 million (\$10.5 million for 2013). The higher education component of the University achieved a surplus of \$15.1 million for the year, which was partially offset by an \$8.1 million deficit on the part of the VET component.

Charles Darwin University cont...

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

	2014	2013
	\$'000	\$'000
Revenue from ordinary activities		
Financial assistance and grants from the Commonwealth	125,349	121,555
Financial assistance from the Northern Territory Government	60,203	61,188
Other revenue (HECS, fees, interest, etc)	116,733	93,538
Total revenue from ordinary activities	302,285	276,281
Less expenses from ordinary activities		
Employee related costs	(147,703)	(135,911)
Administration, operational and other expenses	(147,568)	(129,879)
Total expenses from ordinary activities	(295,271)	(265,790)
Operating result for the year	7,014	10,491

The University reported a net operating result of \$7.0 million for the year ended 31 December 2014. The decline of \$3.5 million compared to the prior year was attributed to the increase in total revenue from continuing operations of \$26.0 million being offset by an increase in total expenses from continuing operations of \$29.5 million.

The increase in total revenue from continuing operations of \$26.0 million reflects the following major movements:

- An increase of \$4.3 million in relation to fees and charges compared to the prior year – attributed to the increase in the number of students and revenue from fee paying overseas students studying at the University;
- An increase of \$17.8 million in relation to other revenue compared to the prior year of which \$16.5 million arose from increased income from jointly controlled operations being the revenue from the sale of lots at Palmerston in relation to The Heights Durack Project; with
- The remaining movement of \$3.9 million related to various other revenue accounts, the individual movements of which were not material when compared to the prior year.

Charles Darwin University cont...

The increase in total expenses from continuing operations of \$29.5 million was attributed to the following major movements:

- Employee-related expenses increased by \$11.8 million compared to prior year as a result of increased employee numbers (from 1,382 in 2013 to 1,475 in 2014) together with a 3% increase in salaries and wages across all levels of employees at the University effective from 1 July 2014; and
- An increase of \$16.7 million in other expenses compared to the prior year, being \$13.3 million relating to the sale of lots at Palmerston in relation to The Heights Durack Project; and \$3.4 million relating to materials including IT Licences and Software, Books and Publications and Student Related Expenses.
- The remaining movement of \$1 million relates to various other expense accounts. For those accounts, the movement is not material compared to prior year.

Charles Darwin University cont...

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

	2014	2013
	\$'000	\$'000
Current assets	120,845	126,431
Less current liabilities	(44,934)	(39,532)
Working capital	75,911	86,899
Add non current assets	497,337	456,669
	573,248	543,568
Less non current liabilities	(6,055)	(17,811)
Net assets	567,193	525,757
Represented by:		
Reserves, restricted and accumulated funds	567,193	525,757
Equity	567,193	525,757

Charles Darwin University Foundation

Audit findings and analysis of the financial statements for the year ended 31 December 2014

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 2014 resulted in unmodified independent audit opinions for both entities and these were issued on 29 April 2015.

Key Findings

Financial Analysis:

The Trust's total revenue increased from \$1,657,694 in 2013 to \$1,686,339 in 2014. The increase of \$28,645 is attributable to more donations being received.

The total disbursements and expenses of the Trust decreased from \$3,770,731 in 2013 to \$1,311,135 in 2014. This decrease is mainly due to a decrease in trust donations disbursed during the year when compared to the prior year (2014: \$1,268,175 and 2013: \$3,758,906). In the prior year, disbursements included a payment of \$250,000 relating to the University Theatre Redevelopment and a one-off disbursement of \$2,100,000 in relation to the North Australian Centre for Oil and Gas, the funds for which were received prior to 2013.

The Trust produced a net surplus of \$375,204 in 2014.

Charles Darwin University Foundation cont...

Cash donations:

The Trust has determined that it is impractical to establish control over the collection of cash donations received 'over the counter' prior to entry of the donation onto its financial records. My understanding is that the only control regarding cash donations received over the counter is that people generally request a receipt for tax purposes, however, this is not always the case.

As the evidence available to me regarding revenue from this source was limited, my audit procedures with respect to over the counter cash donations had to be restricted to the amounts recorded in the financial records. However, based on discussions with management and my analysis of donations made in prior years, and as the number of individual cash donations made to the Trust is not significant, I feel that is not necessary to issue a modified audit opinion in relation to the completeness of revenue.

Charles Darwin University Foundation cont...

Financial Performance for the year – CDU Foundation – Trust Only

	2014	2013
	\$'000	\$'000
Revenue from ordinary activities	1,686	1,658
Less expenses from ordinary activities		
Trust donations disbursed	(1,268)	(3,759)
Donations in kind – operational	(37)	(5)
Other	(6)	(7)
Total expenses from ordinary activities	(1,311)	(3,771)
Net operating result for the year	375	(2,113)

Charles Darwin University Foundation cont...

Financial Position at year end – CDU Foundation – Trust Only

	2014	2013
	\$'000	\$'000
Current assets	4,818	4,435
Less current liabilities	(8)	-
Working capital	4,810	4,435
Add non current assets	580	554
Net assets	5,390	4,989
Represented by:		
Investment revaluation reserve	186	160
Retained earnings	5,204	4,829
Total Trust funds	5,390	4,989

Department of Corporate and Information Services

Asset Information System

Audit Objective and Scope

The objective of this audit was to perform a review of Phase 1 of the Asset Information System / ASNEX project.

Background

On 10 November 2014 the first milestone in the ASNEX project was completed, when key foundation systems that form part of the new ASNEX went live and the decommissioning of the Asset Management System (AMS) began.

The foundation systems are core to the development of the integrated ASNEX model, providing a stable foundation for the end to end asset systems solution. These systems are:

- Asset Information System (AIS);
- Building Asset Management System (BAMS);
- Road Information Management System (RIMS); and
- Project Reporting System (PRS).

ASNEX is intended to provide a fit-for-purpose solution using contemporary software to integrate and expand existing and new asset systems and is intended to integrate with the Government Accounting System and other business systems.

Existing systems: AIS; PRS; RIMS; and BAMS form foundation systems under the new integrated ASNEX model which went live on 10 November 2014. It is expected that new systems will be introduced to expand the network to encompass more asset-related functions, such as property management.

Department of Corporate and Information Services cont...

Key Findings

No log of AIS outstanding issues exists

An outstanding issue log, including data or functionality issues, was not available from April 2012, when AIS was placed into 'read-only' mode as part of the former Asset Management System project. An issues log was maintained by the Program Management Office for Phase 1a (re-instatement of AIS) of the project. My authorised auditors were advised that ASNEX Systems is currently developing a knowledge database to manage AIS issues (since go-live) that are logged by users.

In the absence of a regularly updated issues log, there is a risk that AIS issues, especially those known at April 2012 (when AIS was placed into 'read-only' mode), are not taken into consideration when developing future business requirements. The resolution of these issues may take longer than anticipated if prior knowledge / information is not available.

To address this finding, I recommended that the Department of Corporate and Information Services (DCIS) continue to capture and record AIS issues and their subsequent resolution in the knowledge database. Additionally, DCIS should take into consideration these issues when developing business requirements for future AIS modifications or replacement systems.

Service levels for ASNEX Systems were not formally defined.

There was no formal service level agreement between ASNEX Systems and client agencies. A draft 'service statement' existed which defined the role and responsibility for both ASNEX Systems and client agencies.

Review of the draft service statement and procedures identified that:

- The service statement appeared out-dated as it referred to 'simple' and 'complex' tickets which is in contrast to the current configuration of Alloy (service desk system in use) that has multiple values for the 'type' of ticket raised;
- There was no baseline definition of what is considered an 'incident', 'problem' or 'change management request';
- Actual timeframes for ticket resolution, such as 3 days for 'simple' and 15 days for 'complex' tickets, were not reported to management to enable comparison with the timeframes established in the service statement; and

Department of Corporate and Information Services cont...

- The Key Performance Indicators reported to management are not defined in the service statement.

Control weaknesses exist in relation to user access to AIS

The following user access management issues were noted:

- There was no regular monitoring by client agencies of user access to AIS to assess if the access was still required.
- Three client Agency staff had access to AIS although documentation supporting this access was unavailable.
- The e-Pass online form used to request user access to system(s) did not require details of the specific permissions to be documented. The form only required the system(s) and the delegates who will approve access to be nominated prior to logging with ASNEX Systems.

