



**Northern Territory Auditor-General's Office**

**Auditing for Parliament**

# **August 2019**

## **Report to the Legislative Assembly**

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<http://www.nt.gov.au/ago/>

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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

15 August 2019

Dear Madam Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits, reviews and assessments completed during the five months ended 31 July 2019 and I request that you table the report in the Legislative Assembly.

This report presents the results of financial statements audits completed during the period. Two performance management system audits designed to test the adequacy of performance management systems within Agencies were completed and the findings included in this report.

The report also presents the findings from 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.

My report contains my findings relating to one matter referred under the *Public Information Act 2010*.

I would like to take this opportunity to thank the Accountable Officers (or equivalent) and personnel of audited entities for their cooperation and assistance during the period and for contributing their comments in relation to this report.

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 37 separate audits and other tasks completed during the period 1 March 2019 to 31 July 2019. This report summarises the results of the following types of audits and legislated tasks conducted during the period:

- Statutory Audits of Financial Statements;
- Controls and Compliance Audits;
- Information Technology Audits;
- Performance Management System Audits;
- Data Analysis; and
- *Public Information Act 2010* Referrals.

The report presents the results of audits that were performed to assess the adequacy of selected aspects of controls over accounting and material financial transactions at 19 Northern Territory Government Agencies. Findings arising from these audits have been reported to the affected Agencies to enable them to address control weaknesses as required. Agency Compliance Audits are undertaken in accordance with Section 13 of the *Audit Act 1995* and provide support to the audit of the Treasurer's Annual Financial Statement.

Also included are the results of audits of financial statements for those entities within the education sector with a financial year ended 31 December 2018.

The findings from data analysis conducted in relation to salary expenditure; consulting and legal expenditure; grants and subsidies; and donated and gifted items at 17 NTG Agencies resulting in 40 separate management letters are presented within this report.

During the period 1 March 2019 to 31 July 2019, two performance management systems audits were completed. These audits related to:

- compliance with the *Fiscal Integrity and Transparency Act 2001*; and
- management of procurement activity.

One matter was referred under the *Public Information Act 2010*, the results of my inquiries in relation to this matter are included within this report.

The *Audit Act 1995* provides a legislative requirement for the Auditor-General to report to the Legislative Assembly on at least an annual basis. This is the first report I have provided for tabling within the Legislative Assembly for the year ending 30 June 2020. My last report was tabled during March 2019.

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

A number of audits scheduled to be commenced and completed in the period 1 January 2019 to 30 June 2019 are still to be completed. The outcomes of these audits (listed in Appendix 2) will be presented in the next report to the Legislative Assembly.

# The Role and Responsibilities of the Auditor-General

## Legislative Framework

### *Audit Act 1995*

The Auditor-General's powers and responsibilities are established in the *Audit Act 1995* 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. 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. Results of any reviews of referred information under the *Public Information Act 2010* are included when the reviews are concluded.

In reporting these results, 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 1995* 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 15, which provides 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.
- Section 25, which requires the Auditor-General to issue a report to the Treasurer on the Treasurer's Annual Financial Statement.

### *Public Information Act 2010*

The *Public Information Act 2010* requires the Auditor-General, upon receipt of a written request of an Assembly member, or on the Auditor-General's initiative, to conduct a review of particular public information to determine whether the Act is contravened in relation to the information. When preparing the report about the review, any comments provided by the public authority following the preliminary opinion are taken into consideration. The associated reports are included in reports to the Legislative Assembly.

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

## Assurance Engagements Conducted by the Auditor-General

The types of assurance engagements conducted through the Auditor-General's Office include:

- Audit of the Treasurer's Annual Financial Statement;
- Statutory Audits of Financial Statements;
- End of Year Reviews;
- Information Technology Audits;
- Controls and Compliance Audits; and
- Performance Management System Audits.

The Public Account is defined in the *Financial Management Act 1995* as:

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

## 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 including End of Year Reviews and the results of financial statement audits, an audit approach is designed and implemented to obtain assurance that the 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 1995* also requires that the Auditor-General has regard to those standards.

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

## ***Statutory Financial Statements Audits***

Statutory audits of financial statements are conducted on the full financial reports of government business divisions, government owned corporations and other government controlled entities that prepare statutory financial statements.

Agencies are required, by Treasurer's Directions issued pursuant to the *Financial Management Act 1995*, to prepare financial statements that comply with Australian Accounting Standards. Agencies are not, however, required to submit those statements to the Auditor-General unless directed to do so by the Treasurer pursuant to section 11(3) of the *Financial Management Act 1995*. As no such direction has been given, Agencies' financial statements are not audited separately, but are reviewed as part of the audit of the Public Account and of the Treasurer's Annual Financial Statement.

In the case of a financial statement audit, an 'unqualified audit opinion' means that the Auditor-General is satisfied that the Agency or entity has prepared its financial statements in accordance with Australian Accounting Standards and other mandatory financial reporting requirements or, in the case of acquittal audits, the relevant legislation or the agreement under which funding was provided. It also means that the Auditor-General believes that the report is free of material error and that there was nothing that limited the scope of the audit. If any of these conditions should not be met, a 'modified audit opinion' is issued together with an explanation of why a modified audit opinion was issued.

Within this report, the audit opinions, key audit matters and summaries of audit observations represent the more important matters relating to each audit. By targeting these sections, readers can quickly understand the major issues faced by a particular agency or entity or by the public sector more broadly.

The Office outsources all audits of statutory financial statements and requires those audits to be conducted by Authorised Auditors in accordance with their firm's audit methodology ensuring compliance with all Australian Auditing Standards.

## ***Information Technology Audits***

Information technology audits are undertaken as stand-alone audits of key agency or across-government systems. Each of the systems selected for audit plays an important role in processing data and providing information for the purposes of financial management and, more particularly, for the purposes of financial reporting and the preparation of the Treasurer's Annual Financial Statement.

The Office outsources all audits of information technology systems. These audits are undertaken in accordance with Australian Auditing Standards applicable to the audit of information technology systems including ASAE 3150 *Assurance Engagements on Controls*.

## Guide to Using this Report cont...

### ***End of Year Reviews***

The End of Year Review provides an audit focus on year end balances particularly within Agencies. The nature of the review is determined annually whilst planning the audit of the Treasurer's Annual Financial Statement, but includes testing of transactions occurring around year end to provide a degree of confidence about the data provided to Treasury and which will form part of the overall reporting on the Public Account.

The Office outsources all End of Year reviews. These audits are undertaken in accordance with Australian Auditing Standards applicable to the review of financial information including ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*.

### ***Controls and Compliance Audits***

Controls and Compliance Audits are conducted of selected systems or accounting processes to determine whether the systems and processes achieve compliance with legislated or otherwise mandated requirements. These audits are intended to assist in the audit of the Public Account.

Controls and Compliance Audits are both outsourced to Authorised Auditors and undertaken by personnel within the Office. These audits are undertaken in accordance with Australian Auditing Standards including ASAE 3100 *Compliance Engagements* and ASAE 3150 *Assurance Engagements on Controls* as applicable.

### ***Performance Management System Audits***

The audit process determines whether existing systems or practices, or management controls over systems, are adequate to provide relevant and reliable performance information that will assist intended users of the information make decisions relating to accountability and the achievement of results. These audits are also intended to assist in the audit of the Public Account.

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 1993* for the proper, efficient and economic administration of his or her agency. Under section 13 (2)(b) of the *Financial Management Act 1995*, an Accountable Officer is to ensure that procedures "*in the agency are such as will at all times afford a proper internal control*". Internal control is defined in section 3 of the *Financial Management Act 1995* to include "*the methods and procedures adopted within an agency to promote operational efficiency, effectiveness and economy*".

Section 15 of the *Audit Act 1995* 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 of the *Audit Act 1995* 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*." 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. Performance Management Systems Audits are both outsourced to Authorised Auditors and undertaken by personnel within the Office. These audits are undertaken in accordance with Australian Auditing Standards including ASAE 3500 *Performance Engagements* as applicable.

# Guide to Using this Report

## Types of Financial Reports

Financial reports submitted for independent audit are prepared under either a general purpose or special purpose framework.

### *General Purpose Financial Report*

A general purpose financial report comprises a complete set of financial statements, including the related notes, and an assertion statement by those responsible for the financial report, prepared in accordance with a financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.

### *Special Purpose Financial Report*

A special purpose financial report comprises a complete set of financial statements, including the related notes, and an assertion statement by those responsible for the financial report, prepared in accordance with a special purpose framework. The requirements of the applicable financial reporting framework determine the format and content of a financial report prepared in accordance with a special purpose framework.

## Auditing

There are two general varieties of auditing undertaken in the Northern Territory Public Sector, independent auditing and internal auditing. Only independent audits are undertaken through the Office of the Auditor-General. I, and my Principal Auditors (as my representatives), do attend meetings of Agencies' audit and risk committees where invited, but only in the role of observer.

### *Independent Audit (also known as External Audit)*

Independent audits are generally undertaken in order for an entity to achieve compliance with statutory or legal arrangements. Independent audits may be mandated by legislation or be required by a contractual arrangement. The audit work and resultant opinion is undertaken by an individual or entity independent of the agency or entity subjected to audit. These audits can take the form of financial statements audits, compliance audits or performance management system audits.

### *Internal Audit*

Treasurer's Direction Part 3, Section 2 requires an Accountable Officer to ensure his/her Agency has an adequate internal audit capacity. Internal audit is a management tool designed to provide assurance to Accountable Officers that systems and internal controls operating within Agencies are adequate and effective. Internal audit carries out its functions by undertaking audits, reviews and other related tasks for improving the performance of organisations. The Accountable Officer is ultimately responsible for selection of audit topics, risk management and audit frameworks and the delivery of internal audit services.



## Guide to Using this Report cont...

### **Types of Assurance Engagements**

The amount of audit work performed, and the resultant independent opinion, varies between an audit and a review. The level of assurance provided by the opinion is either reasonable or limited.

#### ***Reasonable Assurance***

A reasonable assurance engagement is commonly referred to as an audit. A reasonable assurance engagement is an assurance engagement where the auditor is required to perform sufficient work to reduce the risk of misstatement to an acceptably low level in order to provide a positive form of conclusion.

#### ***Limited Assurance***

A limited assurance engagement is commonly referred to as a review. A limited assurance engagement is an assurance engagement where the assurance practitioner's objective is to perform sufficient audit procedures to reduce the risk of misstatement to a level that is acceptable in the circumstances but where the risk is not reduced to the level of a reasonable assurance engagement. A negative opinion is provided that states that nothing has come to the attention of the reviewer that indicates material misstatement or non-compliance with established criteria.

### **Audit Opinions**

There are two overarching categories of audit opinion, an unmodified audit opinion (sometimes referred to as a "clean" opinion) and a modified audit opinion.

#### ***Unmodified Audit Opinion***

Unmodified opinions provide a reasonable level of assurance from the auditor that the financial statements present a true and fair reflection of an entity's results for the period reported.

Notwithstanding an audit opinion may positively attest to the truth and fairness of the financial statements, additional paragraphs may be included in the audit opinion in relation to a matter the auditor believes requires emphasis.

An "Emphasis of Matter" paragraph means a paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report. The inclusion of an emphasis of matter paragraph in the audit opinion is intended to draw the reader's attention to the relevant disclosure in the financial report.

An "Other Matter" paragraph means a paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial report that, in the auditor's judgement, is relevant to users' understanding of the audit, the auditor's responsibilities and/or the auditor's report.

## Guide to Using this Report cont...

Australian Auditing Standard ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* deals with the auditor's responsibility to communicate Key Audit Matters in the auditor's report. The purpose of communicating Key Audit Matters is to enhance the communicative value of the auditor's report by providing additional information to intended users of the financial report to assist them in understanding those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period. The inclusion of commentary relating to Key Audit Matters does not constitute a modification to the audit opinion.

### Modified Audit Opinion

Australian Auditing Standard ASA705 *Modifications to the Opinion in the Independent Auditor's Report*, paragraph 2, establishes three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon:

- a) the nature of the matter giving rise to the modification, that is, whether the financial report is materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and
- b) the auditor's judgement about the pervasiveness of the effects or possible effects of the matter on the financial report.

### Qualified Opinion

An auditor shall express a qualified opinion when:

- a) the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial report; or
- b) the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be material but not pervasive. [ASA705, paragraph 7]

### Adverse Opinion

An adverse opinion is expressed when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial report. [ASA705, paragraph 8]

### Disclaimer of Opinion

An auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be both material and pervasive. [ASA705, paragraph 9]

The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial report due to the potential interaction of the uncertainties and their possible cumulative effect on the financial report. [ASA705, paragraph 10]



## **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 2018

### *Background*

Batchelor Institute of Indigenous Tertiary Education (the Institute) is established under the *Batchelor Institute of Indigenous Tertiary Education Act 1999*. Section 46 of the Act requires the Institute to prepare financial statements within three months of the end of the Institute's financial year (31 December) and to submit those to the Auditor-General.

### *Scope and Objectives*

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of Batchelor Institute of Indigenous Tertiary Education for the year ended 31 December 2018.

### *Audit Opinion*

The audit of Batchelor Institute of Indigenous Tertiary Education for the year ended 31 December 2018 resulted in an unmodified independent audit opinion, which was issued on 12 June 2019.

### *Audit Observations*

The audit did not identify any material weaknesses in controls.

### *Performance Overview*

The Institute reported a loss of \$1.2 million (2017: loss of \$0.2 million). This increase in deficit of approximately \$1 million reflects:

- A decrease in revenue of \$8.7 million compared to the prior year due to decreases of:
  - \$3.3 million in Australian Government funding;
  - \$5.1 million in NTG financial assistance; and
  - \$0.5 million in fees and charges, partially offset by:
    - increases of \$0.2 million in consultancy and contracts.
- A decrease in expenditure of \$7.6 million mainly attributable to the Institute's response to the liquidity challenges identified during the year including:
  - a decrease of employee related expenses of \$4.9 million, relating to a reduction in full time equivalent employees; and
  - a decrease in other expenses of \$2.9 million predominantly due to reduced repairs and maintenance expenditure; administration costs; and travel expenditure, partially offset by:
    - an increase in impairment of assets of \$0.3 million due to the write-off of student fee receivables during the year.

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

The Institute's net asset position decreased as at 31 December 2018 from \$35.3 million to \$33.6 million as reflected in the:

- increase in cash and deposits of \$6.6 million due to improved expense management;
- decrease in receivables of \$5.4 million as there were receivables from Away From Base and Australian Defence Force contracts in 2017 that were not present in 2018, and the adoption of AASB 9 which has resulted in a number of student fees receivable being written-off as irrecoverable;
- reduced property plant and equipment balances caused by depreciation charges of \$1.7 million partially offset by \$0.4 million in asset additions for the renovation of the Institute's buildings; and
- an increase in total liabilities of \$1.5 million which is mainly attributable to the unearned income recognised due to underachievement of several Commonwealth and NTG funded programs during the year.

# Batchelor Institute of Indigenous Tertiary Education cont...

## Financial Performance for the year

	2018	2017
	\$'000	\$'000
<b>Revenue from continuing operations</b>		
Australian Government financial assistance	13,624	16,887
NTG financial assistance	11,702	16,791
Other revenue	7,494	7,064
<b>Total revenue from continuing operations</b>	<b>32,820</b>	<b>40,742</b>
<b>Less expenses from continuing operations</b>		
Employee expenses	(21,289)	(26,182)
Depreciation and amortisation	(1,669)	(1,761)
Other expenses	(11,100)	(13,008)
<b>Total expenses from continuing operations</b>	<b>(34,058)</b>	<b>(40,951)</b>
<b>Deficit before income tax expense</b>	<b>(1,238)</b>	<b>(209)</b>
Income tax expense	-	-
<b>Deficit after income tax expense</b>	<b>(1,238)</b>	<b>(209)</b>

# Batchelor Institute of Indigenous Tertiary Education cont...

## Financial Position at year end

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	10,066	3,457
Receivables and other current assets	1,479	6,988
Less current liabilities	(8,957)	(7,348)
<b>Working Capital</b>	<b>2,588</b>	<b>3,097</b>
Add non-current assets	31,326	32,550
Less non-current liabilities	(267)	(334)
<b>Net Assets</b>	<b>33,647</b>	<b>35,313</b>
Represented by:		
Accumulated funds	30,741	30,741
Capital	2,906	4,572
<b>Equity</b>	<b>33,647</b>	<b>35,313</b>

# Charles Darwin University

## Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2018

### *Background*

Charles Darwin University (the University) is established under the *Charles Darwin University Act 2003*. The University controls the following entities:

- Menzies School of Health Research including the Bridging the Gap Trust;
- CDU Amenities Limited (a company limited by guarantee);
  - Cairns Business College Pty Ltd (a small proprietary company with CDU Amenities Limited as the parent entity);
  - Cairns Education Australia Pty Ltd (a small proprietary company with CDU Amenities Limited as the parent entity);
  - Cairns Language Centre Pty Ltd (a small proprietary company with CDU Amenities Limited as the parent entity);
  - ICHM Pty Ltd (a small proprietary company with CDU Amenities Limited as the parent entity);
- Charles Darwin University Foundation, a company limited by guarantee and which acts as trustee of the Charles Darwin University Foundation Trust; and
- Charles Darwin University Charitable Trust.

The financial results of Menzies School of Health Research and the consolidated financial results of the CDU Amenities Limited Group are consolidated within the financial statements of the University. The financial results of the Charles Darwin University Foundation Trust are also consolidated into the financial statements of the University.

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 through the Department of Trade, Business and Innovation.

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.

### *Scope and Objectives*

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of Charles Darwin University for the year ended 31 December 2018.

### *Audit Opinion*

The audit of Charles Darwin University for the year ended 31 December 2018 resulted in an unmodified independent audit opinion, which was issued on 7 June 2019.

## Charles Darwin University cont...

### *Audit Observations*

The audit did not identify any material weaknesses in controls.

### *Performance Overview*

The University (parent entity only) incurred a net deficit of \$21.4 million (2017: \$14.3 million). The increase in deficit was due to reduced revenue, increased other expenses and impairment of related party loans.

- Australian Government grants reduced by \$1.7 million.
- Fees and charges decreased by \$2.2 million due to a decline in the number of courses in which international students enrolled.
- Investment income increased due to a \$1.5 million dollar increase in dividend income.
- Employee related expenses reduced by \$1.6 million mainly relating to casual academic staff.
- Impairment of assets increased by \$3.8 million largely due to the impairment of related party loans.
- Other expenses increased by \$3.0 million primarily due to an increase in consultancy costs of \$2.6 million due to the number of projects undertaken by CDU in 2018 such as the development of the Oracle Cloud HR system and the Darwin City Deal.

The University (parent entity only) had a net asset position of \$507.8 million as at 31 December 2018 in comparison to a net asset position of \$522.1 million as at 31 December 2017. Significant movements that contributed to the reduced net asset position are presented below.

- Cash and cash equivalents decreased by \$15.8 million representing cash used in operations of \$32.2 million, cash used in investing activities of \$6.8 million, repayment of borrowings of \$1.0 million and advances to related parties of \$4.8 million.
- Assets held for sale decreased by \$10.7 million due to land that was reclassified to property, plant and equipment.
- Property, plant and equipment increased by \$2.7 million due to land reclassified from assets held for sale to property, plant and equipment and the impact of asset additions, disposals and depreciation.

At a consolidated level, the Group incurred a net deficit of \$19.1 million (2017: \$19.6 million) and reported net assets of \$574.6 million (2017: \$586.7 million). The individual results of each of the entities consolidated within the Group are analysed within the entities' individual financial statements.



