



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

Auditing for Parliament

June 2021

Report to the Legislative Assembly

*Our Purpose – To assist
Parliament in the oversight of the
performance of the
NT Government by providing
independent analysis through the
conduct of audits and reviews*

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We continually strive to improve our communication to our stakeholders and invite you to provide feedback on this report via our email address NT.Audit@nt.gov.au.

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

24 June 2021

Dear Madam Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from three audits undertaken in relation to performance management systems in place to support delivery of elements of the Northern Territory's COVID-19 response.

Performance management system audits are designed to test the adequacy of performance management systems within agencies as they relate to stated objectives or specific programs. Performance management system audits are not the same as performance audits. Performance audits assess the extent to which delivery of a strategic objective, program or project is undertaken with economy, efficiency and effectiveness.

I make no comment as to the merits of the Northern Territory's COVID-19 response or any aspect thereof. Furthermore, none of the planned or completed audits were designed to audit or provide assurance on how effectively the government has planned, developed or delivered on its COVID-19 response or the economic recovery of the Northern Territory.

I request that you table the report in the Legislative Assembly.

Yours sincerely,

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

Julie Crisp
Auditor-General for the Northern Territory

Introduction

Overview of this Report

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.

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. Reports provided to Parliament and Accountable Officers should be recognised as a useful source of independent analysis of government information, and of the systems and controls underpinning the delivery of that information.

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

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.

This report outlines the results of three performance management system audits completed during the period 1 September 2020 and 31 May 2021. Each of the three performance management system audits were undertaken to assess the systems and processes in place at Northern Territory Government (NTG) agencies to manage and measure delivery of the NTG's COVID-19 response.

While the Auditor-General does not comment on the appropriateness of policy decisions of Government, the Auditor-General is legislatively obliged to support Parliament to hold the Government and public sector entities to account for activities and resources attributed to the delivery of policy decisions and this is relevant to the Government's COVID-19 response. I make no comment as to the merits of the NTG's COVID-19 response or any aspect thereof. Furthermore, none of the planned or completed audits were designed to audit or provide assurance on how effectively the government has planned, developed or delivered on its COVID-19 stimulus response or economic recovery.

To those who have expressed some frustration at being subjected to increased scrutiny during a time when COVID-19 responses have caused increased pressure on human resources, there is no 'good' time to be audited, but the consequences of reducing transparency, accountability and oversight during a time of extensive disruption can be costly, from both financial and reputational aspects.

Introduction cont...

The overwhelming majority of Territorians will do the right thing however there will always be a limited number that take advantage of disruption to exploit systems for their own gain. There should be no tolerance for such behaviour. Where my audits have identified such behaviour, I have reported these instances to the appropriate authorities. In doing so, I have indicated some transactional characteristics which may warrant further investigation.

COVID-19 Responses

Commonwealth, state and territory governments have all introduced initiatives designed to protect citizens and businesses from being negatively affected both by COVID-19 and by the social measures designed to reduce the spread of COVID-19. The nature and extent of these responses vary considerably and include:

- increased welfare payments;
- ability to access previously restricted funds such as superannuation;
- reducing tariffs, taxes, rates, fees and charges;
- waiving tariffs, taxes, rates, fees and charges;
- releasing extensive stimulus payments;
- providing development opportunities to business owners and not-for-profit entities;
- reducing or removing legislation to allow businesses to adapt their operations;
- investing in material and human resources services to expand online service delivery;
- reducing controls over procurement through emergency exemptions to facilitate urgent purchases of consumables for use in the delivery of frontline services;
- repurposing existing infrastructure or standing up new infrastructure such as quarantine centres;
- engaging in broad contracts for private service delivery such as hotel quarantine accommodation; and
- preparation of government premises/offices for protection/sanitisation/distancing.

The Northern Territory Government's 2020-21 Budget Paper 2 reported *"In response to COVID-19, the Territory Government approved \$383 million for a range of assistance measures aimed at supporting businesses and individuals, and stimulating economic activity including \$108 million for the Business Hardship Package, \$103 million for the Home Improvement Scheme, \$50 million for the Small Business Survival Fund and \$15 million for Immediate Work grants. These measures, combined with having lifted restrictions earlier than the rest of Australia, will accelerate the Territory's economic rebound from COVID-19."* Beyond these measures, there has been considerable outlay associated with the government's own operational response.

Response related risks

Risks associated with emergency responses can be broad and not all risks will apply equally to every response. The variety of funding and delivery mechanisms delivered by the government to address the immediate health and economic needs arising from the pandemic, together with urgent program design and implementation presented new and exacerbated risks to the administration of public resources.

Introduction cont...

These risks include:

- fraud due to systems that are not adequately supported by appropriate controls;
- reduced compliance and assurance of accurate payments due to systems not being configured to manage different payment or information collection arrangements;
- poor implementation due to necessarily hasty decision-making based on limited evidence and data analysis;
- reduced quality in business-as-usual activities due to governance and oversight arrangements being redirected to emergency response activities;
- inefficient, ineffective, uneconomical or unethical decision making and performance due to non-compliance with the requirements of the NTG financial management framework;
- expenditure not supported by appropriate or timely legislation;
- certain roles having a higher risk of being exposed to a conflict of interest threat where those roles have responsibility involving: large sums of public money; higher degrees of subjectivity when undertaking assessments; increased exposure to third parties (businesses and individuals); and more access to personal and commercially sensitive information;
- loss of corporate knowledge and an incomplete understanding of processes due to redirection of staff within and across entities without appropriate training or quality assurance;
- inadequate capture of lessons learned, poor performance and inability to defend decision making due to poor records management and/or accountability arrangements;
- increased urgency of purchases of consumables for use in the delivery of frontline services leading to the emergence of new and unfamiliar supply arrangements; and
- rapid increase in recruitment activities and resourcing to meet demand for frontline workers.

For many governments, the response to COVID-19 has resulted in increased levels of borrowing. Consideration of the longer term repercussions associated with the ability of individual governments to return debt to sustainable levels through own-source revenue and the ability to manage the level of debt that could reasonably be borne by future generations is now more critical than ever. As unappealing as such a thought may be, the likelihood of the COVID-19 impact worsening leading to a need for further responsive action must also be given due consideration.

Whilst such a situation may be less probable, some initiatives may result in overstimulation of parts of the economy. This may initially lead to unsubstantiated price rises as demand exceeds supply and then, when demand returns to a level able to be sustained without government intervention, the excess supply will result in forced downsizing and even possible closure of those business no longer able to generate previous levels of income. Where the intent of response measures is to provide short-term immediate economic stimulus, it is important to monitor local activity to ensure industry can meet demand and elements of the economy are not over stimulated beyond capacity.

Introduction cont...

Realisation of the risk of overstimulation of the economy from longer term responses could see:

- increased operational costs to the Agency over the longer term;
- where responses are funded through borrowings, increased associated financing costs and potentially a longer-term debt;
- prices charged for goods and services becoming higher than before the stimulus measures as demand surpasses supply; and
- businesses supported in the current environment no longer being sustainable at the conclusion of government-led support.

In early April 2020, I was asked to consider what risks may be associated with the announced stimulus measures. Recognising that some stimulus arrangements represented direct payments to applicants and some required evaluation of both the applicant and the recipient of the funds, it was appropriate for each initiative to be separately considered by the coordinating agency/ies in determining the processes that needed to occur to get the funds to flow. The structures and processes required to support these stimulus initiatives already existed as similar stimulus initiatives had been undertaken by the Northern Territory government. The differences this time related to the size of the funding package and the urgency required to get the funds flowing.