It is acknowledged that ASNEX Systems was currently implementing another step in the process by ensuring that the comment field on the system selection screen is completed with the user access profile. This would enable the users' delegate to approve the user profile (permissions) and not just access to AIS.

- There was a lack of clear understanding by ASNEX Systems, and no detailed documentation, of the ASNEX Resource Access Control Facility (security) profiles and the access / permissions provided by these profiles.

Department of Corporate and Information Services cont...

The Department of Corporate and Information Services has commented:

The ASNEX Phase 1 project was successfully delivered on 10 November 2014, on time and on budget. The project delivered a fit-for-purpose stabilised technology solution enabling management of the Northern Territory Government's capital works and repairs and maintenance programs and oversight of \$11B in infrastructure assets. The project also successfully reconciled and verified infrastructure asset financial records across government and established reliable contract payment processes.

This was a critical stabilisation project that involved the re-establishment of foundation systems (noted above) core to the future development of the integrated ASNEX solution.

The project was initiated in response to the high profile failure of the previous Asset Management System (AMS) implemented in April 2012.

Responsibility for asset information systems transferred to DCIS in October 2013.

The scope of the Auditor-General's audit, titled "AIS/ASNEX Phase 1 Project Review" comprised:

- ***An assessment of technical risks of the AIS/ASNEX including security design, data conversion and system interfaces.***

No control weaknesses or audit issues were identified for this audit scope element.

Data from the previous AMS to AIS was successfully migrated and all system interfaces required for the operation of AIS were established.

- ***A review of budget versus actual project costs.***

No control weaknesses or audit issues were identified for this audit scope element.

The ASNEX Phase 1 project was delivered within the original project budget.

Department of Corporate and Information Services cont...

The Department of Corporate and Information Services has commented (cont...):

- ***An assessment of whether the project was completed within original timeframes.***

No control weaknesses or audit issues were identified for this audit scope element.

The project was delivered in the timeframe approved by the ASNEX Steering Committee.

- ***Resolution of any outstanding issues.***

Three minor issues were identified in the audit findings that were not fully resolved at the time of the audit.

No log of AIS outstanding issues at April 2012 – an issues log for AIS was not maintained by the previous system owner prior to the implementation of AMS.

This statement relates back to a situation that existed in 2011-12 or earlier under a different agency and systems management approach. The audit noted that DCIS had established an issues log for AIS following its restoration to a production system. This issues log is maintained and updated as required.

Service levels for ASNEX not formally defined – DCIS has a comprehensive Service Framework incorporating Service Statements for each service line. The Service Statement for the ASNEX system has been finalised with the audit matters addressed.

Control weaknesses relating to AIS user access – the audit noted that client agencies were not regularly monitoring user access for their staff. DCIS verified with the agency that their three users identified in the audit required access to AIS to conduct their duties.

A more rigorous process has been implemented for managing user access to AIS, with verification of access levels sought from agencies on a regular basis, information capture expanded and profiles documented.

Department of Sport and Recreation

Official Travel

Audit Objective and Scope

The audit objective was to determine whether the travel entitlements paid to employees of the Department of Sport and Recreation (“the Department”) during the period 1 July 2014 to 31 December 2014 complied with the following requirements:

- Treasurer’s Directions Section A6.3;
- the Department’s “Official Duty Travel Procedure”; and
- Determination Number 1 of 2014 issued under the *Public Sector Employment and Management Act*.

Background

This audit covered the payment of entitlements relating to official travel undertaken by employees of the Department during the period 1 July 2014 to 31 December 2014.

Official travel includes work related travel undertaken by employees of the Department on behalf of the Department. A movement requisition (MR) is an official document which records the travel details and forms the basis for making payments relating to travelling, camping and vehicle allowances and other travel related expenses. Employees are required to complete a MR and obtain prior approval from a delegated officer who has the appropriate delegated limit to approve the official travel.

For the purpose of this audit, the population consisted of travel entitlements relating to official travel undertaken by the Department’s employees. From this population a sample of 30 items was selected. The audit assessed whether or not all the sampled expenses / allowances on the movement requisition adhered to the relevant policies and controls.

Official travel payments were categorised as accommodation, local travelling, travelling allowance, overseas travelling, and other expenses.

Department of Sport and Recreation cont...

Key Findings

The Department's Official Duty Travel Procedure states "...prior approval for all official travel" is required and "all overseas travel is by ministerial approval".

Section A6.3.4 of the Treasurer's Directions states "...the accountable officer / delegate is to approve all official travel prior to the expense being incurred"; and section A6.3.4 (ii) of the Treasurer's Directions states "official travel requires prior approval utilising a movement requisition".

I noted that appropriate prior approval was not always obtained before the Department incurred travel related expenses.

Section A6.3.4(i) of the Treasurer's Directions A6.3.4 states: "...official travel by their nature of expense "may be subject to scrutiny and have the potential for misuse. Accordingly, such expenses should be fully justified..."

Section A6.3.4(ii) of the Treasurer's Directions states "Subsequent travel is to be undertaken in accordance with that approved on the movement requisition, and is required to be appropriately acquitted".

The Official Duty Travel Procedure states "a MR acquittal form via TRIPS is required to be completed by the person who travelled within 2 weeks after returning, confirming that the travel took place as described on the MR. MR acquittals are an audit requirement in accordance with Treasurer's Direction (TD) A6.3.4."

I noted instances where the acquittal was not completed, was not completed within 2 weeks of returning from the official travel, did not contain the required details relating to the travel, or included 'cab charge' expenses when no supporting documentation could be provided to support the expense.

Department of Sport and Recreation cont...

The Department of Sport and Recreation has commented:

The Department notes the audit findings.

The inability to place flights on hold when booking online has historically given rise to approval delays. This issue has since been overcome with the introduction of a Travel Management System that enables flights to be held for 48 hours whilst approval is sought.

The process of acquitting movement requisitions in a timely manner is closely monitored and reviewed. Where it is found that a movement requisition is outstanding, any new movement requisition claiming travel allowance will not be paid until the previous trip is acquitted.

The Department will continue educating and training staff on travel policy and processes including the requirement to acquit travel in a timely manner and adjust any items not in-accordance with the original trip.

Department of the Chief Minister

Ministerial Travel

Audit Objective and Scope

The objective of the audit was to determine whether the travel entitlements paid to Ministers during the period 1 July 2014 to 31 December 2014 were in accordance with the Remuneration Tribunal Determination No.1 of 2013 ("the current Determination").

Background

The Twelfth Legislative Assembly was elected on 25 August 2012 and it forms the current Legislative Assembly.

Travel undertaken by Members of the Legislative Assembly, in their capacity as Ministers or Leader of the Opposition ("the Claimants"), is administered by the Department of the Chief Minister ("the Department"). This travel is recorded separately from Members travel, which is recorded on the Members Entitlements Travel System maintained by the Department of the Legislative Assembly.

The scope of the audit (which is official travel covered by the current determination) only includes travel by Ministers (who reside outside of Darwin) to attend parliamentary sessions and/or cabinet meeting and as such excludes the following:

- all intrastate travel (where the purpose of travel is not parliamentary sessions and/or cabinet meeting);
- interstate travel; and
- overseas travel.

There were five Members of the Assembly who met the criteria during the period, specifically:

1. The Honourable Adam Giles MLA;
2. Mr Matthew Conlan MLA;
3. The Honourable Bess Price MLA;
4. The Honourable Willem Westra Van Holthe MLA; and
5. Mrs Robyn Lambley MLA.

Department of the Chief Minister cont...

Key Findings

Clause 5.11 of the current Determination states:

“Entitlement to the Travelling Allowance where commercial accommodation is used at a place specified in Part A of Schedule 2 is established by production of a tax invoice or certification by the relevant Member that a tax invoice can be produced on demand.”

Two instances were noted where there was no evidence of a stay at commercial accommodation being provided to substantiate a claim for travelling allowance as per Part A of Schedule 2.