## Charles Darwin University cont...

### Financial Performance for the year

	2018	2017
	\$'000	\$'000
<b>Revenue from continuing operations</b>		
Financial assistance and grants from the Commonwealth	112,246	113,831
Financial assistance from the NTG	59,336	60,299
Other revenue (HECS, fees, interest)	87,082	88,652
<b>Total revenue from continuing operations</b>	<b>258,664</b>	<b>262,782</b>
<b>Less expenses from continuing operations</b>		
Employee expenses	(161,317)	(162,881)
Administration, operational and other expenses	(118,728)	(114,184)
<b>Total expenses from continuing operations</b>	<b>(280,045)</b>	<b>(277,065)</b>
<b>Deficit before income tax</b>	<b>(21,381)</b>	<b>(14,283)</b>
Income tax expense	-	-
<b>Net result for the year</b>	<b>(21,381)</b>	<b>(14,283)</b>

## Charles Darwin University cont...

### Financial Position at year end

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	71,513	87,307
Receivables and other current assets	19,102	29,726
Less current liabilities	(72,912)	(75,131)
<b>Working Capital</b>	<b>17,703</b>	<b>41,902</b>
Add non-current assets	495,836	485,913
Less non-current liabilities	(5,760)	(5,745)
<b>Net Assets</b>	<b>507,779</b>	<b>522,070</b>
Represented by:		
Restricted and accumulated funds	266,912	287,436
Reserves	240,867	234,634
<b>Equity</b>	<b>507,779</b>	<b>522,070</b>

# CDU Amenities Limited

## Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2018

### *Background*

CDU Amenities Limited (the Company) 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.

The Company was formed in March 2007 to coordinate support activities for students and student organisations.

The Company controls four subsidiary entities: Cairns Business College Pty Limited; Cairns Education Australia Pty Limited; Cairns Language Centre Pty Limited; and ICHM Pty Ltd.

### *Scope and Objectives*

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of CDU Amenities Limited for the year ended 31 December 2018.

### *Audit Opinion*

The audit of CDU Amenities Limited for the year ended 31 December 2018 resulted in an unmodified independent audit opinion, which was issued on 7 June 2019.

### *Audit Observations*

The audit did not identify any material weaknesses in controls.

### *Performance Overview*

The Company reported a surplus of \$235,231 for the year ended 31 December 2018 compared to a surplus of \$86,842 for the year ending 31 December 2017. The increase in surplus is due to a reversal of contingent consideration (\$580,792) which was recorded as a liability at 31 December 2017, relating to the acquisition of ICHM Pty Limited. The reversal was recognised on the basis that the required Earnings before Interest and Tax targets have not and will not be achieved. The reversal was partially offset by an impairment of the investment held in Cairns Language Centre Pty Limited of \$214,348 based on the current and forecast financial results of the entity.

The Company has a net asset position of \$171,951 as at 31 December 2018. In comparison, a net liability position of \$63,280 was disclosed as at 31 December 2017. From the prior year's reporting date, assets have decreased by \$215,438 and liabilities decreased by \$450,669. Significant movements are reported below.

- Total non-current assets decreased by \$214,348 due to the impairment recognised in the investment in Cairns Language College, based on its current and forecast operating losses.
- Other liabilities decreased by \$580,792 reflecting the adjustment to derecognise the contingent consideration associated with the acquisition of ICHM Pty Limited.
- Related party payables increased by \$206,072 representing loans provided to the Company from Charles Darwin University.

## CDU Amenities Limited cont...

### Financial Performance for the year

	2018	2017
	\$'000	\$'000
<b>Revenue from continuing operations</b>		
CDU grant	200	279
Other revenue	581	225
<b>Total revenue from continuing operations</b>	<b>781</b>	<b>504</b>
<b>Less expenses from continuing operations</b>		
Employee related costs	(194)	(170)
Administration, operational and other expenses	(315)	(137)
<b>Total expenses from continuing operations</b>	<b>(509)</b>	<b>(307)</b>
<b>Surplus before income tax expense</b>	<b>272</b>	<b>197</b>
Income tax expense	-	-
<b>Surplus after income tax expense</b>	<b>272</b>	<b>197</b>
Loss on disposal of discontinued operation	(37)	(110)
<b>Net result for the year</b>	<b>235</b>	<b>87</b>

## CDU Amenities Limited cont...

### Financial Position at year end

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	-	-
Receivables and other current assets	-	2
Less current liabilities	(1,098)	(1,550)
<b>Working Capital</b>	<b>(1,098)</b>	<b>(1,548)</b>
Add non-current assets	1,271	1,485
Less non-current liabilities	(1)	-
<b>Net Assets</b>	<b>172</b>	<b>(63)</b>
Represented by:		
Accumulated funds/(deficits)	172	(63)
<b>Equity</b>	<b>172</b>	<b>(63)</b>

# Cairns Business College Pty Ltd

## Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2018

### *Background*

Cairns Business College Pty Ltd (the Company) was incorporated in 1987 and became a controlled entity of Charles Darwin University from 11 November 2016 when the Company was acquired by CDU Amenities Limited. Audits of the Company are required by Section 41 of the *Charles Darwin University Act 2003*.

The Company was registered as a not-for-profit organisation with the Australian Charities and Not-for-profits Commission on 22 February 2018. The Company generates revenue by offering courses and other qualifications in tourism, business and hospitality to students. The Company's principal place of business is in Cairns.

### *Scope and Objectives*

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of Cairns Business College Pty Ltd for the year ended 31 December 2018.

### *Audit Opinion*

The audit of Cairns Business College Pty Ltd for the year ended 31 December 2018 resulted in an unmodified independent audit opinion, which was issued on 17 May 2019.

### *Audit Observations*

The audit did not identify any material weaknesses in controls.

### *Performance Overview*

The Company reported a deficit of \$288,073 for the year ended 31 December 2018 compared to a surplus of \$20,130 for the period to 31 December 2017. This is attributed to a reduction in revenue and increased operating costs.

The Company has a net liability position of \$215,233 as at 31 December 2018 in comparison with a net asset position of \$72,840 as at 31 December 2017. The increased net liability position is primarily as a result of an increase in trade and intercompany payables to Cairns Language Centre (CLC) for the management fees charged to the Company. Significant movements are presented below.

- Trade receivables decreased by \$20,194 attributable to a decrease in revenue.
- Intercompany receivables decreased by \$86,485 representing funding provided by CLC to assist with the Company's operational costs.
- Payables increased by \$10,806 reflecting the accrued audit fee.
- Intercompany payables increased by \$200,184 due to direct costs paid by CLC on behalf of the Company.
- Other liabilities decreased by \$25,690 due to a decrease in income received in advance.

## Cairns Business College Pty Ltd cont...

The Company has incurred an operating loss for the current year, with total and current liabilities exceeding total and current assets. These circumstances have led the Directors to consider whether there is certainty that the Company is able to pay its debts as and when they fall due for at least 12 months after the financial statements are authorised for issue by the Directors. The ultimate parent entity, Charles Darwin University, has provided the entity with a Deed of Guarantee undertaking to provide the Company with financial support for its operations; the payment of debts as and when they fall due; and to enable the Company to continue to trade. Charles Darwin University has the capacity to provide the aforementioned financial support for a period of at least 24 months from 7 June 2018.

## Cairns Business College Pty Ltd cont...

### Financial Performance for the year

	2018	2017
	\$'000	\$'000
Revenue	83	94
Cost of sales	(1)	(24)
Other revenue	1	3
Administration expenses	(349)	(46)
Other expenses	(14)	(7)
<b>(Deficit) / surplus before income tax expense</b>	<b>(280)</b>	<b>20</b>
Income tax expense	(8)	-
<b>(Deficit) / surplus after income tax expense</b>	<b>(288)</b>	<b>20</b>



# Cairns Business College Pty Ltd cont...

## Financial Position at year end

	2018	2017
	\$'000	\$'000
Current assets	40	143
Less current liabilities	(255)	(70)
<b>Working Capital</b>	<b>(215)</b>	<b>73</b>
Add non-current assets	-	-
Less non-current liabilities	-	-
<b>Net Assets</b>	<b>(215)</b>	<b>73</b>
Represented by:		
Accumulated funds/(deficits)	(215)	73
<b>Equity</b>	<b>(215)</b>	<b>73</b>

# Cairns Education Australia Pty Ltd

## Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2018

### *Background*

Cairns Education Australia Pty Ltd (the Company) was incorporated in 1987 and became a controlled entity of Charles Darwin University from 11 November 2016 when the Company was acquired by CDU Amenities Limited. Audits of the Company are required by Section 41 of the *Charles Darwin University Act 2003*.

The Company was registered as a not-for-profit organisation with the Australian Charities and Not-for-profits Commission on 22 February 2018. The Company generates rental income from the sublease of a property. The Company's principal place of business is in Cairns.

### *Scope and Objectives*

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of Cairns Education Australia Pty Ltd for the year ended 31 December 2018.

### *Audit Opinion*

The audit of Cairns Education Australia Pty Ltd for the year ended 31 December 2018 resulted in an unmodified independent audit opinion, which was issued on 17 May 2019.

### *Audit Observations*

The audit did not identify any material weaknesses in controls.

### *Performance Overview*

The Company reported a deficit of \$18,416 for the year ended 31 December 2018 compared to \$7,727 for the period to 31 December 2017. This is attributed to the rental expense exceeding the related rental income and other expenses.

The Company had a net liability position of \$25,882 as at 31 December 2018 in comparison to a net liability position of \$7,466 as at 31 December 2017. Significant movements are reported below.

- Prepayments decreased by \$26,000 as the Company had prepaid rent as at 31 December 2017 but not at 31 December 2018.
- Intercompany payables increased by \$13,331 being the amount payable to a related party, Cairns Language Centre Pty Ltd.
- Payables decreased from \$34,568 to \$11,818 reflecting a reduction in rent payable (related to the prepaid rent referred to above) of \$24,600 and increased accrued audit fees of \$1,850.

## Cairns Education Australia Pty Ltd cont...

The Company has incurred an operating loss for the current and prior years, with total and current liabilities exceeding total and current assets. These circumstances have led the Directors to consider whether there is certainty that the Company is able to pay its debts as and when they fall due for at least 12 months after the financial statements are authorised for issue by the Directors. The ultimate parent entity, Charles Darwin University, has provided the entity with a Deed of Guarantee undertaking to provide the Company with financial support for its operations; the payment of debts as and when they fall due; and to enable the Company to continue to trade. Charles Darwin University has the capacity to provide the aforementioned financial support for a period of at least 24 months from 7 June 2018.

## Cairns Education Australia Pty Ltd cont...

### Financial Performance for the year

	2018	2017
	\$'000	\$'000
Revenue	315	307
Cost of sales	(319)	(304)
Other revenue	-	-
Other expenses	(14)	(10)
<b>Deficit before income tax expense</b>	<b>(18)</b>	<b>(7)</b>
Income tax expense	-	-
<b>Deficit after income tax expense</b>	<b>(18)</b>	<b>(7)</b>

# Cairns Education Australia Pty Ltd cont...

## Financial Position at year end

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	1	29
Less current liabilities	(27)	(36)
<b>Working Capital</b>	<b>(26)</b>	<b>(7)</b>
Add non-current assets	-	-
Less non-current liabilities	-	-
<b>Net Assets</b>	<b>(26)</b>	<b>(7)</b>
Represented by:		
Accumulated deficits	(26)	(7)
<b>Equity</b>	<b>(26)</b>	<b>(7)</b>

# Cairns Language Centre Pty Ltd

## Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2018

### *Background*

Cairns Language Centre Pty Ltd (the Company) was incorporated in 1987 and became a controlled entity of Charles Darwin University from 11 November 2016 when the Company was acquired by CDU Amenities Limited. Audits of the Company are required by Section 41 of the *Charles Darwin University Act 2003*.

The Company was registered as a not-for-profit organisation with the Australian Charities and Not-for-profits Commission on 22 February 2018. The Company generates revenue by offering English language and hospitality courses to students. The Company's principal place of business is in Cairns.

### *Scope and Objectives*

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of Cairns Language Centre Pty Ltd for the year ended 31 December 2018.

### *Audit Opinion*

The audit of Cairns Language Centre Pty Ltd for the year ended 31 December 2018 resulted in an unmodified independent audit opinion, which was issued on 17 May 2019.

### *Audit Observations*

The audit did not identify any material weaknesses in controls.

### *Performance Overview*

The Company reported a deficit of \$1,530,393 for the year ended 31 December 2018 compared to \$1,023,918 for the period to 31 December 2017. This was primarily due to a reduction in revenue and increased employee related expenses.

The Company had a net liability position of \$2,538,431 as at 31 December 2018 in comparison to a net liability position of \$1,008,038 as at 31 December 2017. Significant movements are reported below.

- Related party payables increased by \$1,681,264 representing additional loans provided to the Company from Charles Darwin University.
- Related party receivables increased by \$213,515 representing loans provided to Cairns Business College Pty Limited.

## Cairns Language Centre Pty Ltd cont...

The Company has incurred an operating loss for the current and prior years, with total and current liabilities exceeding total and current assets. These circumstances have led the Directors to consider whether there is certainty that the Company is able to pay its debts as and when they fall due for at least 12 months after the financial statements are authorised for issue by the Directors. The ultimate parent entity, Charles Darwin University, has provided the entity with a Deed of Guarantee undertaking to provide the Company with financial support for its operations; the payment of debts as and when they fall due; and to enable the Company to continue to trade. Charles Darwin University has the capacity to provide the aforementioned financial support for a period of at least 24 months from 7 June 2018.

## Cairns Language Centre Pty Ltd cont...

### Financial Performance for the year

	2018	2017
	\$'000	\$'000
Revenue	1,221	1,503
Cost of sales	(659)	(776)
Other revenue	331	26
Administration expenses	(257)	(133)
Building costs	(405)	(375)
Depreciation	(71)	(82)
Employee related expenses	(1,442)	(1,058)
Other expenses	(248)	(95)
<b>Deficit before income tax expense</b>	<b>(1,530)</b>	<b>(989)</b>
Income tax expense	-	(34)
<b>Deficit after income tax expense</b>	<b>(1,530)</b>	<b>(1,024)</b>



## Cairns Language Centre Pty Ltd cont...

### Financial Position at year end

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	139	181
Receivables and other current assets	353	204
Less current liabilities	(3,018)	(1,441)
<b>Working Capital</b>	<b>(2,526)</b>	<b>(1,056)</b>
Add non-current assets	-	71
Less non-current liabilities	(12)	(23)
<b>Net Assets</b>	<b>(2,538)</b>	<b>(1,008)</b>
Represented by:		
Accumulated deficits	(2,538)	(1,008)
<b>Equity</b>	<b>(2,538)</b>	<b>(1,008)</b>

# ICHM Pty Ltd

## **Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2018**

### ***Background***

ICHM Pty Ltd (the Company) was incorporated in 1997 and became a controlled entity of Charles Darwin University from 30 January 2018 when the Company was acquired by CDU Amenities Limited. Audits of the Company are required by Section 41 of the *Charles Darwin University Act 2003*.

The Company was registered as a not-for-profit organisation with the Australian Charities and Not-for-profits Commission on 22 February 2018. The Company offers hospitality courses to students. The Company's principal place of business is in Regency Park, South Australia.

### ***Scope and Objectives***

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of ICHM Pty Ltd for the year ended 31 December 2018.

### ***Audit Opinion***

The audit of the ICHM Pty Ltd for the year ended 31 December 2018 resulted in an unmodified independent audit opinion, which was issued on 17 June 2019.

### ***Audit Observations***

The audit did not identify any material weaknesses in controls.

### ***Performance Overview***

The Company reported a deficit of \$639,581 for the year ended 31 December 2018 compared to a surplus of \$119,179 for the previous year ending 31 December 2017 reflecting an increase in employee related expenses of \$539,657 (13.2%) in 2018 whilst revenue from the delivery of courses decreased by \$291,623 (3.8%).

The Company incurred an operating loss for the current year, with total and current liabilities exceeding total and current assets. These circumstances have led the Directors to consider whether there is certainty that the Company is able to pay its debts as and when they fall due for at least 12 months after the financial statements are authorised for issue by the Directors. The ultimate parent entity, Charles Darwin University, has provided the entity with a letter of support undertaking to provide the Company with financial support for its operations; the payment of debts as and when they fall due; and to enable the Company to continue to trade.

## ICHM Pty Ltd cont...

### Financial Performance for the year

	2018	2017
	\$'000	\$'000
Revenue	7,439	7,730
Cost of sales	(2,051)	(2,169)
Other revenue	304	245
Administration expenses	(348)	(304)
Building costs	(504)	(451)
Depreciation	(97)	(138)
Employee related expenses	(4,632)	(4,092)
Other expenses	(746)	(702)
<b>Surplus/(deficit) before income tax expense</b>	<b>(635)</b>	<b>119</b>
Income tax expense	(4)	-
<b>Surplus/(deficit) after income tax expense</b>	<b>(639)</b>	<b>119</b>

## ICHM Pty Ltd cont...

### Financial Position at year end

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	1,127	1,768
Other current assets	3,743	4,360
Less current liabilities	(5,799)	(6,252)
<b>Working Capital</b>	<b>(929)</b>	<b>(124)</b>
Add non-current assets	409	212
Less non-current liabilities	(105)	(74)
<b>Net Assets/(Liabilities)</b>	<b>(625)</b>	<b>14</b>
Represented by:		
Accumulated funds/(deficits)	(625)	14
<b>Equity</b>	<b>(625)</b>	<b>14</b>

# Charles Darwin University Foundation

## Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2018

### *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 Charles Darwin University (the University) and both are controlled entities of the University within the meaning of Section 41 of the *Charles Darwin University Act 2003*.

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.

### *Scope and Objectives*

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of the Charles Darwin University Foundation for the year ended 31 December 2018.

### *Audit Opinion*

The audit of the Charles Darwin University Foundation for the year ended 31 December 2018 resulted in an unmodified independent audit opinion, which was issued on 12 March 2019.

### *Audit Observations*

The audit did not identify any material weaknesses in controls.

### *Performance Overview*

#### *Financial Analysis*

The Trust's total revenue increased from \$1,199,247 in 2017 to \$1,408,391 in 2018. The increase was mainly attributable to increased donations.

The total expenses of the Trust increased from \$1,095,161 in 2017 to \$1,895,455 in 2018. This increase was mainly due to a \$1 million payment relating to the CDU Theatre upgrade.

The Trust recorded a net deficit of \$492,064 in 2018.

#### *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 is that donors generally request a receipt for tax purposes, however, this is not always the case. As the evidence available regarding revenue from this source was limited, audit procedures with respect to over the counter cash donations had to be restricted to the amounts recorded in the financial records. As the number of individual cash donations made to the Trust is not significant, I feel that it is not necessary to issue a modified audit opinion in relation to completeness of revenue.