There already existed processes and controls for:

- checking funding program applications and applicants;
- approving spending;
- registering businesses and assessing their capacity to deliver trade services;
- assessing applicants for grants;
- managing grants; and
- oversight and monitoring of the initiatives.

As such, it appeared there were robust controls already in place to deliver the initiatives however it was imperative that the coordinating agency/ies had enough resources to process the stimulus spending without reducing or ignoring controls. To that end, the challenge for the coordinating agency/ies was to ensure that the personnel involved in delivering the initiatives were aware of and followed the controls and processes to ensure the funds are paid to the right individuals and organisations to achieve the intended outcomes.

These processes included, but were not limited to:

- establishing processes to receive applications and registrations;
- checking and registration of businesses;
- assessing and recording funding applications;
- making payments;
- record keeping relating to decisions and payments; and
- oversight and monitoring of the initiatives.

Introduction cont...

At the time I identified the biggest risks to achieving the intended outcomes would likely arise from management override or failure to follow processes and controls because of a lack of resources combined with increased pressure arising from the urgency. Beyond the risk of not achieving the outcome of stimulating the economy, there was a risk of reputational damage. Where initiatives are delivered efficiently, fairly, equitably and transparently, the public will applaud the action. If there is any suggestion that conflicts of interest have influenced payments or that ineligible entities have been supported at the expense of eligible small business, the reputational damage will be significant. With the extensive focus on the stimulus spending, transparency is critical.

COVID-19 impacts on financial statements

Beyond specific actions taken in direct response to the COVID-19 pandemic, the broader impacts of border closures and reduced levels of trade will impact the financial statements of many entities. Some impacts on financial statements that arise as a result of COVID-19 include, but are not limited to:

- impaired ability to accurately estimate future revenues (this risk is exacerbated in some industry sectors such as tourism, education and retail);
- impairment assessments become more challenging due to idle assets and reduced demand for goods and services;
- inadvertent breaches of lending covenants;
- inconsistent interpretation or application of 'force majeure' clauses in contracts;
- increased estimated credit losses due to inability to collect debts or changes to the creditworthiness of debtors;
- supply chain disruptions;
- contracts becoming 'onerous' as a result of reduced production of goods or ability to sell commodities whilst still being locked into supply purchases;
- increased risk of fraud where some take advantage of disruption or rationalise their behaviour in response to increased personal pressures;
- impacts on capital where investors seek to liquidate share holdings in favour of cash holdings;
- complexities associated with accounting for new revenue streams such as grants or funding assistance provided by governments to sustain businesses;
- increased demand for services being delivered by not-for-profit organisations to those affected by changes to their employment and social circumstances;
- a need for increased disclosure in financial reports; and
- increased complexity when evaluating the entity's ability to continue as a going concern.

For some business owners, an unexpected result of the pandemic is that their business has experienced unprecedented growth for reasons such as the flexibility of their service delivery model or because their customer market has greater access to funds from early superannuation drawdowns or stimulus payments. In these instances, business owners will need to consider what preparation might be necessary when/if the current circumstances come to an end.

Introduction cont...

COVID-19 impacts on audit risk

The closure of national and international borders has affected the ability to procure and source goods and services. Prices have increased. Those entities that have access to resources are seeing greater demand for their services.

Sourcing labour has become more difficult. The ability of Australian businesses to source international workers to meet busy season demands has been heavily impacted. In some industries, competition for personnel has increased leading to wage and fee increases and movement of long-term personnel causing loss of corporate knowledge. For other businesses, the inability to source workers has resulted in catastrophic limitations on the ability to operate and sell produce.

Travel restrictions have impaired the ability of auditors to make site visits to assess the existence and condition of assets and the effectiveness of internal controls within audited entities.

Financial and commodity markets have been impacted resulting in assumptions underlying accounting estimates changing dramatically from previous levels. Record low interest rates make borrowing attractive however uncertainty as to an entity's ability to continue in the longer term if COVID-19 conditions remain has meant those that can borrow are exercising caution.

Elements that may affect the auditor's assessment of audit risk and the audit approach include:

- inability to source experienced audit professionals or to mobilise audit professionals;
- changes to and impacts of changes to the systems of internal control within the audited entity to response to changed operational requirements;
- reduced controls to enable staff to work remotely including control weaknesses associated with using unfamiliar technology
- impediments to operations because relevant processes and controls are inconsistent with social distancing principles;
- in the public sector, reprioritising staff and resources to operational areas delivering the government's response to COVID-19, thus affecting the skills and capacity available for key financial statements preparation, governance and monitoring processes;
- significant new areas of estimation uncertainty arising because of the potential impact on interest rates, property and share markets and other aspects of global markets; and
- the ability of audited entities to continue to operate as a going concern as a result of the impacts on the economy at local, national and global levels.

As a result, professional scepticism has increased and the ability to gain required levels of assurance is impaired. This in turn has the potential to see an increase in modified audit opinions. In some instances, the flow on effects from this to the entity subject to audit may result in downgraded credit ratings and market values.

Introduction cont...

Program Evaluation

The unpredictable and unprecedented impacts from the COVID-19 pandemic have had, and continue to have, significant adverse effects on individuals, businesses and the economy. It is imperative that the government's responses continue to be supported by sound controls to manage any additional risks, and effective governance and leadership must be sustained and enhanced as appropriate.

Consistent with the business-as-usual approach to delivery of government policy and evidence-based decision-making, government agencies will need to assess their delivery of the COVID-19 response and consider:

- whether the objectives of each response were identified and to what extent those objectives were met;
- whether there were any unintended consequences of an initiative and how these may be either mitigated or enhanced in future circumstances;
- whether the uptake rates of response measures were consistent with expectations or whether the extent of the measure or breadth of eligible recipients should be adjusted in future similar circumstances;
- accurately and comprehensively capturing and reporting the actual costs of response measures; and
- the lessons that can be learned for the future including those associated with urgent delivery and rapid implementation of initiatives.

To date, such assessment has not occurred, or where it has, is yet to be publicly reported.

Introduction cont...

Background to the performance management system audits

COVID-19 is an infectious respiratory disease caused by a new type of coronavirus – severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). There are many types of coronavirus, which can cause illnesses ranging from the common cold to pneumonia. Instances of people contracting COVID-19 were first reported in December 2019 in the city of Wuhan, Hubei Province, in China. The disease has since spread widely around the world, including to Australia, and was announced as a pandemic by the World Health Organisation on 11 March 2020.

In response to the risks associated with the pandemic, all Australian States and Territories implemented restrictions and safety measures which have resulted in costs to the economy, businesses and individuals. The NTG has announced stimulus and support measures to individuals and businesses during this time.

