



Northern Territory Auditor-General's Office
Auditing for Parliament

June 2020

Report to the Legislative Assembly

<https://ago.nt.gov.au>

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

ISSN 1323-7128

June 2020 Report to the Legislative Assembly

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Contents

	Page
Contents	5
Transmittal letter to the Speaker	7
Auditor-General's Overview	9
The Role and Responsibilities of the Auditor-General	10
Guide to Using this Report	13
Reports on the Results of Audits, Reviews and Assessments	19
Appendix 1: Audit Opinions Issued Since 28 February 2020	122
Appendix 2: Status of Audit Activity	125
Appendix 3: Proposed Audit Activity in the Six Months Ending 30 December 2020	127
Appendix 4: Agencies not subject to audit relating to the year ended 30 June 2020	129
Appendix 5: Abbreviations	131
Index of Matters Reported	133

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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

23 June 2020

Dear Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits, reviews and assessments completed during the three months ended 31 May 2020 and I request that you table the report in the Legislative Assembly.

Agency compliance audits were conducted at all agencies and tested each agency's compliance with the Treasurer's Directions. The findings from these audits are contained in this report.

This report presents the results of financial statements audits completed between 1 March 2020 and 31 May 2020 inclusive.

A number of performance management system audits designed to test the adequacy of performance management systems within agencies as they related to strategic goals presented in Budget Paper 3 or to specific programs or projects were completed and the findings included in this report.

The report also presents the findings from the audit of one information technology system undertaken to assess whether controls pertaining to access to the system and the data maintained within the system were adequate.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Julie Crisp'.

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 30 separate audits and other tasks completed during the period 1 March 2020 to 31 May 2020. 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; and
- Performance Management Systems Audits.

The report presents the results of reviews that were performed to assess the adequacy of selected aspects of controls over accounting and material financial transactions at 20 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 my audit of the Treasurer's Annual Financial Statement.

Also included are the results of audits of financial statements for those entities with a financial year ended 31 December 2019 where the audits were completed prior to 31 May 2020.

During the period 1 March 2020 to 31 May 2020, the following performance management systems audits were completed.

- Contract Management – Adherence to A Guide to Contract Management (Department of Health);
- Contract Management – Adherence to A Guide to Contract Management (Department of Infrastructure, Planning and Logistics);
- \$100 Million Stimulus (Department of Local Government, Housing and Community Development); and
- Room to Breathe (Department of Local Government, Housing and Community Development).

The summary of results and findings from a survey of controls in place at all agencies to manage Conflicts of Interest are presented in this report. The survey was issued to 21 agencies with 20 providing responses. All agencies received a summary of the survey results together with findings and recommendations relevant to the specific agency.

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 included at the end of the relevant section.

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 fourth report provided for tabling within the Legislative Assembly for the year ending 30 June 2020, the last report was tabled during March 2020.

A number of audits scheduled to be commenced and completed in the period 1 January 2020 to 30 June 2020 are still to be completed. The outcomes of these audits (listed in Appendix 2) will be presented in my next report to the Legislative Assembly.

The Role and Responsibilities of the Auditor-General

Responsibilities of the Auditor-General

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 largely 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 25, which requires the Auditor-General to issue a report to the Treasurer on the Treasurer's Annual Financial Statement.

The Public Account

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

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

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

Audit of the Treasurer's Annual Financial Statement

Using information about the effectiveness of internal controls identified in the overall control environment review, Agency Compliance Audits 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 undertaken 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...

Audits of Performance Management Systems

Legislative Framework

A Chief Executive Officer, as an Accountable Officer, is responsible to the appropriate Minister under section 23 of the *Public Sector Employment and Management Act 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 shall 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.

Operational Framework

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

- identification of the policy and corporate objectives of the entity;
- incorporation of those objectives in the entity's corporate or strategic planning process and allocation of these to programs of the entity;
- identification of what successful achievement of those corporate objectives would look like, and recording of these as performance targets;
- development of strategies for achievement of the desired performance outcomes;
- monitoring of the progress toward that achievement;
- evaluation of the effectiveness of the final outcome against the intended objectives; and
- reporting on the outcomes, together with recommendations for subsequent improvement.

Guide to Using this Report

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.

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.

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.

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]

Guide to Using this Report cont...

Assurance Engagements Conducted by the Auditor-General

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

- Statutory Audits of Financial Statements;
- End of Year Reviews;
- Information Technology Audits;
- Controls and Compliance Audits; and
- Performance Management System Audits.

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.

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

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.

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.

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.

Public Information Act 2010 Referrals

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. If review of the information suggests a contravention, a preliminary opinion is issued to the public authority that gave the relevant public 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 my reports to the Legislative Assembly.

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Reports on the Results of Audits, 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 2019

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 Institute's enabling 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 financial statements 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 2019.

Audit Opinion

The audit of the Batchelor Institute of Indigenous Tertiary Education for the year ended 31 December 2019 resulted in an unmodified independent audit opinion, which was issued on 26 May 2020.

Audit Observations

The audit did not identify any material weaknesses in controls.

Performance Overview

The Institute reported a loss of \$2.7 million (2018: loss of \$1.2 million). This increase in deficit of \$1.5 million is attributable to the following significant movements.

- An increase in expenditure of \$2.9 million in comparison to the previous year (mainly due to an increase in employee related expenses of \$3.2 million and increases in depreciation, repairs and consultancy and contract expenditure approximating \$0.5 million; partially offset by:
- an increase in revenue in the form of NT Government financial assistance of \$2.2 million.

The Institute's net asset position decreased from \$33.6 million at 31 December 2018 to \$30.5 million at 31 December 2019 as reflected in:

- the decrease in cash and deposits of \$2.6 million between the years mainly due to back pay of salary increases from 2017 related to the finalisation of the Batchelor Institute Union Enterprise Agreement and funding returned due to non-achievement of targets for the training contract; and
- the increase in total liabilities of \$0.7 million which is mainly attributable to redundancy entitlements unpaid at year end.

Batchelor Institute of Indigenous Tertiary Education cont...

Going Concern

Batchelor Institute's statutory financial results for the previous financial years were:

- 2019 – \$2.7 million loss against a budgeted deficit of \$1.6 million;
- 2018 – \$1.2 million loss against a budgeted deficit of \$1.3 million;
- 2017 – \$0.2 million loss against a budgeted surplus of \$0.5 million; and
- 2016 – \$6.9 million loss against a budgeted deficit of \$2.2 million.

The Institute introduced the following initiatives from 1 September 2017 in an effort to improve financial management practices and ultimately the Institute's financial results:

- A 30 day payment policy.
- Stricter financial delegations for travel expenditure.
- A three quote procurement process for all purchases greater than \$1,000.
- External assistance was sought to identify where past issues had occurred and recommend where improvements could be identified.

The items above have contributed to improved monitoring and control of the financial results of the Institute and strengthened governance arrangements.

Overall cash position

The Institute's cash position was \$11.3 million at 24 April 2020.

A forecast of the cash position at 30 June 2021 estimates cash holdings of \$8.4 million.

The cash forecast indicates that, for the 2020 financial year and for the 12 month period from signing the financial statements (to 30 June 2021), the Institute should return a cash surplus each month and therefore has the ability to pay debts as and when they fall due for at least 12 months from the date of signing the 31 December 2019 financial statements. Notwithstanding the positive forecast, I note that the net cash used in operating activities, as reported in the cash flow statement, was \$1.4 million for the year ending 31 December 2019, and four categories of cost, including employee related expenses and repairs and maintenance were higher this year than in the previous year. To that end, those charged with governance should continue to closely monitor cash balances and maintain tight controls in relation to operating expenditure.

The going concern basis of preparation has been appropriately disclosed in the financial statements including the economic dependency in respect to ongoing funding from the Australian and NT Governments which is expected into the future, however is only committed each year. In continuing to prepare the financial statements on the basis that the Institute is a going concern, management has also given due consideration to the known impacts of COVID-19.

Batchelor Institute of Indigenous Tertiary Education cont...

COVID-19 Impact

I draw your attention to the following COVID-19 disclosure contained within Note 29 to the financial statements of Batchelor Institute for the year ended 31 December 2019.

“The spread of coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors.

The Australian Federal Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March 2020, an increasing level of restrictions on corporate Australia’s ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties. This required Batchelor Institute to assess whether and how they are affected, and the impact on their ongoing operations.

The impact post 31 December 2019 on Batchelor Institute required the short term ceasing of face to face classes on campuses, changes in the way courses are delivered and also impacted the ability to fulfil a number of contracts. Batchelor Institute has been working closely with its students, Commonwealth and Territory governments and its other customers in order to continue operations and limit impacts, as well as exploring applicable government stimulus opportunities. The overall financial impact of COVID-19 has not been fully quantified for the 2020 financial year.

However, based on negotiations and discussions with the Commonwealth and Territory governments, who provide the core Batchelor Institute funding, and other customers and performing cash flow forecasting, Batchelor Institute’s assessment has concluded that:

- 1) There is no material financial impact on the 2019 Annual Financial Statements due to COVID-19, as a post balance sheet date event; and*
- 2) Batchelor Institute is a going concern and that 2019 Annual Financial Statements should be prepared as such and COVID-19 will not materially impact its ongoing operations.”*

Batchelor Institute of Indigenous Tertiary Education cont...

Financial Performance for the year

	2019	2018
	\$'000	\$'000
Revenue from continuing operations		
Australian Government financial assistance	13,603	13,624
Northern Territory Government financial assistance	13,861	11,702
Other revenue	6,769	7,494
Total revenue from continuing operations	34,233	32,820
Less expenses from continuing operations		
Employee expenses	(24,471)	(21,289)
Depreciation and amortisation	(2,190)	(1,669)
Other expenses	(10,304)	(11,100)
Total expenses from continuing operations	(36,965)	(34,058)
Deficit before income tax expense	(2,732)	(1,238)
Income tax expense	-	-
Deficit after income tax expense	(2,732)	(1,238)

Batchelor Institute of Indigenous Tertiary Education cont...

Financial Position at year end

	2019	2018
	\$'000	\$'000
Cash and cash equivalents	7,448	10,066
Receivables and other current assets	2,608	1,479
Less current liabilities	(9,934)	(8,957)
Working Capital	122	2,588
Add non-current assets	31,154	31,326
Less non-current liabilities	(361)	(267)
Net Assets	30,915	33,647
Represented by:		
Accumulated funds	30,741	30,741
Capital	174	2,906
Equity	30,915	33,647

Cobourgh Peninsula Sanctuary and Marine Park Board

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2019

Background

The Cobourgh Peninsula Sanctuary and Marine Park Board (the Board) was formed in 1981 under the *Cobourgh Peninsula Aboriginal Land, Sanctuary and Marine Park Act 1981* to acknowledge and secure the right of Aboriginals to occupy and use certain land on the Cobourgh Peninsula, to vest that land in trust for Aboriginals, to declare that land to be a national park, to make provisions relating to the management of adjacent marine areas and related purposes.

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Cobourgh Peninsula Sanctuary and Marine Park Board for the year ended 30 June 2019.

Audit Opinion

The audit of the Cobourgh Peninsula Sanctuary and Marine Park Board for the year ended 30 June 2019 resulted in an unmodified independent audit opinion, which was issued on 13 May 2020.

Audit Observations

The audit did not identify any material weaknesses in controls.

Governance practices within the Board require improvement.

Section 19 of the *Cobourgh Peninsula Aboriginal Land, Sanctuary and Marine Park Act 1981* (the Act) provides that the Board shall consist of eight members appointed by the Minister, four of whom shall be members of the group and be appointed on the nomination of the Land Council. A member of the Board holds office for a period of 3 years (and is eligible for reappointment).

From 7 March 2019, the Board only had six members until 6 December 2019 when a further Board member was appointed.

Section 23 of the Act provides that the Chairman or Deputy Chairman shall call such meetings of the Board as are necessary for the performance of its functions and the exercise of its powers. It also provides that a quorum is constituted of six members, of whom four shall be members appointed under section 19(1) on the nomination of the Land Council.

Two meetings of the Board were held during the financial year ended 30 June 2019, specifically 17 July 2018 and 18 December 2018. No further meetings of the Board had been held as at 14 February 2020 thus the Board had not met for 14 months.

Accepted practice and good governance principles would result in the Board meeting between four and six times per annum in order to demonstrate that the Board is effectively discharging its duties.

Cobourg Peninsula Sanctuary and Marine Park Board cont...

Performance Overview

The Board reported a surplus of \$37 thousand compared to prior year's surplus of \$14 thousand. The movement of \$23 thousand is attributed to:

- Total income of \$480 thousand (2018: \$453 thousand) which increased from the prior year by \$27 thousand. This was largely attributed to an increase of \$54 thousand in Park Income partially offset by a decrease of \$35 thousand in Goods and Services received free of charge. The decrease in Goods and Services income was equal to the decrease in the associated expenditure.
- Total expenses of \$443 thousand (2018: \$439 thousand). The increase in expenditure of \$4 thousand is attributable to the increase of \$54 thousand in Payments to Traditional Owners largely offset by decreases in Goods and Services received free of charge and Other Expenses declining by \$35 thousand and \$15 thousand respectively.
- The Board continues to hold a strong net asset position. As at 30 June 2019 the net asset position was \$312 thousand (2018: \$275 thousand). Net assets at 30 June 2019 comprised:
 - Cash and cash equivalents of \$303 thousand; and
 - Receivables and Prepayments of \$187 thousand; offset by:
 - Trade and other payables of \$178 thousand.

Cobourg Peninsula Sanctuary and Marine Park Board cont...

Financial Performance for the year

	2019	2018
	\$'000	\$'000
Income		
Park income	342	288
Payments to Traditional Owners	(296)	(242)
Other revenue	138	165
Total income	184	211
Expenditure		
Operational costs	(147)	(197)
Total expenditure	(147)	(197)
Surplus	37	14

Cobourg Peninsula Sanctuary and Marine Park Board cont...

Financial Position at year end

	2019	2018
	\$'000	\$'000
Cash and cash equivalents	303	242
Receivables and other current assets	187	187
Less current liabilities	(178)	(154)
Working Capital	312	275
Add non-current assets	-	-
Less non-current liabilities	-	-
Net Assets	312	275
Represented by:		
Accumulated funds	312	275
Equity	312	275

Department of Local Government, Housing and Community Development

Room to Breathe

Background

Remote Housing Investment

In 2016 the Northern Territory Government announced a 10 year, \$1.1 billion remote housing investment. The investment aims to focus on local decision making, engagement and planning with emphasis on local participation in the delivery of the work, promoting local economic and skills development to build and manage housing.

The remote housing investment comprises four programs:

- Homebuild NT - \$500 million over 10 years for the construction of new public housing.
- Room to Breathe - \$200 million over 10 years to increase living spaces in existing homes.
- Repairs And Maintenance - \$200 million over 10 years for repairs and maintenance.
- Government Employee Housing - \$200 million over 10 years to expand Government Employee Housing to include locally recruited NT Government employees living and working in remote areas.

Scope and Objectives

The objective of the performance management system audit was to obtain reasonable assurance that the performance management systems and processes implemented to manage the *Room to Breathe* Program (the Program) enable the Agency to assess whether the Program's objectives are being achieved economically, efficiently and effectively. The audit covered the period from the announcement of the Program in November 2016 to 30 September 2019. The fieldwork supporting this audit was conducted between September and November 2019.

Index

The report on this audit is structured as follows:

Audit Opinion	Refer page 31
Recommendations	Refer page 31
Audit Observations	
Room to Breathe Program	Refer page 32
Early Works Delivery Program 2016-17	Refer page 32
Key Performance Indicators (KPIs) and Agency reporting	Refer page 35
Current program delivery	Refer page 35
Tenant communication	Refer page 36
Procurement	Refer page 37
National Partnership for Remote Housing	Refer page 39
Records management deficiencies	Refer page 40

Department of Local Government, Housing and Community Development cont...

Audit Opinion

The objective of the performance management system audit was to obtain reasonable assurance that the performance management systems and processes implemented to manage the *Room to Breathe* Program enable the Agency to assess whether the Program's objectives are being achieved economically, efficiently and effectively.

The audit identified a number of instances where systems and processes could be improved in order to better enable the Agency to assess whether the Program's objectives are being achieved economically, efficiently and effectively. These matters have given rise to recommendations provided to the Agency. Of note were deficiencies pertaining to the records management system supporting the Program; the need to establish approved program guidance earlier in the life of similar future programs; and the formal identification of key performance indicators specific to the Program with improved regular reporting against performance targets.

As a result of the matters identified during the audit, I have concluded that the performance management systems within the Agency require strengthening in order to enable the Agency to assess whether its objectives are being achieved economically, efficiently and effectively and thus enable management to effectively deliver the Program or take corrective action where necessary to ensure the Program's objectives are realised.

Recommendations

I have noted opportunities for the Agency to improve its systems and processes which are detailed below. I recommended management:

- enhance planning processes by retaining improved documentation of initial program requirements and conducting greater outreach activity when consulting with communities;
- clarify expectations of and deliverables from consultants during the planning stages to ensure consultancy arrangements are fit for purpose;
- strengthen governance arrangements supporting the Program;
- improve contract management processes;
- address inconsistencies in guidance relating to Program inclusions and exclusions;
- enhance monitoring of performance against the objectives of the Program;
- improve document management in relation to the Program;
- seek clarification as to when approval is required for changes to allocated expenditure categories;
- consider reporting operational costs of the Program to reflect the true cost of the program;
- improve adherence to the Northern Territory Government's procurement requirements; and
- undertake monitoring of the Program on a more regular basis than the first five years.

Department of Local Government, Housing and Community Development cont...

Audit Observations

The preparation of the Remote Housing Program Management Plan (the 'Plan') commenced in April 2017, five months after the announcement of the remote housing investment, and was finalised in September 2017 due to changes in key Agency personnel.

The Plan defines how the Agency's 2017-18 capital works allocation was determined, including works associated with the Program. Factors considered within the methodology include (by community): population; identified tenancy needs; existing overcrowding; suitability of lots; community infrastructure; and existing lease arrangements.

The Room to Breathe Program

The Program is a one of four sub-programs under the remote housing investment. The aim of the Program is to reduce the negative effects of overcrowding and enhance current living environments within remote communities.

Overcrowding has been defined by the Agency as:

"a condition where the number of occupants exceed the capacity of the house space available, whether measured as rooms, bedrooms or floor area, resulting in adverse physical and mental health outcomes. It is a result of a mismatch between the house and the household. It relates to the conditions of the house as well as the space it provides: people may crowd into particular rooms in their home to avoid cold or uninhabitable parts of the house or to save on heating and other costs."¹

It is important to note that simply *"increasing the house size does not guarantee reduced overcrowding – increasing house function does."*¹ In order to address these conditions, the Program not only involves construction of additional rooms onto existing dwellings in remote communities, but also, modifications to/or creation of verandahs, kitchens, laundries, bathrooms and extensions in order to use space more effectively. Where general repairs and maintenance are identified, these are to be funded separately. The Program was not intended to and will not deliver fully refurbished dwellings.

All 73 remote Northern Territory communities were assessed for their eligibility under the Program, with an initial 24 communities being prioritised due to high levels of overcrowding. These communities formed part of the *Early Works* Delivery Program ('*Early Works*') developed in January 2017.

Early Works Delivery Program 2016-17

The original Program was due to commence during the 2017-18 year, however \$10 million of the Program's funding was brought forward into the 2016-17 year in order to deliver early outcomes and to stimulate the economy while the main program was being developed. The Program was announced in November 2016, with scoping of works beginning at the first community in February 2017 and the first tender, under the *Early Works*, awarded two months later in April 2017.

¹ *Room to Breathe* Program Design Guidelines, page 9

Department of Local Government, Housing and Community Development cont...

Table 1 below provides details of the Program's life cycle.

Table 1: Summary of key dates

Date	Description
August 2016	The Program was an election commitment of the newly elected Government.
November 2016	\$10 million for the Program to be brought forward into 2016-17 (known as <i>Early Works</i> or Stage 1).
April 2017	First <i>Early Works</i> tender awarded.
April 2018	First tender awarded under the Program.
June 2022	Scheduled Program review (after a \$100 million spend).
June 2027	Scheduled Program completion (total spend of \$200 million).

Source: NTAGO developed

From August 2016 to September 2016, there were two distinct agencies under the one Minister, being the Department of Local Government and Community Services and the Department of Housing. Both Departments were directed to begin the planning process for the remote housing investment, which may have resulted in the duplication of planning works. The two agencies were amalgamated into the current Agency in September 2016.

A Project Charter was developed in January 2017, for the commencement of the *Early Works*, to develop the overall scope, needs analysis and delivery opportunities. In order to accomplish this task, a stakeholder working group was created with an independent facilitator appointed. The stakeholder group consisted of representatives from remote local councils and NTG agencies. The facilitator was to deliver a needs analysis document for each community, a priority list of communities and identification of community capacity (for the purposes of service delivery) within a comprehensive report that would be utilised by the Agency to develop a program of works. A consultant was engaged by the Department of Local Government and Community Services, for this process, with the report being finalised in July 2017, at a cost of \$24,000.