## Charles Darwin University Foundation cont...

### Financial Performance for the year

	2018	2017
	\$'000	\$'000
Revenue	1,408	1,199
Trust donations disbursed	(1,839)	(1,084)
Increase/(decrease) in market value of investment property	(5)	10
Donations in kind – operational	(51)	(5)
Other	(5)	(6)
<b>Surplus before income tax expense</b>	<b>(492)</b>	<b>114</b>
Income tax expense	-	-
<b>Surplus/(deficit) after income tax expense</b>	<b>(492)</b>	<b>114</b>

# Charles Darwin University Foundation cont...

## Financial Position at year end

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	1,305	828
Receivables and other current assets	4,128	5,106
Less current liabilities	-	(14)
<b>Working Capital</b>	<b>5,433</b>	<b>5,920</b>
Add non-current assets	542	573
<b>Net Assets</b>	<b>5,975</b>	<b>6,493</b>
Represented by:		
Accumulated funds	142	168
Capital	5,833	6,325
<b>Equity</b>	<b>5,975</b>	<b>6,493</b>

# Department of Corporate and Information Services

## Cyber Security

### *Background*

In January 2018, the Department of Corporate and Information Services (DCIS) released the Cyber Security Governance Framework which provides the foundation for the effective management of Information and Communications Technology (ICT) security across the Northern Territory Government (NTG). The Framework describes the required policy and planning; mitigating actions and controls, monitoring and assessment; and incident management processes applied to the secure arrangements for the NTG's ICT environment, including the respective responsibilities of DCIS, other government Agencies and NTG employees.

### *Scope and Objective*

The scope of the review included consideration of the adequacy of the NTG's cyber security framework as it pertains to:

- information security governance;
- cyber security policies and standards;
- education and communication of cyber security risk across-government;
- management of cyber security risk associated with third party service providers;
- managing cyber security risk within systems development and implementations;
- security vulnerability management over public facing systems and sensitive systems;
- cyber security threat detection and incident management; and
- implementation of the Australian Signals Directorate Essential Eight cyber requirements.

### *Review Observations*

#### Information security governance

The NTG Cyber Security Governance Framework was implemented in January 2018 and is intended to provide the foundation for the effective management of ICT security across government. The framework aims to enable focus and attention in strengthening ICT systems, controls and security monitoring to ensure that security posture is prioritised, that the NTG is responsive to emerging threats, and is aligned to contemporary industry standards.

Roles and responsibilities assigned to DCIS and NTG Agencies for cyber security management are defined in the framework. DCIS has documented a service statement for ICT Security Services that clearly defines services and service exclusions provided by the DCIS Cyber Security team.



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

A clearly defined and implemented governance structure is in place for ICT across the NTG, which incorporates cyber security management. The following governance bodies have formal terms of reference and membership defined:

- ICT Governance Board (IGB) - provides strategic ICT governance for the NTG to enable effective management of ICT resources and guide the direction of ICT across-government. From a cyber security perspective, the role and function of the IGB is extended to recognise cyber security projects requiring significant user change management and provide assurance consistent with other significant ICT projects.
- Security Leadership Group (SLG) - advises on the NTG's cyber security direction and security posture, including related ICT policies and standards, to enable effective cyber security management across-government. The SLG also provides input to NTG's Cyber Security Governance Framework, strategies and Cyber Security Program Roadmap for consideration by the Board, having regard to the Australian Government's Information Security Manual and Cyber Security Strategy as appropriate.
- Cyber Security Committee (CSC) - operates within DCIS to enable effective governance across DCIS's cyber security responsibilities. The CSC has an ICT governance role focused on providing oversight of cyber security activities, readiness and the NTG's ICT enterprise environment to protect information, business systems and infrastructure from cyber threats.

### Cyber security policies and standards

A suite of cyber security policies and standards across NTG has been defined and implemented. These policies and standards address key areas including security policy settings; access controls; incident management and recovery; audit; and end user policies and advice.

The NTG's approach aligns cyber security controls and mitigations to the Australian Government Protective Security Policy Framework (PSPF) and the Information Security Manual (ISM) where appropriate and proportional to the NTG ICT environment.

A formal review, endorsement and approval process is in place for all NTG and DCIS ICT policies and standards, including cyber related policies. A major review of all ICT related policies and standards is performed by DCIS every three years, however minor updates and action taken to address control weaknesses identified between major reviews is also performed by the DCIS Policy Unit. At the time of the review, DCIS had commenced a major review of its suite of ICT policies and standards, including cyber security, in response to the revised version of the Australian Government's ISM released in February 2019.

### Education and communication of cyber security risk across-government

The NTG's approach to raising cyber awareness for NTG personnel accessing the government's ICT network incorporates:

- educating NTG personnel to recognise and avoid cyber security threats;
- regular business cyber security briefings to ensure risks are proactively managed;
- monitoring reliable sources of cyber security intelligence; and
- identifying the NTG's assets at highest risk.

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

The NTG fosters a strong cyber security culture among NTG personnel by communicating and promulgating guidance on safe cyber security practices.

DCIS developed and implemented an across-government cyber awareness program, and in October 2018 held a cyber awareness campaign, "Cyber Awareness Month". This program was intended to support NTG personnel, local businesses and vulnerable sectors of the community to better protect themselves against cyber security threats. In total, 20 events were hosted by DCIS involving more than 600 participants. DCIS delivered cyber risk focussed presentations for NTG personnel, businesses and defence supply chain enterprises, the ICT industry, not-for-profit organisations and senior Territorians. In addition to the events, an email and poster-based awareness campaign provided education to NTG personnel about cyber security addressing phishing, personal online protection, password protection, social media and cyber security when travelling overseas.

Cyber alerts are published frequently and distributed to all NTG employees. Cyber security presentations are provided on a periodic basis. The DCIS Cyber Security team produces alerts which are sent to all NTG Agencies when cyber incidents or events occur which may impact NTG systems and NTG personnel.

### Management of cyber security risk associated with third party service providers

DCIS predominantly contract large third party service providers to support the NTG ICT environment, including the provision of end user support, network and telephony through a contractor-based support model. Cyber security requirements are included as appropriate in these contracts and align to the NTG Cyber Security Framework.

All third party staff and contractors are required to follow the same ICT induction processes applicable to all NTG personnel. Criminal history checks occur for all third party staff and contractors. A small number of Agencies also require an association check prior to commencement. Third party staff and contractors are required to only use DCIS procured and owned ICT assets, which have the NTG Standard Operating Environment installed and key DCIS security controls implemented.

Third party staff and contractors are provided with their own user accounts within the NTG ICT environment based on their role requirements. Different accounts are established when there is a need for both privileged (system administrator) and non-privileged access.

### Managing security risk within systems development and implementations

The NTG Digital Security Policy is the overarching document for all NTG agency ICT security standards, guidelines, procedures and factsheets. The policy addresses governance, risk management, vulnerability assessment, user education; documentation, roles and responsibilities. The policy requires Agencies to conduct an independent security assessment prior to go-live of any system development or implementation project for both on-premise and cloud solutions.

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

The policy mandates that systems development and implementation projects are required to align to an industry recognised cyber security standard.

- On-premise solutions are required to align to either the Australian Government ISM; National Institute of Standards and Technology (NIST) Cyber Security framework; or ISO27001 Information Security Management standard.
- InfoSec Registered Assessors Program (IRAP) is the preferred standard for cloud based solutions. Other cyber security industry standards can be applied if deemed appropriate.

The DCIS Cyber Security team provides cyber security support and advice to DCIS and NTG Agencies throughout systems development and implementation projects. For larger projects, the team is engaged during the procurement stage, as a defined member of technical working groups and providing as-needed advice and support.

### Security vulnerability management over public facing systems and sensitive systems

DCIS has developed and documented an ICT Security Audit Standard and ICT Security Audit Guidelines which require NT Agencies to:

- undertake appropriate levels of security monitoring, review and audit of ICT systems and data;
- include audits and reviews of ICT systems, infrastructure and data security controls in internal programs; and
- take timely action to remedy identified vulnerabilities.

The NTG ICT environment undergoes annual vulnerability assessments performed by an external party with an assessment recently completed at the time of the review. DCIS is in the process of procuring continuous vulnerability assessment services from an external provider, to reduce reliance on annual vulnerability assessments.

A formal patching process is in place and applied across the NTG ICT environment for which DCIS is responsible. This process currently covers key aspects of the Standard Operating Environment (such as Microsoft and Adobe applications) implemented on all NTG ICT assets. DCIS is currently procuring and implementing a technology solution that will allow all applications to be patched regularly. NTG Agencies are required to have formal patching processes in place for aspects of their ICT environments not managed by DCIS.

DCIS has implemented a suite of technology tools and solutions to manage and monitor security vulnerability across the NTG ICT environment.

### Cyber security threat detection and incident management

A defined cyber incident management process is in place, which includes the documentation of an IT All Hazards Plan, and aligns with Cyber Incident Management at a federal government level as appropriate. DCIS engage regularly with the Australian Cyber Security Centre (ACSC) which assists with threat detection and incident management. The ACSC provides tools and scripts to assist DCIS to respond to cyber threats and incidents as appropriate. Following a cyber security incident, post incident reviews and debriefs are conducted and documented, with actions identified and assigned to relevant stakeholders as required.

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

DCIS has implemented a number of technology tools and solutions that support cyber security threat detection. Intrusion detection / prevention solutions have been implemented across the NTG ICT environment and are monitored by DCIS. All internet traffic must go through a proxy server configured, managed and monitored by DCIS.

CERT Australia, an entity which subsequently merged into the ACSC, was engaged to support a DCIS cyber scenario workshop.

### Implementation of the ACSC Essential Eight cyber requirements

DCIS is currently working towards implementation of the ACSC Essential Eight cyber requirements. The recent vulnerability assessment included a detailed assessment of the ACSC Top 37 mitigation strategies, which included the Essential Eight.

The ACSC Essential Eight cyber requirements are:

1. **Application whitelisting** – use only approved / trusted programs to prevent execution of unapproved / malicious programs.
2. **Patch applications** – patch / mitigate computers with 'extreme risk' vulnerabilities within 48 hours and use the latest version of applications.
3. **Configure Microsoft Office macro settings** - block macros from the Internet, and only allow vetted macros either in 'trusted locations' with limited write access or digitally signed with a trusted certificate.
4. **User application hardening** - configure web browsers to block Flash (ideally uninstall it), ads and Java on the Internet. Disable unneeded features in Microsoft Office, web browsers and PDF viewers.
5. **Restrict administrative privileges** – restrict privileges in operating systems and applications based on user duties, regularly revalidate the need for privileges and prevent the use of privileged accounts for reading email and web browsing.
6. **Patch operating systems** – patch / mitigate computers (including network devices) with 'extreme risk' vulnerabilities within 48 hours, use the latest operating system version and use supported versions.
7. **Multi-factor authentication** – implement multiple authentication steps and stronger authentication to make it harder for adversaries to access sensitive information and systems.
8. **Daily backups** – perform daily backups for important new / changed data, software and configuration settings, with the backups stored separately and retained for at least three months. Test restoration initially, annually and when IT infrastructure changes.

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

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

DCIS has ongoing programs to improve cyber security controls and awareness and remain responsive to the changing cyber threat landscape.

# Department of Education

## Student Administration Management System

### *Background*

Student Administration Management System (SAMS) is the system used by the Department of Education (the Agency) to record student enrolment, attendance and behaviour. No financial information is recorded within the system however enrolment numbers are used to ascertain funding allocations to the Northern Territory's Government schools. The system does contain personal information about students, including health and behavioural information. It also captures student/parent demographic data and attendance data.

The implementation of the application across schools was completed in 2017. It was subsequently subject to a major database upgrade in 2018. SAMS is a centrally hosted and managed system, which is supported through a combination of an internal support function and two key vendors, Civica Education (application support) and NEC (infrastructure management). Application access is managed under a devolved model, with each school having responsibility for granting, maintaining and removing access to their respective schema within the application.

The application has internal and external interfaces with other NTG third party systems. The application has an interface with externally hosted third-party applications.

The SAMS technology environment is subject to a common set of policies, procedures and standards maintained by the Agency, including information security and change management.

### *Scope and Objective*

The objective of this audit was to assess the adequacy of IT general computer controls over the SAMS.

### *Audit Opinion*

Based on the scope of testing performed, except for the matters noted in this report, key general computer controls appear to have been implemented within the SAMS computer environment.

### *Recommendations*

The audit resulted in recommendations provided to management as presented below.

- Establish a formal process and guidance for the creation, modification and removal of user access within SAMS, addressing user provisioning, revocation or access certification with guidance to be provided to schools to assist with improving user access management practices.
- Review administrator access within SAMS with a view to reducing the number of users with administrator access to a minimum necessary number of users.
- Review and enhance the process in place for identifying and removing terminated or obsolete user access within the system to ensure that access termination is timely and consistent.
- Define and implement a formal process to periodically review and validate user access within SAMS.

## Department of Education cont...

- Identify all critical data generated by SAMS that should be logged within the application and initiate a request with the SAMS vendor to add transaction and data change logs for the identified data.
- Perform periodic (at least twice per annum) vulnerability assessments that cover all SAMS application components and infrastructure.
- Identify tables within the SAMS database that hold sensitive personal information and consider enabling encryption over all sensitive data residing within the SAMS Microsoft SQL Database, using Transparent Data Encryption.
- Enhance the existing disaster recovery plan and approach through undertaking the following steps.
  - Updating and formalising the existing technical recovery procedure into a formal disaster recovery plan to provide an organised and consolidated approach to managing IT response and recovery activities following an unplanned incident or interruption. A further recommendation was that key roles and responsibilities for managing and executing the disaster recovery plan and the verification procedures required to be undertaken post restoration be defined.
  - Performing a Business Impact Assessment for the SAMS application in order to evaluate the criticality and the potential impact of an interruption to school operations as a result of a disaster, accident or emergency.
  - Defining a testing program with specific scenarios to assess and strengthen the understanding of disaster recovery steps.
- Agree a process with the infrastructure management supplier to periodically test the capability to recover the application and infrastructure from backups if required.
- Implement a basic level mechanism to log potential security incidents, such as common threats and attacks, within the SAMS application and across the network and infrastructure supporting the SAMS application.
- Implement a security monitoring capability.
- Consider implementing the following controls:
  - Reviewing and removing, if not required, the tables and object privileges assigned to the PUBLIC role.
  - Using a risk based approach, enabling audit logs over key sensitive actions.
  - Performing regular analysis of the patches released by the vendor and any associated security vulnerabilities and defining a process to patch identified security vulnerabilities as quickly as possible.
- Define a hardening standard for database management systems and initiate a process to perform regular reviews of all production systems against this standard to ensure that security controls are consistently and effectively implemented.



## Department of Education cont...

- Configure a strong password policy consistent with the NTG ICT Access Standard and industry better practice.
- Change the passwords of all accounts, especially privileged accounts, at regular intervals and define a policy to enforce password change.
- Enable audit logs to log activities performed by users holding elevated privileges.
- Perform regular analysis of the patches released by the vendor and any associated security vulnerabilities and defining a process to patch identified security vulnerabilities as quickly as possible.

### ***Audit Observations***

#### **Insufficient user access governance in relation to the SAMS application**

The SAMS application is a centrally managed application and has the capability to centrally provide a comprehensive view of roles and privileges across each school and corporate departments. It was noted that the Agency has currently adopted a devolved user access governance process, entrusting each school with the responsibility for user creation, revocation, privilege management, access certification and privileged user management for the SAMS application within their respective schema.

The following observations were made in relation to the user access governance processes for SAMS.

- A formal process for user creation and revocation has not been defined.
- There is inadequate guidance provided to schools explaining how user access should be governed, including formal processes for user creation, periodic verification and revocation.
- 790 SAMS administrator accounts were identified within the system across 155 schools, which appears excessive.
- A number of user accounts of terminated staff members and teachers have not been disabled in SAMS immediately after termination of their employment and there is no central process to ratify the validity of these users.
- A user access review process to perform periodic user access certification for privileged and standard user accounts (including appropriateness of user privileges) is not in place.

In the absence of formalised processes for user creation and revocation, there is an increased risk of unauthorised users being created in the system or obsolete user access remaining in the system. Unauthorised user access may be used to gain inappropriate access to student details or used to perform inappropriate changes to enrolment and attendance details.



## Department of Education cont...

### Inadequate audit logging within the SAMS application

SAMS is configured to log user application login events, in addition to changes being recorded in relation to attendance, however SAMS is not configured to log all transaction and data modification activities.

Where the audit trail does not provide adequate details of a transaction and/or a data change, it may not be possible to investigate or enforce accountability over user activities within the system. This could also impair incident investigation activities associated with a cyber security incident.

### A formal vulnerability assessment for the SAMS application and the related components has not been performed

No vulnerability assessment to detect and security vulnerabilities within the SAMS computer environment (including underlying infrastructure) has been performed. Regular vulnerability assessments enable timely detection of security vulnerabilities in software and infrastructure that require remediation.

If vulnerability assessments are not performed during and after the system development lifecycle, it is possible that security vulnerabilities may exist in the system or related components.

### Some information residing in SAMS databases is currently not encrypted

It was noted that not all information is stored within the SAMS database in an unencrypted format.

The absence of encryption over sensitive data stored in the SAMS database increases the risk that a malicious user may be able to access the information if the database was compromised.

### The SAMS application disaster recovery plan does not include clear roles, responsibilities and recovery objectives and has not been tested

The Agency has defined a technical procedure to recover the SAMS database and infrastructure, however, the business requirements for system recovery including Recovery Point Objective and Recovery Time Objective have not been defined. The technical recovery procedure also does not define key roles and responsibilities for managing and executing recovery activities or document a testing program with specific scenarios to assess and strengthen the knowledge of the plan.

If the Recovery Point Objective and Recovery Time Objective are not clearly defined, there is an increased likelihood that the Agency may not be able to recover the SAMS application after an incident or in a timeframe that meets business needs.

Lack of clear roles and responsibilities may also lead to confusion during a disaster with relevant stakeholders, particularly if they have not been trained on the execution of the plans how to identify potential issues before a disaster occurs.

Lack of testing of the IT disaster recovery plan increases the risk that recovery steps may not be successful in the event of disaster activation. This may result in the SAMS application being unrecoverable or unavailable for an extended period of time.

## Department of Education cont...

### Security monitoring is not being performed across the SAMS environment

The Agency has not implemented a comprehensive security monitoring mechanism in order to identify potential malicious or anomalous activity within the network and infrastructure supporting the SAMS application.

A security monitoring capability is essential to ensure that key security event information is being appropriately logged and reviewed to detect and address potential security incidents in a timely manner.

### Information security configuration weaknesses exist within the SAMS SQL databases.

A number of security weaknesses were identified within the SQL databases supporting the SAMS application, as documented below.

- Execute privileges on the database have been assigned to the PUBLIC role for the sensitive stored procedures. These permissions allow users with access to the database to execute the sensitive stored procedures.
- 14 objects have been granted 'execute' privilege and 21 objects are assigned 'select' privilege on the Information Schema in the SAMS production database.
- A number of security patches are not installed on the SAMS SQL Server 2016 database. At the time of the audit, the database had not been patched since March 2018.
- Detailed audit logging over critical actions and security events is not performed within the database.

The identified security weaknesses present the following risks:

- Allowing the public role access to critical stored procedures and objects within the database increases the risk that malicious activity can occur.
- Not updating critical systems and databases on a regular basis increases the risk of systems being increasingly susceptible to security vulnerabilities and reliability issues.
- Failure to record audit logs at the database layer results in limited accountability over key security events, such as privileged actions, changes to configuration and changes to user permissions.

## Department of Education cont...

### Information security weaknesses exist within the Windows operating system instances supporting the SAMS

A number of security weaknesses were identified in relation to the Windows operating systems underlying SAMS application and database and are reported below.

- Secure password parameters are not being enforced thus allowing the local server accounts to establish weak passwords.
- The password of one administrative user has not been changed for over 365 days on both the application and database servers.
- Activities performed by privileged users are not logged on the application and database servers.
- A number of security patches are not installed on the Windows server hosting the database. The server has not been patched since June 2018.