The following timeline presents the events relevant to the NTG's response to COVID-19:

11 March 2020	World Health Organisation announced COVID-19 as a pandemic.
18 March 2020	NTG's Jobs Rescue and Recovery Plan announced.
23 March 2020	Businesses required to hold an Australian Business Number (ABN) at this date to be eligible for inclusion on the Business Hardship Register.
24 March 2020	<i>Supply (2020-2021) Act 2020</i> passed in the NT Legislative Assembly to authorise an interim appropriation from the Central Holding Authority for the financial year ending 30 June 2021.
8 April 2020	Business Hardship Package announced.
30 April 2020	Territory's Roadmap to the New Normal released.
1 May 2020	Stage One of the Territory's Roadmap to the New Normal commenced. Applications open to businesses for inclusion on the Business Hardship Register.
15 May 2020	Stage Two of the Territory's Roadmap to the New Normal commenced.
5 June 2020	Stage Three of the Territory's Roadmap to the New Normal commenced.
8 September 2020	Machinery of Government changes announced.
24 September 2020	Hardship initiative extension announced.
30 September 2020	Original cessation date of Hardship initiative.
1 July 2021	Cessation of extended Hardship initiative.

Introduction cont...

On 18 March 2020, the NTG announced it would be delivering a \$65 million Jobs Rescue and Recovery Plan (JRRP) to assist in stimulating the economy and keeping Territorians in jobs. The JRRP is a part of the second phase of the response to the significant economic impact of COVID-19.

The JRRP was designed to minimise the economic impact of COVID-19 on Territorians. It was intended to be short term and directed at saving jobs and protecting businesses.

The incentives associated with the JRRP were to be managed across three agencies, the former Department of Trade, Business and Innovation (DTBI), the former Department of Tourism, Sport and Culture and the Department of Treasury and Finance. For the remainder of this report, DTBI will be referred to as the Department of Innovation, Tourism and Trade.

The NTG response was announced as following three key phases:

- **“Survive** – *Immediate response to counter the financial, economic and employment hardship arising from the measures imposed from the crisis.*
- **Adapt (and recover)** – *short to medium-term plan aimed at job resumption, reopening businesses and supporting business and employees in the new operating environment.*
- **Rebound** – *Developing the Territory economy to be in the best position for the long term.”*

A new Administrative Arrangements Order reflecting the Northern Territory Government’s ministerial portfolios and changes to agencies was made on 8 September 2020. Changes to agencies are referred to as ‘machinery of government’ changes.

Following machinery of government changes in September 2020, the following movements between agencies are relevant to this report.

The Licencing NT function was transferred from the Department of the Attorney-General and Justice to the newly created Department of Industry, Tourism and Trade. Notwithstanding the transfer, the team responsible for the Licencing NT function remained unchanged. The performance management system audit considered the performance management systems and processes implemented to manage the waived gaming machine tax initiative that existed prior to the transfer of the Licencing NT function. As the agency now responsible for the Licencing NT function, Department of Industry, Tourism and Trade will have responsibility for addressing the recommendations.

The Grants and Business Performance Team (Grants Team) within the former Department of Trade, Business and Innovation also became part of the newly created Department of Industry, Tourism and Trade. The Grants Team responsible for the implementation and delivery of the grants and stimulus initiatives remained unchanged as a result of the transfer.

Reports on the Results of Audits, Reviews and Assessments

Department of Industry, Tourism and Trade

COVID-19 Stimulus Initiative – Gaming Tax

Background

The Territory receives funding from the Commonwealth and generates its own-source revenue. The Territory's own-source revenue contributed 33 per cent of total revenue in 2019-20 in the non-financial public sector.

Table 1: Territory Own-Source Revenue through taxes and royalties budget/outcomes for 2018-21

Category	2018-19 Budget \$M	2019-20 Budget \$M	2019-20 Outcome \$M	2020-21 Budget \$M
Mining royalties	272	366	372	317
Taxes on employers	242	238	204	198
Taxes on gambling	83	85	75	86
Taxes on property	79	77	100	85
Motor vehicle taxes	80	79	74	74
Taxes on insurance	46	51	55	56
Total	802	896	880	816

Source: (NTG Budget Paper No.2 Budget Strategy and Outlook)

Gambling tax revenue was forecast to be \$85.2 million in the 2019-20 Budget, being the third highest contributor to the Territory's own-source revenue.

Table 2: Territory Revenue from Gambling Tax estimates budget/outcomes for 2018-21

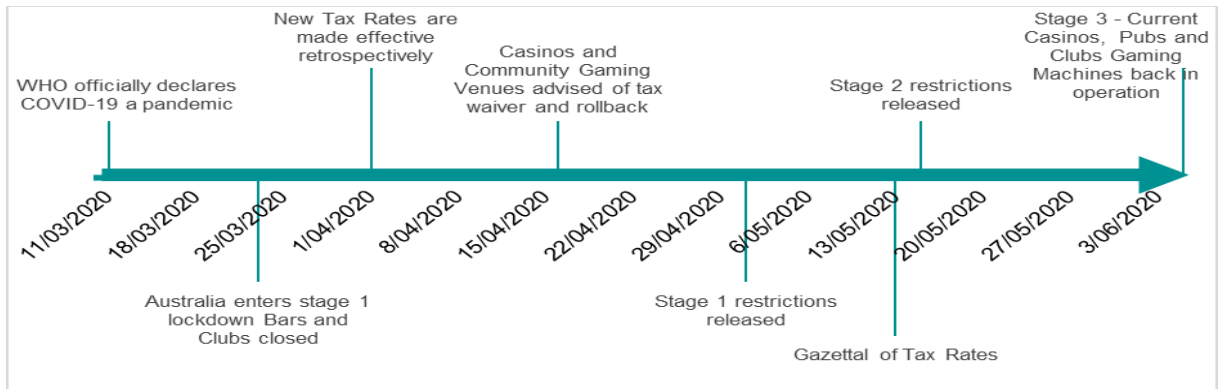
Category	2018-19 Budget \$000	2019-20 Budget \$000	2019-20 Outcome \$000	2020-21 Budget \$000
Community gaming machine tax	35,619	36,200	28,087	34,789
Lotteries tax	23,997	24,597	27,495	28,840
Community benefit levy	12,173	12,371	9,684	11,635
Bookmaker tax – racing and sports betting tax	5,863	6,614	5,988	5,988
Casino / internet tax	3,876	4,616	3,257	4,034
Wagering tax	763	191	605	605
Betting exchange tax	590	605	170	170
Total	82,881	85,194	75,286	86,061

Source: (NTG Budget Paper No.2 Budget Strategy and Outlook)

On 20 April 2020, to provide some assistance in response to mandatory closures of venues as a result of COVID-19, the NTG announced the gaming machine taxes due for collection for the month of March 2020 would be waived and that the NTG would return the gaming tax rate to its 2016 levels for future years.

Department of Industry, Tourism and Trade cont...

Figure 1: Timeline of events



Source: (NTG Internal Documents, 2020)

Gaming machine tax is a monthly tax based on the gross profits, that is, player losses, from gaming machines located in casinos, hotels and clubs. Gaming machine tax in the Northern Territory is derived from two sources, community gaming venues and casinos. The taxation revenue from community gaming venues is recorded within community gaming machine tax as presented in Table 2 and taxation revenue from casino gaming machines is recoded as casino / internet tax. The taxation rates applied to gaming machines differs between casinos and community gaming venues.

Licensing NT is responsible for the administration of liquor, community gaming machines, casinos, lotteries, totalisator, private security, escort agencies, tobacco and kava licensing in the NT. Licensing NT is also responsible for the coordination, management and administration of the Community Benefit Fund program which is funded from the community benefit levy charged on gaming machine profits on casino and venues classified as Category 1 venues. Venues are categorised as either Category 1 (Hotels) or Category 2 (Clubs).