During the audit, the following observations were noted:

- Six instances where the Movement Requisition (“the MR”) was not approved prior to the commencement of the official travel;
- Two instances where the confirmation of completion of travel took place more than two weeks after the travel period;
- Three instances where the MRs were not substantiated within 60 days after travel;
- Nine instances where the approved amounts per the completed MR acquittals did not agree to supporting documents; and
- Some acquitted movement requisitions contained items that have not been incurred. As an example, one movement requisition acquittal, included an amount of \$5,000 for “Hospitality” expenses however there were no supporting documents to substantiate this amount nor was the MR acquittal updated to remove the \$5,000 (which was not incurred).

Department of the Chief Minister cont...

The Department of the Chief Minister has commented:

Findings from the Ministerial Travel audit of the department have been noted and acted upon where necessary.

Department of the Legislative Assembly

Members Travel

Audit Objective and Scope

The audit objective was to determine whether the administration of travel entitlements paid to the Members of the Legislative Assembly (other than Ministers and the Leader of Opposition) during the period 1 July 2014 to 31 December 2014 was in accordance with the Remuneration Tribunal Determination No.1 of 2013 ("the RTD").

Background

The Department of the Legislative Assembly ("the Department") provides operational support, services and professional advice to Northern Territory Legislative Assembly Members, including the administration of Members' travel entitlements. All travel for Members is recorded on the Members' Entitlements Travel System (METS).

This audit covered the payment of entitlements relating to travel undertaken during the period 1 July 2014 to 31 December 2014 and included travel by Members, Office Holders, spouses, nominees and dependent children as provided in the RTD.

Travel undertaken by Members of the Legislative Assembly, in their capacity as Ministers is administered by the Department of Chief Minister ("DCM") except where the purpose of travel is under Clause 3.1 (c) and Clause 4 of the RTD. This particular travel is paid by DCM and, following the completion of the travel, DCM recharges the costs of travel to the Department which is recorded in METS maintained by the Department of the Legislative Assembly.

The Twelfth Legislative Assembly was elected on 25 August 2012 and it forms the current Legislative Assembly. 25 travel entitlements were selected for this audit (that is – one travel entitlement per Member) from the 'Legislative Assembly – Members Entitlements Travel Report' from 1 July 2014 to 31 December 2014.

Department of the Legislative Assembly cont...

Key Findings

During the audit the following issues were noted:

- Travelling allowance was paid for an accompanying person when no entitlement existed.
- There were two instances noted where the Member(s) did not prepare and deliver a report to the Speaker within 90 days of the completion of the travel.
- Four instances were noted where the report provided by the Member(s) to the Speaker did not contain all the information or details required.
- A number of the clauses of the RTD require review and possible revision in order to reflect more accurately the intention of the Tribunal and to remove possible inconsistencies or uncertainties.

Department of the Legislative Assembly cont...

The Department of the Legislative Assembly has commented:

The Department of the Legislative Assembly accepts the findings of this audit and has made systems changes to help prevent the issues identified arising in future. The payment of an allowance without entitlement arose from an administrative error where a staff member did not take into account recent clarification by the Remuneration Tribunal of the allowances payable under the Determination. Staff training has been improved to address this. The Members' Entitlements Travel System has been modified to provide monthly reminders to Members on travel report requirements. The Department is continuing to liaise with the Tribunal to address any possible inconsistencies or uncertainties with the Tribunal's Determination.

Menzies School of Health Research

Audit findings and analysis of the financial statements for the year ended 31 December 2014

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 2014 resulted in an unmodified independent audit opinion, which was issued on 27 April 2015.

Key Findings

Total income has decreased by \$23.1 million this financial year. This is predominantly due to Menzies receiving additional Australian Government funding during the prior year for the construction of research and training facilities at Charles Darwin University and Royal Darwin Hospital (RDH) and for refurbishing an existing Building at RDH. These projects are now complete.

The transfer of the building located at RDH to the Department of Health, at no cost, generated a loss of economic benefit to Menzies. As part of Menzies lease agreement with the Department of Health, Menzies holds the right to use the building for a period of 20 years at peppercorn rent of \$1 per annum. Consequently Menzies has recognised an intangible asset representing the fair value of the prepaid rent of the building estimated to be \$15.9 million. The transfer of the building at its carrying amount of \$19.8 million offset by recognition of the intangible asset of \$15.9 million has resulted in a loss on disposal of assets of \$3.8 million being recognised.

Menzies School of Health Research cont...

Financial Performance for the year ended 31 December 2014

	2014	2013
	\$'000	\$'000
Revenue from continuing operations	39,501	62,601
Less expenses from ordinary activities		
Employee expenses	(23,339)	(24,008)
Administration, operational and other expenses	(14,564)	(14,915)
Total expenses from ordinary activities	(37,903)	(38,923)
Net operating result for the year	(1,598)	23,678

Menzies School of Health Research cont...

Financial Position as at 31 December 2014

	2014	2013
	\$'000	\$'000
Current assets	34,487	36,879
Less current liabilities	(8,684)	(5,554)
Working capital	25,830	31,325
Add non current assets	26,249	35,031
	52,052	66,356
Less non current liabilities	(307)	(290)
Net assets	51,745	66,066
Represented by:		
Reserves	6,815	9,992
Retained earnings	44,930	56,074
Equity	51,745	66,066

Reserves decreased by \$3.2 million due to:

- The transfer of the building at the Royal Darwin Hospital to the Department of Health, at no cost resulting in the transfer of \$3.8 million between the retained earnings and the building reserve.
- A \$1.6 million decrease in the investment revaluation reserve.
- The \$0.5 million increase as a result of an annual contribution to the capital assets reserve transferred from retained earnings.

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:

- Aboriginal Areas Protection Authority;
- Department of Business;
- Department of Children and Families;
- Department of Community Services;
- Department of Corporate and Information Services;
- Department of Correctional Services;
- Department of Education;
- Department of Health;
- Department of Housing;
- Department of Infrastructure;
- Department of Lands Resource Management;
- Department of Lands, Planning and the Environment;
- Department of Local Government and Regions;
- Department of Mines and Energy;
- Department of the Attorney-General and Justice
- Department of the Chief Minister;
- Department of the Legislative Assembly;
- Department of Transport;
- Northern Territory Electoral Commission;
- Northern Territory Police, Fire and Emergency Services; and
- Office of the Commissioner for Public Employment.

The Department of Community Services and Department of Local Government and Regions merged during the year to become the Department of Local Government and Community Services.

Selected Agencies cont...

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.

During the conduct of the Agency Compliance Audits it was noted that the Treasurer's Directions (TD's) gave little guidance with regard to the definition of hospitality expenditure. This resulted in each agency creating their own definition as to what is, and what is not, hospitality expenditure. For example one Agency included everything except coffee room biscuits as hospitality expenditure whilst another excluded morning and afternoon teas, light working lunches, and food consumed for training courses.

It was also noted that some TD's were outdated (with some of them last being updated in May 1995) or contained incorrect references.

Examples of incorrect referencing within the TD's include:

- TD A2.6 refers to TD G2.6, however TD G2.6 no longer exists.
- Part 4 Section 1 Budget Management refers to sections 22 and 23 of the *Financial Management Act*, however those section were repealed in 2009 and 2002 respectively.
- Part 4 Section 2 refers to Part 2 Section 5 which no longer exists.

The lack of clarity over the definition of hospitality expenditure, and the outdated/incorrectly referenced TD's, makes it difficult for Agency staff to apply the TD's appropriately.

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 of Children and Families would welcome more explicit Treasurer's Directions regarding the definition of 'hospitality'.

The Department of Corporate and Information Services has commented:

DCIS confirms that appropriate internal controls are in place with no material control weaknesses identified in the agency compliance audit of DCIS.

The Department of Education has commented:

The Department of Education continues to implement improvements in its systems, including key areas identified in the compliance audit.

The Department of Housing has commented:

The Department of Housing acknowledges the findings of the Agency Compliance Audits and is addressing the identified issues where they are applicable to this Department.

The Department of Land Resource Management has commented:

The Department was delighted to receive a clean audit management report, with no matters arising, as it demonstrated that internal controls were working effectively.

Selected Agencies cont...

The Department of Lands, Planning and the Environment 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 Lands, Planning and the Environment.

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, reminders and in house training.

The Department of the Chief Minister has commented:

Findings from the Agency Compliance audit of the department have been noted and acted upon where necessary.