The identified security weaknesses present the following risks:

- Without adequate password policies, there is an increased risk of inappropriate access to the operating environment leading to an increased risk of compromise of the integrity of application information.
- There is an increased risk of password compromise if passwords of privileged accounts are not changed on a regular basis.
- Failure to log activities of privileged users at the operating system layer results in limited accountability over key security events, such as privileged actions and changes to configuration.
- Inconsistent patching of systems increases the likelihood of technical vulnerabilities which could be leveraged by an attacker to compromise the Agency's environment.

## Department of Education cont...

### **The Department of Education has commented:**

The department manages the SAMS G2 student administration application suite in collaboration and together with school-based administrators. Many of the immediate and high priority issues identified by the auditor to be considered have been corrected since the audit, including:

- server patching
- server hardening and password policies
- administration and user reviews.

The department has established a program to test and implement relevant recommendations which reports quarterly on progress and ensure the SAMS G2 controls improve and the data managed on behalf of NT students remains secured.

# Department of Treasury and Finance

## *Fiscal Integrity and Transparency Act 2001*

### *Background*

The *Fiscal Integrity and Transparency Act 2001* (FITA) gives mandatory applicability to the Fiscal Integrity and Transparency Framework (the Framework) which is included in the Schedule to the FITA. Mandatory elements of the Financial Management and Accountability Framework include:

- FITA;
- *Financial Management Act 1995*;
- Financial Management Regulations;
- *Appropriation Act*;
- Other Commonwealth and Territory legislation;
- Treasurer's Directions;
- Treasurer's Determinations;
- Treasury Circulars;
- Australian Accounting Standards;
- Accounting and Property Manual; and
- Other relevant Territory ('whole-of-government') and Agency policies.

NTG financial reporting occurs across three sectors as presented in Table 1.

Table 1: Northern Territory Government Reporting Entities

General Government Sector	Public Non-financial Corporations	Public Financial Corporations
<p>Includes:</p> <ul style="list-style-type: none"> <li>▪ All government departments;</li> <li>▪ Other administrative units such as the NT Police, Fire and Emergency Services and the Office of the Commissioner for Public Employment; and</li> <li>▪ Other entities that provide services that are mainly non-market in nature, for the collective consumption by other Agencies or by the community.</li> </ul> <p>This sector also includes the results of the Motor Accidents (Compensation) Commission.</p>	<p>Comprises:</p> <ul style="list-style-type: none"> <li>▪ Power and Water Corporation and its subsidiary Indigenous Essential Services Pty Ltd;</li> <li>▪ Power Retail Corporation (trading as Jacana Energy);</li> <li>▪ Power Generation Corporation (trading as Territory Generation); and</li> <li>▪ Land Development Corporation.</li> </ul>	<p>Comprises:</p> <p>Northern Territory Treasury Corporation</p>
<b>Non-financial Public Sector</b>		
<b>Total Public Sector</b>		

Source: NTAGO

## Department of Treasury and Finance cont...

This report discusses the systems and processes in place within Department of Treasury and Finance (DTF) to support compliance with the FITA during budget preparation as relevant to the General Government Sector.

### *Scope and Objectives*

This audit concentrated on assessing the performance management systems and processes related to ensuring compliance by DTF with the FITA during the period 1 July 2015 to 31 December 2018.

This period included the systems and processes in effect at the time of the preparation of the:

- Budget 2015-16 Budget Paper No. 2 Budget Strategy and Outlook;
- Mid-Year Report 2015;
- Budget 2016-17 Budget Paper No. 2 Budget Strategy and Outlook;
- Pre-Election Fiscal Outlook Report dated 18 August 2016;
- Mid-Year Report 2016;
- Budget 2017-18 Budget Paper No. 2 Budget Strategy and Outlook;
- Mid-Year Report 2017;
- Budget 2018-19 Budget Paper No. 2 Budget Strategy and Outlook; and
- Mid-Year Report 2018.

The reports released, as mandated by the FITA, enable a user of the reports to assess the Government's fiscal performance against the fiscal strategy established by the Government and presented in its fiscal strategy statement.

The audit was not designed to, and does not, assess or question the merits of the Northern Territory Budget (the Budget) including Policy objectives; Policy directions; or Policy statements as they relate to the Budget. To that end, I make no comment in relation to the merits of the fiscal objectives which are established by Government. The audit did not assess or conclude upon the performance of Government during the period under audit.

### *Index*

The report on this audit is structured as follows:

Key Terms	Refer page 63
Audit Opinion	Refer page 64
Recommendations	Refer page 65
Audit Observations	Refer page 66
Fiscal Reporting	Refer page 67
Fiscal Strategy Statement	Refer page 70
Sound Fiscal Management	Refer page 71

## Department of Treasury and Finance cont...

### *Key Terms*

Term	Definition
Acquisition of non-financial assets	Purchase (or acquisition) of non-financial assets less sales (or disposal) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets.
Annual Fiscal Outlook Reporting	Reporting stipulated in the FITA Part 5 that is required to be completed annually.
Borrowings	Borrowing refers to amount of funds the government has borrowed in exchange for an obligation to pay back over time at a greater value through paying interest.
Budget Cabinet	Budget Cabinet is similar to regular Cabinet however, the focus is on budget development matters (both recurrent and capital). DTF and other Agencies assess submissions and provide comments to Cabinet on the budgetary, social and policy implications of each proposal. There are usually two to three Budget Cabinet meetings held between February and April of each year.
Depreciation	An accounting method of allocating the cost of an asset over its useful life.
Fiscal balance (net lending/borrowing)	Fiscal balance, also referred to as net lending/borrowing, is an operating statement measure that differs from the net operating balance in that it includes spending of capital items but excludes depreciation. A net lending (or financial surplus) balance indicates that a government is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) position indicates that the government's level of investment is greater than its level of savings.
Fiscal Balance Deficit	When the net operating balance results in revenue being less than expenditure incurred for the financial year.
Fiscal Balance Surplus	When the net operating balance results in revenue being greater than expenditure incurred for the financial year.
Fiscal Strategy	An element of budget planning and accountability that outlines the Government's short and medium-term fiscal objectives.
Fiscal Strategy Statement	A statement intended to increase public awareness of the Government's fiscal strategy and to establish a benchmark for evaluating the Government's delivery of fiscal policy.
General Government Sector	Defined in Government Finance Statistics as an entity or group of entities that are mainly engaged in the production of goods and services outside the normal market mechanism. Goods and services are provided free of charge or at nominal charges well below cost of production.
Interest	Money paid regularly at a particular rate for the use of money lent.

## Department of Treasury and Finance cont...

Term	Definition
Key Fiscal Indicator	A set of quantifiable measures that the Government uses to evaluate its performance over time.
Net Debt	Net debt measures a Government's net balance of selected gross financial liabilities less financial assets.  It equals the sum of deposits held, advances received, government securities, loans and other borrowings, less the sum of cash and deposits and advances paid in investments, loans and placements.
Net Debt to Revenue Ratio	This ratio compares the Government's net debt to its revenue.
Non-financial public sector	The sector formed through a consolidation of the general government and public non-financial corporation sectors.
Public financial corporations	Government-controlled entities that perform central bank functions, and have the authority to incur liabilities and acquire financial assets in the market on their own account.
Sound Fiscal Management	The principles set out in the FITA clause 5.
Uniform Presentation Framework	A uniform framework agreed by the Australian Loan Council (last revised in 2008) that establishes the minimum required budget and financial outcome information based on the GFS, according to an agreed format, as well as specified Loan Council reporting arrangements.

### ***Audit Opinion***

The primary objective of this performance management system audit was to assess the systems and controls in place at DTF that enable it to manage compliance with the FITA. The audit did not assess or conclude on the performance of the Government against the FITA.

As indicated by the observations, there are well established and consistent systems and processes in place at DTF that enable the effective management and monitoring of compliance with the FITA. DTF's documented processes to support compliance with the FITA and the analysis and reporting in accordance with the FITA are comprehensive. The audit identified a small number of opportunities to further enhance existing processes and systems.



## Department of Treasury and Finance cont...

### *Recommendations*

As a result of the audit, I made a small number of recommendations to DTF in order to enhance its existing systems and processes. I note that most of these had been addressed and were reflected in the suite of Budget Papers released in relation to the 2019-20 budget.

The recommendations were to:

- Perform and document the results of an internal review of compliance with the FITA.
- Investigate whether an appropriate target can be established for each fiscal objective. If a corresponding target cannot be identified, consideration should be given to how performance will be reported in order to demonstrate achievements against the fiscal strategy.
- Consider establishing guidance that would assist the development of each of the fiscal objectives and associated indicators by addressing the SMART criteria, that is, to ensure each measure is Specific, Measurable, Achievable, Realistic and Timely.
- Consider extending the current reporting regarding compliance with the FITA to include narration within key budget documents explaining how the NTG has complied with each of the principles in order to increase transparency regarding compliance with the principles of sound fiscal management.
- Identify and define key terms to avoid ambiguity that can arise from differing interpretations. Key terms that are currently not clearly defined include 'current generation debt' and 'prudent levels of debt'.
- Whilst acknowledging that DTF is not responsible for ensuring that financial risks faced by the Territory are prudently managed, it would be beneficial for management to consider how DTF can best assess and address the specific risks required to be managed by the FITA (including any consequential non-compliance with the FITA).

## Department of Treasury and Finance cont...

### Audit Observations

The Northern Territory Budget (the Budget) is the mechanism through which the government allocates resources to deliver services across the Northern Territory.

The FITA outlines requirements for budget decisions to have regard to fiscal policy and the principles of sound fiscal management. DTF have established budgeting policies and procedures recorded and promulgated within documents such as the Treasurer's Directions, Financial Management Principles and the *Financial Management Act 1995*. These documents provide the basis upon which Agencies manage their resources. DTF have incorporated the requirements of the FITA throughout the budget process.

The budget is developed through a consolidated effort from the Government, DTF and the Agencies comprising the General Government Sector. The key roles in the development of the budget are presented in Table 2.

Table 2: Key Roles in the Budget Process

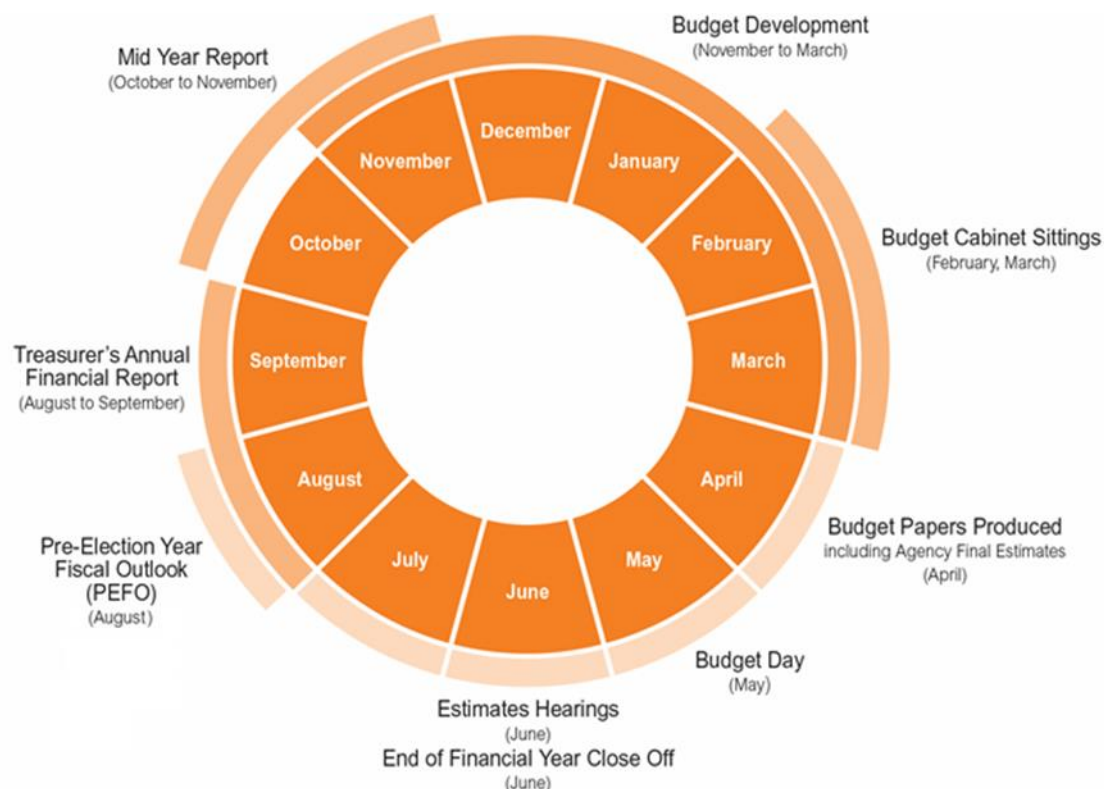
Entity	Role in budget process
Parliament	Monitor and scrutinise government administration and expenditure.
Government	Make key policy decisions on where funding is to be appropriated. Formally release the Budget through the Appropriation Bill and the Treasurer's speech to the Legislative Assembly.
DTF (Audit focus)	Manage and coordinate the Territory budget process and whole of government financial reporting through: <ul style="list-style-type: none"> <li>managing the Territory's financial management framework;</li> <li>analysing and providing advice on whole of government resource allocation issues, including major government projects and initiatives with funding implications;</li> <li>developing the Territory's infrastructure program from a whole of government perspective;</li> <li>monitoring each Agency's financial performance against the established budget; and</li> <li>managing financial and commercial accountabilities and risks as prescribed in the <i>Financial Management Act 1995</i> and the FITA, including the fiscal strategy.</li> </ul>
General Government Sector	The Budget allocates funding to Agencies to deliver their agreed outcomes as documented in Budget Paper No. 3 which includes all individual Agency budgets.  Each Agency is responsible for preparing its own budget in accordance with the budget processes established by DTF and policy decisions determined by the Government.

Source: NTAGO

## Department of Treasury and Finance cont...

DTF have developed a budget cycle that has nine core components as demonstrated in Figure 1.

Figure 1: The Northern Territory Budget Cycle



Source: DTF Internal Documentation, 2017

The key budget documents that are published each financial year are the:

- Budget Paper No. 2 Budget Strategy and Outlook;
- Mid-Year Report; and
- Treasurer's Annual Financial Report.

All three reports include content required in order to comply with the FITA.

The requirements of the FITA can be identified in three broad categories, being:

- fiscal reporting;
- fiscal strategy statement; and
- principles of sound fiscal management.

### Fiscal Reporting

The Treasurer is required to release and table budget fiscal outlook reports accompanying each budget and a mid-year fiscal outlook report by the end of February in each year. The Under Treasurer must publicly release a pre-election fiscal outlook report within ten days of the issue of a writ for an election. The Under Treasurer is responsible for preparation of all financial projections contained in the statements and reports required to be published under the Framework. The Treasurer must publicly release and table the final fiscal results report within four months of the end of each financial year.

## Department of Treasury and Finance cont...

Table 3 describes the public reporting mandated by the FITA.

Table 3: FITA Reporting Requirements

Document	Purpose
Budget Fiscal Outlook Report (published as Budget Paper No. 2)	Provides information to allow the assessment of Government's fiscal performance against the fiscal strategy set out in the current fiscal strategy statement. FITa Schedule Part 5 Division 2
Mid-Year Fiscal Outlook Report (published as Mid-Year Report)	Provides updated information to allow the assessment of Government's fiscal performance against the fiscal strategy set out in the current fiscal strategy statement. FITa Schedule Part 5 Division 3
Final Fiscal Results Report (published as Treasurer's Annual Financial Report)	Reports on the financial results with explanations of the factors that contributed to material differences from the fiscal outlook report and fiscal strategy. FITa Schedule Part 6
Pre-Election Fiscal Outlook Report (published as Pre-Election Fiscal Outlook Report)	Provides updated information on the fiscal outlook within 10 days of the issue of the writ for an election. FITa Schedule Part 7

Source: (Fiscal Integrity and Transparency Act 2001, 21 December 2001)

In accordance with the FITA, DTF has produced and published all the required reports in the period subject to audit.

The information provided in each report is to account, to the fullest extent possible, all Government decisions and all other circumstances that may have a material effect on the fiscal outlook. The mandated reports contain information which would enable a user of the report to assess the Government's fiscal performance against the fiscal strategy established by the Government and presented in its fiscal strategy statement.

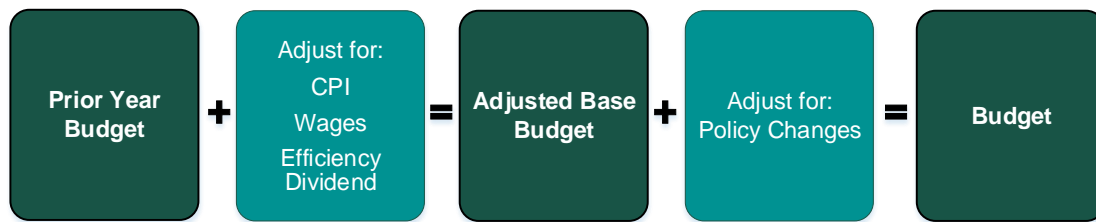
All versions of Budget Paper No. 2 and the Treasurer's Annual Financial Report examined during the period subject to audit included all information required by sections 10 and 16 of the FITA.

The budget includes the budgeted figures for the forthcoming financial year and forward estimates for the subsequent three years in accordance with the requirements of the FITA.

Budgets have been developed using consistent processes during the period subject to audit, being 1 July 2015 to 31 December 2018. DTF use a Forward Estimates Model that uses the current year budget of each Agency as a base to formulate the estimated budgets into forward years to which inflators (ie. CPI, wages) and deflators (ie. efficiency dividends) are then applied based on anticipated changes.

## Department of Treasury and Finance cont...

Figure 2: Budget Development Process



Source: NTAGO

The budget process is developed with input from the Government and Agencies. It is also influenced by external economic factors. The fiscal strategy statement for each budget paper discusses fiscal and economic outlooks with a separate section on the '*Fiscal Outlook*' and '*the Territory Economy*'. The budget includes an analysis of movement in the budget since the last financial report and identifies changes due to policy and non-policy changes.

The seven key economic indicators used in the budget process are:

1. gross state product;
2. state final demand;
3. population;
4. employment;
5. unemployment rate;
6. consumer price index; and
7. wage price index.

For each indicator, a model is maintained and the inputs and outcomes of the model undergo a review process. The models are updated to support the budget and mid-year budget papers. Budget Paper No. 2 presents a trend analysis for ten or more years for each economic indicator, showing actual and forecast performance.

In 2018-19, DTF established a tolerance level to be applied to forecasts of economic indicators. The variation limits between economic forecasts and actual outcomes (as presented in DTF's Budget Paper No. 3) are:

- one percentage point for the economic forecasts: population, employment, unemployment, consumer price index and wage price index; and
- two percentage points for gross state product growth rate forecast and the actual outcome, as this KPI is subject to higher variations.

No variation limit is set for state final demand due to the volatile nature of the indicator. The tolerance levels were not in place prior to 2018-19. Performance against each KPI is to be reported within the DTF Annual Report for the 2018-19 financial year.