Program Overview

As part of the COVID-19 response, Licensing NT was responsible for the delivery of five stimulus initiatives announced by the NTG in its COVID-19 response. These stimulus initiatives are described below.

Waiver of March Gaming Machine Tax and Community Benefit Levy

The gaming machine tax applied to clubs and hotels was waived for March 2020. The waiver also applied to the two Territory casinos and included table games, keno and gaming machines.

As the community benefit levy payable by clubs, hotels and casinos is based on the gaming machine tax, the waiver also applied to the community benefit levy.

Gaming Tax Rate Rollback to 2016 Levels

As at 1 April 2020, the gaming machine tax rates applied to clubs and hotels were changed to revert to the 2016 rates. The rate changes do not apply to the casinos' gaming machine tax rates which are determined through individual arrangements between the NTG and each casino.

Department of Industry, Tourism and Trade cont...

Takeaway Alcohol Licencing

Takeaway alcohol licencing was provided to businesses that already had a dine-in alcohol licence to enable them to provide takeaway alcohol to the public. This initiative was intended to enable businesses to continue to operate in a takeaway capacity during the time that restrictions were imposed upon dine-in venues. This initiative was available to all restaurants with existing dine-in alcohol licences in the Territory from 25 March 2020 and was still in place at the conclusion of the audit. There was no fixed tenure for the initiative announced. To enable this licencing approach, it is necessary for the Director of Liquor Licencing to issue an emergency notice under section 257 of the *Liquor Act 2019*. An emergency notice remains in force for a maximum of seven days. The initiative remains in place as long as the Director of Liquor Licencing issues an emergency notice every seven days. The Director's authority to issue emergency notices will cease when the declaration of the COVID-19 emergency ceases.

Online Racing Business Premises Initiative

Racing Commission licencing arrangements require the call centre staff employed by online betting agencies to work from a registered business premises. Licencing NT facilitated an exemption to this requirement to allow call centre staff employed by online betting agencies to work from home to provide COVID-19 safe working environments. The power rests with the Racing Commission to issue an exemption to the operators who applied for their call centre staff to work from home.

Gaming Machine Social Distancing Initiative

Licencing NT provided support to venues with gaming machines to implement social distancing measures at their venues. This included providing plastic screen barriers between gaming machines to facilitate physical distancing between patrons.

Scope and Objectives

The objective of the performance management system audit was to assess the performance management systems and processes implemented to manage the waived gaming machine tax initiative implemented as part of coronavirus recovery measures. The audit assessed the performance management systems in place at Licencing NT that enable it to manage the stimulus initiatives relating to the waiver of the March 2020 gaming machine tax and community benefit levy and the rollback of the gaming tax rate to 2016 levels (the 'stimulus initiatives subject to audit').

The audit covered the period 1 March 2020 to 30 September 2020.

Conclusion

The objective of the performance management system audit was to obtain reasonable assurance as to whether the performance management systems enable the Agency to assess whether its objectives, as they apply to the stimulus initiatives subject to audit, are being achieved economically, efficiently and effectively.

Except for the matters giving rise to the recommendations, the audit found the performance management systems in place at the Agency to manage the stimulus initiatives subject to audit enable the Agency to assess whether its objectives are being achieved economically, efficiently and effectively.

The audit did not identify any significant weaknesses in the delivery or administration of the two initiatives. A small number of opportunities to improve the performance management systems were identified and communicated to the Agency.

Department of Industry, Tourism and Trade cont...

Recommendations

Opportunities for the Agency to improve its systems and processes related to:

- developing and retaining documentation regarding announced initiatives;
- establishing specific conflicts of interest processes relevant to the initiatives; and
- monitoring and reporting.

Audit Observations

Purpose

The waiver of the community gaming machine taxes for March 2020 and the rollback of the gaming tax rate to the 2016 rates were initiatives announced by the NTG.

On 22 March 2020, the NTG determined that community gaming machine tax rates would be reduced to 2016 levels on an ongoing basis for all community gaming machines.

On 8 April 2020, the NTG approved the waiver of the community gaming machine tax liability for all clubs and hotels for the month of March 2020.

Both decisions were approved by the then Treasurer on 16 April 2020. Agency documentation records that the *“decision provides venues with one-off relief from Territory taxes as a cash flow measure in response to venue closures associated with the public health response to COVID-19”*.

A media release dated 20 April 2020 announced that the gaming tax initiatives were intended to *“provide an additional level of financial security for our community clubs, pubs, hotels and casinos who are currently closed or restricted to take-away services – allowing them to continue paying staff and other expenses”* and *“also reduce their overheads when they are able to reopen, allowing them to rebound quicker”*.

Governance

The initiative was delivered by Licensing NT. The Department of Treasury and Finance (DTF) was responsible for informing Licensing NT of the initiative and providing the ultimate decision-makers with adequate levels of information to make informed decisions regarding the implementation of the initiatives (risk assessments, costing).

No risk assessment or financial modelling was performed prior to the decision to return the gaming tax rate to 2016 levels or to waive the community gaming machine tax and community benefit levy for the month of March 2020.

Licensing NT advised that no complaints were received in relation to either initiative. Licensing NT do not maintain a complaints register or conflicts of interest register. Beyond the conflict of interest framework in place at the Department of the Attorney-General and Justice (which Licensing NT was part of at the time of the announcement) there were no specific additional requirements for managing conflicts of interest that may arise from the introduction of the various initiatives. For clarity, the audit did not identify any instances where conflicts of interest had not been identified or managed effectively.

Department of Industry, Tourism and Trade cont...

Application and Assessment

Gaming tax is payable monthly. The payments for community gaming venues are swept monthly by a gaming and e-sports service provider contracted to provide services to Licensing NT. Casinos pay gaming tax liabilities using the TAXAD system maintained by DTF.

March 2020 Tax Waiver

The then Treasurer informed community gaming venues and casinos of the March 2020 waiver and the taxation rollback to 2016 levels in a letter dated 16 April 2020. The gaming tax waiver was applicable to all gaming venues and casinos in the Northern Territory. No application process was necessary to receive the waiver.

Implementation of the waiver was effected by not undertaking the March 2020 monthly sweep from the accounts of the gaming venues.

Taxation Rollback

The taxation rollback to 2016 levels was applicable to all community gaming venues that are taxed in accordance with the *Gaming Machine Regulations 1995*. No application process was necessary to receive the rollback. The casinos have individual operating agreements with the NTG that impose tax rates specific to each casino. These agreements were not subject to amendment as a result of the initiatives announced as part of the NTG's COVID-19 response.

To implement the waiver, Licensing NT emailed its contracted service provider on 8 April 2020 requesting the change to tax rates. To check the accuracy of the change in tax rates applied to venues, Licensing NT manually recalculated the tax payable of three venues for the month of June 2020. No issues were identified as a result of the recalculation performed by Licensing NT.

Financial Impact

At the time of my review, there were 64 community venues and two casinos that operated gaming machines within the Northern Territory. The community venues consist of 44 hotels and 20 sports and recreation clubs. At the time of the March waiver, there were 2,286 gaming machines in operation, with 1,359 located in community venues, 626 located at the Mindil Beach Casino and 301 located at Lasseter's Casino.

Category 1 community gaming venues and casinos are also required to pay a community benefit levy. This levy funds the Community Benefit Fund that was established to support gambling related research and amelioration programs concerned with problem gambling and provide community benefit grants to the general community.