The report produced did not meet the intended objectives detailed in the Charter and was unable to be utilised by the Agency in the determination of works allocation. The Agency has advised that the report will however be used to assist in the development of qualitative information during the evaluation phase of the Program.

The Charter also established the Chief Executive Oversight Group, to provide strategic guidance and direction throughout the life of the project. This Group was charged with identifying any issues affecting the Program and recommending solutions, as well as making recommendations which impact strategy, policy and delivery. This Oversight Group was to meet on a monthly basis, however only two meetings were held in April and June 2017. As a result of changes within the Agency, the Chief Executive Oversight Group was superseded, and the Project Steering Committee was established six months later, in December 2017. This new committee met three times during a 13-month period before ceasing in early 2019 and being replaced with the Joint Steering Committee in August 2019.

Department of Local Government, Housing and Community Development cont...

During the *Early Works* phase, 24 communities were identified for participation in the Program. The Minister announced two communities, being Milikapiti and Hermannsburg, to be included in the Program, with the remaining 22 communities being determined predominantly by the level of overcrowding experienced at the relevant community.

The Agency identified the following four factors to be considered in the assessment of housing needs in remote communities:

1. Residual need as a ratio of community population (based on ABS data)
2. People per bedroom, assuming an average of 3 bedrooms per occupied dwelling
3. Residual need as a ratio of occupied dwellings
4. Total overcrowded dwellings as a ratio of occupied dwellings

Through analysing the strengths and weaknesses of each of the above factors the Agency established a methodology for the selection of the *Early Works* communities based on:

- reviewing available data on overcrowding;
- assessing sustainable infrastructure facilities;
- excluding those communities without leases; and
- ensuring there was a capable Aboriginal business enterprise available to conduct the works.

By the end of June 2017, 21 of the 22 tenders had been awarded, with a combined awarded value of \$8.646 million. The *Early Works* was focused on delivering shelters and verandahs under the existing dwelling footprint. This was to ensure that the construction did not impose an additional burden on existing water and sewage infrastructure, while ensuring the timeliness of construction completion. All *Early Works* had been completed during the 2017-18 year, with the exception of one contract which commenced in July 2017 and was mutually terminated in April 2019.

Room to Breathe Program

At the conclusion of the *Early Works*, the Program commenced for an initial five-year period, to June 2023. During this phase of the Program, it is anticipated living space improvements will be provided to a total of 59 communities with approximately 1093 dwellings to be targeted². As at 30 September 2019, approximately halfway through the period, 252 additional rooms/living spaces had been constructed with works completed at 157 dwellings.

The Program's Design Guidelines (the 'Guidelines') detail the work to be performed under the expanded Program, including the overall objectives and design objectives and the program methodology to be followed. The Guidelines were finalised in August 2019, nearly three years after the announcement of the Program.

² *Room to Breathe* Revised 5-year Program Allocation and Delivery Schedule

Department of Local Government, Housing and Community Development cont...

The Guidelines specify works that are to be excluded from being funded under the Program. Excluded works include fencing, carports, air conditioning and heating, landscaping and irrigation, driveways and additional storeys³. A review of the Agency's September 2019 monthly summary reports, detailing the progress of works under the Program, identified the categories of 'other improvements' and 'living spaces' included works associated with the construction of carports and landscaping.

The Agency has developed a comprehensive overcrowding assessment model to collate, analyse and interrogate remote housing data. The model is a data tool that collates information from the Tenancy Management System, the Agency's asset management system and the Integrated Land Information System. The data tool can be used to interrogate existing occupancy data to identify remote housing needs based on the specific parameters required for inclusion in the Program. This assessment model appears a far more robust method of needs assessment than that implemented during the *Early Works* and initial stages of the Program.

Key Performance Indicators (KPIs) and Agency reporting

The Agency's Annual Report only provides one KPI for the measurement of the Program, being 'dwellings receiving additional bedrooms or living spaces'. The Remote Housing Program Management Plan requires KPIs to be defined not only at a program level, but at a work stream level.

Management have suggested that relevant KPIs for the Program could include the number of additional living spaces and the effect the Program has had on reducing overcrowding, however, no formal measurement or reporting of these outcomes was able to be evidenced.

The Agency's 2016-17 Annual Report reported that a total of 16 'dwellings or living spaces' were completed within a one-month period. The audit identified a number of deficiencies in handover documentation and outcome reporting.

Table 2: Summary of estimated KPIs against actual outcomes

Dwellings receiving additional bedrooms or living spaced	2016-17	2017-18	2018-19	2019-20 (to 30 September 2019)
Estimate	25	108	321	376
Actual	16	102	349	38 (YTD)

Source: DLGHCD Annual Reports

Current program delivery

The Program is currently being delivered by the Agency's Remote Program Delivery Office. A team of eight is responsible for the entire program delivery from initial community consultation, through the procurement process to confirmation of delivery of completed projects.

³ Room to Breathe Program Design Guidelines, page 26

Department of Local Government, Housing and Community Development cont...

After the initial *Early Works* Program, the Program moved into its first five-year phase. The Remote Program Delivery Office uses a program allocation to schedule and commit works for each community. This process allows for the consideration of transitional accommodation and assists in ensuring works are sustained over lengths of time thus creating a pipeline of works that supports ongoing local Aboriginal employment and capability development. The program allocation also allows for any other contingencies that may result in delays.

The initial program allocation was approved in May 2018 and subsequently revised in November 2018. The first tender was awarded in April 2018, a month prior to the formal approval of the program allocation.

As the full 10-year Program has been approved and budgeted, the Agency has developed a seven-year program to 2022-23 (including the incorporation of the *Early Works*). As at September 2019, a total of \$143.5 million of works had been identified as able to be delivered during this program. The value formally approved by the government for the period to 2022-23 is \$121.5 million. The difference of \$22.0 million represents work identified that could be undertaken in accordance with the Program acknowledging it is possible that changes will be made over time to the internal project list. The Agency has not exceeded the approved budget nor committed to projects in excess of the approved budget.

In the initial May 2018 works allocation, Agency representatives estimated the cost per dwelling at \$125,000. In the revised November 2018 works allocation, using the cost of previous works undertaken as a basis, the Agency estimated that the cost per dwelling was trending towards \$200,000. The initial estimate did not take into account the existing condition of the dwellings. At the time of my audit, the Agency had yet to reassess the actual cost per dwelling and determine if any further revision should be made to the Program allocation.

Tenant communication

The 'Tenant Co-design Workshop' is identified in the Guidelines as the first scoping site visit. The Guidelines further provide "*At the heart of the Room to Breathe Program is genuine and direct engagement with individual tenants themselves to determine housing design and layout decisions as well as providing inputs into culturally appropriate design responses*⁴".

Community consultation during the scope phase involves community visits with representatives from the Agency and the architect consulting with the tenants in order to discuss the works required at each dwelling. In one instance, community consultation was unable to be undertaken with the assistance of an interpreter. I acknowledge that significant difficulties were experienced sourcing an appropriate interpreter for this community.

Following the community consultation, a Concept Booklet was produced based on the information gathered during the Tenant Co-design Workshops together with related architectural technical drawings. This Booklet forms the basis of the scope within each Request for Tender.

⁴ *Room to Breathe* Program Design Guidelines, page 17.

Department of Local Government, Housing and Community Development cont...

Within the Guidelines, provisions exist to assist the Agency and its consultants in determining whether a dwelling may need to be excluded under the Program where the cost of adding additional living spaces exceeds the cost of building a new house in the same location⁵. The maximum target budget provision provided in the Guidelines ranges from \$200,000 to \$325,000 based on the number of additional bedrooms a dwelling may receive. This provision includes all additional scoped items such as bedrooms, bathrooms, showers, toilets, modifications to wet areas and kitchens, outdoor living areas, pathways and clotheslines.

The Epenarra Concept Booklet (approved in June 2019) indicated a total of nine dwellings where the cost of the proposed works exceeded the maximum target budget provision of \$200,000 for the addition of up to one additional bedroom. Although the Concept Booklet had been appropriately approved, there was no evidence provided to support that specific consideration had been given to this costing guidance for these nine dwellings. At the time of audit fieldwork, a tender for the scoped works for Epenarra had not yet been released, as such works have not commenced at the community. The initial community visit was in October 2018, hence the planning process for this community has exceeded 12 months.

Procurement

During the Program's initial 30 months of operation, a total of 33 construction tenders have been awarded. An additional eight tenders relating to consultation works (architectural, general consultants and funded agreements) totalling \$1,567,090, have also been awarded.

Table 3: Room to Breathe construction related tenders awarded as at 30 September 2019

Tier	Number of tenders	Total awarded value (GST inclusive)
Tier 1 (<15k)	0	0
Tier 2 (15-100k)	3	151,822
Tier 3 (100-500)	13	3,603,732
Tier 4 (5 m)	17	32,227,962
Tier 5 (>5 m)	0	0
Total	33	\$35,983,516

Source: DLGHCD Remote Program Delivery Office

Although \$35.984 million has been committed, actual expenditure at the same date totals \$16.433 million, as contractors are only paid at the time of completion and handover of each dwelling rather than applying a progress payment approach, where payments occur throughout the project as contractual milestones are achieved.

⁵ Room to Breathe Program Design Guidelines, page 20.

Department of Local Government, Housing and Community Development cont...

Table 4: Actual construction expenditure incurred as at 30 September 2019

Financial year	Approved Program \$	Current commitment (rolling basis) \$	Total expenditure (GST inclusive) \$
2016-17	10,000,000	6,936,473	598,543
2017-18	30,901,456	12,620,690	8,173,116
2018-19	42,728,340	20,341,078	5,397,452
2019-20 (3 months to 30 Sept)	47,330,887	26,688,410	2,264,159
Total delivery expenditure			16,433,272

Source: DLGHCD Remote Program Delivery Office

Construction costs only include the cost of actual construction and do not consider operational costs, transitional accommodation costs that are directly related to delivery of the Program or the costs of NTG employees working to deliver the Program.

Other costs relating to the Program include direct operational costs and the costs of NTG employees involved in delivering the Program. Inclusion of these costs would bring the total expenditure of the Program to \$22,680,155. These additional costs are absorbed by the Agency's operational budget and have not been considered during the Program allocation, however, are monitored as part of the program delivery budget.

The transitional accommodation costs of \$694,018 disclosed in Table 5, include accommodation costs for the entire the \$1.1 billion remote housing investment program, not only Room to Breathe.

Table 5: Summary of other costs as at 30 September 2019

Cost description	Amount (GST inclusive) \$
Operational (architectural, consultancy, concept design, quality surveyor, reviews, tender assessment)	3,550,148
Transitional accommodation	694,018
Employee costs (personnel directly involved in the Program)	2,696,735
Total other costs:	\$6,940,901

Source: DLGHCD Remote Program Delivery Office

The total expenditure of \$16.433 million includes variations of \$6.871 million. The six most significant variations equal \$6.514 million (95% of the total variations). Whilst these variations have been approved under the Procurement Rules and relate to unplanned modifications, upgrades and future works brought forward, their existence highlights the need for robust monitoring of program expenditure.

Department of Local Government, Housing and Community Development cont...

The Agency is required to comply with the NTG Procurement Framework when procuring goods and services for the Program. A draft framework entitled “*Procurement Framework Our Community. Our Future. Our Homes*”. was developed by the Agency in August 2019 to specifically address remote housing. The only additional procurement condition within this document, requires the Program to adhere to the relevant legislation pertaining to the delivery of housing services (such as the National Construction Code, *Building Act 1993*). The document also includes reference to the *Room to Breathe* Guidelines. Currently the Remote Program Delivery Office is supported by the Director Category Management, who provides procurement guidance and oversight to the team.

Monitoring of all procurement activity undertaken by the Agency is conducted by the Agency's Procurement and Grants unit. Any reviews or internal audits are intended to be conducted by the Agency's internal audit function. With the exception of the Value for Territory Audits conducted in accordance with the Buy Local requirements, no specific audits of the Program have occurred.

An earlier Procurement Compliance audit at the Agency performed through my office identified significant non-compliance throughout the procurement lifecycle, including procurement activity relevant to the Program. No specific procurement compliance testing was conducted during this audit. Although minimum guidelines are now in place for the management of contractual records, the Agency is yet to formally document and implement contract management policies and procedures. ASNEX, an across government asset management system, is being used to monitor the progress of contracts.

The Procurement Rules require the Agency to have a procurement related complaints procedure in place. One had been drafted in June 2018, however, was yet to come into effect at the time of the audit fieldwork. I understand one procurement related complaint was received in July 2019.

National Partnership for Remote Housing

In March 2019, the Northern Territory Government entered into a National Partnership Agreement with the Commonwealth for remote housing. It was agreed that the Commonwealth would match the Northern Territory's contribution of \$550 million for the five-year period from 2018-19 to 2022-23. Under this Agreement, any allocations to the Program (in order to extend existing homes) are to be determined by the Joint Steering Committee.

A total of \$200 million has been committed by the Northern Territory Government over a 10-year period for the Program. A review is to be performed after the initial five year period to assess the Program's success. Should the findings from the review identify that the Program is proving to be successful, it will continue for a further five years. If the objectives of the Program have been completed in full during the first five-year period, the remaining \$100 million will be reallocated to other remote housing programs. At 30 September 2019, the Program is yet to have reached the scheduled review date.

Department of Local Government, Housing and Community Development cont...

Records management deficiencies

The progress of this performance management systems audit was significantly impaired by the current records management systems and practices in place within the Remote Program Delivery Office. Following the release of my draft report to the Agency in December 2019, significant amounts of information relating to the *Early Works* program that were not available during the audit fieldwork were located and produced for audit purposes. This resulted in my Authorised Auditors having to effectively reset the audit to allow consideration of this newly provided information. These deficiencies not only resulted in the significant delay of the audit completion but also incurred additional costs.

Department of Local Government, Housing and Community Development cont...

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

The Department welcomes the findings of the Auditor-General with respect to the performance management system audit of the Room to Breathe Program.

The Department has significantly improved the performance management system that underpins the entire Remote Housing Program. This includes the finalisation of the Remote Housing Program Management Plan, Local Decision Making Framework, procurement framework, employment framework and the Room to Breathe program and capital works Guidelines as well as the establishment of a Planning Unit to effectively plan the remainder of the Program. Measures have also been put in place to improve records management processes. Work has also been undertaken to incorporate the National Partnership Agreement for Remote Housing Northern Territory in the programs existing governance frameworks.

Department of Local Government, Housing and Community Development

\$100 million Stimulus

Background

The '\$100 million Public Housing Stimulus' program (the Program) was announced in November 2018. The dual intent of the Program is to extend the life of Northern Territory urban public housing assets and provide stimulus to the construction industry. A media release dated 23 April 2019 entitled '\$100 million public housing stimulus program' identified the Program specifically aims to:

- support local businesses and jobs in the construction industry; and
- conduct upgrade, repairs and maintenance work to public housing in Darwin, Palmerston, Nhulunbuy, Katherine, Tennant Creek and Alice Springs.

Industry briefings have been held in Darwin, Katherine, Tennant Creek and Alice Springs to provide details of the Program and an opportunity for participants in the construction industry to ask questions and gain relevant feedback.

The Program's webpage provides detailed information including:

- progress presentation reports;
- works awarded reports;
- frequently asked questions; and
- instructions on the business registration process.

The progress presentation report dated May 2019 outlined the following Program Objectives:

"Provide construction industry stimulus through a targeted 18-month program which increases public housing stock and extends the long-term life of existing public housing stock across the Northern Territory.

The package will:

- *fast track construction, repairs and upgrades of public housing*
- *assist in addressing the needs of current public housing tenants, and Territorians on public housing waiting lists*
- *provide work for a wide range of contractors in the industry*
- *help to support local businesses and retain jobs.⁶*

The same report identified that works will be directed at the following target asset groups:

- *"5,000 urban public housing dwellings throughout NT urban and minor centres*
- *575 "industry housing" dwellings (NGO sector usage)*
- *1,389 government employee housing dwellings – regional centres and remote communities*
- *180 Town Camp dwellings in Darwin and Katherine⁶*

⁶ Progress Presentation Report May 2019

Department of Local Government, Housing and Community Development cont...

The Program is planned to run until the end of June 2020.

The January 2020 works awarded report illustrates the Program's progress, as detailed in Table 1.

Table 1: Program Commitment and Expenditure by Region

Region	Budget	Committed	Expended
Darwin	\$57.4 million	\$28.54 million	\$25.10 million
Arafura	\$0.77 million	\$0.48 million	\$0.36 million
Nhulunbuy	\$2.27 million	\$2.21 million	\$1.96 million
Katherine	\$12.06 million	\$5.98 million	\$5.54 million
Tennant Creek	\$9.2 million	\$3.31 million	\$2.95 million
Alice Springs	\$8.3 million	\$4.99 million	\$3.11 million
Accomm and operations	\$10 million	\$3.49 million	\$3.49 million
Totals	\$100 million	\$49 million	\$42.51 million

Source: DLGHCD Works Awarded Report January 2020.

Scope and Objectives

The objective of the performance management system audit was to obtain reasonable assurance that the performance management systems and processes implemented to manage the '\$100 million Public Housing Stimulus' program enable the Agency to assess whether the Program's objectives are being achieved, economically, efficiently and effectively.

The audit covered the period from commencement of the program to 30 January 2020.

Index

The report on this audit is structured as follows:

Audit Opinion	Refer page 44
Recommendations	Refer page 44
Audit Observations	
Program Planning	Refer page 45
Program Allocation	Refer page 47
Procurement Process	Refer page 48
Conflict of Interest Register	Refer page 52
Complaints Handling	Refer page 52
Program Governance	Refer page 52

Department of Local Government, Housing and Community Development cont...

Audit Opinion

The audit objective was to obtain reasonable assurance as to whether the performance management systems and processes implemented to manage the *\$100 million Public Housing Stimulus* program enable the Agency to assess whether its objectives are being achieved economically, efficiently and effectively.

In my opinion, some opportunities exist to enhance performance management systems and processes related to the performance management systems and processes implemented to manage the '*\$100 million Public Housing Stimulus*' program to enable the Agency to assess whether its objectives are being achieved economically, efficiently and effectively.

Recommendations

It is noteworthy that, upon the announcement of this stimulus initiative, Agency representatives tasked with delivering this Program sought to implement controls and processes in addition to the mandated across-government procurement controls and processes. In doing so, they reviewed findings from previous internal and external audits and sought to introduce increased transparency in relation to the allocation of works. This has resulted in a model that seeks to minimise the opportunity for fraud and error and appropriately inform and receive feedback from stakeholders.

Whilst my audit identified a number of recommendations, as listed below, these recommendations can be considered opportunities for further enhancement of systems and processes rather than identification of material weaknesses in existing systems and processes.

- Time taken for approval and finalisation of key program documents could be reduced.
- Clarification is required on the continuity or otherwise of the Program beyond 30 June 2020.
- Additional performance measures may aid assessment of the Program's efficacy.
- Clarification may need to be sought in relation to approval requirements where changed approaches to service delivery result in reallocation/reclassification of appropriated funding.
- Opportunities may exist to improve the accuracy of cost estimates prior to entering the procurement process.
- Opportunities exist to improve the management of identified conflicts of interest.
- Recording of complaints could be improved through the reconciliation of information contained within the Agency's various complaints registers.
- Probity reporting could be increased to provide further documented assurance to management.
- There is an opportunity to increase internal audit activity in relation to the Program.

Department of Local Government, Housing and Community Development cont...

Audit Observations

The Program is being delivered by the Agency's Housing Program Support Services business unit.

The Program is designed to target public housing stock held in urban areas of the Northern Territory. Remote housing has been expressly excluded from the Program as these assets are captured under the \$1.1 billion remote housing investment package, *Our Community. Our Future. Our Homes*. The single exception relates to remote government employee housing, where an allocation of \$4 million was made under the Program.

Program Planning

Key documents for governing the operation of the Program were the Program Plan, the Business Rules and the Probity Plan. While delays were identified in the formal approval of these documents, draft versions of the documents were in use pending approval in September 2019. Procurement processes specific to the Program were approved at the end of January 2019. Prior to the development of Program-specific procurement processes, the Agency applied the established across-government procurement processes as augmented for the delivery of the earlier \$69 million stimulus initiative.

As the Program progressed, the Agency created additional process maps in October 2019 to ensure consistency and compliance during the delivery of the Program.

Additional staffing costs

In order to adequately deliver the Program, the Agency sought to expand its current staffing resources by 37 full-time equivalent positions, including the establishment of the Central Stimulus Team for which recruitment commenced in December 2018. All 37 new contracted positions have contract finalisation dates either on or before the Program completion date of 30 June 2020.

Approval for the recruitment of these temporary positions was obtained from Executive Remuneration Review Panel in mid-March 2019. The requirement for this additional approval was the result of the NT Government's implementation of a tightened recruitment policy (colloquially referred to as a hiring freeze), recommended within the *Plan for Budget Repair*⁷, released that same month. In January 2019, the cost of the additional positions was estimated to be \$4,822,508. The Program includes an operational cost allocation of \$5 million to fund these positions. As at 30 January 2020, the Agency had expended \$3.36 million.