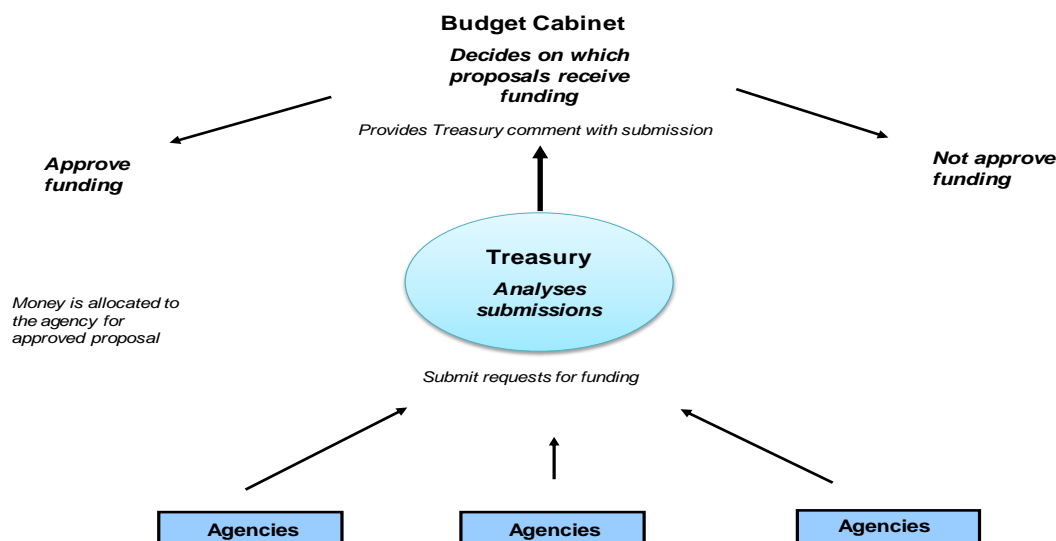
The value of own-source taxes is assessed and revenue from the Commonwealth confirmed in order to determine total resources available to fund Government programs.

Once the budget has been rolled forward and non-policy adjustments have been made, DTF prepare the Adjusted Base Budget taking into consideration all existing policy decisions.

## Department of Treasury and Finance cont...

Once the Adjusted Base Budget is determined, new policy spending can be assessed. The Government makes the majority of resource decisions during the development of the Budget. Agencies prepare submissions for Budget Cabinet review based on cost drivers (such as increased demand) and new Policy directives. DTF's role in Budget Cabinet is to coordinate the submission process and provide a comment to Budget Cabinet.

Figure 3: Budget Cabinet Process



Source: DTF Internal Documentation

DTF's role is to then finalise the budget based on approved Agency submissions and Government Policy Directives. The final budget papers undergo multiple reviews and require each Agency's Chief Executive to sign their Agency's final budget papers prior to the publication of the Northern Territory Budget.

A Moody's Investors Services Credit Opinion for the Northern Territory (Australia), published on 11 July 2018, rated the Northern Territory as having the strongest relative credit quality score for transparency and disclosure with a rating of one on a scale of one to nine where one represents the strongest relative credit quality and nine the weakest.

### Fiscal Strategy Statement

The FITA requires a Fiscal Strategy Statement to be prepared to increase public awareness of the Government's fiscal strategy and to establish a benchmark for evaluating the Government's performance against the strategy.

In accordance with the FITA, a Fiscal Strategy Statement that presents the Government's short and medium-term fiscal objectives has been prepared and documented in Budget Paper No. 2 for each financial year during the period subject to audit. These fiscal objectives provide a basis against which the Government's performance can be assessed.

During the period subject to audit, the fiscal objectives were established with the commencement of each new Government and remained unchanged for the term of that Government. DTF's role is to coordinate the development of the Fiscal Strategy Statement.

The fiscal strategy was consistent in 2015-16 and 2016-17. The fiscal strategy was updated in 2017-18 following the change in Government in August 2016 and remained consistent in 2018-19.

## Department of Treasury and Finance cont...

To enable effective analysis, each fiscal objective is allocated a key fiscal indicator and target. This provides a basis to benchmark and evaluate the budgeted and actual performance against the fiscal objective. Each budget paper during the period subject to audit included expected budget and forecast performance against each objective in line with the FITA requirements.

For the 2018-19 and 2017-18 financial years, there was one instance where a key fiscal indicator was not identified by which to measure the performance of a fiscal objective.

To ensure objectives and targets are an effective tool to measure performance, established practice is to ensure that each meets the criteria of being specific, measurable, attainable, realistic/relevant and timely (SMART).

A review of fiscal objectives against the SMART criteria identified that not all the objectives and targets met the SMART criteria. Noting that actual performance against the fiscal objectives can be affected by uncontrollable events such as the financial impacts from circumstances such as biological hazards, trade barriers, global financial stability and Commonwealth initiatives, consideration could be given to determining how the SMART criteria could be used to establish fiscal indicators and targets.

During the period subject to audit, Budget Paper No. 2 included a detailed analysis of each fiscal objective which explained the targets, variances from the targets and the economic effects of each objective.

Improvements were made to the layout of Budget Paper No. 2 in 2017-18 to make it easier to see how the reported information complied with the requirements of the FITA. Objectives were clearly labelled as short term and medium term. Reporting on the performance of each objective was more robust with a performance review against each key financial target.

The analysis of the performance against the fiscal objectives is continued in the Mid-Year Report. In the Mid-Year Report, the results are updated and the variances between the budgeted and estimated performance are highlighted and explained.

The Treasurer's Annual Financial Report includes an analysis of the budgeted performance against the actual performance with explanations for the variances.

### Sound Fiscal Management

The Framework provides for the conduct of Government fiscal policy. The purpose of the Framework is to improve fiscal policy outcomes. The Framework provides for this by:

- requiring fiscal strategy to be based on principles of sound fiscal management;
- facilitating public scrutiny of fiscal policy and performance; and
- strengthening accountability for the economic and financial projections underlying fiscal reporting and decision-making.

The FITA states that *“the Government’s fiscal policy is to be directed at maintaining the ongoing economic prosperity and welfare of the people of the Territory and is therefore to be set in a sustainable medium-term framework”*. The Framework requires the Government’s fiscal strategy to be based on the principles of sound fiscal management.



## Department of Treasury and Finance cont...

Each Budget Paper No. 2 in the period subject to audit noted: *“Under FITA, the fiscal strategy statement must be based on principles of sound fiscal management”* and made reference to the principles. Each Budget Paper No. 2 also noted that *“each fiscal outlook report is to contain an explanation of factors and considerations contributing to any material differences between the updated fiscal projections and the Government’s fiscal objectives and targets”*.

The audit considered the performance reporting within the reports published in accordance with the FITA as provided against each of the principles of sound fiscal management. The observations from the audit are presented below.

The Government must formulate and apply spending and taxing policies with consideration to the effect of these policies on employment and the economic prosperity and development of the Territory.

DTF applies an established and consistent approach to developing the budget that includes an assessment of the Northern Territory Economy and how it affects the fiscal outlook. Each Budget Paper No. 2 in the period subject to audit included *“a brief description of recent economic performance and the outlook across a number of key indicators, including economic growth, population, labour market, prices and wages as well as a description on the structure of the economy and the external economic environment”*.

The actual, estimated and forecast performance of each of the key economic indicators were documented and analysed in Budget Paper No. 2.

The assessment of the effect of economic conditions on the fiscal strategy was consistently documented throughout all budget papers issued during the period subject to audit.

The Government must formulate and apply spending and taxing policies so as to give rise to a reasonable degree of stability and predictability.

Budget Paper No. 2 for 2017-18 and 2018-19 notes that *“the Government’s overarching target in sustainable services provision is to achieve a [general government] sector net operating surplus”*.

The 2018-19 Budget Paper No. 2 goes on to state:

*“Due to the Territory’s small own-source revenue base the Territory has limited ability to influence the level of revenue it can generate. The Territory is also reliant on Commonwealth revenue over which the Territory has little control, and for 2018-19 comprises 67 per cent of total revenues. However, it is able to directly influence expenditure growth when pursuing this fiscal strategy target.”*

The 2017-18 Budget Paper No. 2 noted:

*“The decline in revenue growth and softening in economic conditions since the 2016-17 Mid-Year Report presents a significant challenge for government to maintain a pattern of improving operational results over the budget cycle. It is for this reason that short and medium-term targets have been set to achieve this key fiscal target.”*

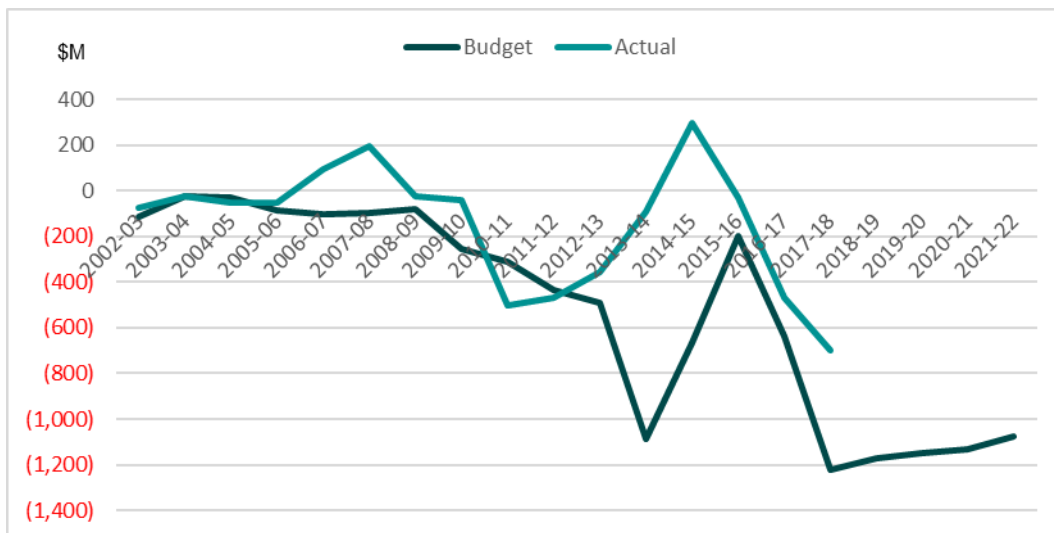
The 2017-18 and 2018-19 medium term fiscal objective to *“achieve a general government sector net operating surplus that ensures new general government capital investment is funded through revenues rather than borrowings”*. Objectives relating to the net operating surplus have been consistently set with the 2015-16 and 2016-17 fiscal objective of *“by 2017-18 the fiscal imbalance in the Territory’s non-financial public sector is to be eliminated”*.



## Department of Treasury and Finance cont...

The fiscal balance is the balance of revenue less expenditure including capital spending but excluding depreciation and other non-cash expenses. A fiscal surplus indicates revenue exceeded expenditure, compared to a fiscal deficit where expenditure is greater than revenue. Figure 4 presents a comparison of the budgeted fiscal balance recorded in Budget Paper No. 2 for each financial year to the actual fiscal balance recorded in the Treasurer's Annual Financial Statement.

Figure 4: Budget vs Actual Fiscal Balance from 2002-03 to 2018-19



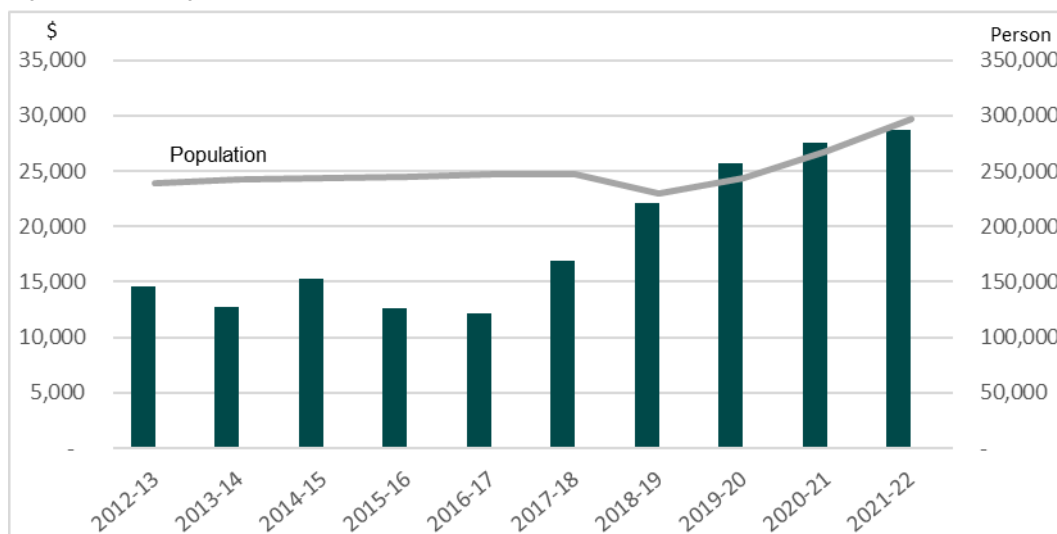
Source: Budget Paper No. 2

No budget year in the period between 2002-03 and 2021-22 budgeted for a fiscal surplus.

The Government must ensure that funding for current services is to be provided by the current generation.

At the time of the audit, the term 'current generation' had not been defined. A comparison of the level of borrowings to the Northern Territory population is presented in Figure 5. The NT population is largely stable with population growth forecast at between -0.7 and 1.1 over the following four years.

Figure 5: Borrowing per person based on NT Population from 2012-13 to 2021-22



Source: Budget Paper No. 2

## Department of Treasury and Finance cont...

The Government must manage financial risks faced by the Territory prudently (having regard to economic circumstances) including by maintaining Territory debt at prudent levels.

At the time of the audit, the term “*prudent level*” in relation to debt had not been defined.

The 2017-18 and 2018-19 budget set the following short and medium term objectives to measure prudent management of debt and liabilities:

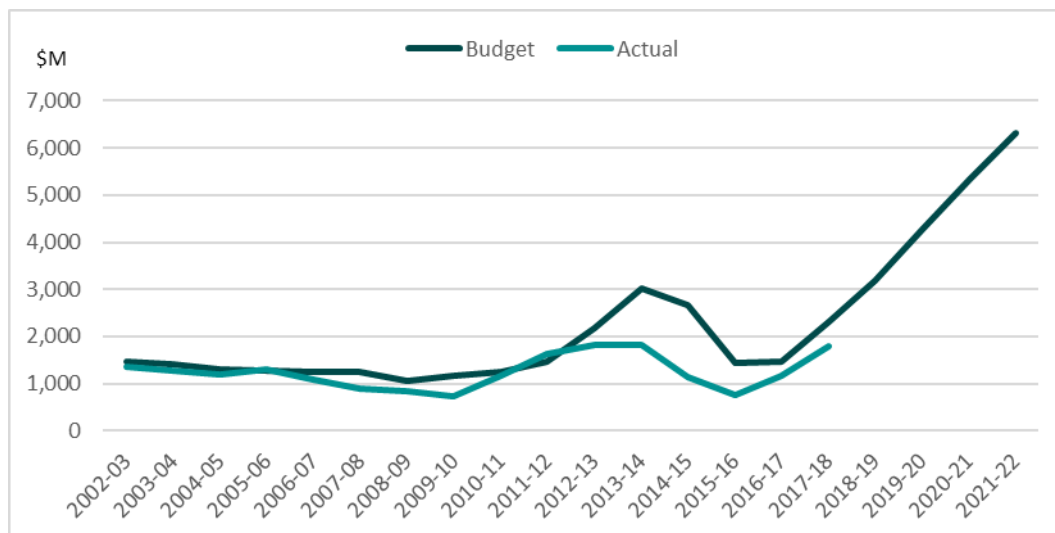
- Short term: “*Achieve an improved fiscal balance at the non-financial public over the budget cycle*”.
- Medium term: “*The Territory’s non-financial public sector net debt as a percentage of revenue is returning towards the long term average of 40 percent*”.

The related fiscal objective for 2015-16 and 2016-17 was: “*By 2020, the Territory’s non-financial public sector net debt as a percentage of revenue is returning towards 60 per cent*”.

The fiscal result has been discussed earlier in this report. Prolonged fiscal deficits will result in a requirement to borrow to fund operational costs in addition to borrowing to fund capital investments. A fiscal deficit is where a government’s revenues are not sufficient to meet its expenses and refers to net expenditure flows in a single financial year.

Net debt reflects the cumulative balance of net expenditure flows over time. Net debt is calculated as the amount borrowed by a government and money owed to the government, along with selected financial assets the government can realise to meet its financial obligations.

Figure 6: Budget vs Actual Net Debt from 2002-03 to 2018-19

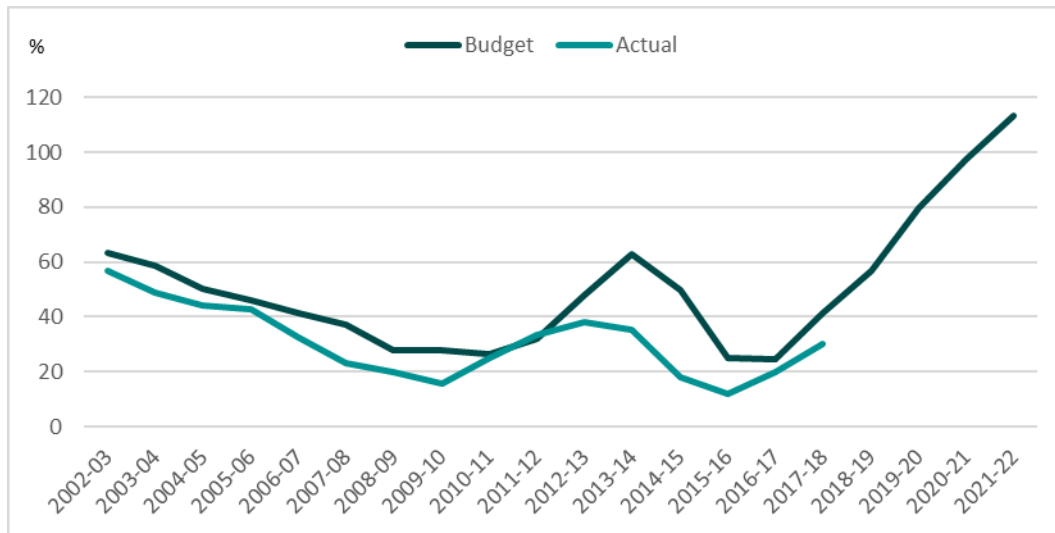


Source: Budget Paper No. 2

The budget papers outline Net Debt to Revenue as the key measure by which to evaluate the financial health of the balance sheet. In 2015-16 and 2016-17, Budget Paper No. 2 included the financial objective of: “*by 2020, the Territory’s non-financial public sector net debt as a percentage of revenue is returning towards 60 per cent*”. The 2017-18 and 2018-19 Budget Paper No. 2 included a similar financial objective with a lower target of: “*The Territory’s non-financial public sector net debt as a percentage of revenue is returning towards the long term average of 40 percent*”.