Department of Industry, Tourism and Trade cont...

March Tax Waiver

Table 3 demonstrates that, for the month of March 2020, total gross profit on gaming machines for the casinos and community gaming venues totalled \$10.03 million. The waived tax attributable to this gross profit was \$2.57 million and the waived community benefit levy was \$0.73 million, making the value of the total waiver \$3.3 million.

Table 3: March 2020 Tax Waived

All Venues	Total Gross Profit (\$)	Tax Waived (\$)	Community Benefit Waived (\$)	Total Waiver (\$)
Total	10,028,794	2,571,006	728,894	3,299,901

Source: (NTG Internal Documents, 2020)

Taxation Rollback

The change to the tax rates applicable to gaming machine gross profits for community gaming venues taxed in accordance with the Gaming Machine Regulations 1995 was applicable from 1 April 2020 and will continue indefinitely. As the change was effected through subordinate legislation, any future change must also be subject to legislative amendment. The change was applied through adjustment of the tax brackets and not the actual tax rates. Table 4 presents the pre- and post-rollback taxation brackets and rates.

Table 4: Rate Change Comparison

Prior to Rollback (pre-COVID rates)		Post rollback (2016 rates)	
Tax Bracket	Tax Rate	Tax Bracket	Tax Rate
\$0 - \$5,000	12.91%	\$0-\$10,000	12.91%
\$5,001 - \$50,000	22.91%	\$10,001 - \$100,000	22.91%
\$50,001 - \$150,000	32.91%	\$100,001 - \$200,000	32.91%
\$150,001 and above	42.91%	\$200,001 and Above	42.91%
Community Benefit Levy	10.00%	Community Benefit Levy	10.00%

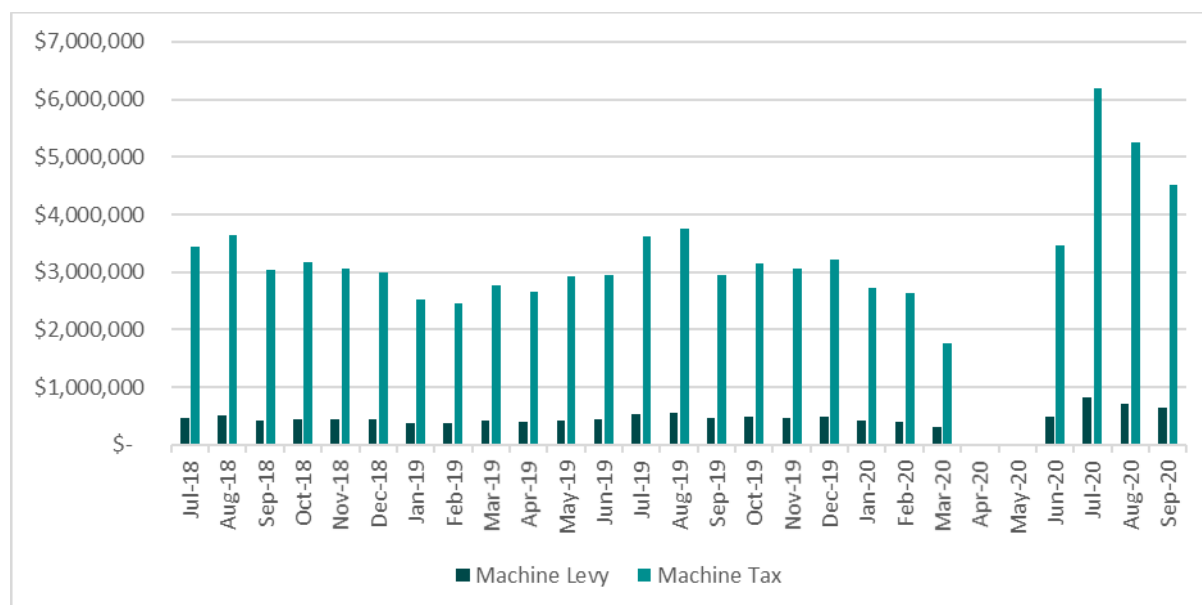
Source: (NTG Internal Documents, 2020)

The changes to the tax brackets resulted in all Category 1 and Category 2 community gaming machine venues taxed in accordance with the Gaming Machine Regulations 1995 receiving a decrease in their effective tax rate. The community benefit tax rate did not change and remains applicable to only Category 1 venues.

Figure 2 depicts all gaming machine taxes and community benefit levies paid by community gaming venues between July 2018 and September 2020. Whilst calculated and reported, the March 2020 taxes and levy were not collected in accordance with the announced waiver. No gaming machine tax or community benefit levy was attributable to the months of April or May 2020 as all venues were mandatorily closed in response to COVID-19 restrictions.

Department of Industry, Tourism and Trade cont...

Figure 2: Community Gaming Venue Taxes paid by month



Source: (NTG Internal Documents, 2020)

On 5 June 2020, stage three of the Territory's Roadmap to Recovery was enabled which allowed venues to recommence the operation of gaming activities. Figure 2 demonstrates that, upon reopening, gaming activity was significantly higher than the activity prior to the lockdown. As a result, notwithstanding the change in tax brackets (which would have seen reduced amounts of tax collected had the gross profits from gaming activity remained at the same levels), the Territory has received higher taxation revenue in the months of July, August and September 2020 than the taxation revenue received in comparative months in 2018 and 2019.

Table 5 presents the July 2020 to September 2020 values demonstrated in Figure 2.

Table 5: Community Gaming Machine Tax & Levy Comparison 2019 vs 2020

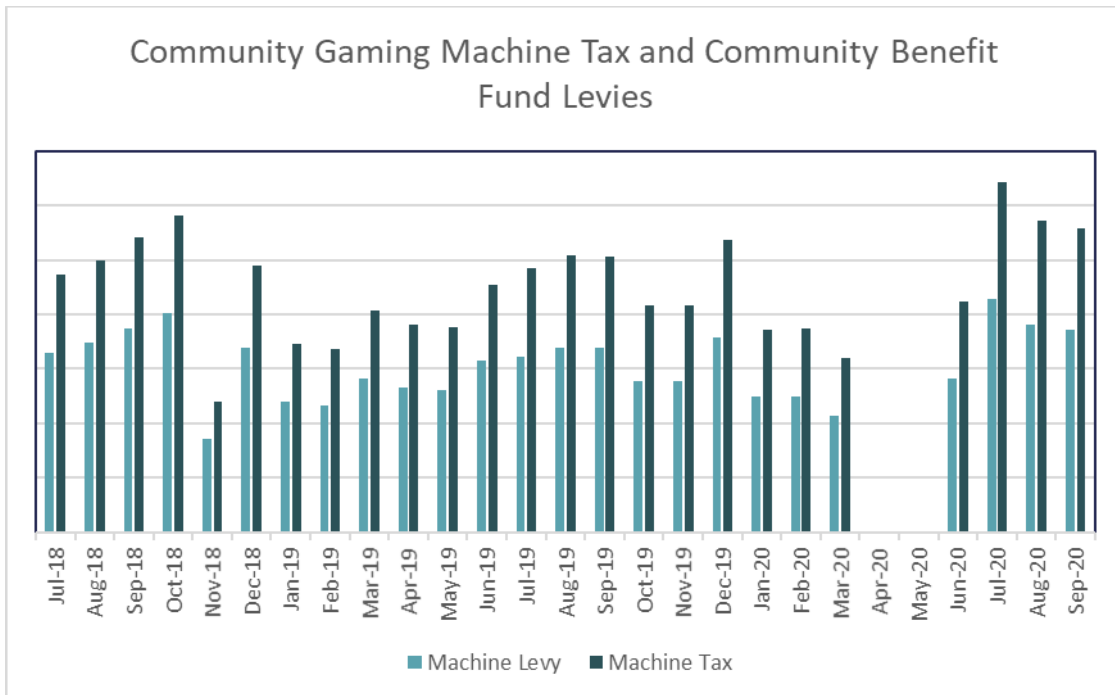
Category	Month	2019 Tax Revenue (\$)	2020 Tax Revenue (\$)	Difference (\$)
Gaming Machine Tax	June	2,955,374	3,461,391	506,016
	July	3,612,751	6,183,463	2,570,712
	August	3,758,084	5,264,331	1,506,246
	September	2,939,658	4,525,092	1,585,434
	Total		13,265,868	19,434,278
Community Benefits Fund Levy	June	445,863	499,739	53,876
	July	530,827	815,075	284,248
	August	553,237	709,090	155,852
	September	458,277	637,388	179,110
	Total		1,988,206	2,661,294
Grand Total		15,254,075	22,095,573	6,841,497