⁷ The Fiscal Strategy Panel Final Report (March 2019)

Department of Local Government, Housing and Community Development cont...

Defined Program Outcomes

The Project Plan lists five desired outcomes presented in Table 2 with the associated progress to date.

Table 2: Summary of Project Plan achievements

Project Plan Outcomes ⁸	Works undertaken (as at 30 January 2020)
Stimulate the economy in the NT through the provision of public works for a wide range of contractors.	1171 separate contracts awarded to 382 stimulus contractors (including 209 contracts awarded to panel and town camp contractors.) \$49 million committed and \$42 million expended.
Increase public housing stock.	No new builds have been completed.
Improve the long-term life of existing public housing stock.	\$38.83 million incurred on repairs and maintenance on existing public housing.
Improve living conditions for Territorians in public housing.	Repairs and maintenance works completed on 1206 public dwellings.
Maintain local jobs, whilst helping keep local tradies in work and assisting subcontractors to keep workers employed.	\$42.51 million incurred with 'Territory Enterprises' translating into 256.76 local jobs.

Source: NTAGO developed

Identified expenditure milestones

Key milestones for the expenditure of the Program are identified within the Program Plan. As demonstrated in Table 3, the Program has not met the key milestones as identified in the Program Plan.

Table 3: Key Milestones against actual expenditure

Date	Milestone	Actual
June 2019	\$35 million expended	\$19.51 million expended
December 2019	\$100 million committed	\$46.85 million committed
June 2020	\$100 million expended	\$42.51 million expended (at 30 January 2020)

Source: DLGHCD Housing Program Support Services

Noting the progress of the program and the announcement by the Chief Minister on 28 May 2020 that \$27 million would be reprioritised from the urban housing stimulus scheme to supplement the COVID-19 stimulus initiative, the Home Improvement Scheme, confirmation of the continuation of the program and its associated budget remains outstanding.

⁸ Project Plan v1.4

Department of Local Government, Housing and Community Development cont...

Key performance indicators

With the exception of the approved Program allocation and detailed 'target assets', no other measurable outcomes were determined at the outset of the Program. Internal and external reporting only focuses on the Agency's progress against the established financial targets, with the published Works Awarded Report detailing a summary of businesses registered and works awarded.

The desired Project outcomes, as presented in Table 2, list outcomes which may be able to be measured and monitored as the Program progresses.

Project risk assessment

At the time of developing the Project Plan, a risk assessment was conducted identifying 14 risks that the Agency may be exposed to as a result of undertaking the Program. One of the risks relating to compliance with Procurement Rules and the establishment of governance documentation was categorised as a 'high' risk both before and after taking mitigating action.

A revised risk assessment had been developed in November 2019 and was finalised in January 2020. The revised assessment identifies six risks, including the risk referred to above. The risk initially rated as 'high' after mitigation, has been reassessed as 'medium' after consideration of the improved experience of the Central Stimulus Team. This proactive approach to risk identification and assessment improves the Agency's control environment and should be commended.

Program Allocation

The overarching intent of the Program was to both extend the life of NT urban public housing assets and provide stimulus to the construction industry.

The Program was to be delivered over a limited timeframe, in order to maximise the economic stimulus to the Northern Territory's construction industry within a short period, with \$35 million to be committed during the 2018/19 year and the remaining \$65 million in the following 2019/20 year.

The advertised allocation of \$100 million, included \$5 million for the delivery of the Program, which was to be retained within the Agency, and \$5 million allocated for temporary accommodation and removal/storage costs associated with tenant relocation. The remaining \$90 million was to be spent on the urban public housing stock, town camp assets and infrastructure and government employee housing stock.

The initial purpose of the allocation was revised by the Accountable Officer in June 2019 and resulted in an increase in funding to be applied to housing in Town Camps (\$2.25 million) and the allocation of funds to allow grants to be awarded to non-government organisations (NGOs) that lease public housing (\$3 million) and/or own disability housing (\$2 million). In order to provide funding to these three areas, the budget allocation for Complex Upgrades was reduced from \$30 million to \$22.75 million.

Department of Local Government, Housing and Community Development cont...

As the awarding of the \$2 million in grant funding for the purpose of works on NGO-owned disability housing represents a change in appropriation category, from capital to grant funding, the Business Rules require endorsement from the Minister and approval from the Treasurer. The approval for the \$2 million grant program was obtained in December 2019, with the first grant agreement executed the month prior, in November 2019.

This authorisation was not sought for the \$3 million 'NGO leased public housing' program on the basis that the \$3 million was still to be spent on publicly owned assets.

Table 4: Program Commitment and Expenditure by Program

Program	Budget	Committed	Expended
Complex upgrades	\$22.75 million	\$8.04 million	\$5.72 million
New Builds	\$20 million	\$1.27 million	\$0.19 million
Roofs	\$10 million	\$7.18 million	\$6.94 million
Grant Funding	\$5 million	\$3.00 million	\$3.00 million
Town Camps	\$12.25 million	\$12.25 million	\$12.25 million
Tenant CLA New Builds	\$3 million	\$0.10 million	\$0.02 million
GEH upgrades	\$4 million	\$3.81 million	\$2.59 million
Minor new works	\$13 million	\$9.86 million	\$8.31 million
Transitional Accommodation	\$5 million	\$0.13 million	\$0.13 million
Operational	\$5 million	\$3.36 million	\$3.36 million
Totals	\$100 million	\$49 million	\$42.51 million

Source: DLGHCD Works Awarded Report January 2020.

The decision to provide funding to upgrade non-government owned disability housing was intended to increase supported disability accommodation and increase the quality of life for existing clients being housed in properties owned by NGOs.

Procurement Process

As an NT Government department, the Agency is bound by the Procurement Act and the related Procurement Rules and Procurement Governance Policy released by the Department of Trade, Business and Innovation.

Noting that the Agency has already introduced specific procurement processes in relation to an earlier stimulus initiative, and in addition to the whole of government Procurement Rules and Procurement Governance Policy, the Agency's Procurement Unit recommended further processes be implemented for the \$100 million Stimulus Program. The additional procurement process requirements applicable to the \$100m Stimulus Program are listed below.

- An overarching contract management plan has been developed for all Tier 1 and 2 procurement activity. As at 18 Feb 2020, this document had not yet been finalised and remained in draft.
- Conflict of interest forms are to be completed for all procurements.

Department of Local Government, Housing and Community Development cont...

- Contractor performance reports are to be undertaken on all works completed and a database of reports is to be kept.
- Tiers 1 and 2 transactions are to be undertaken via select tender from registered stimulus businesses. Select tender arrangements for Tier 3 transactions are permitted subject to the receipt of exemption approvals.
- More than one quote may be sought for Tier 1 procurements in order to obtain value for Territory.
- The Agency will select which businesses are given the opportunity to quote based on the Territory Enterprises registered and recorded within the Business Register (as detailed below).

The Program is to be delivered by the following procurement methods:

1. Use of existing panel contractors - \$10 million
2. Use of stimulus businesses - \$67.75 million
3. Non-Government Organisation (NGO) grants - \$5 million
4. Town Camp contractors - \$12.25 million

The first contract under the Program was awarded in mid-December 2018 and was procured under the Agency's procurement processes as they applied to the earlier \$69 million stimulus initiative, while the Program-specific processes were being developed. In addition to stimulus registered contracts, pre-existing panel contractors were utilised to conduct a limited value of works under the Program until the new Program-specific procurement process was implemented in January 2019.

Use of existing panel contractors - \$10 million

As one of the intended outcomes of the Program was to ensure funds were distributed to a wide range of contractors, the use of panel contractors was limited to a maximum spend of \$10 million. As at 30 January 2020, a total of 22 panel contractors had been used to fulfil 123 contracts at a cost of \$6.25 million.

Existing panel contractors are used in some remote communities, where other contractor options were limited, or where value for Territory could not be achieved.

Use of stimulus business - \$67.75 million

In order for businesses to be considered for the quotation process, they must first register their interest through the Agency's Stimulus website. For a business to be considered under the Program it must be a 'Territory Enterprise' and cannot be a current urban trade panel contractor with the Agency.

A Territory Enterprise is defined as '*an enterprise operating in the NT, with a significant permanent presence in the NT and employing NT residents*'⁹.

Over the 14-month period to 30 January 2020, a total of 962 contracts have been awarded to 382 stimulus businesses.

⁹ 2nd Buy Local Plan Compliance Report of the Buy Local Industry Advocate of the Northern Territory December 2019

Department of Local Government, Housing and Community Development cont...

In order to verify business eligibility, the Agency's Governance team conducts checks on each registration, before the business is added to the Stimulus Business Register. Access to this register is restricted.

Standard checks are performed using the Australian Business Number to ensure the business has a physical address in the Northern Territory. Additional checks using the Industry Capability Network (NT), social media, online presence and yellow pages listings are performed where necessary. Searches are also conducted through the Australian Securities and Investments Commission on all entities to determine the existence of related parties.

The documentary evidence of these checks is maintained by the Governance team in the Agency's records management system, Territory Records Manager (also referred to as HPE Content Manager; TRM or RM8). Where anomalies are identified, the business is contacted to obtain clarification and to confirm the existence of any related parties. Should related parties be identified in the register, the related business may be removed from the register. A record of all businesses removed from the register is maintained.

The only businesses not eligible to register to conduct works under the Program are existing urban trade panel contractors as they considered to already have significant works contracts with the Agency.

One of the unique procurement attributes under the Program, is the method in which businesses are provided the opportunity to quote. This process is intended to ensure that all registered business have a fair opportunity to submit a quote, however the tender assessment process remains the same as the Agency-wide process.

Based on the Stimulus Business Register spreadsheet, the following method is utilised by the Program Director or Manager for the shortlisting of businesses who are requested to quote:

- Filter the Region to match the location of the procurement;
- Filter the works to align with the procurement; and
- Filter the quotes to remove any business that has already had an opportunity to quote.

The resultant businesses are then entered into the random number generator software. Depending on the relevant Tier requirements, the appropriate number of contractors are selected. They are then contacted to ensure they have sufficient capacity to conduct the works. If so, a Request for Quotation is sent and is subsequently recorded within the Business Register, regardless if they respond or not.

Town Camp contractors - \$12.25 million

Town camps are owned by housing associations with the assets subleased to the NT Government on a perpetual lease. The NT Government is responsible for all areas within the town camp boundaries, including the maintenance of public housing. The application of funding for the housing and infrastructure services is overseen by the Town Camps Futures Unit, within the Agency, established in August 2018¹⁰.

¹⁰ As a result of the 'Living on the Edge' review report the NTG released the 'NTG's Initial Response to the Town Camp Review Report' in April 2018.

Department of Local Government, Housing and Community Development cont...

The \$12.25 million in funding was provided to the Town Camps Futures Unit for distribution and monitoring across an estimated 180 dwellings. Agreements for funding based on commitments to works are put into place with the relevant service provider, who then engages the appropriate businesses to conduct the works.

As at 30 January 2020, 85 contracts had been awarded to 18 town camp sub-contractors with the full \$12.25 million being expended¹¹. Actual expenditure was \$13.472 million¹², with the additional \$1.222 million being met by the existing Town Camp Futures Unit budget.

Non-Government Organisation (NGO) Grants - \$5 million

As previously mentioned, the allocation of \$5 million provided to the NGOs was split into two components; funding to NGOs occupying government owned leased assets; and funding to NGOs for disability housing owned by the NGOs themselves.

Four NGO's, with 41 sites, were provided grants totalling \$3 million. The individual NGOs will scope works to be done and obtain quotes to be submitted to the Program Director for assessment. Businesses that provide quotes to the NGO's are still recorded on the Business Register as having the opportunity to quote. To date 32 businesses have been awarded contracts through these grants, with the \$3 million being committed and fully expended at the time of this audit.

Of the \$2 million component to be provided to NGO's that provide disability accommodation, as at 30 January 2020, four agreements had been entered into. As these assets are not owned by NTG, additional requirements for the inclusion of Probity Plan compliance and engagement with a probity auditor have been built into the agreements. The Program Director is still required to approve the use of the selected business to conduct the works.

Table 8 Summary of NGO Grants awarded/under consideration at 30 January 2020

NGO name	Industry housing grant awarded	Disability grant to be awarded
Mission Australia	600,000	n/a
Anglicare	1,000,000	n/a
Somerville	345,000	260,000
Carpentaria	1,055,000	320,000
HPA	n/a	1,013,000
Team Health	n/a	353,000
Totals	\$3,000,000	\$1,964,000

Source: DLGHCD Housing Program Support Services

¹¹ \$100 M Public Housing Stimulus Package Works Awarded Report 30 January 2020

¹² Attachment D Summary of Town Camps Update 33

Department of Local Government, Housing and Community Development cont...

Conflict of Interest Register

Conflict of Interest Declaration forms were initially only required where a conflict of interest was identified. In response to an internal audit conducted in September 2019, processes were amended to require the completion of forms for all procurement transactions, including nil disclosure.

As part of the procurement process, a conflict of interest declaration is completed for each procurement transaction. In order to monitor these declarations, a Conflict of Interest Register was created to document all actual or perceived conflicts submitted via the Conflict of Interest Declaration form or the Declaration of Interests Confidentially form, including nil declarations.

My review of the register identified that some Agency employees were listed multiple times as a result of their association with relations and friends owning stimulus registered businesses. The register records action taken to mitigate the risk associated with the employee treating the related party more favourably than other businesses. Risks in relation to industry perception may need to be considered.

Complaints Handling

The Agency has two official channels to record and monitor complaints: General complaints (managed internally) and Procurement complaints (managed by the Department of Trade, Business and Innovation). Both these methods have been specified for use within the Business Rules, however the Steering Committee requested a third register be created by the Central Stimulus Team in August 2019 to encompass all Program-related complaints. This was intended to facilitate easy monthly monitoring. Comparison of all three registers identified issues with the completeness and accuracy of the entries.

Program Governance

The Program is governed by the Agency's Executive Management Team (responsible for ensuring the project achieves its stated objectives and outcomes), the Project Steering Committee (responsible for overseeing the achievement of the project outcomes) and the Working Group (responsible for implementation of the Project Plan).

As part of the planning process, a probity advisor was appointed in January 2019 to express an opinion of whether the Program's processes are fair and equitable, are consistent with Procurement Rules and that the Program's governance structure is sound. At the time of my audit, the probity advisor had reviewed the initial planning documentation in February 2019 however had not issued any reports.

A high-level weekly review of all Tier 1 and 2 procurement transactions is performed upon their completion. At 30 January 2020, 669 transactions had been reviewed, with record keeping deficiencies being noted and corrected where possible.

In May 2019, a further monitoring initiative was introduced by the Agency with the Governance Team requested to conduct Stimulus Business Audits. These duly commenced in June 2019 and are intended to ensure that works conducted under the Stimulus Program have been completed within the terms of the contract. A total of 65 Tier 1 and 2 transactions have been reviewed, with four still in progress.

Department of Local Government, Housing and Community Development cont...

An independent auditor external to the Agency was engaged in September 2019 to commence the quarterly internal reviews as required by the Business Rules. The first report, covering the nine-month period to 30 September 2019, issued in December 2019, identified eight opportunities to strengthen procurement processes.

Program progress reporting occurs on a regular basis to the Minister, the Executive Director Housing Program Support Services, Program Steering Committee and the Chief Procurement Officer.

Department of Local Government, Housing and Community Development cont...

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

The Department welcomes the opportunity to engage and work collaboratively with the Auditor-General and her staff in the audit and review process.

The audit program provides an essential, independent review of our programs ensuring our service delivery remains compliant with legislative provisions, Treasurer's Directions, guidelines and policies.

The audit process also provides an opportunity for the Department to strive for continuous improvement and the development of robust systems of delivery, reporting and accountability.

Following the recommendations of the audit processes, the Department will continue to review our current practices to meet the highest level of compliance, accountability and transparency to continue to deliver professional services and minimise potential risk.

Legislative Assembly Members' Superannuation Fund

Audit Findings and Analysis of the Financial Statements for the Period Ended 12 April 2019

Background

The Legislative Assembly Members' Superannuation Fund was established by the *Legislative Assembly Members' Pensions Act 1979* (formerly titled the *Legislative Assembly Members' Superannuation Fund Act 1979*) to provide superannuation benefits to members of the Legislative Assembly. In accordance with the *Legislative Assembly Members' Pensions Act 1979*, the Superannuation Trustee Board was required to keep complete and proper accounts for the Fund.

In accordance with amendments to the *Legislative Assembly Members' Pensions Act 1979*, on 12 April 2019 the Legislative Assembly Members' Superannuation Fund transferred to the Central Holding Authority. From 12 April 2019, Legislative Assembly Members' superannuation pensions are paid from the Central Holding Authority with member contributions being paid to the Central Holding Authority. The Legislative Assembly Members' Superannuation Fund assets and pension liabilities have been reported in the Treasurer's Annual Financial Report since 30 June 2019. The Superannuation Trustee Board was dissolved on 26 June 2019.

Scope and Objectives

The objective of the audit was to undertake sufficient audit verification relating to the accounts and records of the Legislative Assembly Members' Superannuation Fund (the Fund) to enable an opinion to be expressed on the special purpose financial statements of the Fund for the period ended 12 April 2019.

Audit Opinion

The audit of the Legislative Assembly Members' Superannuation Fund for the period ended 12 April 2019 resulted in an unmodified independent audit opinion, which was issued on 3 April 2020.

Audit Observations

The audit did not identify any material weaknesses in controls.

Performance Overview

The Fund was closed on 12 April 2019 and the balances were transferred to the Territory.

Immediately prior to the closure of the Fund, the Fund had total assets of \$72.3 million of which \$72.1 million related to investments of the Fund. In the prior year, the Fund experienced strong investment returns for the year that included \$12.7 million of distribution income of which \$7.5 million was received in the ten months to April 2018. Distribution income in the period to April 2019 was notably less at \$1.1 million.

The net market value of investments during the period to 12 April 2019 increased by \$1.9 million compared to the decrease in net market value of investments of \$6.3 million experienced in the prior year.

The operating result after income tax was \$4.7 million for the period to 12 April 2019 compared to \$6.3 million in the year ended 30 June 2018.

Legislative Assembly Members' Superannuation Fund cont...

As noted in my engagement letter confirming the scope of the audit, I was requested to *“audit the financial report of the Legislative Assembly Members' Superannuation Fund which comprises the statement of financial position as at 30 June 2019 and the income statement, statement of changes in member benefits, statement of changes in equity, and statement of cash flows for the period then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Commissioners' declaration”*.

The entry meeting for the audit of the Fund was held on 8 July 2019 with the audit scheduled to take place following that meeting. The first draft of the special purpose financial statements were received on 25 October 2019 with a period end date of 12 April 2019 which was not the period end date specified within the engagement letter. The change to the reporting date necessitated further consideration to be given to valuation and reporting impacts resulting from the changed reporting date. These matters, together with scheduled staff absences within both the Department of Treasury and Finance and the authorised audit firm resulted in almost a year passing since the conclusion of the Fund's financial reporting period and the issue of my audit opinion.

The financial balances controlled by the Territory were subject to audit procedures as part of my audit of the Treasurer's Annual Financial Statements for the year ended 30 June 2019.

Legislative Assembly Members' Superannuation Fund cont...

Abridged Income Statement

	Period Ended 12 April 2019	Year Ended 30 June 2018
	\$'000	\$'000
Income		
Interest and distributions	1,046	12,661
Changes in net market value of investments	1,928	(6,252)
Total income	2,974	6,409
Expenditure		
Other expenses	(13)	(6)
Total expenditure	(13)	(6)
Net results from superannuation activities before income tax expense	2,961	6,403
Income tax Benefit	232	225
Net results from superannuation activities after income tax expense	3,193	6,628
Net change in member benefits	1,545	(357)
Operating result after income tax	4,738	6,271

Legislative Assembly Members' Superannuation Fund cont...

Abridged Statement of Changes in Member Benefits

	Period Ended 12 April 2019	Year Ended 30 June 2018
	\$'000	\$'000
Member contributions	16	20
Total contributions received	16	20
Benefits paid	(3,099)	(3,973)
Net member benefits	(3,083)	(3,953)

Legislative Assembly Members' Superannuation Fund cont...

Abridged Statement of Financial Position

	12 April 2019	30 June 2018
	\$'000	\$'000
Cash and cash equivalents	76	111
Investments	72,104	71,947
Tax assets	208	249
Total assets	72,388	72,307
Less non-member liabilities	(55)	(84)
Net assets available for member benefits	72,333	72,223
 Defined benefit member liabilities	 63,518	 68,146

Defined benefit member liabilities comprise the Territory-financed defined benefit.

Northern Territory Government and Public Authorities Employees' Superannuation Fund

Audit Findings and Analysis of the Financial Statements for the Period Ended 7 May 2019

Background

The Northern Territory Government and Public Authorities Superannuation Scheme (the Scheme) was established by Division 1 of Part 3 of the *Superannuation Act 1986* (the Act) for all eligible employees. Responsibility for administering the scheme rested with the Commissioner of Superannuation.