The Department of the Legislative Assembly has commented:

The compliance audit found that the Department of Legislative Assembly's accounting and control procedures provide reasonable assurance to the Clerk and identified four matters requiring attention. Three of those matters have been addressed and the outstanding matter of reviewing the Accounting and Property Manual has commenced and implementation is being monitored by the Audit Committee.

Selected Agencies cont...

The Department of Transport 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 Transport.

Northern Territory Police, Fire and Emergency Services has commented:

The NTPFES acknowledge the key findings of the Agency Compliance Audit, and have implemented the audit's key recommendations.

The Office of the Commissioner for Public Employment has commented:

Findings from the Agency Compliance audit of the department have been noted.

Selected Agencies

Evaluation of Selected Aspects of the Agency's Performance Management System Audits

Audit Objectives and Scope

Section 15 of the Audit Act provides that *"the Auditor-General may conduct an audit of 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."*

The objective of an audit conducted under Section 15 includes *"determining whether the performance management systems of the 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."*

Background

In order for the Agency to effectively communicate progress against its objectives, there should be a clear linkage between the Agency's publicly stated strategic goals (as reported in Budget Paper 3) and the Agency's performance against those strategic goals (as reported in the Agency's Annual Report).

To this end, I have assessed whether the following components of a performance management system are implemented and operating effectively within the Agency in relation to a selected Agency's stated strategic goal as reported in Budget Paper 3 released in May 2013:

- A strategic plan exists for the Agency;
- The strategic plan reflects the Agency's strategic goals as stated in Budget Paper 3;
- Business plans exist for each Output Group within the Agency;
- The relevant business plan provides actions and performance targets aligned with the Agency's strategic plan;
- There is a process for determining the performance measure appropriate to each strategic objective;
- Performance is actively monitored during the course of the year within the Agency;
- Performance results are reported to those accountable within the Agency; and
- Performance results are reported in the Agency's Annual Report and are accompanied by sufficient explanatory information that enables a reader to independently form a conclusion on the Agency's performance.

Selected Agencies cont...

A process flow diagram demonstrating the performance reporting process is included on the next page. These are the questions that I asked when forming the assessment. When these agencies are revisited in future performance management systems audits, I will be looking to expand work performed in the area shown in the grey shaded box.

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

- Department of the Attorney-General and Justice; and
- Northern Territory Police, Fire and Emergency Services.

These Agencies were found to have developed and implemented a performance management system that enables public reporting against established performance outcomes in relation to the strategic goal selected from Budget Paper 3 as the basis for the audit.

Key Findings

A number of recommendations to enhance the effectiveness of the Agencies performance management systems were raised as a result of these audits including:

- improving performance targets to ensure they can be reliably measured;
- improving descriptions to avoid confusion when interpreting performance results;
- improving quality review processes to minimise errors in management and/or annual reporting; and
- improving the consistency of trend data reported.

Selected Agencies cont...



Selected Agencies cont...

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

The Department has accepted the findings of the audit and is addressing recommended changes where relevant.

The Northern Territory Police, Fire and Emergency Services has commented:

The NTPFES has noted the improvement opportunities identified as a result of the Audit and continue to enhance internal performance measures and reporting systems.

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 Education, and the Department of Health between 1 August 2014 and 31 January 2015 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.

My review of the data related to fuel card purchases highlights the necessity for the Departments to be vigilant at all times. Simply reviewing the data may not necessarily identify fraudulent or incorrect transactions. To highlight this – there are legitimate reasons for a driver to undertake two successive purchases of fuel within a few minutes (filling up a primary and secondary fuel tank on a vehicle for example); however, there are opportunities for inappropriate purchases to be made and charged to the fuel cards.

Key Findings

The following table outlines the vehicles identified as being in use at some time during the period 1 August 2014 to 31 January 2015.

Department	Fuel Cards	Vehicles
Department of Education	678	395
Department of Health	547	328

There was evidence that the two agencies perused the monthly accounts, and there was evidence of:

- investigation of the nature of small purchases; and
- investigation of incorrect fuel purchases.

Selected Agencies cont...

Vehicles Unable to be Analysed

Department of Education

Of the 395 vehicles, 19 had incurred only one fuel purchase throughout the period under analysis and there were no exceptions identified in relation to the odometer readings related to those purchases, therefore no further analysis was undertaken. For 25 other vehicles, there was insufficient data to permit a reasonable analysis to be performed because:

- three vehicles had only one transaction recorded however the odometer reading was not provided; and
- the transactions against the remaining 22 vehicles could not be analysed due to the frequency of errors and/or omissions within the recorded data.

Department of Health

Of the 328 vehicles, 19 had incurred only one fuel purchase throughout the period under analysis and there were no exceptions identified in relation to the odometer readings related to those purchases, therefore no further analysis was undertaken. For 39 other vehicles, there was insufficient data to permit a reasonable analysis to be performed because:

- three vehicles had only one transaction recorded however the odometer reading was not provided; and
- the transactions against the remaining 36 vehicles could not be analysed due to the frequency of errors and/or omissions within the recorded data.

Selected Agencies cont...

Unusual Transactions

Department of Education

In relation to the 5,124 individual transactions recorded against the fuel cards:

- There were 23 instances where it appeared that incorrect fuel was purchased.
 - Education Car 272 is recorded by NT Fleet as requiring “Diesel” fuel. One “Unleaded” purchase was recorded immediately after a purchase of Diesel.
 - Education Car 475 is recorded by NT Fleet as requiring “Diesel” fuel. Of the 41 purchases recorded against this vehicle, two transactions recorded the fuel type as “Unleaded”. The two unleaded purchases occurred on the same days as diesel purchases. No odometer readings were provided for the unleaded purchases.
 - Education Car 382 is recorded by NT Fleet as requiring “Diesel” fuel but 20 purchases of unleaded fuel were recorded against this vehicle. Five purchases in November and December 2014 had odometer readings recorded as 5,038 kilometres, recording no change between the purchase dates. I note that an odometer reading was not provided for the majority of the purchases.
- There were at least 43 instances where less than 15 litres of fuel were recorded as having being purchased (excluding items identified as ‘surcharge’ and ‘lube’). Purchases of this size appear unusual in the context of motor vehicle usage.
- Education Car 138 had two purchases of fuel recorded on the same day with the same quantity purchased, however a reversal transaction was not noted.
- Education Car 141 had two purchases of fuel on the same day that appear to be in rapid succession.

Selected Agencies cont...

- Education Car 165 had a number of fuel purchases outside the Northern Territory. Given the dates involved it appears that the driver may have been interstate on private rather than on official business. Specifically:

Date	Location	Odometer	Quantity
17 December 2014	BP Port Augusta	72,577 km	18.81 litres
18 December 2014	BP Bordertown	73,148 km	57.97 litres
22 December 2014	Caltex Starshop Frankston	73,809 km	64.89 litres
29 December 2014	BP Malvern	34,429 km	59.88 litres
3 January 2015	BP Little River (Geelong Bound)	75,005 km	55.17 litres
7 January 2015	Caltex Woolworths Murrumbena	75,350 km	36.63 litres
8 January 2015	Caltex Merimbula	75,929 km	55.39 litres
11 January 2015	7 Eleven Turrumurra	76,502 km	54.30 litres
12 January 2015	Caltex Coffs Harbour	77,047 km	50.27 litres
18 January 2015	Coles Express Miami	77,555 km	48.31 litres
19 January 2015	Caltex Woolworths Roma	78,080 km	51.30 litres
19 January 2015	Augathella On The Highway	78,357 km	29.19 litres
20 January 2015	Choice Petroleum Barcaldine	68,872 km	32.19 litres
20 January 2015	Coles Express Mount Isa	79,520 km	51.54 litres
20 January 2015	Camooweal Roadhouse	79,650 km	19.76 litres

- Education Car 183 had two purchases of fuel on the same day that appear to be in rapid succession.
- Education Car 164 had two purchases in rapid succession with only one kilometre between refills.
- Education Car 226 had two purchases within 21 minutes at different service stations.
- Education Car 231 had two purchases on the same day with only eight kilometres between refills.

Selected Agencies cont...