Source: (NTG Internal Documents, 2020)

Department of Industry, Tourism and Trade cont...

An increased level of activity was also observed at casinos following the COVID-19 lockdown. Figure 3 depicts gaming machine taxes and community benefit levies calculated for casinos between July 2018 and September 2020. Whilst calculated and reported, the March 2020 taxes and levy were not collected in accordance with the announced waiver. No gaming machine tax or community benefit levy was attributable to the months of April or May 2020 as all venues were mandatorily closed in response to COVID-19 restrictions.

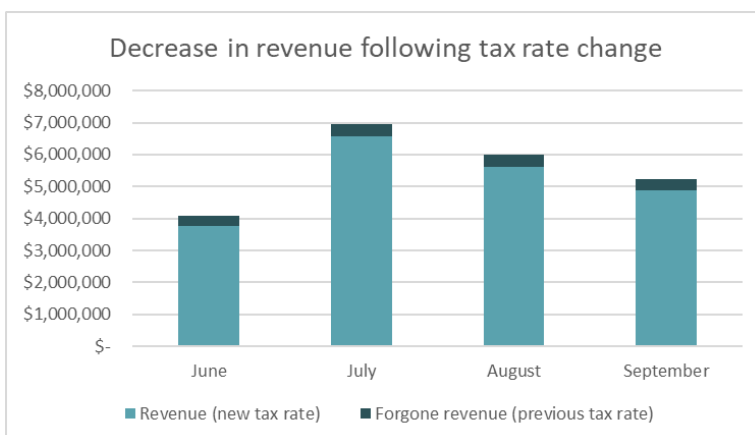
Figure 3: Gaming machine taxes and community benefit levies between July 2018 and September 2020



Source: (NTG Internal Documents, 2020)

Figure 4 depicts the gaming machine tax that would have been received had the tax brackets not changed in comparison to the gaming machine tax that was received following the change in tax brackets. The variance constitutes forgone revenue.

Figure 4: Difference in taxation revenue attributable to changed tax brackets by month



Source: (NTG Internal Documents, 2020)

Department of Industry, Tourism and Trade cont...

For the four month period from 1 June 2020 to 30 September 2020 inclusive, \$20.8 million would have been received had the tax brackets remained unchanged. The actual tax received was \$19.4 million. The total variance of \$1.4 million (presented in Table 6) represents a reduction of 6.8%.

Table 6: Difference in taxation revenue attributable to changed tax brackets

Month	Previous Rate (\$)	New Rate (\$)	Forgone Revenue (\$)
June 2020	3,773,108	3,461,391	311,717
July 2020	6,574,671	6,183,463	391,207
August 2020	5,626,018	5,264,331	361,687
September 2020	4,873,075	4,525,092	347,982
Total	20,846,874	19,434,278	1,412,595

Source: (NTG Internal Documents, 2020)

No formal assessment was made of the impact that the tax rollback and waiver would have on the Territory's taxation revenue. No reporting was requested or compiled to enable oversight of the initiatives. Licensing NT was not required to provide any commentary on the outcomes of the initiatives.

Performance

No subsequent assessment or analysis has been performed to determine how the March 2020 tax waiver and the tax rollback contributed to the intended outcomes as announced, those being to "provide an additional level of financial security for our community clubs, pubs, hotels and casinos who are currently closed or restricted to take-away services – allowing them to continue paying staff and other expenses" and "also reduce their overheads when they are able to reopen, allowing them to rebound quicker".

At the time of my audit, there had been no external reporting of the actual cost and outcomes of the stimulus initiatives.

Department of Industry, Tourism and Trade cont...

The Department of Industry, Tourism and Trade has commented:

The Department of Industry, Tourism and Trade (DITT) notes that the audit did not identify any significant weaknesses in the administration or delivery of the program.

With regards to the specific recommendations around monitoring and reporting, the Department notes that this is primarily the responsibility of the Department of Treasury and Finance.

With regards to the commentary concerning conflict of interest, the Department notes that the audit did not identify any instances where conflicts of interest had not been identified or managed effectively. Nonetheless, the Department treats this issue seriously and will continue to strengthen its policies in this area.

Department of Industry, Tourism and Trade

COVID-19 Stimulus Initiatives – Jobs Rescue and Recovery Plan

Background

Jobs Rescue and Recovery Plan

On 18 March 2020, the NTG announced it would be delivering a \$65 million Jobs Rescue and Recovery Plan (JRRP) to assist in stimulating the economy and keep Territorians in jobs.

The initiatives associated with the JRRP were initially being managed across three agencies, the former Department of Trade, Business and Innovation, the former Department of Tourism, Sport and Culture and the Department of Treasury and Finance.

The JRRP was designed to minimise the economic impact of COVID-19 on Territorians. It was intended to be short-term and directed at saving jobs and protecting businesses. In order to achieve this, immediate financial assistance was provided to Northern Territory homeowners, businesses and not-for-profit organisations to undertake improvements, repairs and maintenance to homes and business premises.

The machinery of government changes in September 2020 resulted in the creation of the Department of Industry, Tourism and Trade (the Agency) which subsumed most of the functions of the former Department of Trade, Business and Innovation, included the tourism function from the former Department of Tourism, Sport and Culture and also received the Licensing NT division from the Department of the Attorney-General and Justice. As a result of the machinery of government changes, the Territory Tourism Voucher Scheme became managed by the Agency in addition to the six existing stimulus initiatives. Thus the Agency is responsible for the administration and delivery of \$331 million across seven stimulus initiatives.

Table 1: List of Agency Stimulus and support initiatives

Stimulus Initiatives	Funds Committed \$ million
Home Improvement Scheme (HIS)*	103
Business Hardship Package (BHP)*	108
Business Improvement Grant (BIG)*	20
Immediate Work Grant (IWG)*	15
Small Business Survival Fund (SBSF) *	50
Business Rebound and Adaptation Grant (BRAG)*	20
Territory Tourism Voucher scheme	15

Source: NT COVID-19 Financial Report July 2020

* Part of the Jobs Rescue and Recovery Plan (JRRP)

Department of Industry, Tourism and Trade cont...