## Department of Treasury and Finance cont...

Figure 7: Budget vs Actual Net Debt to Revenue from 2002-03 to 2018-19

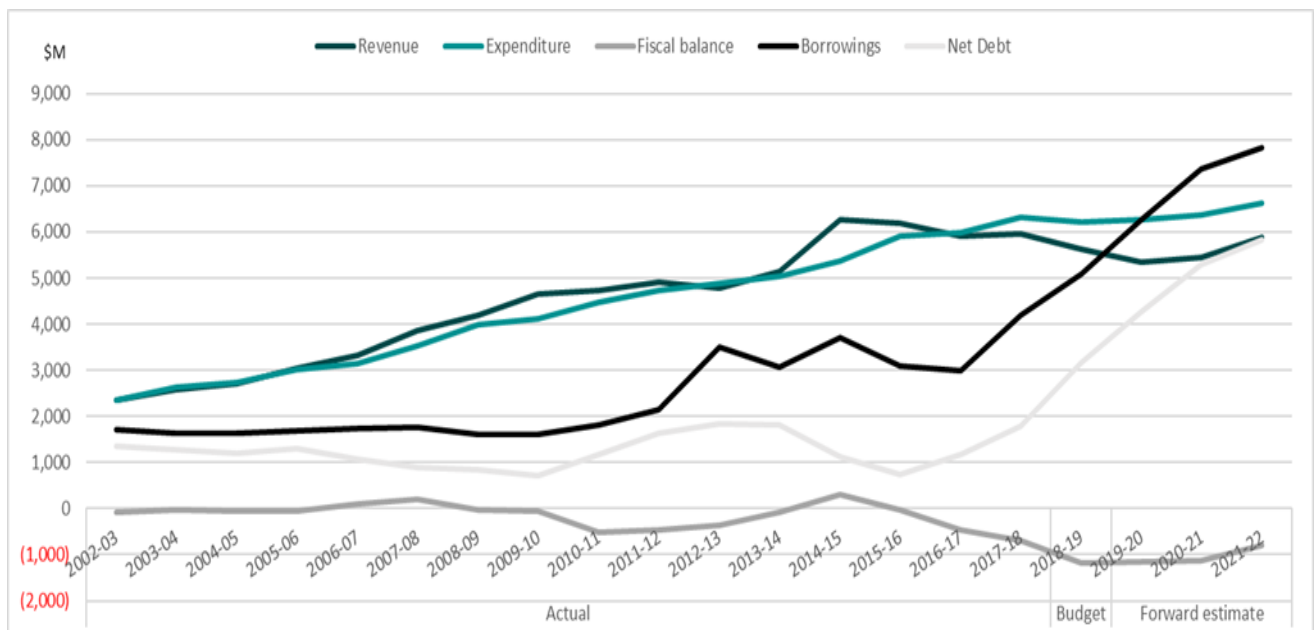


Source: Budget Paper No. 2

The fiscal balance, net debt, borrowings, interest and net debt to revenue ratio are related. An increase in fiscal deficits causes the net debt balance to increase. Additional borrowings required to cover the net debt result in increased interest payable and a worsening net debt to revenue ratio.

Presented below is a summary of the actual, budget and estimated fiscal performance using five key indicators from the Treasurer's Annual Financial Report data for 2002-03 to 2017-18 and the 2018-19 Budget Paper No. 2 data from 2018-19 to 2021-22.

Figure 8: NT Fiscal Performance from 2002-03 to 2021-22



Source: Budget Paper No. 2

Actions taken in order to meet the targeted performance for one objective can negatively impact performance against a different objective. The Budget Papers outline the current economic conditions and provide an analysis of the objectives to be prioritised and consequential impacts.

## Department of Treasury and Finance cont...

### **The Department of Treasury and Finance has commented:**

Audit recommendations on enhancing existing systems and processes have been implemented and information to provide greater transparency on the compliance of FITA principles was incorporated in the 2019-20 Budget papers, including:

- more detailed explanation about how each fiscal strategy objective relates to and satisfies the principles of sound fiscal management as required in the FITA
- fiscal strategy objectives being specific, measureable, achievable, realistic and timely, with an indicator to measure performance clearly identified for each objective
- more detailed assessment of risks in accordance with the FITA, with risks clearly reported under each FITA category
- providing explanation and context in relation to undefined FITA terms 'current generation' and 'prudent debt levels'.

The report notes that "for the 2018-19 and 2017-18 financial years, there was one instance where a key fiscal indicator was not identified by which to measure the performance of a fiscal objective." The fiscal indicator relates to the Territory Government maintaining a competitive tax environment and compares the Territory's tax capacity and effort against the national average. In 2017-18 and 2018-19, the national average (of 100 per cent) was not articulated. This has been addressed in the 2019-20 fiscal strategy with the long-term national average tax capacity and effort being identified as 100 per cent.

# Menzies School of Health Research

## Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2018

### *Background*

The Menzies School of Health Research (the School) was 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 *Menzies School of Health Research Act 1985* which, at the time of the audit, specified that the Vice-Chancellor of the University will be a member of the School's Board, and that five Board members, but no more than nine Board members, will be appointed by the Council of the Charles Darwin University.

### *Scope and Objectives*

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of the Menzies School of Health Research for the year ended 31 December 2018.

### *Audit Opinion*

The audit of the Menzies School of Health Research for the year ended 31 December 2018 resulted in an unmodified independent audit opinion, which was issued on 7 March 2019.

### *Audit Observations*

The audit did not identify any material weaknesses in controls.

### *Performance Overview*

Menzies reported a surplus of \$1.9 million (2017: \$3.4 million deficit). This increase of approximately \$5.3 million is attributable to an increase in revenue of \$5.1 million compared to the prior year reflecting increases of:

- \$4.9 million in Australian Government financial assistance;
- \$1.2 million in NTG funding; and
- \$1.6 million in other revenue; partially offset by decreases of:
  - \$2.4 million in Consultancy and Contract Research; and
  - \$0.2 million in fees and charges.

Overall, expenses decreased by \$0.06 million.

Menzies' net asset position as at 31 December 2018 increased from the previous year by \$1.8 million to \$61.9 million.

# Menzies School of Health Research cont...

## Financial Performance for the year

	2018	2017
	\$'000	\$'000
<b>Income</b>		
Financial assistance from the Commonwealth	18,317	13,408
Financial assistance from the NTG	6,326	5,162
Other revenue	17,586	18,527
Gain on disposal of assets	54	(1)
<b>Total Income</b>	<b>42,283</b>	<b>37,096</b>
<b>Less expenditure</b>		
Employee expenses	(24,437)	(24,904)
Administration, operational and other expenses	(15,967)	(15,566)
<b>Total expenditure</b>	<b>(40,404)</b>	<b>(40,470)</b>
<b>Surplus/(deficit) before income tax</b>	<b>1,879</b>	<b>(3,374)</b>
Income tax expense	-	-
<b>Surplus/(deficit) after income tax expense</b>	<b>1,879</b>	<b>(3,374)</b>

## Menzies School of Health Research cont...

### Financial Position at year end

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	3,997	2,474
Receivables and other current assets	35,836	33,045
Less current liabilities	(5,239)	(5,127)
<b>Working Capital</b>	<b>34,594</b>	<b>30,392</b>
Add non-current assets	27,664	30,062
Less non-current liabilities	(335)	(404)
<b>Net Assets</b>	<b>61,923</b>	<b>60,050</b>
Represented by:		
Reserves	8,463	7,657
Retained earnings	53,460	52,393
<b>Equity</b>	<b>61,923</b>	<b>60,050</b>

## Selected Agencies

### Agency Compliance Audits

#### *Background*

The use of delegated legislation, such as Treasurer's Directions, devolves responsibility to Accountable Officers of 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 1995*, Regulations made under that Act and Procurement Rules;
- 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.

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

- Aboriginal Areas Protection Authority;
- Department of Corporate and Information Services;
- Department of Education;
- Department of Environment and Natural Resources;
- Department of Health;
- Department of Infrastructure, Planning and Logistics;
- Department of Local Government, Housing and Community Development;
- Department of Primary Industry and Resources;
- Department of the Attorney-General and Justice;
- Department of the Chief Minister;
- Department of the Legislative Assembly;
- Department of Tourism, Sport and Culture;



## Selected Agencies cont...

- Department of Trade, Business and Innovation;
- Department of Treasury and Finance;
- Northern Territory Electoral Commission;
- Northern Territory Police, Fire and Emergency Services;
- Office of the Commissioner for Public Employment;
- Ombudsman's Office; and
- Territory Families.

### *Scope and Objectives*

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.

### *Audit Observations*

Whilst none of the exceptions identified in the audits were indicative of pervasive weaknesses leading to material misstatements of the Treasurer's Annual Financial Statements, a number of issues were raised as a result of the audits including:

- lack of compliance with Procurement Rules;
- deficiencies in controls over fixed assets and incomplete registers of property, plant and equipment;
- incomplete registers of financial interests, contingencies, guarantees and indemnities;
- incorrect capitalisation of repairs and maintenance expenditure;
- overpayments made to suppliers;
- lack of internal audit capacity accompanied by weaknesses in internal audit functions; and
- Accounting and Property Manuals that did not fully comply with Treasurer's Directions.

A limited number of findings arose due to the requirements of some Treasurer's Directions being redundant in the contemporary operating environment of the NTG. I recognise these do not represent material risks to the NTG and consequently have not raised them within this report acknowledging that the Department of Treasury and Finance are currently reviewing and updating the Treasurer's Directions. I have recommended to those affected Agencies that they communicate such findings to the Department of Treasury and Finance to assist in informing the review of existing Treasurer's Directions.

## Selected Agencies cont...

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

DCIS notes that the process for uploading an invoice for payment was not properly followed and confirms that processes for uploading invoices for payment have been reiterated to employees to enhance compliance.

### **The Department of Local Government, Housing and Community Development has commented:**

The department agrees with the findings and will continue to address any deficiencies and has committed to identifying, developing and implementing controls to improve compliance.

### **The Department of Primary Industry and Resources has commented:**

Whilst there were no significant matters arising from the audit and in general the accounting and control procedures examined provided reasonable assurance that the responsibilities of the Accountable Officer, as set out in the Treasurer's Directions, Procurement Governance Policy and Procurement Rules, will be met if those systems continue to operate in the manner identified in the audit the Agency will endeavour to implement recommendations and best practice guidelines where suitable.

### **The Department of Tourism, Sport and Culture has commented:**

The Department of Tourism, Sport and Culture acknowledges the single finding regarding frequency of cultural asset revaluations not being within the timeframe stipulated in the Treasurer's Direction, and reports the revaluation is currently in progress.

### **The Department of Treasury and Finance has commented:**

The Department of Treasury and Finance is currently in the process of reviewing all Treasurer's Directions (TD) to bring them to contemporary standards and resolve known compliance deficiencies across government. The project team has prioritised TDs that address known material issues across government agencies, new government policy requirements and changes to Australian accounting standards.

The audit findings from agency compliance audits included within this report provide valuable input to the Financial Management Accountability Framework review, and will be addressed as part of that process.

## Selected Agencies cont...

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

The Northern Territory Police, Fire and Emergency Services acknowledges the findings of the Agency Compliance Audit. The Northern Territory Police, Fire and Emergency Services has committed to conducting a review of fixed assets including fleet salvage values / economic life to ensure improved accuracy in asset recognition and additionally to ensuring procurement contract performance reviews are undertaken as mandated

# Selected Agencies

## Consulting and Legal Expenditure

### Background

The data relating to expenditure classified as consulting and legal expenditure has been extracted from a report (provided by the Department of Corporate and Information Services) detailing the consulting and legal expenditure account balances for each of the selected Agencies for the years ending 30 June 2016, 30 June 2017 and 30 June 2018.

The report identified expenditure classified and recorded as consulting and legal for the following selected Agencies.

	2016	2017	2018
Department of Education	\$1,706,416	\$2,770,940	\$3,684,111
Department of Health	\$12,478,855	\$8,892,674	\$8,410,721
Department of Infrastructure, Planning and Logistics	\$22,294,669	\$4,001,295	\$2,443,699
Department of Primary Industry and Resources	\$5,986,964	\$3,208,484	\$1,651,402
Department of the Chief Minister	\$16,995,931	\$2,041,672	\$3,406,862
Department of Tourism, Sport and Culture	\$1,091,859	\$885,856	\$950,883
Department of Trade, Business and Innovation	\$2,673,746	\$4,104,475	\$5,313,808
Department of Treasury and Finance	\$2,483,255	\$2,962,079	\$1,475,372
Territory Families	\$878,538	\$1,424,478	\$2,519,504

### Scope and Objectives

The objective of this analytical exercise was to identify the reasons for significant movements in the amount of expenditure classified as consulting and legal expenditure recorded by selected Agencies for the years ended 30 June 2016, 30 June 2017 and 30 June 2018.

It should be noted that the primary purpose of the procedures was to identify the reasons for significant changes within the expenditure classifications relating to consulting and legal expenditure for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 and to provide information to management within each Selected Agency for the purposes of explaining the variances.

The analysis was not undertaken as an audit or a review and therefore did not constitute a complete examination of all relevant data and was not designed to uncover all processing errors therefore may not have detected all breaches and irregularities that could have occurred.

## Selected Agencies cont...

Explanations for the variances have been provided by management of each Selected Agency and documented as part of this analysis. No procedures have been undertaken to confirm the accuracy of the explanations provided.

### *Agency Explanations*

Agencies advised that consultant and legal expenses contributing to significant movements between the three years were predominantly due to costs associated with:

- the Darwin Port lease to Landbridge.
- initial NTIDF board member expenses.
- the sale of the Territory Insurance Office.
- Royal Commission into Child Protection and Youth Detention Systems.
- transferring IT systems from one Agency to another as a result of Machinery of Government changes.
- Global Schools budget independent review.
- review of Indigenous Education Strategy.
- development of Maths Direct Instruction.
- Darwin Hospital Expansion.
- major projects such as Darwin Port, Northern and Eastern Gas Markets and Sale Process, Mt. Isa to Tennant Creek Railway, Shiplift and Marine Industries Project.
- Development of the 'NT master brand'; Economic and Social Impact assessment of Hydraulic Fracturing; and Future of Jabiru Study.
- Darwin City Deal.
- implementation of the National Disability Insurance Scheme
- design and implementation of the NT wholesale electricity market.
- NT Utilities Commission Power System Review.
- review of the Northern Territory Connections and Metering Framework.
- negotiations for a gas tolling arrangement.
- the Darwin Luxury Hotel development.
- Sport and Active Recreation Masterplan.
- review of water extraction licenses.
- consultancies relating to the former Rum Jungle Mine Site Rehabilitation project.
- National biosecurity responses (including Banana Freckle, and the Cucumber Green Mottle Mosaic Virus).
- employee professional development training.
- redeveloping the Chan Building into a dedicated visual art gallery.

## Selected Agencies cont...

### ***Audit Observations***

Analysis of the data and consideration of management responses from each Agency resulted in observations being provided to the Accountable Officers of some Agencies. These observations are summarised below.

- Incorrect classification of consulting and legal expenditure was identified in a number of instances at several Agencies. Accountable Officers may wish to consider if updating existing procedural documents or the Accounting and Property Manual would assist in minimising the value of miscoded expenditure.
- Due to the significance of the expenditure incurred for various projects and the extended timeframe of those projects, Agencies could consider including multi-year comparative income and expenditure for such projects in the Agency's Annual Reports.

## Selected Agencies cont...

**The Department of Infrastructure, Planning and Logistics has commented:**

The Department of Infrastructure, Planning and Logistics note the amounts listed and one off payments between years which resulted in significant variations such as the consultancy around the Darwin Port lease in 2015-16.

**The Department of Local Government, Housing and Community Development has commented:**

The observations of an incorrect classification of an expense has been noted.

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

The Agency will consider and implement audit observation recommendations where suitable.

**The Department of Treasury and Finance has commented:**

As part of the Financial Management Accountability Framework review project, DTF is reviewing the requirements of agency Accounting and Property Manuals with the aim of ensuring consistent processes and definitions across agencies and strengthening internal controls. Definitions and accounting treatment for consultancy and legal expenses will be included in this review. Consideration will also be given to the presentation of comparative information in agency annual reports

# Selected Agencies

## Donated and Gifted Items

### *Background*

The data relating to expenditure classified as donated and gifted items has been extracted from a report (provided by the Department of Corporate and Information Services) detailing the donated and gifted account balances for each of the selected Agencies for the years ending 30 June 2016, 30 June 2017 and 30 June 2018.

The report identified expenditure classified and recorded as donated and gifted items for the following selected Agencies.

	2016	2017	2018
Department of Infrastructure, Planning and Logistics	\$23,888,670	\$1,500,000	\$5,407,400
Department of Local Government, Housing and Community Development	\$37,019,972	-	\$1,009,702
Department of Primary Industry and Resources	-	\$1,072	-
Department of Tourism, Sport and Culture	\$7,940	\$92,350	-
Department of Trade, Business and Innovation	\$220,580	-	-
Land Development Corporation	\$2,486,835	-	-
Northern Territory Legal Aid Commission	\$34,717	-	\$4
Territory Families	\$21,455	-	-

### *Scope and Objectives*

The objective of this analytical exercise was to identify the reasons for significant movements in the amount of expenditure classified as donated and gifted items recorded by selected Agencies for the years ended 30 June 2016, 30 June 2017 and 30 June 2018.

It should be noted that the primary purpose of the procedures was to identify the reasons for significant changes within the expenditure classifications relating to donated and gifted items for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 and to provide information to management within each selected Agency for the purposes of explaining the variances.

The analysis was not undertaken as an audit or a review and therefore did not constitute a complete examination of all relevant data and was not designed to uncover all processing errors therefore may not have detected all breaches and irregularities that could have occurred.

Explanations for the variances have been provided by management of each Selected Agency and documented as part of this analysis. No procedures have been undertaken to confirm the accuracy of the explanations provided.



## Selected Agencies cont...

### *Agency Explanations*

Agencies advised that the movements in donated and gifted items over the three years related to one-off donations that occurred each year. Examples of significant one-off transactions included:

- new dwellings (land and buildings) valued at \$37 million (a total transfer of assets over four years of \$42.4 million) gifted to the Venture Housing Company to provide affordable rental housing for low to moderate income earners in the year ended 30 June 2016;
- \$23.7 million relating to the Middle Arm precinct water main project that was gifted to the Power and Water Corporation in the year ended 30 June 2016.
- various parcels of land gifted to:
  - a non-government organisation for the construction and operation of a school (\$1.5 million);
  - ensure a school's tenure over land (\$2.2 million); and
  - develop and operate a community centre and place of worship (\$0.5 million and \$0.4 million respectively).
- land valued at \$1.5 million gifted for development purposes.
- donation of vehicles specially modified for disability access and donations of other vehicles to various wildlife/ranger groups.
- the donation of training centres to regional Councils and other associations.
- the write-off of capitalised expenditure associated with an IT project when it became evident that the IT project would not be suitable for its intended purpose.
- obsolete books donated to a college library.

### *Audit Observations*

Analysis of the data and consideration of management responses from each Agency resulted in one observation being provided to the Accountable Officer at one Agency. That observation is summarised below.

- In one instance it was recommended that the entity identify the appropriate account to record the value of assets written off as such a transaction does not represent a donation or a gift.

## Selected Agencies cont...

**The Department of Infrastructure, Planning and Logistics has commented:**

The Department of Infrastructure, Planning and Logistics note the amounts listed and the significant variations due to the one off nature of the accounting treatment of assets that do not belong to the department such as water mains and the land gifted under the *Crown Lands Act 1992* though Community Land Grants

**The Department of Local Government, Housing and Community Development has commented:**

Analysis of the data did not result in any observations from the Auditor-General.

# Selected Agencies

## Grants and Subsidies

### *Background*

The data relating to expenditure classified as grants and subsidies has been extracted from a report (provided by the Department of Corporate and Information Services) detailing the grants and subsidies account balances for each of the selected Agencies for the years ending 30 June 2016, 30 June 2017 and 30 June 2018.

The report identified expenditure classified and recorded as grants and subsidies for the following selected Agencies.