The fund established for the scheme, by Division 2 of Part 3 of the Act, was referred to as the Northern Territory Government and Public Authorities Employees' Superannuation Fund (the Fund).

On 10 August 1999 the Scheme was closed to new members. The scheme was subsequently opened for some employees since identified as eligible for membership.

The Fund has now been closed and all accumulation accounts transferred to a successor fund. Notwithstanding the closure of the Fund, the Commissioner of Superannuation requested the accounts be audited as at 30 June 2019.

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 Northern Territory Government and Public Authorities Employees' Superannuation Fund for the period ended 7 May 2019.

Audit Opinion

The audit of the Northern Territory Government and Public Authorities Employees' Superannuation Fund for period year ended 7 May 2019 resulted in an unmodified independent audit opinion, which was issued on 18 May 2020.

Audit Observations

The audit did not identify any material weaknesses in controls.

Performance Overview

The Fund was closed on 7 May 2019. On 8 May 2019 the defined contributions member balances were transferred to Statewide Superannuation and the defined benefits member balances were transferred to the Northern Territory of Australia. The financial statements have been prepared for the period ending 7 May 2019.

Immediately prior to the closure of the Fund, the Fund had total assets of \$1,484.0 million of which \$556.5 million related to investments of the Fund and \$925.7 million constituted employer-sponsor receivables. In the prior year, the Fund experienced strong investment returns for the year that included \$48.2 million in interest and distribution income. Interest and distribution income in the period to May 2019 was notably less at \$8.1 million. The net market value of investments during the period to 7 May 2019 increased by \$20.2 million compared to an increase in net market value of investments of \$1.9 million experienced in the prior year.

Northern Territory Government and Public Authorities Employees' Superannuation Fund cont...

As noted in my engagement letter confirming the scope of the audit, I was requested to “*audit the financial report of the Northern Territory Government and Public Authorities Employees' Superannuation Fund which comprises the statement of financial position as at 30 June 2019 and the income statement, statement of changes in member benefits, statement of changes in equity, and statement of cash flows for the period then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Commissioners' declaration*”.

The entry meeting for the audit of the Fund was held on 8 July 2019 with the audit scheduled to take place following that meeting. The first draft of the special purpose financial statements were received on 25 October 2019 with a period end date of 7 May 2019 which was not the period end date specified within the engagement letter. The change to the reporting date necessitated further consideration to be given to valuation and reporting impacts resulting from the changed reporting date. These matters, together with scheduled staff absences within both the Department of Treasury and Finance and the authorised audit firm resulted in almost a year passing since the conclusion of the Fund's financial reporting period and the issue of my audit opinion.

The financial balances controlled by the Territory were subject to audit procedures as part of my audit of the Treasurer's Annual Financial Statements for the year ended 30 June 2019.

Northern Territory Government and Public Authorities Employees' Superannuation Fund cont...

Abridged Income Statement

	Period Ended 7 May 2019	Year Ended 30 June 2018
	\$'000	\$'000
Income		
Interest and distributions	8,052	48,230
Changes in net market value of investments	20,186	1,861
Total income	28,238	50,091
Other expenses	(145)	(189)
Expenditure	(145)	(189)
Net results from superannuation activities before income tax expense	28,093	49,902
Income tax expense	(1,355)	(3,474)
Net results from superannuation activities after income tax expense	26,738	46,428
Net benefit allocated to defined contribution members accounts	(31,958)	(44,808)
Operating result after income tax	(5,220)	1,620

Northern Territory Government and Public Authorities Employees' Superannuation Fund cont...

Abridged Statement of Changes in Member Benefits

	Period Ended 7 May 2019	Year Ended 30 June 2018
	\$'000	\$'000
Member contributions	22,689	42,362
Territory contributions	82,080	83,395
Total contributions received	104,769	125,757
Income tax on contributions	(1,794)	(3,391)
Benefits paid	(148,715)	(164,245)
Net benefits paid	(45,740)	(41,879)

Northern Territory Government and Public Authorities Employees' Superannuation Fund cont...

Abridged Statement of Financial Position

	7 May 2019	30 June 2018
	\$'000	\$'000
Cash and cash equivalents	760	2,017
Investments	556,557	577,937
Employer-sponsor receivables	925,663	934,221
Other receivables	1,031	1,928
Total assets	1,484,011	1,516,103
Less non-member liabilities	(94)	(4,626)
Net assets available for member benefits	1,483,917	1,511,477
Total non-member liabilities	(1,483,633)	(1,505,973)
Net assets	284	5,504
Total equity	284	5,504

Member liabilities comprises the member's accumulation account and, where applicable, a Territory financed (Defined benefit member) component.

NT Fleet

Fleet Business System

Background

NT Fleet was established in 1993 to manage the motor vehicles of the NT Government. All but a few agencies have their motor vehicles supplied through NT Fleet. Vehicle servicing is outsourced to the private sector.

As a Government Business Division, NT Fleet does not receive direct funding from Government. The funds it expects to receive are reflected within agencies' budgeted fleet expenditure, which is paid to NT Fleet as charges levied on the agencies on the basis of agreed lease rates.

The Fleet Business System (FBS) Online is a web based system for the management of all leased vehicles which are owned and managed by NT Government.

NT Fleet has described the FBS as:

"... an asset based system designed to provide end-to-end management of vehicles. The system allows the end user to purchase additional or replacement vehicles, manage servicing and maintenance and disposal for clients and Fleet staff. The online system also provides financial management of vehicle related purchases, hire rates and monthly billing calculations and agreements, monitoring of service interval obligations, system administration and security controls and reporting.

FBS Online links clients and Fleet staff to NTG Vehicle Policy Framework information, reporting and other vehicle operational systems. The online system currently provides the web links to NTG Vehicle Policy Framework and other related client information and vehicle detail summary screens for clients and Fleet staff."

Scope and Objective

The objective of the review was to assess the IT general computer controls and key application controls over the Fleet Business System in place at NT Fleet including interfaces between the Fleet Business System and other NT Government Systems.

The following areas were within the scope of my review:

- Access Management Controls
- Change Management Controls
- IT Operations Controls

The audit findings are based on a review of documentation and discussions with a number of personnel at NT Fleet.

NT Fleet cont...

Recommendations

I recommended that:

- the Disaster Recovery Plan be regularly tested and updated to ensure that all essential aspects of critical business operations, including logistical issues, have been adequately covered and that relevant individuals are fully aware of their responsibilities in the event of a disaster;
- a formal backup restoration testing program be developed and implemented at a defined frequency to validate and verify the completeness and recoverability of the backups; and
- the testing of backup restoration testing program be implemented as soon as practicable.

Audit Observations

Disaster Recovery Testing has not been performed for the Fleet Business System during the current financial year

Without an updated and tested Disaster Recovery Plan, there is an increased risk that problems and time delays may be experienced when attempting to recover normal operational functionality and IT resources resulting in prolonged disruption of business activities and possibly loss of organisation critical data and systems.

Backups are not formally tested at a defined frequency

The Fleet Business System backups are not tested at a defined frequency to verify and validate their completeness and recoverability. I note that backup restorations are performed from the Production to the Test environment on demand.

On-demand backup restorations to the test environment help mitigate the risk that backups are unable to be recovered when required, however do not result in the same level of assurance as that provided by a formal and systematic testing process to verify and validate the ongoing completeness and recoverability of backups.

In the absence of a formal backup and restoration testing program, there is a risk that backups may not be recoverable or may not be able to meet the required recovery point objective in the case of an adverse event or a disaster. The length of time required to restore the system to working order and the likelihood and consequences of challenges arising during the restoration process will also be uncertain in the absence of regular testing.

NT Fleet cont...

NT Fleet has commented:

Over the course of 2019 the Department of Corporate and Information Services has focussed heavily on the complex body of work to transition NT Government computing from the Chan building to the new Government Data Centre with disaster recovery capability recently established at the newly commissioned Backup Data Centre. The move to this strengthened computing model evidences the ability to seamlessly transfer the Fleet Business System from its production site to alternate hardware in a geographically separate data centre. This transition has tested and validated processes to restore capability.

Backups for the Fleet Business System are tested for integrity and accuracy at the time they are written to the backup media. A schedule with a defined frequency will be examined as part of a review of Disaster Recovery Planning which is currently being undertaken.

Selected Agencies

Agency Compliance Audit

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;
- Office of the Independent Commissioner Against Corruption;
- 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;
- undisputed invoices were not processed within the required 20 day (under \$1 million) and 30 day (over \$1million) periods;
- deficiencies in controls over fixed assets, incomplete registers of property, plant and equipment, and inability to locate assets listed in the register;
- incomplete registers of financial interests, contingencies, guarantees and indemnities;
- not monitoring and evaluating risks arising over the life of each guarantee and indemnity;
- overpayment of grant funding with the recipient of a grant being paid \$100,000 instead of \$10,000;
- failure to provide several documents relating to 'Procurement' and 'Guarantees and Indemnities' that were requested during the audit process;
- repairs and maintenance expenditure being recorded as grants and subsidies;
- incorrect capitalisation of repairs and maintenance expenditure;
- incorrect expensing of capital purchases;
- Heritage and Cultural Collections not being revalued in a timely manner;
- travel not being acquitted in a timely manner;
- petty cash reconciliations not being performed at 17 locations;
- 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.

Selected Agencies cont...

Treatment of an advance

Audit procedures performed identified a \$10,000 transaction recognised as 'other income'. Further enquiry identified the nature of the transaction as being a partial repayment of an advance previously provided to a Council.

It was established that the outstanding balance of this advance, being \$660,001, was identified as being impaired in the year ended 30 June 2019. Instead of appropriately recognising a provision for impairment against the advance (receivable), management reclassified the advance from an 'asset' to 'grants and subsidies expenditure'. In doing so, management avoided required and established practices for:

- assessing the collectability of the outstanding advance;
- ensuring appropriately delegated approval of the impairment; and
- seeking appropriately delegated approval for any consequential write down of the advance.

The Council achieved a financial benefit (through the debt being eliminated) notwithstanding that all documentary evidence supports the existence of a remaining outstanding debt of \$650,001 (after crediting the \$10,000 repayment received in January 2020).

Review of the supporting documentation surrounding this balance identified that:

- The advance of \$1,000,000 made to the Council in 2008 was an interest free repayable advance and was initially recognised appropriately as an asset and continued to be treated in accordance with Australian Accounting Standards and Treasurer's Directions during the financial years ending 30 June 2009 through to 30 June 2018.
- A repayment of \$333,333 was received from the Council in the 2013/2014 financial year.
- The Agency requested the Council to repay the remaining balance in the 2014/15 and 2015/16 financial years.
- An additional repayment of \$6,666 was received from the Council in September 2018.
- In June 2019, Agency personnel assessed the remaining balance of the advance as impaired. Management then reclassified the advance from an asset to grants and subsidies expenditure.
- In January 2020, a further repayment of \$10,000 was made.

Based on the facts mentioned above, which are supported by documentary evidence provided to my Authorised Auditors, this transaction clearly constitutes an advance made to the Council as defined in Treasurer's Direction "Loans and Advances". Once identified as being impaired, an appropriate provision should have been provided. If then identified as unrecoverable, the advance could have been written off in accordance with the requisite Treasurer's Directions and NTG policy.

The reclassification of the outstanding balance of \$660,001 from advance to grants and subsidies expense was erroneous.

In addition, the Agency has not maintained a register of Loans and Advances on the basis that the Agency does not hold any. The existence of the advance noted above suggests this reasoning is incorrect.

Selected Agencies cont...

Management has contravened both the Australian Accounting Standards and the requirements of the Treasurer's Directions. The financial balances associated with assets and expenditure have been misstated in the financial year ending 30 June 2019 and, in the absence of the rectification of the accounting treatment, the Agency's financial balances as they relate to assets and equity are misstated in the current financial year.

I recommended the matter be raised to the attention of the Accountable Officer for further investigation and that appropriate action be taken to address the cause and impacts. In future, management will need to design and implement appropriate controls to ensure that transactions are recognised appropriately based on the nature and substance of each transaction. In the event an asset is identified as being impaired, the treatment of this impairment should be in accordance with the Australian Accounting Standards and applicable Treasurer's Directions.

Government Accounting Systems (GAS) Security Review

DCIS Corporate Systems sends instructions via email to nominated representatives within agencies in order to facilitate an annual GAS Security Review.

Of a sample of eleven agencies examined during the Agency Compliance Audit process, nine of the agencies did not respond to the email sent out by DCIS Corporate System resulting in an increased risk that unauthorised access to the Government Accounting Systems existed and had not been resolved.

Selected Agencies cont...

The Department of Corporate and Information Services has commented:

The Department of Corporate and Information Services notes the findings of 91% of invoices paid within the 20 day policy and an error in the department's contingent liability register and will continue efforts to improve processes.

The Department of Primary Industry and Resources has commented:

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

The Department of the Legislative Assembly has commented:

The Department of Legislative Assembly notes the Audit Opinion of the Auditor-General in relation to Department's Compliance audit that:

"In general the accounting and control procedures examined provide reasonable assurance that the responsibilities of the Accountable Officer, as set out in Treasurer's Directions and Procurement Governance Policy and Procurement Rules, will be met if those systems continue to operate in the manner identified in the audit."

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

The Department welcomes the opportunity to engage and work collaboratively with the Auditor-General and her staff in the audit and review process.

The audit program provides an essential, independent review of our programs ensuring our service delivery remains compliant with legislative provisions, Treasurer's Directions, guidelines and policies.

The audit process also provides an opportunity for the Department to strive for continuous improvement and the development of robust systems of delivery, reporting and accountability.

Following the recommendations of the audit processes, the Department will continue to review our current practices to meet the highest level of compliance, accountability and transparency to continue to deliver professional services and minimise potential risk.

Selected Agencies cont...

The Department of Tourism, Sport and Culture has commented:

The Department of Tourism, Sport and Culture acknowledges the finding regarding a cultural assets revaluation not being completed within the timeframe stipulated in the Treasurer's Directions. The revaluation is currently in progress and expected to be completed by 30 June 2020.

Northern Territory Police, Fire and Emergency Services has commented:

The Northern Territory Police, Fire and Emergency Services agrees with the findings of the Annual Compliance Audit and has actioned the two recommendations made which will be supported by ongoing monitoring by management of the issues identified.

The Office of the Independent Commissioner Against Corruption has commented:

Accountability is a central tenet of an effective public service and we welcome the Auditor-General's oversight of the OICAC. Our agency is in its infancy and we acknowledge the devolution of legal, fiscal and policy responsibility to us.

We acknowledge the Auditor-General's broader comments and confirm that the specific observations made in respect of the OICAC were valid and have been acted upon as a priority.

Selected Agencies

Conflict of Interest Survey

Background

Effective management of conflicts of interest within the public sector is important to demonstrate that public resources are managed with integrity and in the public interest and to maintain public trust.

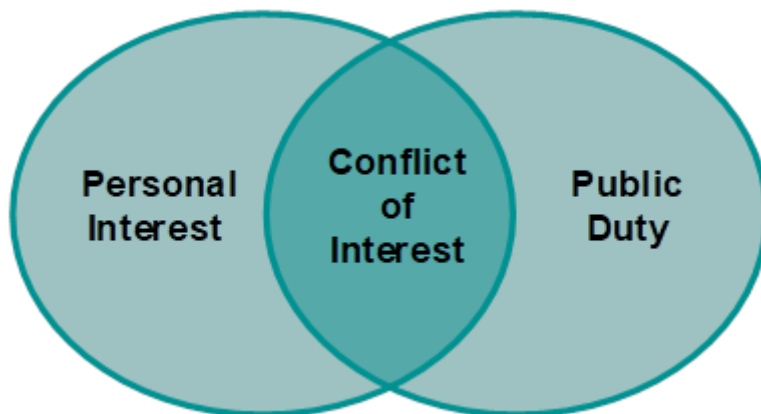
“Personal interests arise from an individual’s private or non-work life that can bring financial or other material benefits or result in disadvantages to the public interest or to other people.”¹³

Public duty is a broad concept that encompasses:

- *“performing the task assigned to a public officer and complying with policy and procedures”;*
- *“power, authority, duty or function that is conferred on a person as a public officer”; and*
- *“duty to serve the public interest, the agency and the public in an ethical manner”¹³.*

A potential conflict of interest is when an individual’s personal interest may conflict with their public duty. This can be a perceived or actual conflict. Actual conflict of interest creates a threat to objectivity and may constitute a threat to other ethical principles. Public Sector Officers need to be aware that even a perceived conflict of interest, if not managed effectively, may cause reputational damage and other risks to the Agency.

Figure 1: Conflict of Interest



Source: NTAGO

NTG agencies are required to comply with the *Financial Management Act 1995*, Financial Management Regulations and Treasurer’s Directions.

The *Financial Management Act 1995* specifies in section 13(2)(b) that the Accountable Officer must ensure that *“procedures in the Agency are such as will at all times afford a proper internal control.”*

Controls to address conflicts of interest represent one element of the key controls required to be established.

¹³ Independent Commission Against Corruption NSW, April 2019

Selected Agencies cont...

The Treasurer's Direction G2.2 Internal Control outlines that *"internal controls are systems and processes that an Agency adopts to:*

- *promote efficient and effective operations and delivery of services;*
- *safeguard its assets and manage its liabilities;*
- *manage its risk exposure, including prevention and detection of fraud;*
- *maintain the accuracy and reliability of its financial and management information systems; and*
- *ensure compliance with statutory and regulatory provisions."*

Within the NTG, there is an expectation that public resources are managed with integrity and in the public interest and that agencies will maintain public trust. Public Sector Officers must ensure that decisions and/or advice are not adversely affected by conflicts of interest, which can result from self-interest, private affiliations, or the likelihood of personal gain or loss.

Whether public resources are provided from within the public sector or from external sources, NTG values and behaviours must be upheld when conducting business on behalf of the public sector.

To achieve this, the Treasurer's Direction G2.2 Internal Control outlines that *"internal control systems and processes are part of an Agency's overall control environment, which also includes:*

- *management philosophy and operating style;*
- *organisational structure;*
- *the code of conduct; and*
- *human resource policies and practices."*

To support this, the Code of Conduct (Employment Instruction 12) released by the Office of the Commissioner for Public Employment (OCPE) states:

- *"A Public Sector Officer must disclose in writing to his or her Chief Executive Officer any financial or other interests held by the Public Sector Officer immediately upon becoming aware that a potential conflict between personal interest and official duty, whether real or apparent, has arisen or is likely to arise";*
- *"Where a Chief Executive Officer considers it appropriate, any or all Public Sector Officers of an agency may be required to provide written statements of their financial or other interests";*
- *"In the event of a real or apparent conflict of interest, a Chief Executive Officer must assess the risk" and decide on an "appropriate course of action".*

To support this, OCPE have developed a Northern Territory Public Sector (NTPS) Conflict of Interest Policy.

Accountable Officers have a responsibility to establish a conflict of interest framework as part of their agency's governance framework. While the nature and extent of these arrangements will depend on the type of business undertaken and the associated risks, each agency should establish key principles and pathways to identify and manage conflicts of interest consistent with NTG requirements.

Selected Agencies cont...