Table 2: Initiative Objectives

Initiative	Objective
HIS BIG IWG	The Terms and Conditions included the following objective: The JRRP “has been designed and is intended to protect Territorians from the deep economic impact of the coronavirus and aims to keep shops and business open, cash flowing and Territorians working. The JRRP is short-term and is directed at saving jobs, protecting businesses and keeping the Territory’s economy on the road to recovery. The JRRP will achieve this by encouraging Northern Territory home owners, businesses and not-for-profit organisations to engage local service provider businesses to undertake improvements, repairs and maintenance on their homes and business premises.”
BHP	The Terms and Conditions included the following objective: “To expedite assessment of eligibility for the Hardship Package, the Department has developed the Business Hardship Register.”
SBSF	The Terms and Conditions included the following objective: “The Fund is specifically targeted to support Territory small businesses that have experienced significant impact as a result of the physical distancing requirements determined by the National Cabinet in response to the coronavirus (COVID-19) pandemic. <i>The Fund has three goals:</i> 1. <i>Helping local businesses survive through the partial or full shut down period (e.g. support in meeting unavoidable fixed costs).</i> 2. <i>Helping local businesses adjust to the new consumer environment (e.g. expanding online services, takeaway and delivery).</i> 3. <i>Helping local businesses to prepare for the anticipated economic rebound (e.g. undertaking innovation, future skilling, structural adjustments).”</i>
BRAG	The Terms and Conditions included the following objective: “The Program is open to Territory small and medium businesses that have experienced significant impact as a result of the restrictions put in place in response to the COVID-19 pandemic. <i>The Program will provide money for applicants to carry out works that will drive increased revenue for their businesses through enhanced customer experience and improved business performance, for example, through innovation in technology, future skilling and structural works to business premises and major purchases for the business.</i> <i>The Program follows on from the Northern Territory Government’s other COVID-19 relief initiatives, and is available to eligible businesses and eligible recipients.”</i>

The predominant industries targeted under the stimulus plan were construction and tourism with the remainder of the stimulus initiatives then directed at other small businesses and the not-for-profit sector. The stimulus incentives have been funded through both new output appropriation (\$223 million) and government forgone revenue (\$108 million).

Department of Industry, Tourism and Trade cont...

Scope and Objectives

The objective of the performance management system audit was to assess the performance management systems in place at the former Department of Trade, Business and Innovation that enable it to manage the stimulus initiatives implemented as part of coronavirus recovery measures.

The audit covered the period from the stimulus announcement in March 2020 to 30 September 2020, with audit testing predominantly focused on eligibility criteria for the Home Improvement Scheme and the Business Hardship Register.

Changes to Scope

A new Administrative Arrangements Order reflecting the Northern Territory Government's ministerial portfolios and changes to agencies was made on 8 September 2020. Changes to agencies are referred to as 'machinery of government' changes.

Following machinery of government changes in September 2020, the Grants and Business Performance Team (Grants Team) was transferred from the Department of Trade, Business and Innovation to the newly formed Department of Industry, Tourism and Trade (in this report, both are referred to as the Agency). The Grants Team responsible for the implementation and delivery of the grants and stimulus initiatives remained unchanged as a result of the transfer.

Conclusion

The objective of the performance management system audit was to assess the performance management systems in place at the Agency that enable it to manage the stimulus initiatives implemented as part of coronavirus recovery measures.

In my opinion, the audit identified that the Agency could implement improvements in order to demonstrate the Agency's objectives are being achieved economically, efficiently and effectively. I make no comment as to the merits of the JRRP initiative or any aspect thereof. I confirm that, to the extent any findings from this audit are subject to mandatory reporting, such mandatory reporting obligations have been met.

A considerable number of recommendations made in this report represent opportunities for the Agency to enhance processes which have been developed by the Agency in response to emerging circumstances and have been well-informed by past experience.

Recommendations

The audit identified opportunities for the Agency to enhance its systems and processes as they relate to the delivery of the stimulus initiatives. Whilst I recognise the current stimulus initiatives either have concluded or are approaching their conclusion, there will likely be similar initiatives in the future to which the recommendations may be relevant. I recommended management:

- strengthen governance arrangements;
- ensure Terms and Conditions are clear, comprehensive and include all the rules and requirements relevant to the initiative;
- investigate the ability of the Smarty Grants system to be enhanced through the integration of automated controls;
- implement a robust risk assessment process for new initiatives;

Department of Industry, Tourism and Trade cont...

- enhance processes to ensure retention of documentary evidence supporting decisions and actions taken;
- introduce a structured methodology to support evaluation of the efficacy of the initiative/s;
- develop and implement a comprehensive grants management framework;
- develop a process to ensure the total cost of program delivery is monitored and reported;
- work with the Department of Corporate and Digital Development with the aim of centralising all grant data and reporting to enhance transparency and accountability for individual agencies and across government;
- review the current conflict of interest framework to assess whether it is sufficiently robust to adequately detect and manage real and perceived conflicts of interest specific to new initiatives;
- improve processes to identify ownership and control of trust structures and consequential related parties;
- review the standard Terms and Conditions to ensure they clearly identify the processes that will be followed in instances where an applicant or a business intentionally provides misleading information or intentionally fails to supply required information;
- increase and enhance the spot checking/testing program;
- review and clarify terms used to define “excluded recipients”, “Territory Enterprises”, and “Eligible Business” to ensure only the intended targeted recipients benefit from the initiative;
- determine and implement enhanced processes and controls (both manual and automated) to assist in maintaining data integrity;
- develop and approve a communication policy to assist in increasing transparency in relation to the grants application, assessment and approval process;
- develop, document and implement a complaints and appeal process framework and deliver guidance and training on the process to Agency personnel; and
- consider the structural positioning and reporting lines of the officers investigating appeals to ensure the investigating officer is, and is seen to be, independent of the processes being investigated.

Department of Industry, Tourism and Trade cont...

Audit Observations

Program Governance

The implementation of the initiatives is governed by the Agency's Board of Management, Executive Management Group and the Risk Management and Audit Committee ('Governance Team').

Figure 1: Agency Governance Hierarchy

Board of Management	Provide the highest level whole-of-agency strategic leadership and decision-making. Set and monitor the strategic direction and performance of the Agency.
Executive Management Group	Information sharing and collaboration on the Agency priorities to support innovation and effective service across the agency.
Risk Management and Audit Committee	Provide independent assurance and assistance to the Chief Executive Officer (CEO) in the areas of statutory reporting, internal control systems, risk management systems and audit.

The Board of Management and the Executive Management Group met on a monthly basis during the pandemic to consider the stimulus response and to plan for delivery of the NT rebound strategy.

Observations and findings from the audit demonstrated there exists an opportunity for stronger governance, particularly to support the escalation and resolution of process exceptions.

The first initiative under the JRRP was the HIS, which commenced on 6 April 2020, 19 days after the public announcement of the JRRP. During the initial 19-day period, the Agency developed the eligibility criteria that formed the basis of the JRRP Terms and Conditions. These Terms and Conditions were based on similar HIS initiatives administered by Agency in 2016 and 2017 and enhanced taking into account experience gained from administering these earlier initiatives.

The development of the eligibility criteria and Terms and Conditions involved various areas of the Agency, including Governance and Finance. Once the Terms and Conditions were approved by the Chief Minister, these were published on the Agency's Business Recovery website.