	2016	2017	2018
Department of Education	342,967,083	374,367,886	372,979,899
Department of Environment and Natural Resources	3,711,455	5,332,958	8,262,983
Department of Health	707,666,777	789,170,564	872,062,614
Department of Infrastructure, Planning and Logistics	56,963,508	25,434,546	41,985,603
Department of Local Government, Housing and Community Development	329,692,248	331,703,879	318,952,082
Department of Primary Industry and Resources	2,521,793	6,922,889	3,160,743
Department of the Attorney-General and Justice	21,979,317	41,105,993	46,353,765
Department of the Chief Minister	27,965,493	12,078,783	10,504,952
Department of Tourism, Sport and Culture	86,939,800	104,203,627	145,991,115
Department of Trade, Business and Innovation	129,283,214	125,769,149	145,972,378
Territory Families	91,272,871	146,511,649	155,568,532

### *Scope and Objectives*

The objective of this analytical exercise was to identify the reasons for significant movements in the amount of expenditure classified as grants and subsidies recorded by selected Agencies for the years ended 30 June 2016, 30 June 2017 and 30 June 2018.

It should be noted that the primary purpose of the procedures was to identify the reasons for significant changes within the expenditure classifications relating to grants and subsidies for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 and to provide information to the management of each Selected Agency for the purposes of explaining the variances.

## Selected Agencies cont...

The analysis was not undertaken as an audit or a review and therefore did not constitute a complete examination of all relevant data and was not designed to uncover all processing errors therefore may not have detected all breaches and irregularities that could have occurred.

Explanations for the variances have been provided by management of the Agency and documented as part of this analysis. No procedures have been undertaken to confirm the accuracy of the explanations provided.

### *Agency Explanations*

Agencies advised that the movements in grants and subsidies items over the three years related to one-off transactions that occurred each year. Examples of significant grant transactions included:

- transferring programs from one Agency to another as a result of Machinery of Government changes.
- one off capital grants.
- grants relating to support for special public events.
- the implementation of the National Partnership Agreement Pay Equity for Social and Community Services Sector.
- grants to support the construction of Women's Shelters, halls and cyclone shelters.
- higher costs relating to increased out-of-home care placement providers.
- distress payments relating to floods and cyclone events.
- grants for the asbestos removal program.
- Homelessness grants.
- Homeland Services grants.
- an increase in grants for expensive legal cases.
- grants to sporting bodies.
- Export grants.
- increased grants to Government Business Divisions.
- capital funding for rehabilitation centres.
- funding for the National Disability Insurance Scheme.
- grant funding for the Banned Drinker Register.
- capital grants for Aboriginal Rangers.
- increased grants for the National Water Infrastructure Development Fund.
- grants to non-government organisations for educational facilities.
- Home Improvement Scheme, Home Innovation and Home Renovation grants.
- Immediate Work Grants.

## Selected Agencies cont...

### *Audit Observations*

Analysis of the data and consideration of management responses from each Agency resulted in observations being provided to the Accountable Officers of some Agencies as summarised below.

1. The adoption of GrantsNT, the across-government grants management system, should contribute to improved efficiency and accuracy when collating grant expenditure information for reporting within Agency Annual Reports.
2. To minimise the risk of inaccurate reporting of grant and subsidy expenditure within Agency's Annual Reports, and to minimise the risk of unintentionally funding the same activity more than once, the allocation of expenditure to the grants and subsidies codes within the Agency's general ledger should be subject to review.
3. Consideration be given as to whether payments are appropriately recorded as a grant as opposed to a fee for service arrangement, ex gratia payment or some other classification.
4. Agencies could consider presenting multi-year comparative grant expenditure information (for grants exceeding a nominated threshold) in a similar manner to the reporting of performance measures within the Annual Reports. Such reporting would allow the users of the Annual Report to identify those entities receiving ongoing funding from the Agency.
5. An instance was noted where grant funding was released on the last working day of the financial year notwithstanding that the recipient was yet to demonstrate eligibility for the payment. I suggested this Agency consider what controls and processes need to be implemented to ensure that reciprocal grant payments are paid in accordance with the delivery requirements specified in the terms and conditions relevant to each grant.
6. One Agency could consider whether the classification of the payments to Government Business Divisions as grants is appropriate along with whether, or not, these payments should flow through the Agency or flow directly to the Government Business Division.
7. The appendix to one Agency's Annual Report disclosed grant payments to an external provider. These grant payments were made by a Government Business Division not the Agency. The Agency could consider reporting the grants made by the Government Business Division and the Agency separately within the Annual Report, ensuring that the appendix includes all grants paid.
8. Using the full legal name for all grant recipients thus avoiding inconsistent naming of recipients which impairs collation and comparison of payments made to single recipients. Instances were identified where the same grant recipient was recorded under a number of different (albeit similar) entity names. Where grants are paid under an established grant program, use of standard descriptors for the grant would facilitate efficient collation and comparison of data.

## Selected Agencies cont...

**The Department of Infrastructure, Planning and Logistics has commented:**

The Department of Infrastructure, Planning and Logistics note the amounts listed and will review any future classifications of payments accordingly.

**The Department of Local Government, Housing and Community Development has commented:**

The observations have been noted, however as reported in the management letter, the department in conjunction with the Department of Treasury and Finance have agreed to classify the property management expenditure for assets as grants and subsidies.

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

The Agency will consider and implement audit observation recommendations where suitable.

# Selected Agencies

## Salaries

### *Background*

The data relating to expenditure classified as salaries has been extracted from a report (provided by the Department of Corporate and Information Services) detailing the salary account balances for each of the selected Agencies for the years ending 30 June 2016, 30 June 2017 and 30 June 2018.

The report identified expenditure classified and recorded as salaries for the following selected entities.

	2016	2017	2018
Central Australia Health Service	\$216,825,219	\$236,854,371	\$252,462,809
Department of Corporate and Information Services	\$50,201,481	\$53,348,154	\$55,872,057
Department of Education	\$446,981,898	\$471,367,011	\$483,805,057
Department of Environment and Natural Resources	\$29,522,280	\$32,874,521	\$34,544,037
Department of Health	\$128,809,309	\$113,669,883	\$109,026,485
Department of Local Government, Housing and Community Development	\$65,865,766	\$61,718,781	\$64,914,742
Department of Primary Industry and Resources	\$54,779,557	\$54,632,722	\$51,311,245
Department of the Chief Minister	\$46,146,557	\$42,919,893	\$46,496,185
Department of Tourism, Sport and Culture	\$43,248,426	\$52,092,882	\$52,945,309
Territory Families	\$68,751,133	\$91,715,630	\$95,632,222
Top End Health Service	\$483,157,142	\$538,837,481	\$577,391,670

### *Scope and Objectives*

The objective of this analytical exercise was to identify the reasons for significant movements in the amount of expenditure classified as salary recorded by selected Agencies for the years ended 30 June 2016, 30 June 2017 and 30 June 2018.

It should be noted that the primary purpose of the procedures was to identify the reasons for significant changes within the expenditure classifications relating to salary for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 and to provide information to management of each Selected Agency for the purposes of explaining the variances.

The analysis was not undertaken as an audit or a review and therefore did not constitute a complete examination of all relevant data and was not designed to uncover all processing errors therefore may not have detected all breaches and irregularities that could have occurred.

## Selected Agencies cont...

Explanations for the variances have been provided by management of each Selected Agency and documented as part of this analysis. No procedures have been undertaken to confirm the accuracy of the explanations provided.

### *Agency Explanations*

Agencies advised that the changes in employee expenses were predominantly due to the following reasons.

- New programs being established resulting in additional staffing and/or additional overtime to implement the new program.
- The transfer of programs from one entity to another resulting in a decrease in salary at one entity with an equivalent increase in salary at the receiving entity – for example oral, hearing and cancer screening programs transferring from the Department of Health to the Central Australia Health Service and the Top End Health Service.
- Additional salary costs relating to the Palmerston Regional Hospital, cardiothoracic services and demand/cost pressures primarily for primary health care and system support and governance.
- Overtime incurred in responding to cyclones and other significant weather events.
- Machinery of Government changes increasing the full time equivalent staffing in some entities.
- Redundancy and redundancy-related payments due to Machinery of Government changes, for example the payout of Executive Contract Officers for early termination of duplicate senior management positions as a result of the merger of the former two Agencies into one.
- Agency restructures resulting in increases to higher duties allowances.
- Annual increases due to the Enterprise Bargaining Agreement process.

### *Audit Observations*

Analysis of the data and consideration of management responses from each Agency did not result in any observations being provided to the Accountable Officers.



## Selected Agencies cont...

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

DCIS change in employee expenses is primarily due to the transfer of functions from other agencies and major digital transformation programs.

**The Department of Local Government, Housing and Community Development has commented:**

Analysis of the data did not result in any observations from the Auditor-General.

# Territory Families

## Procurement Compliance

### *Background*

Territory Families (the Agency) is required to comply with the NTG Procurement Framework. Previous Agency initiated internal audits and independent external audits of the Agency's procurement processes identified deficiencies in the procurement practices when evaluated against past and current procurement requirements.

### *Scope and Objectives*

This performance management system audit assessed compliance by the Agency with the NTG Procurement Framework through assessing the systems, controls and processes in place at the Agency to manage the procurement process.

The primary objective of the audit was to identify the systems and processes in place at the Agency to manage the procurement of goods and services and to assess whether these systems enable the Agency to determine whether the procurement process is efficient, effective and undertaken with economy. The audit covered the period from 1 July 2018 to 31 January 2019.

The fieldwork supporting this audit was conducted between February 2019 and May 2019.

### *Index*

The report on this audit is structured as follows:

Audit Opinion	Refer page 99
Recommendations	Refer page 99
Audit Observations	Refer page 100
Procurement Framework	Refer page 101
Agency Procurement Environment	Refer page 103
Planning Lifecycle	Refer page 103
Sourcing Lifecycle	Refer page 104
Complaints Management	Refer page 105
Contract Management Lifecycle	Refer page 105
Out of Home Care and Direct Contracting	Refer page 105
Assessing the future commitment relating to IPAs	Refer page 106

## Territory Families cont...

### ***Audit Opinion***

The findings from the audit identified some control deficiencies and weaknesses within the Procurement lifecycle and instances of non-compliance with the Procurement Rules. As indicated by the audit observations, there are some improvements required in order for the Agency to demonstrate that the systems, controls and processes in place are adequate to manage the procurement process.

### ***Recommendations***

The observations from the audit resulted in a number of recommendations being provided to management which are presented below.

- Consider what controls need to be strengthened to ensure compliance with the NTG Procurement Framework.
- Review the Agency Procurement Management Plan on a regular basis to ensure it includes the minimum requirements established within the Procurement Rules and greater detail regarding Agency-specific procurement situations.
- Consider what additional documented processes, procedures and guidance may need to be established to ensure compliance with the use of procurement methods that are not commonly applied and where it becomes apparent that personnel require additional guidance in relation to procurement.
- Consider whether use of other procurement processes (similar to period panel arrangements) may be more appropriate where placements exceed a 12 month period.
- Formally document the business risks associated with the procurement function. These risks should then be assessed and mitigating controls identified, developed and implemented.
- Establish a register of individuals who have completed all training requirements and who have demonstrated ongoing compliance with the Procurement Framework from which to select Assessment Panel members.
- Ensure documentary records are maintained consistently in a secure records management system and managed in accordance with the NTG Records Management Policy.
- Introduce regular reconciliations of the information contained in the procurement and purchasing systems.
- Ensure terms of reference are developed and implemented for procurement related Committees to ensure key timelines and requirements are met.

## Territory Families cont...

### *Audit Observations*

In addressing the audit objective, the current policies and procedures in place at the Agency were reviewed. This provided an understanding of practical application of the processes which was then used to document the processes that occur during the procurement life cycle. Supporting documentation was then obtained from the Agency in order to test the existence and effectiveness of processes and procedures as they specifically applied to the Procurement Rules.

Due to the minimal procurement requirements for Tier 1 activities, the audit focused on Tier 2 activities and above. Procurement activity for Tier 2 and above procurements is required to be conducted using Agencies Purchase Requisitions Online (APRO), an across-government technology-based purchasing system.

During the period from July 2018 to January 2019, the Agency awarded 19 tenders. It is this procurement activity that was the focus of this performance management system audit. The Tier representation of these tenders is detailed in Table 2.

*Table 1: Tier 2-5 Territory Families Awarded Procurement activity*

1 Jan 17 – 30 Jun 2017		
(6 months)		
	#	\$
<b>Tier 2</b>	5	195,618
<b>Tier 3</b>	11	2,453,974
<b>Tier 4</b>	3	2,480,078
<b>Tier 5</b>	0	0

Source: Territory Families Finance and Procurement Unit

An audit sample of six tenders was selected from the above population. This sample was then scrutinised against the Procurement Rules to test for compliance. Of the six tenders selected, departures from the Procurement Rules were identified in all instances.

In addition to this tender activity, four existing period panel contracts (whole of government or existing Agency tenders) were utilised to fulfil program obligations costing \$11.5 million. These were not included in the audit scope and have not been tested as part of this audit.

The Agency's 2018/19 Procurement Management Plan had forecast a further 41 significant procurement activities to be undertaken, with an estimated value of \$535.3 million this year and \$20.8 million within the next three years.

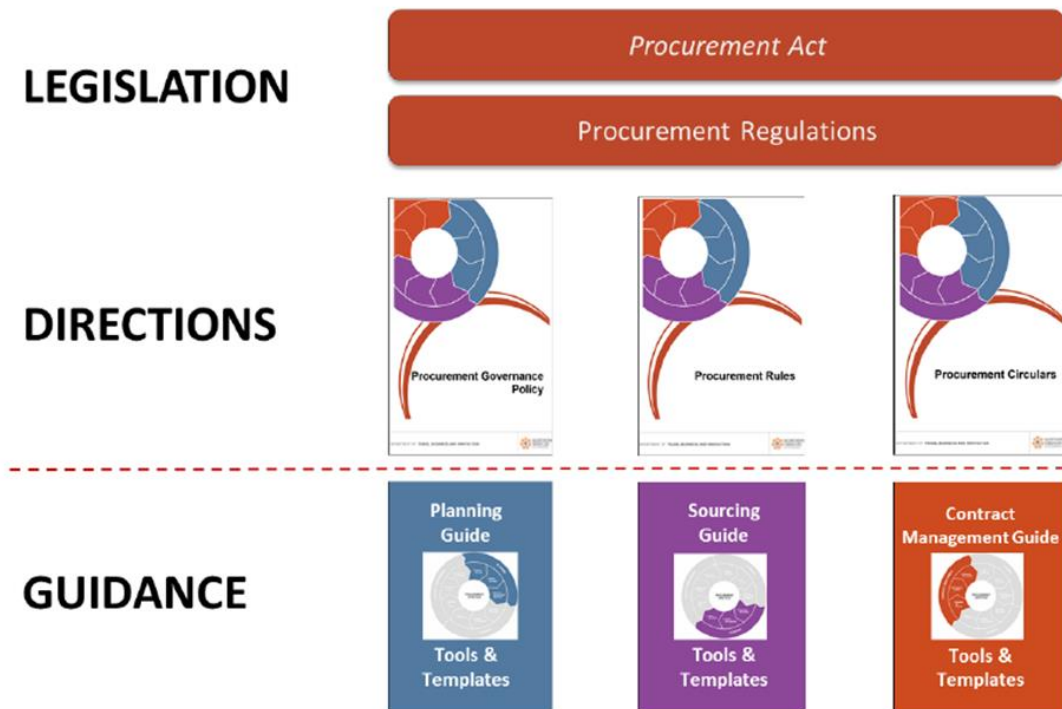
As the testing reviewed all aspects of the procurement lifecycle, the specific findings of the audit testing have been documented within the relevant stage of the lifecycle within this report.

## Territory Families cont...

### Procurement Framework

Being an NTG agency, the Agency is required to comply with the NTG legislative framework. The Procurement Framework is governed by the following legislative and policy instruments, as presented in Figure 1.

Figure 1: Procurement Framework



Source: Department of Trade, Business and Innovation Procurement Governance Policy v1.1

The Legislation and Directions establish the mandatory requirements that all NTG Agencies must follow during procurement activities. Guidance documentation provides additional information to Agencies on recommended approaches that may be adopted to enhance an agency's procurement control environment. The Guidance documentation is not mandatory and each agency is encouraged to establish processes specifically relevant to the agency that are consistent with the Legislation and Directions.

The Procurement Rules provide the mandatory requirements, exceptions, exemptions and process options for all NTG Agencies and agency personnel when undertaking procurement activities. There are 29 documented rules, grouped into four categories, being General (which are overall rules to be applied across all stages of the procurement lifecycle); Planning; Sourcing; and Contract Management. Procurement activities are split into tiers based on their estimated total GST inclusive value. This determines the appropriate procurement method that is to be applied.

## Territory Families cont...

The Procurement Governance Policy establishes the five 'Procurement Principles' that must be applied to every procurement activity, irrespective of value and risk. These are summarised in Table 2 below.

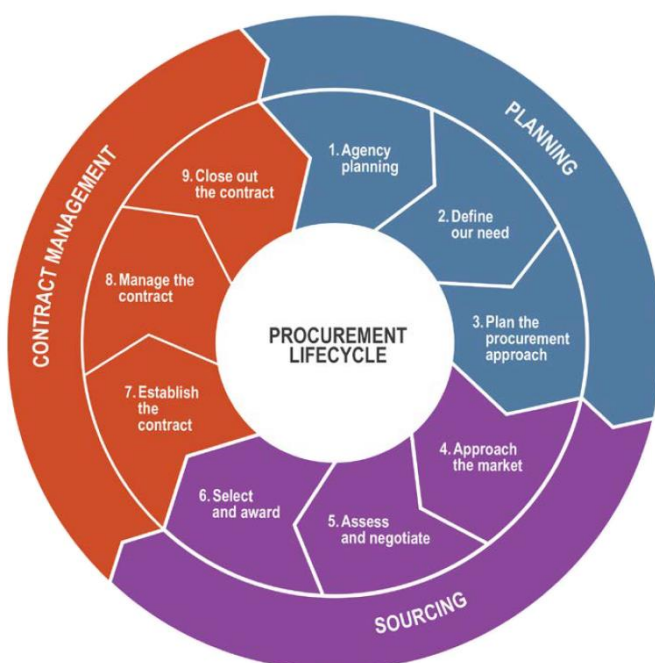
Table 2: Procurement Principles

Principle	Objective
1. VALUE FOR TERRITORY	Procurement expenditure is a key driver in the cost effective realisation of NTG economic, social, environmental and cultural objectives.
2. ETHICAL BEHAVIOUR AND FAIR DEALING	Procurement activities instil confidence in business, industry and the public as to the probity, accountability and efficacy of NTG Procurement Framework.
3. OPEN AND EFFECTIVE COMPETITION	Procurement activities foster a competitive and innovative business environment to drive opportunities for the NT.
4. ENHANCING THE CAPABILITIES OF TERRITORY ENTERPRISES AND INDUSTRIES	Procurement activities support the growth, development, and sustainability of Territory enterprises and industries.
5. ENVIRONMENTAL PROTECTION	Procurement activities promote the protection of the environment through harm minimisation and sustainable practices.

Source: Department of Trade, Business and Innovation Procurement Rules v1.2

The detailed processes within the Planning, Sourcing and Contract Management categories are presented in Figure 2.

Figure 2: Procurement Lifecycle



Source: Department of Trade, Business and Innovation Procurement Rules v1.2

## Territory Families cont...

### Agency Procurement Environment

In November 2016, the Agency's Budget Committee established the Procurement Assurance Sub-Committee (PASC). The audit noted the PASC could improve its effectiveness through more timely meetings, timely approvals of key processes and timely implementation of key functions.