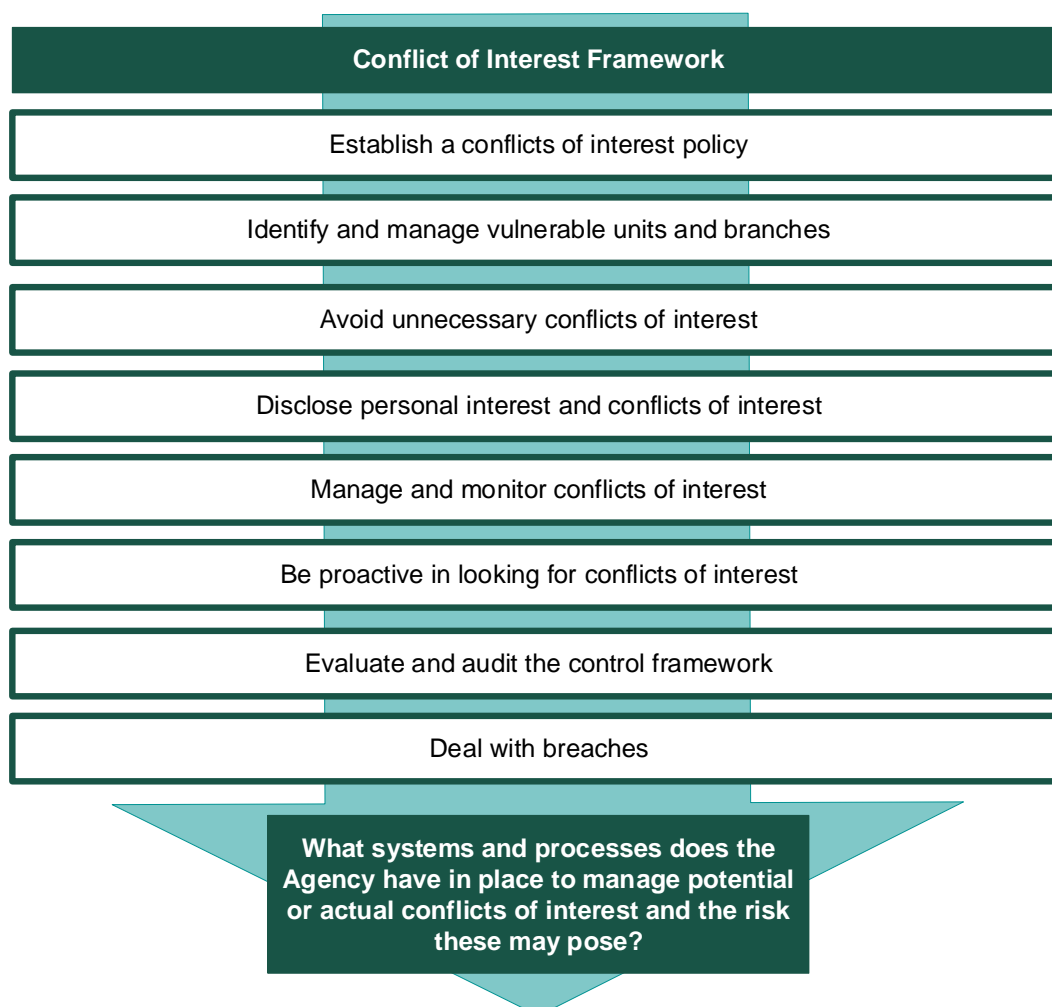
Further guidance on conflict of interest requirements when buying goods or services are outlined in the NTG Procurement Framework. The NTG Procurement Rules require:

- *“All personnel involved in a procurement activity must declare any actual interest and any actual, potential or perceived conflict of interest to the Delegate.”*
- *“If a declaration is made, the Delegate must determine any actions arising from identified conflicts with due regard to probity.”*

The Northern Territory (NT) Independent Commissioner Against Corruption (ICAC) defines corrupt conduct to include *“failure to manage adequately an actual or perceived conflict of interest”*. This extends to *“if it is conduct engaged in by a public body, minister, an MLA or local councillor that is connected to public affairs and involves a serious breach of trust.”*

An appropriately developed conflict of interest framework would encompass the steps in Figure 2.

Figure 2: Conflict of Interest Framework



The implementation of an effective conflict of interest framework not only sets a standard for proper conduct when dealing with personal interests, it protects those individuals who have personal interests from acts of reprisal.

Selected Agencies cont...

Scope and Objectives

The primary objective of the Selected Agencies - Managing Conflicts of Interest Survey (the Survey) was to undertake a survey of the controls and processes in place to manage conflicts of interest in selected Northern Territory Government (NTG) agencies and analyse the responses to assess the extent to which these controls and processes are implemented and operating throughout the NTG.

The term 'Selected Agencies' means NTG agencies for the purposes of the Financial Management Act 1995 by Administrative Arrangements Order dated 6 February 2020.

The Survey considered the controls and processes in place at responding agencies as at 1 January 2020.

Overall Survey Result

The Survey was conducted using a questionnaire provided to selected agencies. Of the 21 conflict of interest questionnaires that were sent to agencies, 20 were returned and have been included in the assessment and the consolidated responses presented in this report.

Agencies were provided approximately three weeks (the period from 19 February to 13 March 2020) to complete the Survey.

Of the 20 agencies that responded to the survey, 15 need to either improve or significantly improve their systems and processes for identifying and managing conflicts of interest.

The maturity level of agencies' conflict of interest frameworks, as assessed based on the number of criteria each Agency met, is summarised in the table below:

Table 1: Summary of Maturity Levels

Conflict of Interest Framework Maturity Rating	Percentage of Criteria Met	Number of Agencies
Advanced (processes are developed and embedded in business activities)	Met over 75% of the criteria	5
Established (processes are developed)	Met 50% - 74% of the criteria	10
Developing (some processes are in place)	Met under 50% of the criteria	5

Source: NTAGO prepared

Whilst five agencies have been assessed as having an advanced framework, the existence of such does not guarantee that all conflicts of interest are identified and managed effectively.

The assessment of the maturity level of the framework must not be interpreted as an assessment of the Agency's compliance with, or adherence to, the framework. It is possible that, while a robust framework exists, adherence to the framework has not been applied or not been applied consistently within an Agency.

Selected Agencies cont...

Recommendations

Whilst specific findings and recommendations have been provided to each Agency taking part in the Survey, the collective responses to the Survey demonstrated the need for a consistent framework to be developed and implemented across the NTG. As part of this, special attention should be paid to the following elements:

- ensuring there is clear guidance for managing conflicts of interests, particularly in relation to:
 - avoidance of unnecessary conflicts of interest;
 - lodgement of nil disclosures;
 - requirements related to vulnerable units;
 - requirements related to third parties;
 - investigation of breaches;
 - providing employees with training specific to managing conflicts of interest; and
 - establishing regular reporting on identified conflicts of interest.

There may be benefit in considering maintaining centralised (across-government):

- policy (already in place at OCPE);
- procedures;
- register;
- notification of breaches repository; and
- disciplinary approach.

It may also be appropriate for a centralised conflict of interest function to reside with OCPE.

Audit Observations

This report presents a table relevant to each component of the Survey. The first column lists each related criterion (question) from the Survey. The second column captures the percentage of agencies meeting the criterion. My assessment was formed using the responses and additional information provided by agencies in response to the Survey. The responses and additional information have not been subjected to audit procedures or further verification.

Establish a Conflicts of Interest Policy

Better Practice Principles

When determining if a conflict of interest exists, there are four key elements to consider:

5. Does the Public Sector Officer have a personal interest?
6. Does the Public Sector Officer have a public duty?
7. Is there a perceived or actual connection between the personal interest and public duty?
8. Could a reasonable person perceive the personal interest to be favourable?

Selected Agencies cont...

Performing the reasonable person test is subjective as two people may reach a different outcome, especially when one person is the one with the conflict. For this reason, the conflict threat must be assessed objectively and it is important that the key considerations in the decision making process are documented. If there is any doubt, a disclosure should be made.

Guidance to assist in identifying a conflict of interest should be readily available for a Public Sector Officer to apply. This will assist in aligning individual views with the Agency's view and support consistency when applying terms. It would be prudent to consider developing and implementing a conflict of interest framework at an across-government level. This will ensure conflicts of interest are identified and managed consistently across all NTG agencies.

A conflict of interest policy should clearly outline the terms and processes for identifying, disclosing, managing and monitoring a conflict of interest. To support the policy and intent, training should be provided and tailored to target the areas of greatest risk within the Agency, with mandatory training for public officials in senior or high risk roles.

Selected Agencies cont...

Relevant Survey Results

The criteria and the percentage of agencies meeting the criteria relating to 'Establish a Conflicts of Interest Policy' are presented in Table 2.

Table 2: Establish a Conflicts of Interest Policy

Question	Percentage of Agencies Meeting Criteria
1 Does the Agency have a policy that includes conflict of interest requirements [as at 1 January 2020]?	90%
2 Does the Agency have documented processes/guidance on how to manage conflicts of interest [as at 1 January 2020]?	95%
3 Are the policy and/or procedures readily available to staff (e.g. via the intranet)?	100%
4 Do the policy and/or process: <ul style="list-style-type: none"> a. Define what a conflict of interest is (identifying)? b. Provide examples of conflicts of interest (identifying)? c. Stipulate when conflicts of interest should be considered (identifying)? d. Provide guidance on how to assess the risks presented by conflicts of interest (managing)? e. Provide guidance on mitigating controls to address conflicts of interest (managing)? f. Require a final assessment of the risk, taking mitigating controls into account (managing)? g. Explain where to record the identified conflicts of interest and agreed action/s (disclosing)? 	55%
5 Do the policy and/or procedures take into account the conflict of interest considerations promulgated within the NT ICAC guidance (see below)?	30%
6 Did the Agency provide training to staff during 2019 on conflict of interest requirements?	35%
7 Based on the training records, was the training actively attended during 2019?	35%

Source: NTAGO prepared

* Only responses with all options selected were deemed as meeting the criterion.

** Only ICAC awareness training was provided.

Selected Agencies cont...

Key findings from all Survey results are presented below:

- Nearly all agencies (90%) have agency-specific conflict of interest policies in place.
- All agencies make information available to employees in relation to managing conflicts of interest, either via the intranet or on shared local area network drives. However, only 55% of responding agencies provided all the content identified in the questionnaire as recommended for inclusion in the policy. In some cases, agency-specific information was limited to a high level policy and a declaration form, with limited process information available.
- The majority of agencies (70%) have not taken into account the relevant conflict of interest considerations promulgated within the NT ICAC guidance. Many agency-specific conflict of interest policies have not been reviewed since the *Independent Commissioner Against Corruption Act 2017* (the ICAC Act) came into effect in 2017 (see the commentary in response to question 20 for more information).
- Over half of responding agencies (65%) have not organised training specific to conflict of interest requirements. I acknowledge some agencies have required employees to attend ICAC awareness sessions. The agencies that provided specific training often combined it with fraud awareness training or incorporated conflict of interest requirements into general induction training.
- The training provided by agencies appeared to be well attended.

Identify and Manage Vulnerable Units

Better Practice Principles

Certain roles will have a higher risk of being exposed to a conflict of interest threat. High risk roles include areas involving:

- the exercise of specific or certain classes of discretionary powers;
- significant advantages or disadvantages for external parties;
- a history of public interest controversy;
- large sums of public money;
- a history of alleged or actual corruption or misconduct;
- a high degree of subjectivity;
- highly sensitive or valuable information; or
- departures from existing policy, procedures or precedent.

For high risk roles, agencies should consider additional controls beyond minimum policy requirements.

Selected Agencies cont...

Relevant Survey Results

The criteria and the percentage of agencies meeting the criteria relating to 'Identify and Manage Vulnerable Units' are presented in Table 3.

Table 3: Identify and Manage Vulnerable Units

Question	Percentage of Agencies Meeting Criteria
8 Does the Agency identify vulnerable units that have an increased exposure to conflict of interest threats?	35%
9 Does the Agency have additional controls in place (beyond the standard requirements) for the identified vulnerable units?	30%

Source: NTAGO prepared

Key findings from all Survey results are presented below:

- Many agencies (65%) did not identify vulnerable units within the agency that have an increased exposure to conflict of interest threats. There also seemed to be confusion across agencies as to what vulnerable units are, with some including designated positions (Executive Contract Officers and delegates) or selected processes (recruitment, procurement and grants) into the definition.
- Where agencies had identified vulnerable units with an increased exposure to conflict of interest threats, most established additional controls pertained to requiring relevant employees to declare conflicts on an annual basis rather than an ad hoc basis.

Selected Agencies cont...

Avoid Unnecessary Conflicts of Interest

Better Practice Principles

The most effective method to deal with conflict of interest threats is to avoid the threats where possible. Processes to avoid unnecessary conflicts of interest may include:

- removing personnel from roles where they have an identified conflict of interest;
- declining gifts and invitations from suppliers and third parties with whom a working relationship exists; and
- rotating staff to reduce the likelihood that professional relationships will develop into personal relationships.

Relevant Survey Results

The criterion and the percentage of agencies meeting the criterion relating to 'Avoid Unnecessary Conflicts of Interest' are presented in Table 4.

Table 4: Avoid Unnecessary Conflicts of Interest

Question	Percentage of Agencies Meeting Criteria
10 Does the Agency have guidance in place [as at 1 January 2020] on how to avoid situations that might lead to a conflict of interest?	75%

Source: NTAGO prepared

Key findings from all Survey results are presented below:

- 75% of agencies had some guidance in place in relation to avoiding situations that might lead to a conflict of interest. The guidance was mainly included in agency-specific policy documents.
- For those agencies that had guidance, it was limited and largely related to management strategies that include removing the employee from the relevant business process. Some agencies provided scenarios demonstrating how conflicts of interest can be identified and ultimately avoided, to improve clarity. These represented examples of better practice.

Selected Agencies cont...

Disclose Personal Interest and Conflicts of Interest

Better Practice Principles

Personal interests should be declared by Public Sector Officers in high risk and senior positions. Disclosing a personal interest provides a higher level of transparency and reduces the likelihood that a Public Sector Officer will be tempted to conceal or favour the interest.

It is important for conflicts of interest to be disclosed even if the relevant personal interest has already been disclosed. For example, a family member's business may be disclosed as a personal interest. It should also be disclosed as a conflict of interest if the Public Sector Officer needs to contract with the declared business as part of their public duty role.

A personal interest and/or conflict of interest may need to be disclosed separately for a specific purpose. Specific purposes may include the appointment of a staff member to a recruitment panel, committee or project, or involvement with the awarding of procurement activities, grants or legal settlements.

Better practice may be to require employees to declare a nil disclosure in some instances, thereby attesting that they do not have a conflict of interest. This encourages fuller disclosure as a Public Sector Officer is required to give greater consideration to the disclosure. These employees should then be asked to re-disclose when a conflict threat changes.

All conflict of interest threats (perceived or actual) should be disclosed in writing to a manager and recorded centrally. A central position can ensure that conflict threats are addressed appropriately and consistently within an Agency. Maintaining a centralised register demonstrates that the conflict threat was properly disclosed in a timely manner.

A comprehensive policy would include the following disclosure requirements:

Figure 3: Declaring conflicts of interest and personal interest

- | | |
|--------------------------------|---|
| Register of personal interest | <ul style="list-style-type: none">▪ declare annually, including nil disclosure▪ declare as interest arises or changes▪ use for Public Sector Officers in high risk and senior positions |
| In writing | <ul style="list-style-type: none">▪ declare to manager as interest arises▪ re-declare as interest changes |
| For specific purpose | <ul style="list-style-type: none">▪ declare at or prior to panel/committee meetings▪ include nil disclosure▪ ask to re-disclose at meetings or when conditions change |
| Conflicts of Interest Register | <ul style="list-style-type: none">▪ central register with all conflicts maintained▪ recorded on Public Sector Officer's personal file |

Source: Independent Commission Against Corruption NSW, April 2019

Selected Agencies cont...

Relevant Survey Results

The criteria and the percentage of agencies meeting the criteria relating to 'Disclose Personal Interest and Conflicts of Interest' are presented in Table 5.

Table 5: Disclose Personal Interest and Conflicts of Interest

Question	Percentage of Agencies Meeting Criteria
11 Are officers in higher risk or senior roles required to disclose a comprehensive list of all potential or perceived personal interests and conflicts of interest in writing?	75%
12 For higher risk or senior roles, is there a requirement for a nil disclosure (e.g. the requirement to disclose that no conflicts exist)?	45%
13 Is there a process in place to identify personal interests and conflicts of interest for a specific purpose (e.g. membership of a panel or committee)?	60%
14 Are identified personal interests and conflicts of interest recorded in a centralised register?	50%

Source: NTAGO prepared

* No specific requirement is included in the policy. All employees are required to declare conflicts of interest.

Key findings from all Survey results are presented below:

- Most agencies (75%) require Public Sector Officers in higher risk or senior roles to disclose a comprehensive list of all potential or perceived personal interests and conflicts of interest in writing, in line with declaration requirements for Executive Contract Officers and senior managers across NTPS.
- Although most agencies require Executive Contract Officers and senior managers to disclose personal interests and conflicts of interest on annual basis, which are requirements applicable across NTPS, less than half (45%) require a nil disclosure.
- Most agencies impose declaration requirements on board (executive leadership team) members, audit and risk committee members and members of grant, procurement and selection panels. Often agencies require conflicts to be declared at the start of meetings. Some agencies require separate declaration forms to be prepared either annually or when an employee joins a particular panel. Many of these requirements appear similar across government, particularly in relation to procurement panels and declaration of private interests of key management personnel.
- Although 80% of responding agencies responded that they maintain conflict of interest registers, only 50% provided sufficient evidence to support this claim.

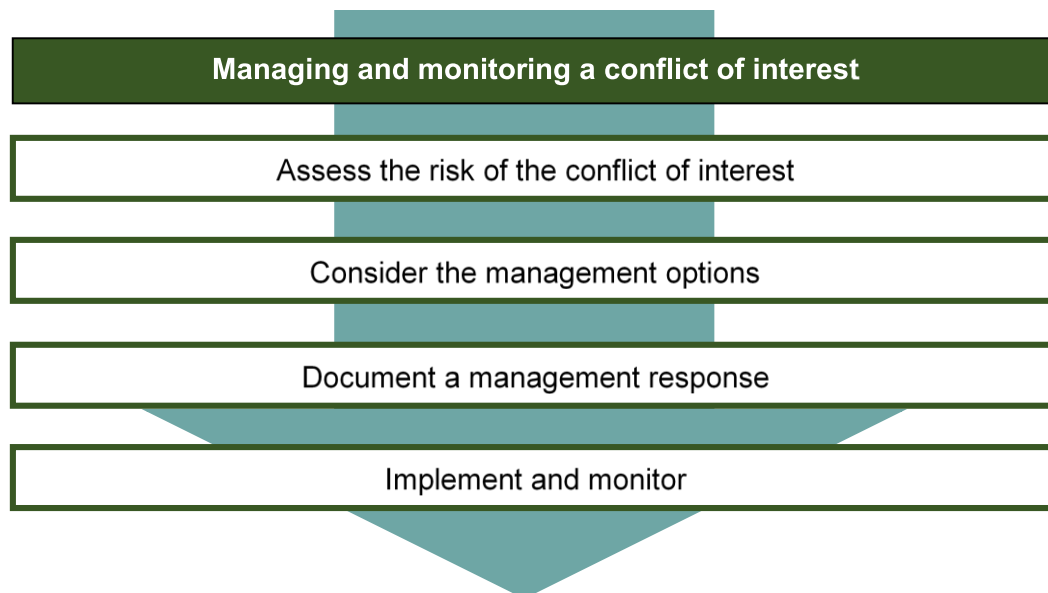
Selected Agencies cont...

Manage and Monitor Conflicts of Interest

Better Practice Principles

There are four stages to managing and monitoring an identified conflict of interest:

Figure 3: Managing and Monitoring Conflicts of Interest



Source: Independent Commission Against Corruption NSW, April 2019

When assessing a conflict threat, the following factors can contribute to the risk:

- the activities of the unit/project;
- the Public Sector Officer's involvement and ability to influence;
- the Public Sector Officer's personal interest;
- the potential consequences if the Agency was seen to favour the interest; and/or
- deviations from existing process or lack of standard processes.

After assessing the level of risk associated with the conflict threat, the available responses can be considered. Response options include:

- taking no further action (appropriate for low risk threats);
- removing the Public Sector Officer with the conflict of interest (practically in high risk area);
- changing the Public Sector Officer's role, this can include:
 - limiting the Public Sector Officer's involvement to certain aspects of the process, including segregating or reducing their duties;
 - supervising the Public Sector Officer more closely;
 - excluding the Public Sector Officer from certain decisions of meetings;
 - reducing the Public Sector Officer's ability to influence the decision;
 - limiting access to certain systems/information/documentation;

Selected Agencies cont...

- preventing the Public Sector Officer having engagement with the conflicted party;
- changing reporting lines;
- ensuring an Public Sector Officer with equal or greater seniority is involved in the matter;
- engaging an independent expert; and/or
- introducing a review of the outcome of the conflicted matter.
- changing or augmenting the system or process, this can include:
 - requiring more detailed documentation;
 - altering the decision making process to reduce the level of subjectivity;
 - clearly documenting the reason for the decision/s;
 - maintaining an audio or video recording of the decision/s or meetings; and/or
 - conducting a post-completion audit or review.

Source: Independent Commission Against Corruption NSW, April 2019

Just as the conflict of interest disclosure must be in writing, so must be management's response. Comprehensive documentation would include a description of the conflict, the risk assessment, the options considered, the measures selected and the reasons for their selection, the party responsible for implementing the measure and any monitoring arrangements. The documentation should be signed by the conflicted Public Sector Officer and the manager.

For high risk processes, there should be periodic reporting on compliance with the documented plan.

A robust agency-specific framework would document who is ultimately responsible for ensuring that conflict of interest measures are implemented. Apart from the responsibility to manage individual conflicts of interest, management's responsibilities include:

- promoting a culture of ethical behaviour;
- addressing any workplace conduct that appears to show favouritism to a specific party;
- ensuring relationships with third parties remain professional;
- ensuring there is access to information about conflicts of interest;
- ensuring that employees and/or contractors have received training in relation to conflicts of interest;
- providing advice and directing staff regarding conflict of interest matters;
- being alert and following up on indications of conflict threats or breaches;
- reporting suspicious behaviour; and
- ensuring compliance with the conflict of interest framework.

Selected Agencies cont...

An agency needs to ensure it is proactive in the identification of conflicts of interest. In addition to the recommended processes and controls discussed above, consideration should be given to the implementation of:

- internal reports or complaint-handling functions that allow staff and external parties to report threats and breaches;
- embedding a data analytics program that identifies suspicious transactions, events or relationships;
- applying internal audit functions and programs that have regard for best practice systems and processes;
- appointing a probity expert to oversee and advise during high risk transactions;
- conducting background and due diligence checks on potential staff, suppliers, contractors and business partners.