- Education Car 255 has odometer readings that are unusual. Specifically:

Date	Location	Odometer	Quantity
21 August 2014	Gull Pinelands	21,500 km	84.71 litres
4 November 2014	Darwin River Trading Post	21,000 km	30.50 litres
8 November 2014	Darwin River Trading Post	21,000 km	86.97 litres
23 January 2015	BP Wishart Road	29,000 km	79.35 litres
30 January 2015	Puma Truck Stop Berrimah	29,500 km	74.09 litres

- Education Car 262 had two purchases in rapid succession.
- Education Car 288 had two purchases in rapid succession.
- Education Car 293 had two purchases in rapid succession on three dates.
- Education Car 299 had inconsistent sequential odometer readings. Specifically:

Date	Location	Odometer	Quantity
20 November 2014	Suspense Merchant - Mp	39,957 km	66.22 litres
26 November 2014	TJS One Stop Shop	1,501 km	80.02 litres
27 November 2014	Boab Caravan Park	2,174 km	94.00 litres
28 November 2014	Hi-Way Inn Daly Waters	2,461 km	44.55 litres
29 November 2014	TJS One Stop Shop	2,550 km	58.62 litres
5 December 2014	Gulf Mini Mart	41,179 km	70.48 litres

- Education Car 315 had a shop purchase rather than a fuel purchase recorded.
- Education Car 352 had a shop purchase recorded and also has two fuel purchases occurring within 15 minutes of each other.
- Education Car 368 had two fuel purchases recorded within three minutes. It is noted that the odometer readings are missing for these refills whereas they were provided for all other purchases.
- Education Car 378 had two fuel purchases in rapid succession.
- Education Car 380 had two refuels in rapid succession with the second refuel being recorded with an odometer reading 1,717 kilometres lower than the first refuel.

Selected Agencies cont...

- Education Car 397 recorded instances on two dates where there were two fuel purchases in rapid succession with the same odometer reading.
- Education Car 384 had two refuels within 44 minutes on one day and had an instance where two transactions were recorded for the same quantity of fuel on the same day without a reversing entry.
- Education Car 393 had two refuels within 9 kilometres of travel.
- Education Car 402 recorded a purchase of premium fuel.
- Education Car 440 had a purchase on 2 November 2014 which, based upon the odometer reading, appears not to be for this vehicle.
- Education Car 404 recorded unusual odometer sequencing over a 15 day period.
- Education Car 406 recorded unusual odometer sequencing that suggests two different vehicles have been using the same fuel card.
- Education Car 460 has odometer readings recorded that indicate the fuel card may have been used to refuel a different vehicle between 6 December 2014 and 3 January 2015.
- Education Car 464 had 16 purchases recorded as “shop”. This appears to be predominantly a merchant issue.
- Education Car 486 recorded two purchases of less than seven litres. One of the purchases had the same odometer reading and date as a purchase of 43.22 litres.
- Four vehicles recorded fuel purchases that appear to be significantly higher than the reported fuel capacity of the vehicle.

Selected Agencies cont...

Department of Health

In relation to the 2,922 individual transactions recorded against the fuel cards:

- There were 18 instances where it appeared that incorrect fuel was purchased.
- There were at least 63 instances where less than 15 litres of fuel were recorded as having being purchased (excluding items identified as 'surcharge' and 'shop'). Purchases of this size appear unusual in the context of motor vehicle usage.
- Health Car 316 had many instances where two or more purchases occurred in rapid succession. There were also 24 recorded 'shop' transactions with many of the 'shop' transactions occurring immediately before, or after, purchases of Diesel. All purchases were at the same location. Departmental staff indicated that this matter has been referred to the Northern Territory Police for investigation.
- Health Car 397 had multiple purchases in rapid succession on many occasions. Odometer readings were not provided for any purchase. Despite this vehicle being identified as requiring "Diesel" by NT Fleet there were regular purchases of unleaded petrol. Five purchases were also in excess of the vehicle's rated capacity of 180 litres. Departmental staff indicated that the matter was also referred to the Northern Territory Police for investigation.
- Health Car 159 had an unusual series of transactions in that on 15 September 2014 66.91 litres of fuel was purchased at 9:45am, 81 minutes later the vehicle was refuelled with 110.71 litres, then a third purchase of a further 22.36 litres occurred 44 minutes later.
- Nine vehicles regularly had inconsistent sequential odometer readings. This may indicate that the one fuel card is being used for multiple vehicles. An example of this is Health Car 116:

Date	Location	Odometer	Quantity
28 October 2014	BP Service Station Nhulunbuy	6,249 km	27.95 litres
29 October 2014	BP Service Station Nhulunbuy	1,091 km	129.05 litres
31 October 2014	BP Service Station Nhulunbuy	5,020 km	140.17 litres
6 November 2014	BP Service Station Nhulunbuy	1,322 km	32.45 litres
27 November 2014	BP Service Station Nhulunbuy	5,854 km	106.29 litres
28 November 2014	BP Service Station Nhulunbuy	2,272 km	127.48 litres
20 January 2015	BP Service Station Nhulunbuy	6,842 km	134.14 litres

Selected Agencies cont...

- Health Car 200 had two purchases recorded within four minutes.
- Health Car 214 travelled from Katherine to Borroloola and returned to Katherine. The odometer readings provided indicate a distance of 478 kilometres from Katherine to Borroloola and 555 kilometres returning to Katherine. It is approximately 660 kilometres from Borroloola to Katherine.
- Health Car 313 had two purchases in rapid succession on two separate occasions.
- Health Car 396 had two purchases identified as 'shop' at the same time as one Diesel purchase.
- 12 vehicles recorded fuel purchases that appear to be significantly higher than the reported fuel capacity of the vehicle.

Selected Agencies cont...

Missing or Incorrect Odometer Readings

There were a significant number of anomalous transactions recorded by the Agencies as outlined below:

Department	Transaction Errors	Population	% of errors at Agency level
Department of Education	395	5,124	8%
Department of Health	329	2,922	11%

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.

Department of Education

125 vehicles (32%) had what appeared to be the correct odometer readings on more than 95 per cent of the transactions.

176 (44%) had missing or incorrect odometer readings for between 6 per cent and 25 per cent of the transactions.

For the remaining 94 cards (24%) errors were noted on more than 26 per cent of the transactions.

Department of the Health

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

110 cards (33%) had missing or incorrect odometer readings for between 6 per cent and 25 per cent of the transactions.

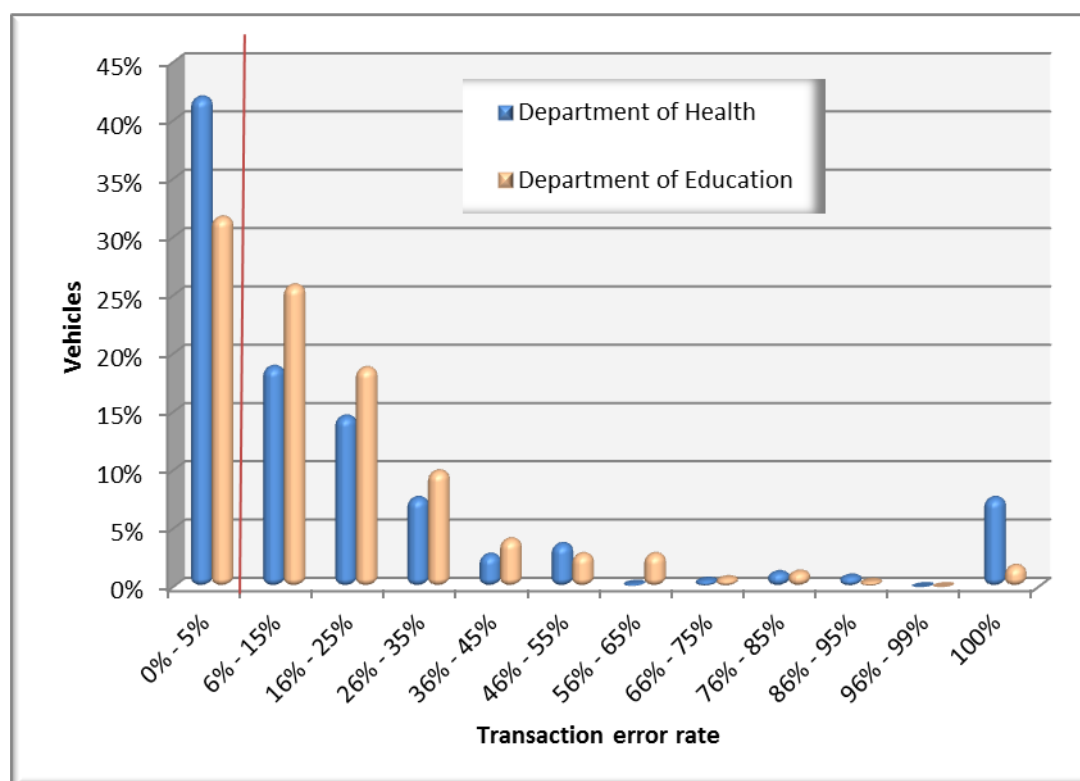
For the remaining 81 cards (25%) errors were noted on more than 26 per cent of the transactions.