The PASC terms of reference require the development of an Agency Strategic Investment Framework, establishment of contract management principles and implementation of a communications plan. At the time of the audit, these requirements had yet to be implemented and there was no due date outlining when they will be actioned. The terms of reference also state the annual Agency Procurement Management Plan (APMP) is to be submitted to the Procurement Review Board by 30 September each year. This due date does not comply with the mandatory requirements of the Procurement Rules which require the APMP to be submitted by 1 August.

The PASC oversees the operation of the Finance and Procurement Unit (FPU) which provides a compliance and reporting role within the Agency.

The FPU maintains a Procurement Non-Compliance Register. The register is populated by the FPU when an instance of non-compliance is identified. All breaches are investigated with the responsible employee and their relevant business manager, both being interviewed in an attempt to establish the reason/s for the breach. Current ramifications for procurement breaches include the responsible employee having to undertake additional procurement training and the cancellation of credit card privileges if applicable.

A total of 93 breaches were identified during the year ended 30 June 2018, with the majority relating to lack of prior approval. A review of the register for the seven months to 31 January 2019 revealed an increase in total identified breaches to 118 for the period, with the majority relating to no prior approval to procure and the absence of purchase orders.

Procurement Rule 8.3 provides that the APMP must contain a minimum series of information. A review of the Agency's APMP noted it does not address one requirement to report upon the performance against planned procurement activity.

The APMP requires that the Audit and Risk Management Committee (ARMC) provides '*independent oversight of the Agency's operational risks*'. The ARMC's oversight of procurement risk for 2018/19 and 2019/20 has been limited to receiving and reviewing the mandatory Value for Territory Internal Audits (December 2018). At the time of the audit, the ARMC had yet to formally endorse the current audit plan.

### Planning Lifecycle

The Planning Lifecycle encompasses the Agency specific procurement strategic planning, identification of procurement needs and the establishment of appropriate procurement approaches.

The procurement of goods and services can be initiated by any Agency officer however the majority of the Agency's procurement activity during the seven month period to 31 January 2019 occurred within the Agency's operational business units.

Agency staff are directed to the Agency's intranet site for guidance as to the appropriate procurement process. During the period December 2018 to February 2019, documents containing incorrect guidance were attached to the site. A refreshed Territory Families intranet site became active on 20 February 2019 and has a section specifically relating to the procurement of goods and services including the Corporate Services Handbook that came into effect in December 2018.



## Territory Families cont...

The Corporate Services Handbook, Purchasing and Procurement section is somewhat ambiguous with the language implying that the grant process is one of two 'procurement' processes to be utilised in the Agency.

In June 2018, the Agency entered into an agreement with the Department of Trade, Business and Innovation (DTBI) for the provision of procurement services in order to improve the Agency's procurement capability. The Procurement Services Unit - Service Charter ('Service Charter') details the procurement responsibilities of both parties and was to be effective from 1 July 2018. The Service Charter governs the procurement activity for Tier 2 and above. All Tier 1 procurement remains within the Agency together with procurement activity that requires direct contracting.

In accordance with the Service Charter, Agency personnel are required to submit an approved Purchase Requisition to DTBI in order for APRO to be accurately populated. The submission includes verification that the procurement rules are being met.

All tenders that are estimated to be Tier 3 and above are notified to the Contractor and Procurement Services (CAPS) business unit within DCIS, to be released via Quotations and Tenders On Line (commonly referred to as QTOL). The CAPS business unit then continues to manage the Sourcing Lifecycle, once the planning stage has been completed.

Testing of procurement documentation found one instance where the Future Tender Opportunity had not been included for one tender reviewed.

Of the population provided for review, the FPU identified two transactions as not having been recorded within APRO. One of these was selected for audit scrutiny and was found to relate to the use of an across government contract, which is not required to utilise APRO.

### Sourcing Lifecycle

The Sourcing Lifecycle involves the process of inviting relevant parties to submit tender offers, the subsequent assessment of the relevant contractors, contract negotiations and culminates with the awarding of contracts.

During the Sourcing Lifecycle, contractors are assessed and appropriate negotiations undertaken. As part of this process, Assessment Panels are established. Personnel on each Assessment Panel are selected based on the specifics of the individual tender. This is intended to ensure that personnel with appropriate and relevant skill sets are assessing the responses to the tenders. Once the Assessment Panel members have been selected and detailed within the Procurement Assessment Report, APRO is then to be updated to reflect this information.

The Project Specific Procurement Plans (PSPP) require the contract manager and assessment panel members to have completed the relevant DTBI Procurement Awareness eModules prior to conducting work on the tender/contract. This requirement, although not mandated by the Agency until February 2019, was being informally monitored by the FPU. A monthly report is collated listing employees that have completed each module. This report is then compared to the completed PSPP and the relevant delegate is informed if an employee has not completed their training. A summary of the completed training is included in the monthly KPI Report and discussed at monthly Finance meetings.

Testing of the sourcing process for three transactions identified that a compulsory training module required to be completed by the Agency's internal policy, was not completed by one or more members of the assessment panel prior to conducting the procurement assessment.



## Territory Families cont...

Once a successful tenderer has been selected, they are notified in writing. Those that have been deemed unsuccessful are also notified and are provided the opportunity to meet with Agency personnel to gain an understanding of the basis for their offer being unsuccessful. Evidence of notification to the unsuccessful tenderer could not be provided for one tender.

### Complaints Management

The Complaints Policy and Procedures have been developed and provide guidance, to both Agency personnel and the general public on procurement and contract related issues. These documents are located on the Agency's website and its intranet. The complaints process is managed by DTBI through their Sharepoint system. There have been no procurement or contract related complaints received by the Agency during the 2017/18 year or within the seven-month period under review.

### Contract Management Lifecycle

The Contract Management Lifecycle commences once the tender has been awarded to a contractor. This lifecycle involves the establishment, execution and closure of formal contracts and the subsequent review of contractor performance.

Once a contract has been awarded, DTBI forwards all relevant documentation to the nominated Contract Manager. As Agency personnel do not have access to DTBI's Territory Records Manager (TRM) system, a copy of the procurement related records are stored within the Agency's internal drive, along with any subsequent documentation. As the access to this drive is limited, not all personnel have the ability to store subsequent documentation within this internal system. It is understood that the Agency is now in the process of moving all current procurement related records onto TRM from February.

Review of the operations identified three instances of non-compliance with the Procurement Rules.

Two tenders had been awarded after the supplier had been engaged. Of the five contracts reviewed, one variation to the originally gazetted contract amount was identified. In this instance the change in value to the original tender would have resulted in the procurement being undertaken at the next Tier (Tier 4).

Procurement Rule 26.1 requires that a contract management plan be in place for all contracts issued under tender. At the time of completion of this audit, contract management plans were unable to be provided for two contracts.

### Out of Home Care and Direct Contracting

A key business area of the Agency relates to the provision of Out of Home Care. This service can take several forms such as respite care, kinship and foster care, residential care placement, and individual placement arrangements (IPA). An IPA is an alternative to a foster care or kinship placement utilised by the Agency to meet the requirements of certain high needs or at risk children. Due to the nature of this type of procurement, there are often limited suppliers that are able to meet the needs of these children. As such, the Chief Executive Officer has issued a Certificate of Exemption (CoE) to enable these services to be procured through Direct Contracting with the relevant service provider.

## Territory Families cont...

Direct Contracting is defined within the Procurement Governance Principles as a “*restricted procurement method where commercial negotiations are undertaken, outside of a conventional tender process, with the intent of establishing a contract.*”

The Agency may engage with a specific vendor where the following CoE requirements have been met:

- a) Where there is a single supplier capable of meeting the requirements; and
- b) There is evidence that it is the most effective manner to deliver the best Value for Territory; or
- c) It is impractical or impossible to use an open procurement process.

The Direct Contracting procurement process falls outside of the procurement agreement with DTBI, with these procurement activities undertaken wholly within the Agency.

Work instructions, including a flow chart, have been in use by the Placements Unit since May 2018. These instructions clearly detail the roles and responsibilities of the Placement Unit and the FPU however do not provide detail relating to the use of the CoE or the preparation of the Project Specific Procurement Plan. The PSPPs are used to facilitate the planning process of the procurement activity, in particular detailing the scope, estimation of value, assessing the capability and capacity of local industry, consideration of opportunities to maximise local content and Aboriginal participation.

During the audit testing, contracts for three IPAs were evaluated for compliance with the procurement requirements. It was observed that all three were entered in APRO with an estimated contract value significantly less than the awarded value. On enquiry with FPU personnel, officers were unclear as to the rationale behind this underestimation of IPA procurement values.

My Authorised Auditors sought clarification directly with DTBI, who advised there is a system limitation within APRO, as it does not recognise the direct contracting method. It is acknowledged that the awarded tender value accurately reflects the true cost of the tender, however opportunities to resolve this system deficiency should be investigated.

Testing of the Direct Contracts identified that use of the restricted method of direct contracting should only be utilised when two of the CoE criteria have been met. Compliance with this requirement for all three of the transactions tested was unable to be evidenced.

The FPU maintain a manual IPA Direct Contracting Register (in the form of a spreadsheet) to monitor the progress of all tenders utilising the Direct Contracting method. A reconciliation between the IPA Tracking spreadsheet and APRO was conducted by the FPU, to ensure the completeness of the APRO report provided to my Authorised Auditors. This process identified three omitted IPAs that had been awarded. A reconciliation of this register to procurement source documentation is not regularly performed by the FPU.

### Assessing the future commitment relating to IPAs

The length of an IPA can vary from three to 12 months, however where a child requires a longer placement, the IPA is extended. One IPA selected for testing was for an initial period of three months, however the Panel Assessment Recommendation indicated the child would require permanent care until they reached the age of 18. There is an opportunity for the Agency to consider if a more effective procurement process could be utilised in these circumstances.

## Territory Families cont...

Of the sample of six tenders reviewed, three were procured using the Direct Contracting method. Under this restricted method, only some of the requirements under the Procurement Rules are excluded, namely utilising a Territory Enterprise, future tender opportunities, advertising periods and admissibility appeal rights. All other procurement rules are to be followed. Audit testing identified the following deficiencies:

- The PSPP is mandatory for all procurement through the Directing Contracting method, regardless of value. No PSPPs were able to be provided for the sample of contracts selected for testing.
- The Panel Assessment Recommendation had been completed and approved retrospectively for one transaction.
- The assessment criteria weighting established by Procurement Rule 11.1 requires a minimum 30% weighting for local content and up to a maximum 30% weighting for price. None of the three transactions tested met these requirements.
- The conflict of interest declaration forms submitted for two transactions do not indicate the contract reference and one conflict of interest declaration form could not be provided for the third transaction tested.

## Territory Families cont...

**Territory Families has commented:**

Territory Families values and accepts the findings of the performance management system audit of procurement compliance and has commenced implementation of recommendations provided to improve compliance with the NTG Procurement Framework.

# Matters Referred to the Auditor-General Pursuant to Section 6 of the *Public Information Act 2010*

## Background

The *Public Information Act 2010* (the Act), and the associated Regulations, which came into effect in 2010 and was subsequently amended effective 10 April 2019, provides for the review of public information produced by public authorities. A public authority is defined in Section 5 of the Act as:

- an Assembly member;
- the holder or occupier of any of the offices of a Minister, the Speaker, the Leader of the Opposition or any other office of the Legislative Assembly;
- the holder or occupier of an office established by or under a law of the Territory;
- a person appointed or engaged to perform work for a public authority;
- an Agency;
- a body (whether incorporated or not) established by or under a law of the Territory;
- a body corporate to which one or both of the following apply:
  - the capital of the body corporate is owned by one or more public authorities;
  - one or more public authorities have a total of more than one-half of the voting power in the management of the body corporate;
  - a body corporate that is a subsidiary of a public authority (whether or not through any interposed entity).

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 office of the Auditor-General;
- a local government council;
- Jacana Energy;
- the Power and Water Corporation;
- Territory Generation; and
- a person or body prescribed by regulation.

## Matters Referred to the Auditor-General Pursuant to Section 6 of the *Public Information Act 2010* cont...

Section 4(1) of the Act defines public information 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 given to members of the electorate of an Assembly member 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; and
- a media release of a Member of the Legislative Assembly; and
- information prescribed by regulation.

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, with regard to the Public Information Regulations.

The Auditor-General may determine that the Act is contravened in relation to particular public information if the Auditor-General is satisfied one or more of the following applies to the information:

- the information promotes particular party political interests;
- the information includes statements that are misleading;
- the information is an advertisement that includes an image of a minister or a minister's message;
- for public information that is not an advertisement – the information includes an image of a minister or a minister's message other than:
  - the Chief Minister; or
  - the relevant minister;
- the information includes facts (including comparisons), statistics or data that are not presented accurately;
- the information fails to specify the source, or a means for identifying a source, of any facts (including comparisons), statistics or data.

There has been one matter referred since my March 2019 Report to the Legislative Assembly.

# **Matters Referred to the Auditor-General Pursuant to Section 6 of the *Public Information Act 2010* cont...**

## **Referral of a complaint to the Auditor-General – Executive Contract Officer Pay Freeze**

On 24 June 2019, a Member of the Legislative Assembly wrote to the Auditor-General alleging contraventions of the provisions of the Act.

The allegation was that comments included in a Media Statement dated 13 June 2019 entitled "*THE CLP AND LAMBLEY WANT THEIR PAY INCREASED*" contravened the provisions of the Act, in particular Sections 6(2) and 6(2A). The comments were subsequently included in Facebook posts released by the Treasurer of the Northern Territory on 13 June 2019 and the Chief Minister of the Northern Territory on 13 June 2019. The referral was accompanied by copies of the Media Statement, extracts from both Facebook pages, a transcript of a radio interview held between Ms Katie Woolf and the Leader of the Opposition and an article published in the NT News on 13 June 2019.

### ***Review of Allegation***

After examining the content of the referred information, I formed the view that:

- the Media Statement is exempt from the provisions of the Act by virtue of Section 4(1)(b) because the information was contained within a media release; and
- the Facebook posts are exempt from the provisions of the Act by virtue of Section 4(1) because I have no evidence to substantiate that the information given to the public through Facebook posts was given using money or other property of the Territory.

### ***Conclusion***

Following from the above I concluded that the information did not meet the definition of public information as defined by the Act.

### ***Recommendation***

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

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

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

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## Appendices

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# Appendix 1: Audit Opinion Reports Issued Since 28 February 2019

## Financial Statements for the year ended 31 December 2018

	Date 2018 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 31 December 2018	Date of Audit report year ended 31 December 2017
Batchelor Institute of Indigenous Tertiary Education	Not yet tabled	12 June 19	22 June 18
Bridging the Gap Foundation previously known as the Menzies School of Health Research Foundation (a company limited by guarantee)	Not required	31 May 19	29 March 18
Bridging the Gap Foundation Trust	Not required	31 May 19	N/A
Cairns Business College Pty Ltd	Not required	17 May 19	15 June 18
Cairns Education Australia Pty Ltd	Not required	17 May 19	15 June 18
Cairns Language Centre Pty Ltd	Not required	17 May 19	15 June 18
CDU Amenities Limited	Not required	7 June 19	21 June 18
Charles Darwin University	Not yet tabled	7 June 19	27 June 18
Charles Darwin University Charitable Trust	Not required	12 March 19	25 May 18
Charles Darwin University Foundation (a company limited by guarantee)	Not required	12 March 19	11 May 18
Charles Darwin University Foundation Trust	Not required	12 March 19	11 May 18
ICHM Pty Ltd	Not required	17 June 19	18 June 18
Menzies School of Health Research	Not yet tabled	7 March 19	28 March 18
Menzies School of Health Research Foundation Trust	Not required	N/A	29 March 18

Not yet tabled – as at 30 June 2019

Not required – Financial statements are not required to be tabled

N/A – Not applicable

## Appendix 1: Audit Opinion Reports Issued Since 28 February 2019 cont...

### Acquittals or other returns for the year ended 30 June 2018

	Deadline for submission of Audited Financial Statements	Date of Audit report year ended 30 June 2018	Date of Audit report year ended 30 June 2017
Natural Disaster Relief and Recovery Arrangements	31 March 19	27 March 19	24 October 17

### Acquittals or other returns for the year ended 31 December 2018

	Deadline for submission of Audited Financial Statements	Date of Audit report year ended 31 December 2018	Date of Audit report year ended 31 December 2017
Charles Darwin University Higher Education Research Data Collection	30 June 19	18 June 19	25 June 18

## Appendix 2: Status of Audit Activity

In addition to the routine audits, primarily being compliance audits of Agencies and audits of financial statements, the following audits and reviews were identified in Appendix 3 of my March 2019 Report to the Legislative Assembly as scheduled to be conducted during the six months to 30 June 2019:

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

Cyber Security	Refer page 48
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### **Department of Education**

Student Administration Management System	Refer page 54
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NAPLAN Data Analytics and Cause Analysis	Not yet completed
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### **Department of the Attorney-General and Justice**

Fines Recovery Process	Not yet completed
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### **Department of Trade, Business and Innovation**

Local Jobs Fund	Not yet completed
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### **Department of Treasury and Finance**

<i>Fiscal Integrity and Transparency Act 2001</i>	Refer page 61
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### **Territory Families**

Procurement Compliance	Refer page 98
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## Appendix 3: Proposed Audit Activity in the Six Months Ending 31 December 2019

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 Environment and Natural Resources**

Water Licences

**Department of Infrastructure, Planning and Logistics**

System for payments - Darwin Port Lease

**Department of Local Government, Housing and Community Development**

Room to Breathe

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

Prisoner Monies

**Department of Trade, Business and Innovation**

Darwin Port Lease

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## Appendix 4: Agencies not subject to audit relating to the year ended 30 June 2019

Section 13(3) of the *Audit Act 1995* permits the Auditor-General to dispense with an audit of an Agency.

For activities relating to the financial year ended 30 June 2019, audits were, or are intended to be, conducted at all Agencies.

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.

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 1995*. The audit of the financial statements was undertaken during July and August 2019.

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## Appendix 5: Abbreviations

ACSC	Australian Cyber Security Centre
APMP	Agency Procurement Management Plan
APRO	Agency Purchase Requisitions Online
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ARMC	Audit and Risk Management Committee
CAPS	Contract and Procurement Services
CDU	Charles Darwin University
CLC	Cairns Language Centre
CoE	Certificate of Exemption
CPI	Consumer Price Index
CSC	Cyber Security Committee
DCIS	Department of Corporate and Information Services
DTBI	Department of Trade Business and Innovation
DTF	Department of Treasury and Finance
FITA	<i>Fiscal Integrity and Transparency Act 2001</i>
FPU	Finance and Procurement Unit
GAS	Government Accounting System
GST	Good and Service Tax
HECS	Higher Education Contribution Scheme
HELP	Higher Education Loan program
ICAC	Independent Commission Against Corruption
ICT	Information and Communications Technology
IGB	ICT Governance Board
IPA	Individual Placement Arrangements
IRAP	InfoSec Registered Assessors Program
KPIs	Key Performance Indicators
PASC	Procurement Assurance Sub-Committee
PSPF	Protective Security Policy Framework
PSPP	Project Specific Procurement
QTOL	Quotations and Tenders On Line

## Appendix 5: Abbreviations cont...

NTIS	National Institute of Standards and Technology
NT	Northern Territory
NTG	Northern Territory Government
SAMS	Student Administration Management System
SIP	Strategic Infrastructure and Projects
SLG	Security Leadership Group
SMART	Specific, Measurable, Attainable, Realistic/Relevant and Timely
TRM	Territory Records Manager
VET	Vocational Education and Training

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