Relevant Survey Results

The criteria and the percentage of agencies meeting the criteria relating to 'Manage and Monitor Conflicts of Interest' are presented in Table 6.

Table 6: Manage and Monitor Conflicts of Interest

Question	Percentage of Agencies Meeting Criteria
15 When a conflict of interest is identified, is management's response to the identified conflict of interest documented and retained?	85%
16 Is a team or position responsible for managing and monitoring conflicts of interest?	90%
17 Is there a process in place to document the following details for each conflict of interest (multiple options): <ul style="list-style-type: none"> a. Assessment of the risk arising from the identified conflict of interest? b. The name/s of those assessing the risk and identifying and implementing mitigating actions? c. The actions/controls designed to manage the conflict of interest and mitigate the related risk? d. The process for monitoring the conflict of interest? 	60%
18 What reporting is prepared in relation to identified conflicts of interest occurring within the Agency and who is the report provided to?	0%

Selected Agencies cont...

Question	Percentage of Agencies Meeting Criteria
<p>19 How does the Agency seek to identify undisclosed conflicts of interest? Select any that apply.</p> <p>a. Internal reporting function that allows staff to report concealed conflicts of interest or other forms of misconduct.</p> <p>b. A data analytics program that seeks to identify suspicious transactions, events or relationships that may be associated with a conflict of interest.</p> <p>c. An internal audit function.</p> <p>d. Examining audit logs.</p> <p>e. Employing a probity expert on high-risk transactions.</p> <p>f. Conducting background and due diligence checks on potential staff, particularly in senior or high risk positions prior to employment commencing.</p> <p>g. Other (more information required).</p>	95%

Source: NTAGO prepared

**One or more selected options was considered sufficient to meet the criterion.*

Key findings from all Survey results are presented below:

- The majority of agencies (85%) maintain declaration forms following management approval, primarily by retaining the documentation in the NTG records management system. Most of these agencies also ensure that a conflicts of interest register is updated accordingly.
- Nearly all agencies (90%) have identified a team or a position responsible for coordinating the management and monitoring of conflicts of interest. In most agencies, this is performed within the corporate governance function.
- Agencies that do not maintain registers seek to capture the information through declaration forms, although this does not enable easy reference and review of conflicts at an agency level.
- Regular, formal reporting was not in place in any of the responding agencies. Some agencies claimed to provide a copy of the register to the Accountable Officer on annual basis, however none provided evidence of this practice occurring in 2019.
- Agencies responded that they have multiple options for seeking to identify undisclosed conflicts of interest, with most identifying the internal reporting function (i.e. that allows staff to report concealed conflicts of interest or other forms of misconduct) as being key in this regard.

Selected Agencies cont...

Evaluate and Audit the Control Framework

Better Practice Principles

Regular audits and/or reviews of the application of the conflict of interest framework constitute an effective method of determining if controls are being adequately and appropriately applied internally by staff and externally by non-government parties. Relevant procedures can include reviewing:

- the adequacy, accuracy and completeness of disclosures and registers;
- whether, or to what extent, documented responses are consistent with the framework; and
- whether, or to what extent, management's responses to conflicts of interest have been implemented.

As with all systems and processes, the conflict of interest framework should be evaluated on a regular periodic basis.

Relevant Survey Results

The criteria and the percentage of agencies meeting the criteria relating to 'Evaluate and Audit the Control Framework' are presented in Table 7.

Table 7: Evaluate and Audit the Control Framework

Question	Percentage of Agencies Meeting Criteria
20 Are the conflict of interest framework/policy/procedures documents reviewed on a regular basis?	60%
21 Are the completeness and accuracy of conflict of interest declaration records and/or registers reviewed?	55%

Source: NTAGO prepared

Key findings from all Survey results are presented below:

- 60% of agency-specific frameworks were reviewed in the last two years (in 2018 or later). This date was deemed significant due to the ICAC Act coming into effect in 2017, which heightened across-government awareness of corrupt conduct. Some agencies advised that conflict of interest frameworks are currently under review, while others have not been reviewed for four or more years.
- Similar to the above, 55% of responding agencies also reported regularly reviewing conflict of interest declaration records and/or registers. In most cases, this review is performed as part of the annual declaration process and/or as and when ad hoc declarations are received.

Selected Agencies cont...

Deal with Breaches

Better Practice Principles

Policy, controls and processes should be in place to identify, investigate and deal with alleged breaches. Actions may include:

- disciplinary action, including dismissal;
- terminating contracts and preventing an external party from future contracts;
- undertaking legal actions;
- reconsidering decisions that were affected by the breach; and
- reporting the breach to the appropriate bodies (NT Police/ICAC).

It is important that staff conducting the investigation have the appropriate skills and training to ensure compliance with legislative requirements.

Relevant Survey Results

The criteria and the percentage of agencies meeting the criteria relating to 'Deal with Breaches' are presented in Table 8.

Table 8: Deal with Breaches

Question	Percentage of Agencies Meeting Criteria
22 Do the conflict of interest policy and procedures include processes for breaches to be investigated?	20%
23 Were any breaches identified in 2019?	100%
24 What team/position is responsible for investigating breaches?	85%
25 What training, qualifications and experience are held by those tasked with investigating breaches?	60%

Source: NTAGO prepared

**Both positive and negative responses were deemed as meeting the criterion.*

Key findings from all Survey results are presented below:

- Most agencies (80%) have not formalised a process to investigate breaches. In some cases, such activity is performed as part of the process established for investigating breaches of requirements under the *Public Sector Employment and Management Act 1993* or for general misconduct investigations.
- All agencies responded to this question and only two agencies advised of instances where breaches were identified in 2019.
- Over half of all responding agencies (60%) have identified a team or position responsible for investigating breaches. In most agencies, this responsibility is assigned to the corporate governance or human resources functions, with specialist external investigators engaged for more complex matters.

Selected Agencies cont...

- The responses provided varied, depending on the nominated function responsible for investigating breaches. Some of the reported qualifications and experience included accounting qualifications, Certificates in Government Investigations, audit, legal or police investigation experience. Some agencies reported engaging specialist external investigators for more complex matters with the required training, qualifications and experience depending on the subject matter being investigated.

Third Parties

Better Practice Principles

Conflict of interest policies directed at external parties can be included within the conflict of interest framework. Requirements can include obligations on how internal parties should act when dealing with external parties and establishing requirements for external parties to ensure public resources are managed in accordance with NTG values and behaviours.

When requirements are established, there needs to be an ongoing assessment to ensure they are implemented and applied consistently and effectively. Actions to be taken when investigating and addressing breaches need to be clearly defined.

Relevant Survey Results

The criteria and the percentage of agencies meeting the criteria relating to 'Third Parties' are presented in Table 9.

Table 9: Third Parties

Question	Percentage of Agencies Meeting Criteria
26 Is there a conflict of interest policy or requirements applicable to third parties (e.g. grant recipients or suppliers)?	50%
27 Are the third party conflict of interest requirements readily available to external parties (e.g. included as part of the procurement process, published on the website)?	45%
28 What checks are performed to ensure third parties are complying with the Agency's conflict of interest requirements?	15%
29 Does the Agency seek to identify undisclosed conflicts of interest by having a reporting function that allows external parties to report concealed conflicts or misconduct?	40%
30 Are there documented processes for conducting background and due diligence checks on committee members, suppliers, contractors and business partners?	30%

Source: NTAGO prepared

Selected Agencies cont...

Key findings from all Survey results are presented below:

- Only half of responding agencies had conflict of interest policy or requirements applicable to third parties. Most of these requirements related to procurement processes and grant agreements.
- The majority of third party requirements, where applicable, are either made available on the NTG website or provided to tenderers or grant recipients as part of the tender, contract or grant award process.
- Most agencies (85%) do not perform specific checks to ensure third parties are complying with the Agency's conflict of interest requirements. Most checks, where applied, are reactive and in response to identified concerns.
- Only 40% of responding agencies reported the existence of processes designed to identify undisclosed conflicts of interest through the establishment of a reporting function that allows external parties to report concealed conflicts or misconduct. In most responding agencies, reliance is placed on reporting to agencies' ICAC nominated recipients. Some agencies also reported having separate email addresses that could be used for reporting purposes, however were also available for other types of reporting such as customer complaints.
- 70% of agencies reported not having documented processes for conducting background and due diligence checks on committee members, suppliers, contractors and other entities with whom they conduct business. Most place reliance, where applicable, on signed declarations provided by third parties, apart from the procurement process where referee checks are generally conducted.

Selected Agencies cont...

Resources and References

The following legislation and reference materials were used to develop the criteria in the Survey questionnaire presented in Appendix A:

- *Financial Management Act 1995*
- Treasurer's Direction G2.2 Internal Control
- *Public Sector Employment and Management Act 1993*
- NTPS Code of Conduct - Employment Instruction 12 (December 2011)
- NTPS Conflict of Interest Policy
- NTG Procurement Governance Policy (August 2019)
- NTG Procurement Rules (August 2019)
- NT ICAC factsheets (various, as available on the NT ICAC website)
- New South Wales ICAC – 'Managing conflicts of interest in the NSW Public Sector' (June 2019)
- Australian National Audit Office, Performance Audit Report No.47 2013–14 'Managing Conflicts of Interest in FMA Agencies - Across Agencies' (June 2014).

Selected Agencies cont...

The Department of Corporate and Information Services has commented:

The Department of Corporate and Information Services notes the Auditor-General's assessment of the maturity of the department's conflict of interest framework. The department will consider practices to further enhance management of conflicts of interests.

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

The Department welcomes the opportunity to engage and work collaboratively with the Auditor-General and her staff in the audit and review process.

The audit program provides an essential, independent review of our programs ensuring our service delivery remains compliant with legislative provisions, Treasurer's Directions, guidelines and policies.

The audit process also provides an opportunity for the Department to strive for continuous improvement and the development of robust systems of delivery, reporting and accountability.

Following the recommendations of the audit processes, the Department will continue to review our current practices to meet the highest level of compliance, accountability and transparency to continue to deliver professional services and minimise potential risk.

The Department of Primary Industry and Resources has commented:

The Department of Primary Industry and Resources has noted the results and recommendations of the survey of managing conflicts of interest in selected NTG Agencies.

The Department of the Legislative Assembly has commented:

The Department of the Legislative Assembly notes the Auditor-General's recommendations and has commenced the process to implement the recommendations.

The Department of Tourism, Sport and Culture has commented:

The Department of Tourism, Sport and Culture accepts the Auditor-General's findings as they relate to the Department of Tourism, Sport and Culture and thanks her for the opportunity to participate in the survey.

The Office of the Independent Commissioner Against Corruption has commented:

The Independent Commissioner Against Corruption has noted the Auditor-General's report on Conflict of Interest and supports ongoing collaboration to ensure effective management of conflicts of interest across the public sector.

Selected Agencies cont...

Northern Territory Police, Fire and Emergency Services has commented:

The Northern Territory Police, Fire and Emergency Services acknowledges and agrees with the findings of the Conflict of Interest Survey and will use the findings to enhance our conflict of interest framework.

Selected Agencies

Contract Management – Adherence to *A Guide to Contract Management*

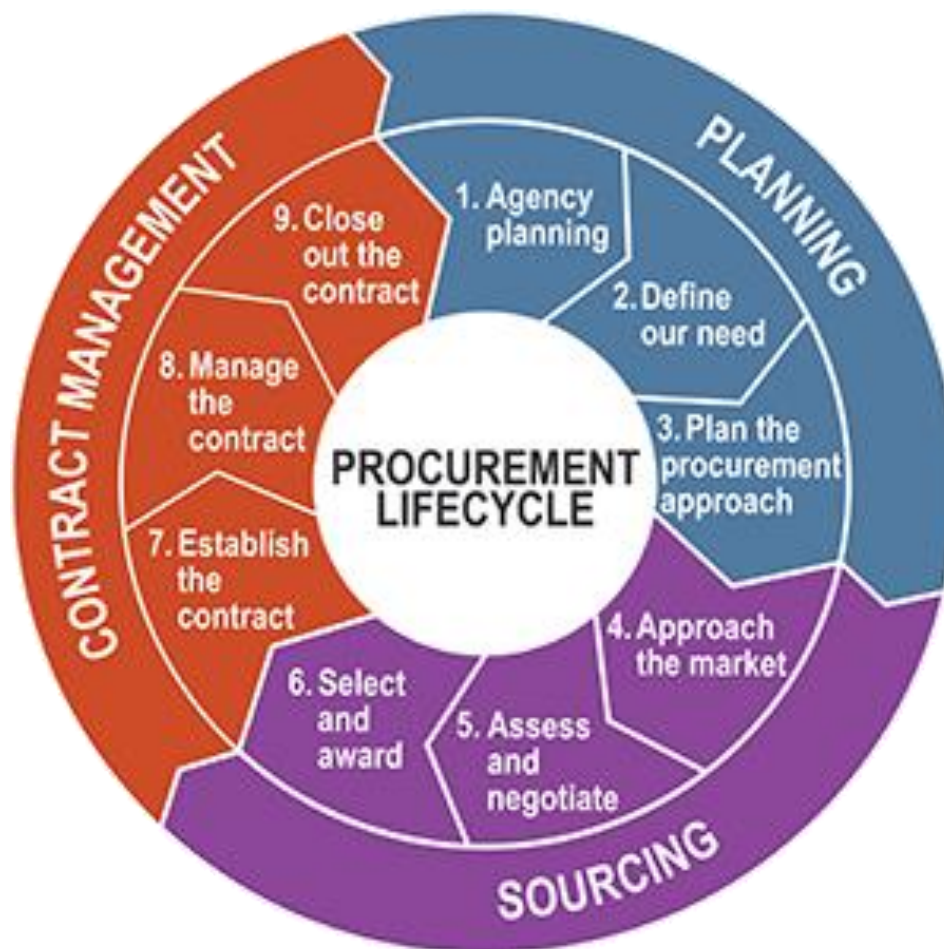
Background

NTG Procurement Framework

The NTG Procurement Framework comprises legislative and policy instruments.

The Legislation and Directions are mandatory requirements that all agencies must follow when undertaking procurement. Guidance documentation provides additional information to agencies on recommended approaches that may be adopted when undertaking procurement in each stage of the procurement lifecycle as depicted below.

Figure 1: NTG Procurement Lifecycle



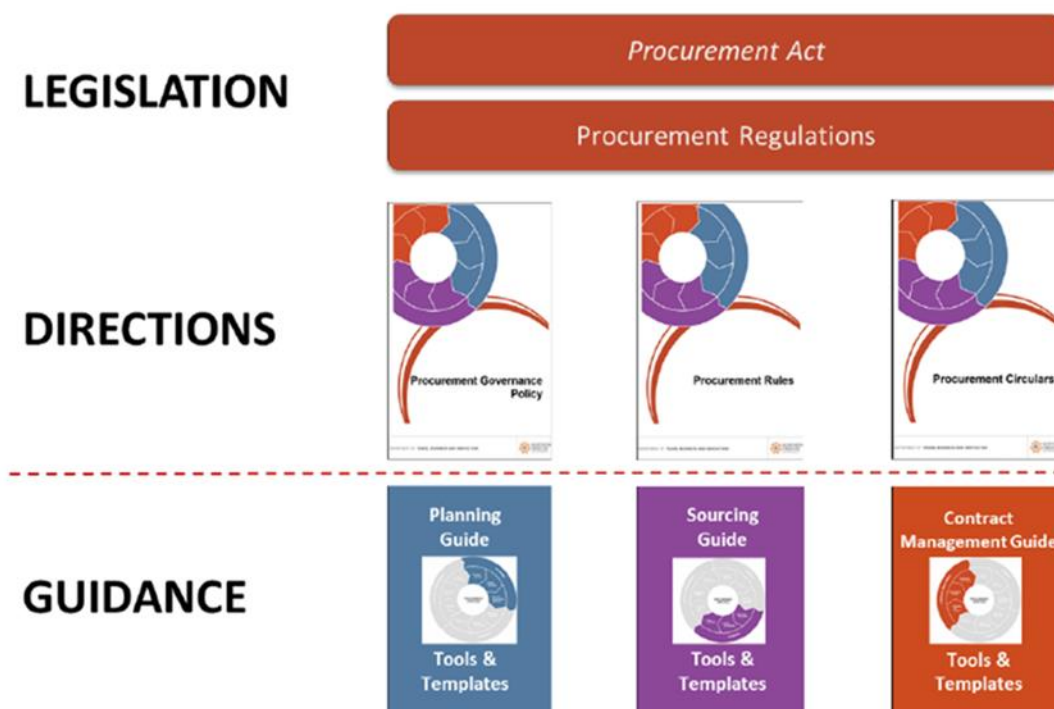
Source: NTG Procurement Governance Policy

Selected Agencies cont...

The NTG Procurement Framework comprises the following legislative and policy instruments. The three guidance documents presented in Figure 1 support the three stages of the procurement lifecycle:

- Planning
- Sourcing
- Contract Management

Figure 2: NTG Procurement Framework



Source: NTG Procurement Governance Policy

A Guide to Contract Management

The Department of Trade, Business and Innovation (DTBI) released *A Guide to Contract Management* (the Guide) in November 2016. The Guide provides recommended contract management practices for NTG agencies to effectively manage their contracts. DTBI also developed and released a range of tools and templates for use by NTG agencies when managing contracts.

The Guide provides:

1. an understanding of the benefits associated with effective contract management practices
2. an overview of contract management practices
3. guidance on recommended activities to be performed in the contract management stage.

Selected Agencies cont...

The Guide does not address procurement activities that occur prior to the contract being awarded. These activities are addressed within a range of procurement guidance available to all agencies to support compliance with NTG mandated procurement practices. The recommended activities espoused in the Guide were used as the criteria against which to evaluate the agencies' systems and processes.

Scope and Objectives

The objective of the performance management system audit was to determine the performance management systems in place at Selected Agencies that enable the agency to manage contracts (and the performance of contractors) in order to achieve the agency's objectives economically, efficiently and effectively. The audit also assessed each agency's adherence to the Guide through evaluating the systems, controls and processes in place at each agency to manage awarded contracts.

The audit covered the period 1 July 2019 to 31 January 2020 however the Selected Agencies were asked to provide support for processes that occurred outside of that period, which was dependent on the term of the contracts selected for testing.

The agencies selected for testing against the recommended activities established within the Guide were the Department of Infrastructure, Planning and Logistics and the Department of Health (encompassing the Department of Health and its controlled entities, being Top End Health Service and Central Australia Health Service). A third agency was also selected for testing however the audit is yet to be completed and will be reported upon separately in a future report to the Legislative Assembly.

Index

The report on this audit is structured as follows:

Audit Opinion	Refer page 100
Recommendations	Refer page 100
Audit Observations	
Criteria	Refer page 101
Contrax	Refer page 102
Contract Management Process and Observations	Refer page 103
Establish the Contract	Refer page 104
Manage the Contract	Refer page 108
Close-out the Contract	Refer page 114

Selected Agencies cont...

Audit Opinion

The objective of the performance management system audit was to determine the performance management systems in place at each Selected Agency that enable it to manage contracts (and the performance of contractors) in order to achieve its objectives economically, efficiently and effectively. The audit also assessed each Selected Agency's compliance with the activities recommended in the Guide through evaluating the systems, controls and processes in place at the Agency to manage awarded contracts.

Both agencies have established performance management systems and processes that largely support the recommended activities established within the Guide. The performance management systems and processes are not applied consistently across either Agency and some aspects of effective contract management were not clearly evidenced.

Some of the identified controls breakdowns included the omission of process steps relating to contractor performance monitoring, financial management, contract variations and gathering lessons learned.

Whilst instances of good practice were identified, as a result of the matters identified during the audit, I have concluded that the performance management systems within the Selected Agencies that enable them to manage contracts (and the performance of contractors) require strengthening in order to enable the agencies to assess whether their objectives are being achieved economically, efficiently and effectively (as they apply to contract outcomes).

Recommendations

In my opinion, some opportunities exist to enhance performance management systems and processes in relation to contract management. These opportunities relate to:

- the establishment and/or improvement of contract management guidance that is made available to employees and enforced by management, which will ensure consistency across the agency of contract management practices and their alignment with NTG procurement principles.
- improving the methods by which contract information is recorded, managed and communicated across the agency to ensure efficiency, consistency and completeness and provide value to future procurement and contract management processes in addition to reducing risks associated with poor record keeping and contract management.
- improved documentation of discussions held during start-up meetings and contractor performance discussions.
- clarifying and communicating agency requirements as they pertain to contractor performance monitoring and management.
- enhancing the controls and documentation supporting the consideration and subsequent approval or rejection of applications for contract variations.

Selected Agencies cont...

Audit Observations

The Guide is not mandatory and it is possible that agencies have alternative contract management frameworks and practices in place. The Guide presents recommended activities which, if implemented, should form a sound basis for effective contract management.

I recognise that agencies may have their own contract management framework which pre-dates the release of the Guide. The objective of the audit therefore was to use the recommended activities as criteria premised upon the assumption that any sound contract management framework would address contract management processes similar to the recommended activities contained in the Guide.