Selected Agencies cont...

Missing or Incorrect Odometer Readings

The graph below summarises the distribution of missing or incorrect odometer readings for both agencies.

It should be noted that the goal is to have a higher percentage of vehicles in the 0% to 5% transaction error and fewer in the 6% and above transaction error categories. The graph shows that 42% of the Department of Health's vehicles (138 vehicles), and 32% of the Department of Education's vehicles (125 vehicles), showed a transactional error rate of less than 5%.

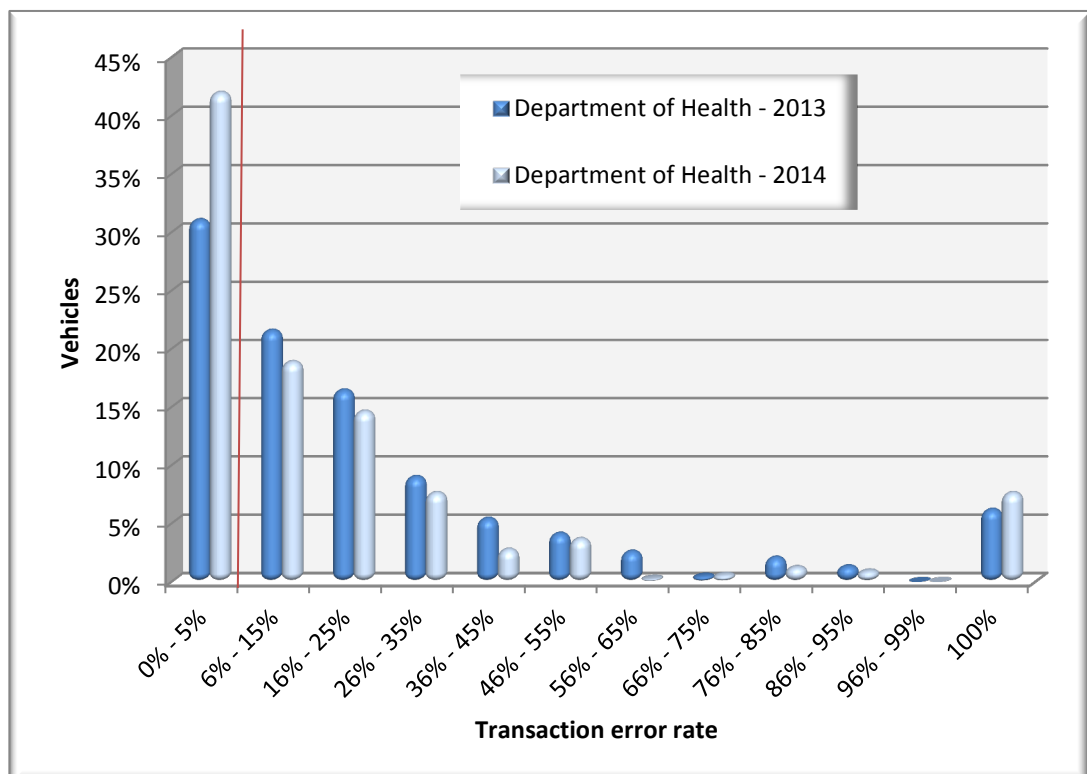


Selected Agencies cont...

The Department of Health was also included in the fuel card assessment process for the period 1 July 2013 to 31 December 2013 as reported in the August 2014 Report to the Legislative Assembly.

The following graph compares the Department of Health's results and shows an improvement in the transaction error rate at the Department.

Ideally the transactional error rate should be less than 5%, and as can be seen below the Department of Health has improved since the last analysis. The increased vehicle percentage in this category (i.e. 0% to 5%) reflects the downward trend in transactional error rates greater than 6%. As noted previously, taking into account factors external to the agency, the transactional error rate should not exceed 25%.



A similar comparison is unable to be made for the Department of Education as this is the first year such an analysis has been undertaken.

Selected Agencies cont...

The Department of Education has commented:

The Department of Education acknowledges the review findings and has taken action to address all of the issues raised. It should be noted that a number of the unusual transactions reported in the review were found to relate to legitimate fuel transactions. A number of instances relating to incorrect fuel type or missing or incorrect odometer readings were due to fuel provider system or operator error. The department continues to monitor fuel card transactions regularly and address anomalies as soon as they arise. All vehicle custodians have been reminded of their responsibilities and the need to adhere to Northern Territory Government and departmental policies and procedures relating to vehicle usage, fuel card usage and fuel expenditure.

The Department of Health has commented:

The Agency is pleased by the performance improvements identified within the August 2015 Report. The Agency will now include processes which provide timely reminders to staff of compliance requirements and their responsibilities in the use of fuel cards to reinforce a culture of accountability.

Selected Agencies

Purchasing Cards

Background

The Electronic Card Management System (the system) is an on-line web based system used by Northern Territory Government corporate credit card holders to process their credit card transactions. The system incorporates a cabcharge module which provides an online processing and management solution for processing cabcharge transactions.

My Authorised Auditors assessed the technology and monitoring controls associated with purchasing card transactions including:

- General computer controls for the system;
- Application controls; and
- Transaction monitoring controls.

The task also included the use of data analytics to identify transactions, during the period 1 January 2014 to 31 July 2014, which displayed unusual characteristics. The details for these transactions were forwarded to the relevant Department for management review and appropriate investigation as necessary.

Key Findings

The System

The general and application computer controls component of this task was conducted at the Department of Corporate and Information Services. As a result of this assessment, the recommendations below were provided to the Department of Corporate and Information Services to enhance the security and effectiveness of the system:

- Enabling password complexity checking, and password expiry within the system;
- Disabling generic Administrator accounts and implementing user-specific administration accounts;
- Enabling automatic screen locking for idle remote desktop sessions;
- Disabling the ability to 'Allow anonymous connections' on the production server File Transfer Protocol site;
- Undertaking periodic review of system users assigned the 'verifier' role to confirm the level of access is still appropriate and required;

Selected Agencies cont....

- Ensuring that the user's account is cancelled when notification is received that the user is no longer employed, the credit card has been cancelled, or the user is no longer a verifier; and
- Disabling administration accounts (used by the system's vendor) by default, and only enabling administration accounts when there is an authorised support request or change.

Analytics

During the period 1 January to 31 July 2014, 97,220 transactions, with a value of \$29 million, were processed within the system. The top five departments, by expenditure, were:

Department	\$	Transactions
Northern Territory Police, Fire and Emergency Services	\$5.2 million	14,883
Department of Health	\$4.2 million	14,049
Department of Correctional Services	\$2.0 million	6,228
Department of Primary Industry and Fisheries	\$1.8 million	5,997
Department of Education	\$1.7 million	4,995
Total	\$14.9 million	46,152

A small selection of transactions was chosen and referred to the relevant Department for further investigation. These transactions were chosen as they displayed unusual characteristics. Examples include:

- Purchases that contravene Treasurer's Directions, for example purchases of fuel on a purchasing card or payment of Traffic Infringement Notices;
- Purchases at well-known consumer product shops;
- Expense descriptions which contained specific words;
- Significant expense items;
- Expenditure incurred on a weekend or public holiday; and
- Same vendor in quick succession which could indicate potential splitting of payments.

Selected Agencies cont....