Two of the activities recommended within the Guide relate to the classification of the contract based upon its value and risk and the formulation of a risk-based contract management plan. I note the feedback from both Selected Agencies that consideration of the risks pertinent to the contract as a whole (including management of the contract) are considered during the planning and sourcing phases rather than after the contract has been awarded. I find this to be a valid approach which was, for the most part, supported by documentary evidence in both Selected Agencies.

In order to assess the contract management systems and processes in place at the Selected Agencies, walkthroughs were undertaken at each agency. A sample of contracts was then selected and contract management practices were then assessed for compliance with the Guide or the Agency's established contract management framework. The contracts were selected from various business units within each Agency to identify where practices differed from the promulgated approach.

Criteria

The following criteria were used as the basis of assessment for the audit.

Establish the Contract

Has the Agency:

1. defined clear roles and responsibilities for managing the contract?
2. determined an information management structure that supports management of the contract?
3. classified the contract based on its value and risks, ensuring the allocation of appropriate resources?
4. defined and agreed the necessary activities for managing the contract?
5. formulated a risk-based contract management plan?
6. established and communicated clear expectations with all parties at the commencement of the contract execution phase?

Manage the Contract

Does the Agency:

7. regularly review performance data in relation to contract deliverables, obligations and key performance indicators in the contractual documentation and contract management plans?
8. have a regular structured approach to gather feedback from the contractor and contract stakeholders where relevant?

Selected Agencies cont...

9. have a regular structured process to communicate performance concerns and resolve identified issues (including scheduled meetings, standing agenda items)?
10. document the results of performance discussions and provide those minutes to all parties?
11. have a structured records management system to retain contractual records (with access restrictions where appropriate)?
12. have a defined process for the financial management of the contract including regular monitoring of contract expenditure and processes for authorisation/approval of costs?
13. have a defined process for identifying, agreeing and approving contract variations?
14. have a defined process for identifying, agreeing and approving contract extensions and renewals?
15. have a defined contractor relationship management approach including a complaints recording and management process?

Close-out the Contract

Does the Agency:

16. have a process to ensure appropriate inspection/testing is undertaken to check for any issues or defects and to communicate and remediate any identified defects?
17. have a process in place to transition the requirements of the contract to another contractor where the need for goods and services remains yet the provider of the goods and services is changing?
18. have a process in place to finalise the contract including:
 - a process to capture lessons learned from the managing the contract?
 - a process to evaluate the contractor's performance, capturing feedback that can be used as a reference for future work?

Contrax

The NTG recently implemented an across-government information system, Contrax, to be used by NTG agencies when managing contracts. Contrax was intended to assist in improving transparency, compliance and active contract management, as well as underpin the work of the Buy Local Industry Advocate in reporting upon across Government performance. There are varying stages of adoption across government. Not all agencies are using the information system whereas some agencies are using it to manage contracts that have been entered into after the date of system implementation.

Both Selected Agencies have piloted the use of Contrax however identified the following limitations with the technology-based system:

- Using Contrax would result in a duplication of processes and information between Contrax and the purpose-built ASNEX interface which is designed to provide a holistic infrastructure management system where all records are retained to be accessed and reported upon with the information within the ASNEX interfaced systems serving as 'a single source of truth'.
- The navigation of the software was not user-friendly and added additional pressures to contract management personnel.

Selected Agencies cont...

- There was insufficient support for agencies attempting to use the system and it was difficult to source a person who was sufficiently knowledgeable about both the system and the aspects of effective contract management who had sufficient capacity to assist Agency employees.
- A lack of integration between the Agencies Purchase Requisitions Online system and Contrax was causing delays and a duplication of work.
- All projects older than 50 months were required to be entered manually into Contrax with more recent contracts to be downloaded automatically however the automatic downloads did not eventuate necessitating continuous requests for contract information to be entered after each contract award.
- It was time consuming ensuring all information was correctly and completely populated.
- The reminder functionality, which is considered a key attribute, was not working as designed causing important deadlines to be missed if they were not otherwise monitored by contract management personnel.
- Contract novation and subsequent contract variations or amendments cannot be easily reflected in Contrax.
- Details of insurance required to be inputted into Contrax are extensive and not aligned with agencies' needs.
- Issues identified by the agencies were not always resolved by the IT specialists in a timely manner.

As neither of the two Selected Agencies have implemented Contrax, testing focused on how alternative systems are used by the Agency to support contract management activities.

Contract Management Process and Observations

Contract Management Framework

Neither of the Selected Agencies has one overarching contract management framework that must be used by all employees. Structurally, the agencies are quite varied. The Department of Infrastructure, Planning and Logistics has four directorates and each have their own processes. The Department of Health, in addition to the head agency, has two related entities: Top End Health Services and Central Australia Health Services.

Within the Department of Infrastructure, Planning and Logistics, there are two frameworks currently promulgated by the Agency. Two directorates largely apply the recommended activities within the Guide. The existence and requirements of the Guide were communicated to relevant employees through email and an article in an internal newsletter. No specific training in relation to the Guide was provided at the time of release or subsequently in order to communicate the requirements for employees to abide by the requirements set out in the Guide.

The remaining two directorates apply an Agency-developed Project Delivery Checklist. The Checklist covers five project management phases through 78 steps, including steps related to contract management which are considered by those within the directorates to constitute a subset of project management. The five project management phases are initiation, planning and design, tender, construction and closure. The Checklist contains links to relevant templates that are to be used to support project delivery and contract management.

Selected Agencies cont...

The Checklist is further supported by a range of work instructions relevant to the Asset Information System (AIS) used by the Agency. These work instructions go into greater detail around particular parts of the process that need to be captured and/or processed through AIS. While the Checklist guides the work of project managers, the work instructions were developed to assist project administrators. The Checklist is currently used as a general guide for project delivery, however does not appear to be formally required nor enforced which may have contributed to inconsistencies in contract management activities across the two directorates.

Management of larger projects can also be fully or partially outsourced by the Agency. Accountability for overall contract management remains with the Agency.

In relation to the Department of Health and its related entities, there is no overarching contract management framework however there is a consistent approach to classification of contracts as strategic and non-strategic and processes exist to support contract management for contracts of either classification.

Formal training in relation to project/contract management is not mandatory within either Agency. Additional training is available to employees if upskilling is identified through performance discussions. Employees have the option to undertake a project management course, which also addresses contract management, through the standard training application process requiring delegate approval. Attendance at training is not monitored.

Establish the Contract

Has the Agency defined clear roles and responsibilities for managing the contract?

Both Selected Agencies have established mechanisms to define the roles and responsibilities pertaining to the management of each contract. These roles and responsibilities are generally captured in an overarching Contract Management Plan or equivalent. Documents provided for audit purposes that clarified the roles and responsibilities of parties to the contract included Contract Management Plans, Project Performance Plans and specific clauses contained within tendering documentation. Roles and responsibilities in relation to the contract selected for testing were clearly defined.

Within both Selected Agencies, the resources and support structures used to manage contracts depend upon the nature and complexity of the contract.

Management of some low-risk/low-value contracts may be undertaken directly by one contract manager with limited support. Management of high-risk/high-value contracts can involve more than one contract manager (such as a superintendent and a project manager for construction projects) and may sometimes involve outsourced expertise in addition to a project administrator or central support team.

Both Selected Agencies held contracts that were managed centrally and others that were managed on a decentralised basis depending on the location of the project/service delivery area. To contrast the different approaches, within some directorates of the Department of Infrastructure, Planning and Logistics, contract management is centralised within a small specialised functional unit. As a comparison, non-strategic contracts within the Department of Health are operationally managed locally at Health Services.

Selected Agencies cont...

Within the Department of Infrastructure, Planning and Logistics, project directors provide oversight and are involved directly when needed, however as they manage multiple programs and have broader responsibilities, the day-to-day tasks are mainly handled by the project managers. The project administrators are responsible for processing contractors' invoices in AIS and project-related records management and may prompt the project managers to complete the contract management requirements.

In relation to the Department of Health and its related entities, recent machinery of government changes implemented in July 2019 resulted in half of the Agency's Strategic Procurement and Contract (SPC) team being moved to the Department of Corporate and Information Services (DCIS), into the Enterprise Corporate Services team. The Enterprise Corporate Services team within DCIS now carry out all tendering functions for the Agency, and the SPC team manage the strategic and larger Northern Territory wide contracts. At the time of this audit, there were two Senior Category Managers in the Agency's procurement team who are nominated as the Contract Manager across all strategic contracts in the Agency.

A document labelled '*NT Health Procurement Services – Role Clarification*' detailing the specific roles of the relevant stakeholders in the transition to centralised procurement services was provided by the SPC team to my Authorised Auditors. This document was dated as being drafted on 28 August 2019 and was yet to be ratified at the conclusion of my audit. I encourage the Agency and DCIS to formalise this document to avoid confusion in relation to assigned roles and responsibilities. The Agency's contracts are broadly classified into two categories; strategic and non-strategic. The initial classification made by the SPC team at the inception of the contract determines the process by which the contract will be managed until completion.

Within the Department of Health, strategic contracts are managed in-house by the SPC team. Each strategic contract is assigned to a Senior Category Manager, for which they operate as the Contract Manager in the contract management phases of the procurement lifecycle. These contracts typically are of higher complexity, high value and pertain to high intensity of clinical operations, contract administration, management, and active stakeholder engagement. Non-strategic contracts are operationally managed within the Health Services by a range of employees including clinical team members, with issues escalated to the SPC team on an ad-hoc basis as necessary. For non-strategic contracts, the SPC team provide advice on locally managed (health service) contracts and support the Agency's operational contract manager with contractor performance issues as they arise.

Has the Agency determined an information management structure that supports management of the contract?

Both Selected Agencies use HPE Content Manager (formerly known as HP TRIM and HPE Records Manager) to store key contractual records. The files are usually created during the procurement phase and, upon contract award, the completeness of these records is further dependent on the diligence of the respective contract managers and the project administrators who support them. Some contract management records are maintained within the Selected Agency's local network drive.

Selected Agencies cont...

Contract information is maintained in multiple systems across each Selected Agency and many contract management activities are performed semi-manually (through the use of Word and Excel), which has resulted in several process inefficiencies. One Agency uses SharePoint to create a page for each contract as automated prompts can be established within SharePoint to remind contract managers of key dates related to contractor performance monitoring and reporting to senior management, based on requirements from the conditions of contract.

Project files are managed by their respective central project administration teams and generally follow a project life structure that allocates documentation based on project phase such as Initiation, Planning, Design, Construction, Post-Construction and Finance. The structure of the file depends on the type of project.

Within two directorates of the Department of Infrastructure, Planning and Logistics, construction contract data is stored in AIS and can be retrieved based on the award and close-out dates through the ASNEX interface (reporting tool). Other directorates do not have a central system from which information can be easily extracted.

My Authorised Auditor did, however, experience issues obtaining a complete whole-of-Agency listing of contracts that were either established, in place or closed out during the period subject to audit for those business units not using a centralised records repository.

Has the Agency classified the contract based on its value and risks, ensuring the allocation of appropriate resources?

The value and risks associated with each project are assessed during the planning and sourcing phases of the procurement lifecycle. As a result, the contracted activity is risk-assessed and is not subject to a further Value Risk Segmentation re-assessment at the time of contract award as it has already been classified from a contract management perspective. This approach was consistent within both Selected Agencies.

Larger, more complex projects involve more formal and closer contractor performance monitoring. In some cases, there is daily on-site presence and supervision by Agency personnel (or Agency appointed consultants). Contractor performance reporting is generally on a monthly or quarterly basis rather than only at contract close-out. Fortnightly or monthly progress meetings are held with the contractor, which are formalised through a meeting agenda and resulting minutes. Increased and more senior resources are allocated to larger, more complex projects.

Lower-value and/or lower risk projects and service delivery contracts are overseen by project managers and operational staff. The project management requirements are not as rigorous and, for projects, the work is finished in a relatively short span of time, such as between six and 12 weeks.

Within the Department of Infrastructure, Planning and Logistics, management of larger, more complex projects can be fully or partially outsourced, however overall contract management remains the responsibility of the Agency. When contract management is outsourced, consultants are generally able to use their own contract management framework, processes and templates however are required to submit key supervision / project management documentation to the Agency for retention in the HPE Contents Manager. The performance of each outsourced consultant is also assessed by the internal project team.

Selected Agencies cont...

Has the Agency defined and agreed the necessary activities for managing the contract?

Various approaches to determining, agreeing and documenting contract management activities were observed within the Selected Agencies. For some contracts, contract management roles, responsibilities and activities are documented in the Contract Management Plan (CMP). The CMP incorporates key details within the contract determined in the Planning and Sourcing phases of the NTG Procurement Lifecycle. In some instances contract management activities are captured in the Procurement Activity Plan (PAP), Project Performance Plan and other procurement documentation. For other contracts, separate contract management plans are generally not prepared as the PAP, RFT (or Request for Quotation) and the conditions of contract are collectively deemed sufficient for project delivery and contractor performance management.

For large strategic contracts managed by the Department of Health, the CMP defines the necessary activities for managing the contract. Specifically, the CMP details the formal process for invoice verification and payments, as well as the calculation of accruals. The CMP also details the use of membership committees to which responsibilities have been assigned to manage the contract activities that govern the contract where applicable.

Within the Department of Infrastructure, Planning and Logistics, the Checklist can be used as a reference when determining contract management activities. The Checklist requires the following elements for project planning: project description and scope: the Checklist, program Gantt chart, PAP, project plan / risk register, budget and cash flow, resource plan, governance plan and communications plan. The project plan and the Checklist are required to be filed in HPE Content Manager.

Instances were identified where contract management activities were not specifically defined with reliance placed on a combination of the conditions of contract (set by categories of contracts and publically available on the NTG website), the project team's knowledge and experience, as well as any externally mandated requirements if applicable.

Has the Agency formulated a risk-based contract management plan?

Contract management activities are defined as part of project and procurement planning and separate contract management plans are generally not prepared. In some limited instances, from the initial risk assessment, a risk-based CMP was constructed which incorporates the risks detailed in the planning and sourcing phases of the procurement lifecycle, as well as any additional risks identified during the contract management phase. This is evidenced in the CMP in which a copy of the risk register is maintained detailing the risks, ratings, consequences, and existing controls in place.

Selected Agencies cont...

Has the Agency established and communicated clear expectations with all parties at the commencement of the contract execution phase?

Many contractual requirements are communicated to tenderers through procurement documentation. Key Performance Indicators are often specified in the RFT and are established and agreed upon prior to the commencement of the contract.

Both Selected Agencies demonstrated that a start-up (or kick-off) meeting is held at which contract management activities are discussed. Attendees at the start-up meeting may include representatives from the Agency, the contractor and, where applicable, client agency representatives, staff from Agency compliance and contract management support units and, when project management is outsourced, the external project manager is also in attendance.

The start-up meeting is used to confirm all the required insurances, accreditations, licensing, and memberships. Discussion points include proposed reporting requirements; key performance indicators; targets; consequences; key contractor personnel; risk strategy; governance structure; meeting terms of reference; and overall objectives as appropriate to enable the contract to be managed in an economic, effective and efficient manner. If there are issues identified by the Agency or contractor, this forum provides an opportunity for the issues to be discussed.

The start-up meeting is an established practice across both Selected Agencies however the discussions within the meetings are not consistently minuted, especially for lower tier contracts.

Manage the Contract

Does the Agency regularly review performance data in relation to contract deliverables, obligations and key performance indicators in the contractual documentation and contract management plans?

The Selected Agencies were able to demonstrate regular review of performance data in relation to contract deliverables, obligations and key performance indicators. Mechanisms for review included:

- Monthly reporting of and related discussion of contract expenditure, contracts awarded and contract compliance auditing results to executive leadership.
- Monthly reporting in relation to initiatives such as Aboriginal development expenditure and other key contract requirements.
- Augmented reporting and acquittal requirements for Commonwealth-funded initiatives.
- Established internal monthly reports on project delivery and/or contract expenditure to divisional management.
- On-site supervision with daily notes about on-site activities provided to the project manager daily.
- Monthly review of performance measures such as the percentage of work completed against the project timeline and expenditure against the project budget with these measures also discussed at progress meetings with the contractor.
- Internal audits of contractor performance and compliance.
- Monthly and quarterly meetings with the designated oversight committees to review performance data and provide a structured approach in which feedback is gathered and issues are raised and discussed on a timely basis.

Selected Agencies cont...

In one instance, upon my Authorised Auditor's request for the monthly performance data reports required to be delivered under the contractual arrangements, the contract manager was unable to provide the reports or evidence that the reports had been produced by the contractor.

Does the Agency have a regular structured approach to gather feedback from the contractor and contract stakeholders where relevant?

Neither Selected Agency had regular structured approach to gathering feedback from the contractor and contract stakeholders.

Does the Agency have a regular structured process to communicate performance concerns and resolve identified issues (including scheduled meetings, standing agenda items)?

Processes to communicate performance concerns and resolve identified issues are not consistent across the Selected Agencies or within the Selected Agencies.

Broadly within the Department of Infrastructure, Planning and Logistics, communication of performance feedback on large projects is intended to occur through the use of progress Contractor Performance Reports (CPR) which are completed monthly but only sent to the contractor quarterly. If there is an unsatisfactory score, the progress CPR is sent sooner. The progress CPR, cash flow and any non-conformance reports from audits or site supervision are regularly provided to the contractor and are also discussed at progress meetings. Meeting frequency depends on project risks, site activities, contractor performance, critical tasks and the number of site visits that the project manager conducts. Issues noted through daily site supervision are sent to the contractor to correct. Unresolved issues are escalated through line management or to relevant departmental areas as required. The conditions of contract also include hold points, which are points in the process beyond which work may not proceed without written authorisation of the Agency.

Some business areas only abide by the minimum contractual requirement of completing one CPR at the end of the contract. Progress CPRs are only prepared when the project team anticipates issues or has a problematic contract. In these cases, Agency personnel advised the team prepares monthly progress CPR as a performance improvement measure.

For lower-risk contracts, regular performance discussions may not be scheduled and may consist of communication by telephone or email with the contractor; periodic site visits; and/or submission of monthly inspection reports by the contractor.

For period contracts managed within the Department of Infrastructure, Planning and Logistics, contract management teams aim to prepare progress CPRs in January every year, unless there are significant performance issues in which case, progress CPRs are to be done mid-year as well. Preparation of progress scores is still not a fully established practice.

Agency representatives advised that issues are normally resolved straight away. Monthly meetings are used to determine more long term, strategic solutions and to enable relationship building. Most contractors are also required to provide monthly reports.

Selected Agencies cont...

Does the Agency document the results of performance discussions and provide those minutes to all parties?

Due to a lack of clear process guidance and related minimum requirements, contractor performance monitoring and management efforts on lower tier contracts are not adequately documented. The lack of (enforced) guidance also causes inconsistencies on larger contracts, in terms of the frequency at which progress CPRs are completed.

For larger or more complex contracts, the contractors are provided with the formal agenda and minutes. For smaller contracts, key information from the meeting (attendees, issues raised, matters discussed, outstanding items) is documented and included in an email to the contractor. These messages related to matters such as contractor performance, variations, departure from contract requirements, disputes and challenges encountered during project delivery.

Does the Agency have a structured records management system to retain contractual records (with access restrictions where appropriate)?

HPE Content Manager is consistently used across both Selected Agencies to store key contractual documents and archive final contract files. Due to a lack of process guidance and related minimum requirements, the extent of documentation relating to contractor performance monitoring is not always adequate, especially for contracts of lower values. Access to folders and files within HPE Content Manager can be restricted. Working files are maintained on the local network drive with varying levels of access restrictions.

Both Selected Agencies maintain a separate generic email address to allow contingency arrangements to be made if the Contract Manager is no longer available to provide oversight of the contract management process. The existence of the generic email address is intended to allow for continuity of the record keeping process.

The completeness of contract files is highly dependent on the project managers' diligence when providing project administrators with documents created as part of contract management activities.

The level to which contract management activities are documented and formalised is dependent on the value, complexity and risks associated with the contract. As such, the contents of the higher value/risk contract files were much more extensive than that of the lower value contract file which, in some instances, contained no documentation relation to contractor performance monitoring.

Selected Agencies cont...

Does the Agency have a defined process for the financial management of the contract including regular monitoring of contract expenditure and processes for authorisation/approval of costs?

Separation of duties is embedded into the processing of contractor invoices, however payment approval for lower tier contracts is not always supported with adequate contractor performance monitoring documentation. Established systems and processes for the financial management of contracts included the following approaches:

- The project team develop a Gantt chart / project timeline based on the contractor's tender response. They also prepare related cash flow projections for all of the months throughout the duration of the project. Progress claims are further tracked against these documents. The project team refers to the timeline and cash flow often and review them formally at least monthly. These documents are also discussed at progress meetings with the contractor.
- Contract expenditure is monitored and contractors' claims are processed through AIS. Invoices are processed through a three-step process of review, approval and payment, with each step performed by a different person to ensure adequate separation of duties.
- Contractor invoices were reviewed by the project manager to make sure the contractor was only claiming payment for work that was done, as evidenced through the project manager's regular site visits. The project manager then signed the invoice and asked another project manager to approve it for further processing / payment by the project administrator. The approver/delegate was another project manager who was not necessarily involved in nor regularly across the project.
- Contract management (including financial management) is centralised and invoices are checked against available contract performance monitoring documentation to ensure that services claimed agree to the services received and are claimed in accordance with the contract. Payment approvals are related to the cost centre and based on the Agency's financial delegations.
- The project team monitors spending against the project budget, the remaining work to complete and any risks to the delivery of the project. The team also conducts a quarterly review of information in the project timelines and cash flow projections against AIS to ensure the information is accurately captured in AIS.
- For large Australian Government funded projects, the project administrator also maintains an additional Excel spreadsheet where all the payments are split 80% / 20% based on the funding source (Australian Government / NTG).
- The overall contract expenditure against projected expenditure report is forwarded to the Chief Financial Officer on a monthly basis so all parties can track the level of expenditure in comparison to what was initially anticipated at the inception of the contract on a monthly basis.
- The overall contract expenditure is locally managed with invoices and payments formally approved on-site where there is visibility of contract performance.
- Budgets are managed by each service area and monitored by the Cost Centre Manager supported by the Finance Business Manager.

Selected Agencies cont...

Does the Agency have a defined process for identifying, agreeing and approving contract variations?

There is a defined process within both Selected Agencies for contract variations in which typically a contract variation form is completed and signed as approved by the relevant stakeholders and approved by the relevant Agency personnel holding the appropriate financial delegation.

The conditions of contract outline requirements related to contract variations (including extensions of time and period contract extensions). These are communicated to contractors through procurement documentation and reiterated at most start-up meetings. Audit testing identified that a lack of guidance and related benchmarks has contributed to large variations (as a percentage of the initially awarded contract value) being approved. In one instance, there were eleven contract variations approved.

Reasons provided for the approved variations included:

- contract negotiations for the next period contract taking longer than expected, consequently the existing period contract needed to be extended to ensure maintenance services continued to be provided;
- tender assessment taking longer than expected resulting in the project commencing in the wet season necessitating additional equipment to be hired or the construction end-date being revised to a later date; and
- the client agency requesting additional work, of a similar nature, to be completed in additional parts of the same building where work was already being done.

Contract variations were approved using a similar process as that used for processing contractor invoices with variations being approved by those with appropriate financial delegation. To prepare the recommendation for the variation, project managers considered the conditions of contract, the cause or factors contributing to the necessary change and the impact on the project outcome. As part of this, they assessed whether the request for the variation was reasonable and examined the risk involved.

In relation to one contract, several variations were entered into at the request of the client agency. As the work progressed, the client agency progressively requested additional work to be conducted. All the additional work was done under the same contract. Agency personnel advised the treatment of the additional out-of-scope work was approved as a number of variations rather than new procurement activity because the work was considered the same type of work. Whilst the variations have been processed in accordance with Agency requirements, I suggested the Agency consider introducing guidance to assist in situations where variations to both scope and cost would necessitate returning to the market.

For one complex contract, variations are confirmed in an exchange of signatures without the use of the standard NTG variation template, as evidenced in the contract. This appeared appropriate in the particular circumstance.

Selected Agencies cont...

Does the Agency have a defined process for identifying, agreeing and approving contract extensions and renewals?

There is a defined process within both Selected Agencies for contract extensions with approval required from appropriately delegated Agency personnel and confirmation from the Agency to the contractor that an extension has been agreed.

I noted one operational area within one Agency has a robust documented approach to assessing and approving variations. The contract management team ensures the service is within the contract requirements (the original scope) and that there is a provision in the contract that allows for additional work. If not, a separate procurement is undertaken for the increased requirements. For extensions to contract completion dates, the contract management team checks the contract to see if extensions are permitted. If they are, confirmation is sought from the contractor that they are willing to extend. The contractor's past performance and any changes to pricing due to changes in the Consumer Price Index are considered. If this is all in order, the variation is recommended to the delegate for approval.

Does the Agency have a defined contractor relationship management approach including a complaints recording and management process?

Both Selected Agencies have processes to support the receipt, recording and management of complaints relating to contracts. Complaints can be received from the public (if the contract relates to services provided to the public or works in public spaces); stakeholder agencies (when work is being performed for NTG agencies); and contractors.

Complaints can be received in a number of ways including:

- through email;
- from internal stakeholders;
- direct calls to the contract manager or Agency;
- online complaint reporting mechanisms on Agency websites and Facebook pages;
- smartphone applications (where applicable);
- through the contractor; or
- through the relevant Minister.

In some instances, the receipt of public complaints has been outsourced to a communication specialist who manages incoming calls to a project hotline number. The number is available on the project website, stakeholder fact sheets and project notice boards. Any queries are relayed to the project manager for response.

Personnel from both Selected Agencies advised that all complaints are recorded and actioned promptly. In the first instance, contract managers seek to resolve complaints directly with the contractor with the aim of maintaining good working relationships with the contractor. There are escalation processes in place within both Selected Agencies if necessary.

If the complaint is more complex or formal, there is a dispute resolution process outlined in the conditions of contract. Complex complaints may need to be addressed through mediation, arbitration or litigation.

Selected Agencies cont...

Larger projects will have a PAP that includes a communication plan for managing stakeholder expectations.

One Agency noted that, at the conclusion of the contract, reference to minutes of meetings held by oversight committees can be used to negotiate contract variations and extensions, determining learnings, and to assist in facilitating and accurately detailing the requirements for any future tendering process.

Records of the complaints including their resolution are then filed in the HPE Content Manager for future reference.

Close-out the Contract

Does the Agency have a process to ensure appropriate inspection/testing is undertaken to check for any issues or defects and to communicate and remediate any identified defects?

Both Selected Agencies have processes to ensure that contractual deliverables have been met prior to closing out the contract. The processes vary depending on the size, nature and complexity of the contract. Contract close-out is largely specified in the conditions of contract and managed accordingly within both Selected Agencies however, establishing and communicating clear process guidance could improve the quality and consistency of close-out documentation, particularly for lower value contracts.

The conditions of contract applicable to civil works projects require ongoing quality management activities throughout the life of the project. Testing is ongoing and is documented. At the end of the project, there is a required inspection and sign off of testing. If there are any defects, the contractor has to make the necessary corrections. Each contract provides for a defects period where it is the responsibility of the contractor to remediate any issues. Once all the issues are resolved, a final certificate is issued to acknowledge the conclusion of the contractor's responsibilities. At practical completion, a practical completion certificate is issued, with partial release of the contractor's bank guarantee (financial security). During the defects liability period, daily monitoring is changed to fortnightly. The minimum two-year defects period is based on lessons learned from the Agency's experience and expertise. At the end of the liability period, the project team does a joint inspection with the Asset Management team and the contractor. External expertise is sought if required. The inspection and survey are also undertaken prior to issuing practical completion and final certificates.

If there are substantial remediation issues noted during the joint inspection, the project team does not issue the certificate. The team produces a defects and omissions list that the contractor needs to rectify before the certificate can be issued. The Agency can also use the withheld security to engage others to rectify the defects. A final completion report is issued at the end of the project. There is a simple internal report and a further report that is submitted to the Australian Government if required, which is more complex and represents a full acquittal of the entire project. Where the work is performed on behalf of a client agency, a handover certificate is issued to the client agency to communicate that the project outcome is now their responsibility. The Agency does not pay the contractor for the full value of the contract until everything is completed in line with the contract. The bank guarantee is held until the end of the defects liability period.

Selected Agencies cont...

Does the Agency have a process in place to transition the requirements of the contract to another contractor where the need for goods and services remains yet the provider of the goods and services is changing?

The transition from one contractor to another generally occurs in relation to contracts for the provision of services. Contracts of this nature are managed by both Selected Agencies. For service contracts, transition plans are in place which contractors must prepare and provide as part of their tender response. Tenderers advise the Agency about how they will transition in and transition out of service provision including how they would conduct the handover to a subsequent provider.

Once a new contract has been awarded, the Agency goes through the transition plan with the new contractor and the incumbent. As part of this process, they make any modifications/adjustments and ensure that the transition plan meets the requirements and supports the contract close-out. Agency personnel act as the intermediary between the new contractor and the incumbent, gathering information from the previous provider (as needed) and then informing the new provider of the requirements going forward.

There are also processes in place to ensure there are no outstanding issues that require resolution.

For one contract selected for testing as part of my audit, a transition plan was not completed effectively, resulting in multiple extensions, with a new extension in the process of being finalised at the time of audit fieldwork.

Does the Agency have a process in place to finalise the contract including a process to capture lessons learned from the managing the contract?

Lessons learned from managing contracts are not routinely gathered and documented in either Selected Agency

Some Agency personnel advised that lessons learned can be gathered as part of their close-out, however that this process occurs too late for the information to be of benefit as the unit needs this information before the current contract expires, to identify what can be done better next time and to inform the future contract management process.

Instances were identified where a formal post-project exercise was conducted with the assistance of an external facilitator however the usual approach to a 'Lessons Learnt' exercise is based on a simple template which is not consistently completed.

Within one Agency, I was advised that decision to conduct a formal lessons learned exercise primarily depends on the project budget as the cost of engaging an external provider who facilitates the process and prepares a report at the end can range from \$7,000 to \$30,000. As part of the formal exercise, a range of stakeholders are involved in the process and information is collected on a no fault basis on how the project was completed. The exercise involves a facilitated workshop and the gathered feedback is shared afterwards with the Agency, client agency and contractor. The entire process, from engaging the external facilitator to receiving the report, can take between six and nine months. Generally, the process may take three months to procure a facilitator, three months to conduct interviews with all parties and one to three months to conduct workshops and draft reports. A formal exercise will only be conducted when time, budget and workload permits, which is assessed on a case by case basis.

Selected Agencies cont...

Agency personnel advised that often there is insufficient budget to conduct a formal post-project exercise. There is also a lack of clarity as to where lessons learned are to be documented and retained and how they are to be shared with colleagues across the Agency.

Acknowledging that my sample testing was limited, I am of the view that a process to capture lessons learned would be of value in retaining contractual knowledge to inform the management of future contracts and there exist simpler, less expensive ways to collate and share such information.

Does the Agency have a process in place to finalise the contract including a process to evaluate the contractor's performance, capturing feedback that can be used as a reference for future work?

Contractor score-cards or end-of-contract CPRs are intended to be completed as part of the close out process and are mandated in Agency contract management guidance. They are intended to be retained as a reference for use during evaluation of the contractor's past performance and to support decision-making during future tender evaluation processes.

There is no central repository for collating contractor performance within either Selected Agency. When seeking information on past performance, Agency personnel must manually collate the information from various project / contract files either in the HPE Content Manager or other systems.

Notwithstanding the requirement to complete contractor performance reviews, none of the completed contracts examined as part of my audit had an end-of-contract CPR on file.

Selected Agencies cont...

The Department of Health has commented:

The Department of Health recognises and accepts that there are some opportunities to strengthen its contract performance systems through greater standardisation of processes and practices across the Department, Top End and Central Australia Health Services. The Department of Health will implement a mandated Contract Management Framework to underpin and reinforce the recommended activities in the Contract Management Guide.

The Department of Health will continue to work with the Department of Corporate and Information Services (DCIS) to formally clarify functions, accountabilities and roles and responsibilities in supporting the one government approach to service delivery relating to procurement and contracting activities. The Department of Health notes that the current arrangements are functioning well with close cooperation between the Department of Health and DCIS.

The Department of Health has implemented the "Contrax" management system and provided training for users but notes limitations in its use in some areas especially for more complex contracts. The Department of Health will continue to work with DCIS to address issues recognised during the system implementation and early user experiences of the "Contrax" management system.

The Department of Infrastructure, Planning and Logistics has commented:

The Department of Infrastructure, Planning and Logistics (DIPL) has taken considerable steps to increase contract compliance and monitoring which has seen significant improvements over the past 2 years.

The Buy Local Industry Advocate Value For Territory Audit #4 April 2020, noted the following, *"I am encouraged to see that your agencies commitment to improving your procurement processes is showing such a significant reduction in non-compliance rates, especially in respect to your contract management and reporting process".*

The Department continues to support the use of Contrax as the central Government system for contract management. The Department is already trialling Contrax for applicable service contracts and has committed to working with the Department of Corporation and Information Services (DCIS) to further enhance Contrax for use across the Department for more complex contracts.

The Department has supported the use of ASNEX as the central end-to-end system for dealing with infrastructure related projects.

The repository for collating contractor performance within Infrastructure is ASNEX and Content Manager and within other work units, the information is stored in Sharepoint or in Content Manager.

Selected Agencies cont...

The Department of Infrastructure, Planning and Logistics comments continued:

The variations described were for approved and necessary changes that occurred as a result of design and construct tenders or clarification processes which sometimes result in longer tender assessments. This is due to the complexity of the projects. Processes exist internally to review, clarify and scrutinise any variations.

The Department continues to improve its processes and increase the focus on ensuring contractor performance is undertaken and reported on in a timely manner.

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 its associated Regulations, which came into effect in 2010 and was subsequently amended effective 14 February 2017, seeks to achieve a transparent and accountable mechanism for the review of public information produced by public authorities. A public authority is defined in section 5 of the Act and that definition is broad, capturing:

- 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;
- 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;
- 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...

The definition of what constitutes public information is equally broad and is defined in section 4(1) of the Act 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;
- 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 has been contravened if the material that is the subject of the review contravenes section 6(2) of the Act in that it:

- promotes particular party interests;
- includes statements that are misleading or factually inaccurate;
- does not clearly distinguish a statement of facts from a statement of comments; or
- is an advertisement that includes an image of the holder or occupier of the office of a Minister.

Section 6(2A) of the Act requires the Auditor-General to determine the Act has been contravened in relation to particular public information if the Auditor-General is satisfied the content of the information does not meet the criteria prescribed by regulation for the giving of information. Section 6(3)(b) of the Act requires the Auditor-General to have regard to any requirement or prohibitions prescribed by regulation for the giving of public information.

There have been no matters referred since my March 2020 Report to the Legislative Assembly.

Appendices

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Appendix 1: Audit Opinions Issued Since 28 February 2020

Financial Statements for the period ended 12 April 2019

	Date 2019 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 12 April 2019	Date of Audit report year ended 30 June 2018
Legislative Assembly Members' Superannuation Fund	Not required	3 April 2020	18 October 2018

Financial Statements for the period ended 7 May 2019

	Date 2019 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 7 May 2019	Date of Audit report year ended 30 June 2018
Northern Territory Government and Public Authorities Employees' Superannuation Fund	Not required	18 May 2020	18 October 2018

Financial Statements for the year ended 30 June 2019

	Date 2019 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 30 June 2019	Date of Audit report year ended 30 June 2018
Cobourg Peninsula Sanctuary and Marine Park Board	Not yet tabled	13 May 2020	8 February 2019

Not yet tabled – as at 31 May 2020

Not required – Financial statements are not required to be tabled

N/A – Not applicable

Appendix 1: Audit Opinions Issued Since 28 February 2020

Financial Statements for the year ended 31 December 2019

	Date 2019 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 30 June 2019	Date of Audit report year ended 30 June 2018
Batchelor Institute of Indigenous Tertiary Education	Not yet tabled	26 May 2020	12 June 2019
Bridging the Gap Foundation (a company limited by guarantee) ⁽¹⁾	Not required	Not yet complete	31 May 2019
Bridging the Gap Foundation Trust ⁽¹⁾	Not required	Not yet complete	31 May 2019
Cairns Business College Pty Ltd	Not required	Not yet complete	17 May 2019
Cairns Education Australia Pty Ltd ⁽²⁾	Not required	23 March 2020	17 May 2019
Cairns Language Centre Pty Ltd	Not required	Not yet complete	17 May 2019
CDU Amenities Limited	Not required	Not yet complete	7 June 2019
Charles Darwin University	Not yet tabled	Not yet complete	7 June 2019
Charles Darwin University Charitable Trust ⁽¹⁾	Not required	23 March 2020	12 March 2019
Charles Darwin University Foundation (a company limited by guarantee) ⁽²⁾	Not required	23 March 2020	12 March 2019
Charles Darwin University Foundation Trust ⁽²⁾	Not required	23 March 2020	12 March 2019
ICHM Pty Ltd	Not required	Not yet complete	17 June 2019
Menzies School of Health Research	Not yet tabled	Not yet complete	7 March 2019

Not yet complete – as at 31 May 2020

Not yet tabled – as at 31 May 2020

Not required – Financial statements are not required to be tabled

⁽¹⁾ Not separately reported within this report

⁽²⁾ To be reported with the Charles Darwin University Group in November 2020

Appendix 2: Status of Audit Activity

Listed below is the status of non-routine audits and reviews identified as not yet complete in Appendix 2 of my March 2020 Report to the Legislative Assembly:

Department of Local Government, Housing and Community Development

Room to Breathe	Refer page 34
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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 2020 Report to the Legislative Assembly as scheduled to be conducted during the six months to 30 June 2020:

Department of Corporate and Information Services

Contract Management – Adherence to A Guide to Contract Management	Not completed at 31 May
Incorrect payment of superannuation (Section 14 Directive)	Not completed at 31 May

Department of Health

Contract Management – Adherence to A Guide to Contract Management	Refer page 97
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Department of Infrastructure, Planning and Logistics

Accounting for Assets on Leased Land	Not completed at 31 May
Contract Management – Adherence to A Guide to Contract Management	Refer page 97

Department of Local Government, Housing and Community Development

\$100 million Stimulus	Refer page 42
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NT Fleet

Fleet Business System	Refer page 65
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Selected Agencies

Conflict of Interest Survey	Refer page 74
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Appendix 3: Proposed Audit Activity in the Six Months Ending 30 December 2020

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

Department of Corporate and Information Services

E-Medication Management System

PROMIS Replacement Project (SerPro)

Department of the Attorney-General and Justice

Stimulus Initiatives

Department of Trade, Business and Innovation

Stimulus Initiatives

Department of Treasury and Finance

Stimulus Initiatives

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Appendix 4: Agencies not subject to audit relating to the year ended 30 June 2020

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 2020 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. It is proposed that each Agency will be included in audit coverage at least once every two years.

The annual financial statements of the Office of the Auditor-General are subject to independent audit in accordance with section 27 of the *Audit Act 1995*. The audit of the financial statements is scheduled to commence in August 2020.

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Appendix 5: Abbreviations

AIS	Asset Information System
ASNEX	Across government asset management system
CMP	Contract Management Plan
COVID-19	Coronavirus Disease of 2019
CPR	Contractor Performance Reports
DCIS	Department of Corporate and Information Services
DLGHCD	Department of Local Government, Housing and Community Development
DTBI	Department of Trade, Business and Innovation
FBS	Fleet Business System
FMA	<i>Financial Management Act 1995</i>
GAS	Government Accounting System
GST	Goods and Services Tax
ICAC	Independent Commissioner Against Corruption
IT	Information Technology
KPI	Key Performance Indicators
NGO	Non-Government Organisation
NSW	New South Wales
NT	Northern Territory
NTAGO	Northern Territory Auditor-General's Office
NTG	Northern Territory Government
NTPS	Northern Territory Public Sector
OCPE	Office of the Commissioner for Public Employment
PAP	Procurement Activity Plan
RFT	Request for tender
SPC	Strategic Procurement and Contract
YTD	Year to date

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Index of Matters Reported

	Page
Aboriginal Areas Protection Authority	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Batchelor Institute of Indigenous Tertiary Education	
Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2019	21
Cobourg Peninsula Sanctuary and Marine Park Board	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2019	26
Department of Corporate and Information Services	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Department of Education	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Department of Environment and Natural Resources	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Department of Health	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Contract Management – Adherence to <i>A Guide to Contract Management</i>	97
Department of Infrastructure, Planning and Logistics	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Contract Management – Adherence to <i>A Guide to Contract Management</i>	97
Department of Local Government, Housing and Community Development	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Room to Breathe	30
\$100 million Stimulus	42

Index of Matters Reported cont...

	Page
Department of Primary Industry and Resources	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Department of the Attorney-General and Justice	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Department of the Chief Minister	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Department of the Legislative Assembly	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Department of Tourism, Sport and Culture	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Department of Trade, Business and Innovation	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Department of Treasury and Finance	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Land Development Corporation	
Conflict of Interest Survey	74
Legislative Assembly Members' Superannuation Fund	
Audit Findings and Analysis of the Financial Statements for the Period Ended 12 April 2019	55
Northern Territory Electoral Commission	
Agency Compliance Audit	68
Conflict of Interest Survey	74

Index of Matters Reported cont...

	Page
Northern Territory Government and Public Authorities Employees' Superannuation Fund	
Audit Findings and Analysis of the Financial Statements for the Period Ended 7 May 2019	60
Northern Territory Police, Fire and Emergency Services	
Agency Compliance Audit	68
Conflict of Interest Survey	74
NT Fleet	
Fleet Business System	65
Office of the Commissioner for Public Employment	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Office of the Independent Commissioner Against Corruption	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Ombudsman's Office	
Agency Compliance Audit	68
Conflict of Interest Survey	74
Territory Families	
Agency Compliance Audit	68
Conflict of Interest Survey	74