Whilst assessing the transactions identified within this report it should be remembered that the use of purchasing cards is simply a method of payment, it is not a different method of procurement, therefore all procurement procedures (quotations and authorisations for example) must occur prior to payment being made using the purchasing card.

The transactions were chosen from the following departments:

- Aboriginal Areas Protection Authority;
- Department of Corporate and Information Services;
- Department of Correctional Services;
- Department of Health;
- Department of the Attorney-General and Justice;
- Department of the Chief Minister; and
- Northern Territory Police, Fire and Emergency Services.

These agencies were selected following an initial high level review of the data provided.

Selected Agencies cont....

Aboriginal Areas Protection Authority

There were 14 card holders initiating transactions during the period of the assessment. The lowest total expense amount on a particular card (i.e. the total spend for that card for the 7 month period) was \$35.60. I also noted that one card holder initiated less than eight transactions within the seven months analysed and I recommended that the Aboriginal Areas Protection Authority (AAPA) consider whether retention of this card was necessary.

In relation to the individual transactions recorded against the purchasing cards, a sample of five transactions (or groups of transactions) was selected where AAPA was asked to provide explanations. AAPA identified that all transactions were valid.

Department of Corporate and Information Services

There were 24 card holders initiating transactions during the period of the assessment. The lowest total expense amount on a particular card (i.e. the total spend for that card for the 7 month period) was \$33.66. I also noted that seven card holders initiated less than eight transactions within the seven months analysed and I recommended that the Department of Corporate and Information Services (DCIS) consider whether retention of these cards was necessary.

In relation to the individual transactions recorded against the purchasing cards a sample of three transactions was selected where DCIS was asked to provide explanations. DCIS identified that all transactions were valid.

Department of Correctional Services

There were 78 card holders initiating transactions during the period of the assessment. The lowest total expense amount on a particular card (i.e. the total spend for that card for the 7 month period) was \$78.85. I also noted that 11 card holders initiated less than eight transactions within the seven months analysed and I recommended that the Department of Correctional Services (DoCS) consider whether retention of these cards was necessary.

Selected Agencies cont....

In relation to the individual transactions recorded against the purchasing cards, a sample of four transactions (or groups of transactions) was selected where DoCS was asked to provide explanations. Explanations were sought in relation to the matters listed below:

- Treasurer's Directions C3.3.4 states "*A Corporate Credit Card must only be used for official, approved purposes and must not be used for: ... purchase of fuel and oils other than in exceptional circumstances*". There were 90 instances of fuel being purchased on a purchasing card. After eliminating fuel purchases described as being for generators, motor mowers, hire cars and similar items, or where the dedicated fuel card is reported to have failed, there were at least 56 fuel related transactions remaining.

DoCS has provided explanations for the use of the credit card – most of which were monthly account payments for fuel purchases in Nhulunbuy. There was also one instance where the incorrect fuel type was purchased following the usual fuel card being rejected for payment. The only immediate option, in these instances, is payment by credit card or cash.

- Two purchases from well-known consumer product shops for laptops purchased on the same day.

DoCS has responded that the purchase of the laptops resulted in a price that was in excess of the credit card transaction limit, therefore the transaction was processed as two separate purchases. This is in contravention of Treasurer's Directions C3.3.4 that specifically state that "*A Corporate Credit Card must only be used for official, approved purposes and must not be used for: ... the splitting of purchases in order to negate credit limits; ..*"

- One other transaction was chosen due to the nature of the transaction or description. The Department responded that the transaction was valid.

Selected Agencies cont....

Department of Health

There were 156 card holders initiating transactions during the period of the assessment. The lowest total expense amount on a particular card (i.e. the total spend for that card for the 7 month period) was \$58.25. I also noted that 20 card holders initiated less than eight transactions within the seven months analysed and I recommended that the Department of Health (DoH) consider whether retention of these cards was necessary.

In relation to the individual transactions recorded against the purchasing cards, a sample of 17 transactions (or groups of transactions) was selected where DoH was asked to provide explanations. Explanations were sought in relation to the matters listed below:

- Treasurer's Directions C3.3.4 states "*A Corporate Credit Card must only be used for official, approved purposes and must not be used for: ... purchase of fuel and oils other than in exceptional circumstances*". There were 82 instances of fuel being purchased on a corporate credit card. After eliminating fuel purchases described as being for generators, motor mowers, hire cars, and similar items, or where the dedicated fuel card is reported to have failed, there are at least 31 fuel related transactions remaining.

DoH has responded that the fuel purchases generally related to remote locations and this was the only option for payment. There are also instances where an incorrect fuel type was purchased with the usual fuel card being rejected for payment. DoH indicated that the only immediate option, in these instances, is payment by credit card or cash.

- Three purchases from the Apple iTunes Store.

DoH has responded that, although the transactions were valid, they should have been approved by a tier three delegate and endorsed by Information and Communications Technology.

- One purchase for the merchant "Paypal" for a domain name registration.

DoH has responded that this purchase was a valid purchase however it should have been approved by the Chief Information Officer or the Director Information and Communications Technology.

- Five purchases from well-known consumer product shops.

DoH has responded that the transactions were valid and correctly approved with the exception of one that should have been approved by a tier three delegate and endorsed by Information and Communications Technology.

Selected Agencies cont....

- One parking infringement was paid by DoH. NT Fleet policy states that “It is the driver’s responsibility to pay all Traffic Infringement Notices (TINs) and fines that have resulted while the vehicle was in their use.”

DoH has responded that the fine should have been paid by the employee and reimbursed with Chief Executive approval only.

- Six other transactions were chosen due to the nature of the transaction or description.

DoH identified that one of these transactions it was an “incorrect purchase” and the “money refunded”.

Department of the Attorney-General and Justice

There were 59 card holders initiating transactions during the period of the assessment. The lowest total expense amount on a particular card (i.e. the total spend for that card for the 7 month period) was \$293.90. I also noted that eight card holders initiated less than eight transactions (i.e. an average of one per month) within the seven months analysed and I recommended that the Department of the Attorney-General and Justice (DAGJ) consider whether retention of these cards was necessary.

In relation to the individual transactions recorded against the purchasing cards, a sample of 13 transactions (or groups of transactions) was selected where DAGJ was asked to provide explanations. Explanations were sought in relation to the matters listed below:

- Treasurer’s Directions C3.3.4 states “*A Corporate Credit Card must only be used for official, approved purposes and must not be used for: ... purchase of fuel and oils other than in exceptional circumstances*”. There were 6 instances of fuel being purchased on a corporate credit card.

DAGJ has responded that the fuel purchases generally related to short term hire vehicles and, as this was the only option for payment, it was a valid transaction that is compliant with Treasurer’s Directions.

- One purchase from Saks Fifth Avenue.

A purchase of \$5,400.15 was noted from Saks Fifth Avenue. This transaction was disputed and the funds fully recovered. DAGJ noted that “*good practice suggests that if the disputed transaction is suspected of being a hack, the card should be cancelled and replaced with a new card. This should be noted for relevant circumstances*”.

Selected Agencies cont....

- One parking infringement was paid by the DAGJ - NT Fleet policy states that *"It is the driver's responsibility to pay all Traffic Infringement Notices (TINs) and fines that have resulted while the vehicle was in their use."*

DAGJ responded that *"the payment was not a 'parking infringement' but was an amount imposed by a building lessor when a staff member inadvertently parked an official vehicle in the wrong bay"*.

The documents provided to me by DAGJ indicated that the payment was for a *"parking breach notice"*, and that *"they (the drivers) all know now where to park as to not get fined again"*. The payment by DAGJ was paid through the *"Parking Enforcements Services"* system with the annotation of *"Infringement Payment Complete"*.

- Five other transactions were chosen due to the nature of the transaction or description.

DAGJ responded that four of the transactions were valid whilst one transaction was disputed and fully refunded with the *"supplier acknowledged their error"*.

Department of the Chief Minister

There were 48 card holders initiating transactions during the period of the assessment. The lowest total expense amount on a particular card (i.e. the total spend for that card for the 7 month period) was \$64.00. I also noted that six card holders initiated less than eight transactions within the seven months analysed and I recommended that the Department of the Chief Minister (DCM) consider whether retention of these cards was necessary.

In relation to the individual transactions recorded against the purchasing cards, a sample of six transactions was selected where DCM was asked to provide explanations. The Department identified that all transactions were valid.

Selected Agencies cont....

Northern Territory Police, Fire and Emergency Services

There were 303 card holders initiating transactions during the period of the assessment. The lowest total expense amount on a particular card (i.e. the total spend for that card for the 7 month period) was \$12.00. I also noted that 78 card holders initiated less than eight transactions within the seven months analysed and I recommended that the Northern Territory Police, Fire and Emergency Services (NTPFES) consider whether retention of these cards was necessary.

In relation to the individual transactions recorded against the purchasing cards a sample of 17 transactions (or groups of transactions) was selected where the NTPFES was asked to provide explanations. Explanations were sought in relation to the matters listed below:

- Treasurer's Directions C3.3.4 states "A Corporate Credit Card must only be used for official, approved purposes and must not be used for: ... purchase of fuel and oils other than in exceptional circumstances". There were over 200 instances of fuel being purchased on a corporate credit card. After eliminating fuel purchases described as being for generators, motor mowers, hire cars, and similar items, or where the dedicated fuel card is reported to have failed, there are at least 151 fuel related transactions remaining.

NTPFES has indicated that the fuel purchases generally related to remote locations and covert operations. There are also instances where an incorrect fuel type was purchased with the usual fuel card being rejected for payment, hire cars, other ancillary equipment and incorrect ledger coding.

- One transaction was undertaken on 16 January with a reversal being recorded on 9 May.

NTPFES has indicated that this was a one-off transaction that was made as a pre-payment for software which the company subsequently could not provide. The individual who initiated the pre-payment has received counselling about the inappropriateness of pre-payments.

- Multiple purchases from Apple iTunes Store for 'TN3270 apps'.

NTPFES has identified that these were valid transactions as only 100 licences could be purchased at one time, hence the multiple purchases.

- Four purchases were chosen due to the nature of the transaction or description.

NTPFES has indicated the purchases were valid however no Industry Capability Network NT (ICNNT) check was conducted.

Selected Agencies cont....

- Eight other transactions were chosen due to the nature of the transaction or description.

NTPFES has identified that the transactions were valid.

Selected Agencies cont...

The Department Corporate and Information Services has commented:

DCIS confirms that the identified card transactions were appropriate and in accord with procedures and that card usage and business requirements have been considered. In relation to system enhancements identified, action is being progressed to improve system security.

The Department of Health has commented:

DoH acknowledges that there have been exceptions to Corporate Credit Card processing procedures and is proactively taking steps to increase compliance through follow up and education.

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

In relation to the parking charge the Department's view remains that despite the terminology used, the charge was neither a Traffic Infringement Notice, nor a fine but was a contractual parking charge imposed by a landlord's car park manager. Notwithstanding this, AGD will take steps to ensure these types of payments are not made in future.

The Department of the Chief Minister has commented:

Findings from the Purchasing Cards audit of the department have been noted.

Selected Agencies cont...

Northern Territory Police, Fire and Emergency Services has commented:

The Northern Territory Police, Fire and Emergency Services (NTPFES) acknowledge the key findings of the Purchasing Card Audit, and have implemented the audit's key recommendations. The NTPFES continue to audit these functions internally and provide education to employees on the compliance requirements of the Treasurer's Directions.

Territory Insurance Office

Special Purpose Financial Reports at 31 December 2014

Background

The Territory Insurance Office (TIO) was established under the *Territory Insurance Office Act* however the Banking and Insurance businesses of TIO were sold to People's Choice Credit Union and Allianz, respectively, on 1 January 2015. The related sale agreements for the businesses required the preparation and audit of special purpose financial reports, known as completion accounts, to verify the value of assets and liabilities at the time of sale.

This audit was conducted in accordance with the direction given to me by the Chief Minister of the Northern Territory dated 19 December 2014.

Audit Opinion

The audits of the special purpose financial reports of the Territory Insurance Office – Insurance Business and the Territory Insurance Office – Banking Business for the six months ended 31 December 2014 resulted in unmodified audit opinions. The opinions were issued on 7 April 2015.

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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.

There have been no matters referred since my February 2015 Report to the Legislative Assembly.

Appendices

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Appendix 1: Audit Opinion Reports Issued Since 31 December 2014

Financial Statements for the year ended 31 December 2014

	Date 2014 Financial Statements tabled to Legislative Assembly	Date of Audit report Year ended 31 December 2014	Date of Audit report Year ended 31 December 2013
Batchelor Institute of Indigenous Tertiary Education	Not yet tabled	30 June 15	2 June 14
CDU Amenities Limited	Not required	22 April 15	6 May 14
Charles Darwin University	Not yet tabled	29 May 15	15 May 14
Charles Darwin University Foundation (a company limited by guarantee)	Not required	29 April 15	6 May 14
Charles Darwin University Foundation Trust	Not required	29 April 15	6 May 14
Menzies School of Health Research	Not required	27 April 15	14 May 14
Not required – Financial statements are not required to be tabled			
Not yet tabled – as at 30 July 2015			

Appendix 1: Audit Opinion Reports Issued Since 31 December 2014 cont...

Acquittals or other returns – for the year ended 31 December 2014

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 31 December 2014	Date of Audit Report Year ended 31 December 2013
Charles Darwin University Higher Education Research Data collection	30 June 15	17 June 15	11 June 14
Charles Darwin University Higher Education Research Data collection (restated)	30 June 15	10 August 15	11 June 14
Department of Business - Summary AVETMISS Financial Data Acquittal	14 July 15	19 June 15	24 June 14

Appendix 2: Status of Audits and Reviews which were Identified to be Conducted in the Six Months to 30 June 2015

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 my February 2015 Report to the Legislative Assembly as being scheduled for the period:

Department of Corporate and Information Services

ASNEX	Refer page 29
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Department of Correctional Services

Evaluation of selected aspects of the Agency's Performance Management System	Not yet completed
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Department of Infrastructure

Procurement	Not yet completed
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Department of Sport and Recreation

Official Travel	Refer page 34
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Department of the Attorney-General and Justice

Evaluation of selected aspects of the Agency's Performance Management System	Refer page 52
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Department of the Chief Minister

Ministerial Travel	Refer page 37
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Department of the Legislative Assembly

Members Travel	Refer page 40
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Northern Territory Police, Fire and Emergency Services

Evaluation of selected aspects of the Agency's Performance Management System	Refer page 52
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Appendix 3: Proposed Audit Activity in the Six Months Ending 31 December 2015

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 Business

Perform an assessment of general computer controls (Financial Assistance Management, Receipting and Tracking systems)

Department of Corporate and Information Services

Effectiveness of general computer controls and key financial controls – Paysheets

Whole of Government – Cyber Preparedness

Department of Correctional Services

Pronto – General computer controls

Department of Education

Evaluation of selected aspects of the Agency's Performance Management System

Northern Territory Superannuation Office

SuperB – Assessment of general computer controls

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Appendix 4: Agencies not Audited relating to the year ended 30 June 2015

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 2015, no audits were, or are intended to be, conducted at the following Agencies:

- Department of Arts and Museums;
- Department of Primary Industry and Fisheries;
- Ombudsman's Office;
- Parks and Wildlife Commission of the Northern Territory; 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 two years.

The annual financial statements of the Office of the Auditor-General are subject to independent audit in accordance with section 27 of the *Audit Act*. The audit of the financial statements is scheduled to commence in late August 2015.

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Appendix 5: Abbreviations

AAPA	Aboriginal Areas Protection Authority
AGD	Department of the Attorney-General and Justice
AIS	Asset Information System
AMS	Asset Management System
BAMS	Building Asset Management System
DAGJ	Department of the Attorney-General and Justice
DCIS	Department of Corporate and Information Services
DCM	Department of the Chief Minister
DoCS	Department of Correctional Services
GBD	Government Business Division
IT	Information Technology
METS	Members' Entitlements Travel System
MLA	Member of the Legislative Assembly
MR	Movement requisition
NTPFES	Northern Territory Police, Fire and Emergency Service
PRS	Project Reporting System
RDH	Royal Darwin Hospital
RIMS	Road Information Management System
RTD	Remuneration Tribunal Determination
TD	Treasurer's Direction
TRIPS	Travel Request Information Processing System
VET	Vocational Education and Training

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