Terms and Conditions

The Terms and Conditions defined the objective, eligibility criteria and included terms relating to changes to conditions, privacy and audits. Observations and findings from audit procedures demonstrated that the Terms and Conditions could have benefitted from additional information to ensure the criteria could be consistently interpreted and applied by applicants to the program thus better enabling consistent processing of applications. Improvements to the Terms and Conditions could include, but may not be limited to, the following aspects:

- additional definitions (e.g. conflict of interest);
- clarified quotation and invoice requirements;
- clear onus of responsibilities for home owners and businesses;
- more detailed processes to address dispute resolution;
- improved clarification and communication of action to be taken to address non-compliance;
- more robust processes and mechanisms to address complaints; and
- reporting requirements.

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At the time of the conclusion of audit fieldwork in December 2020, 492 applications were still awaiting information such as a compliant quote or evidence that a Certificate of Occupancy had been issued. Strengthening the Terms and Conditions by specifically detailing the information that must accompany an application to enable it to be assessed may have supported more efficient processing of applications.

Enhancements to the Smarty Grants system that cause the system to automatically reject applications that do not have the required attachments or completed fields would reduce the need for human intervention and judgement and may improve processing efficiencies.

Risk Assessment

Risks emerge when there is a new and/or increased level of spending and pre-existing processes and controls were not designed or established to support the associated volume of work such as that expected to occur as a result of the stimulus initiatives. The risks are exacerbated when there is increased urgency to distribute funds.

Agency representatives advised that, due to the time restrictions associated with the development of the Terms and Conditions, the Agency did not have time to conduct a thorough risk assessment during the planning and development phase of the initiative. It is acknowledged that a presentation containing elements of a fraud risk assessment, including the identification of mitigating controls, entitled Stimulus Program Fraud Risk Mitigation Measures, had been developed in April 2020. The content within the presentation drew from earlier risk assessments performed in response to previous stimulus programs and past experience in administering such programs.

Two internal reviews were undertaken on the HIS and SBSF by the Department of the Attorney-General and Justice's internal audit team at the request of the Agency's Deputy Chief Executive. The reviews were completed in June 2020 and the resultant reports identified nine recommendations resulting in ten action items for the Agency. At 30 September 2020, six of the actions had been addressed, two were assessed as not requiring any further action and two were yet to be addressed.

Monitoring and Reporting

Daily reporting of the application and assessment progress commenced in April 2020, once data was available within the Smarty Grants system. The reports were distributed to key personnel within the Governance Team, and included a breakdown of the initiative uptake, the processing status and the financial cost at a point in time.

There was no regular reporting of the identification of emerging or newly created risks or issues associated with delivery of the initiative such as the need to clarify criteria or Terms and Conditions.

At 30 September 2020, the processing and distribution of stimulus funding was considered to be consistent with expectations. Table 3: Initiative reporting - 30 September 2020 details the progress at this date.

Processing of applications for the HIS and IWG indicated these initiatives may exceed the budgetary allocations however the Agency considered this a low risk as the 'overrun' assumed all 'unprocessed applications' would be approved at the maximum possible funding levels.

The BRAG experienced a slow uptake. Possible reasons for this are discussed later in this report.

Department of Industry, Tourism and Trade cont...

Table 3: Initiative reporting - 30 September 2020

Initiative	Approved funding (\$ million)	Applications		Grant funding approved (\$)	Estimated Value of Approved Works (\$)
		received	approved		
Home Improvement Scheme	103,000,000	19,575	13,604	73,940,202	120,266,311
Business Hardship Package	108,000,000	1,794	1,301	not available	not available
Business Improvement Grant	20,000,000	1,424	607	8,514,379	12,240,689
Immediate Work Grant	15,000,000	369	99	5,234,039	6,671,659
Small Business Survival Fund	50,000,000	1,731	1,311	45,471,444	not applicable
Business Rebound and Adaptation Grant	20,000,000	68	1	-	-
Stimulus Initiative Business Registration	-	2,542	2,521	not applicable	not applicable

Source: DTBI Internal Reporting

Performance Evaluation

Performance evaluations had not been conducted at the time of the audit. Agency representatives advised that the success of the initiatives will be determined by reference to each initiative's initial intent, applicant uptake and the estimated economic impact delivered.

There were regular reports of the applicant uptake and the estimated economic impact delivered.

The economic impact was estimated by the Agency's Principal Economist, using existing modelling methods. The methodology and economic impact figures were not scrutinised as part of this audit.

Key measures against which to assess performance were not identified for any of the initiatives.

Grants Team

The Agency's Grants Team was led by an experienced Director Grants and Business Performance and managed the delivery of all the stimulus initiatives.

The Grants Team originally consisted of 13 personnel however was necessarily rapidly expanded in May 2020 when the extent of the response to the stimulus package became apparent. At its peak, the Grants Team consisted of 75 Grant Officers, engaged across the various stimulus initiatives. The additional personnel were seconded on a short-term basis from various NTG agencies.

As demonstrated by the number of applications received (presented in Table 3), the workload for this team was considerable, as was the required pace of delivery. The achievement of this small team is commendable and I acknowledge the considerable work undertaken in a compressed time period by the Director Grants and Business Performance in preparation for delivery of these initiatives.

Department of Industry, Tourism and Trade cont...

Due to the rapid roll out of the initiative, no formal procedures existed for the training of the new short term Grant Officers. The initial training process established for new Grant Officers was for a Senior Grant Officer to provide one on one guidance. With the rapid expansion of the Grants Team, this process was not always able to be followed, as a consequence, less experienced Grant Officers were also providing training.

Once application assessment processing commenced, documented process notes were developed and made available to all Grant Officers. The process notes were considered a dynamic set of documents. Where Terms and Conditions were unclear or ambiguous, additional guidance and clarification was added by a Senior Grants Officer, in consultation with the Senior Director.

Systems

The Agency currently uses a licensed web-based software application called 'Smarty Grants' for the administration of the grant application, assessment and approval process. This software has been used by the Agency for administering grants since 2014.

The software can be tailored to each individual grant initiative, with relevant data input forms needing to be designed. All data is stored within the system and as part of the service agreement, security and back up of the data is maintained by the software provider.

The licensing cost of the Smarty Grants system for the year ended 30 June 2020 was \$25,000. The licensing cost is charged on the level of activity managed through the system. The estimated licensing cost for the current financial year is expected to be \$48,500.

In November 2018, the NTG commissioned the development of an online grants management system called 'GrantsNT' with one of the benefits being "*improved reporting, auditing and visibility of NTG grants expenditure across government and better targeting of grant funding*". Given the Agency has previously used its existing Smarty Grants system for earlier similar initiatives, the Agency decided not to use GrantsNT to deliver these initiatives. Agency representatives also identified concerns that the GrantsNT system does not currently have the capacity to meet the requirements to manage and monitor the Agency's grants programs. Acknowledging that it would not have been feasible or desirable to consider alternative applications to support delivery of the stimulus initiatives at the time, the benefits of a single across-government system hosted by a central agency may support future processing and reporting efficiencies.

Conflict of interest declaration

The Agency has a Conflict of Interest Policy that defines different types of conflicts and requires all conflicts to be declared and managed. It includes a link to a Conflict of Interest Declaration form.

Whilst the Agency's current Conflict of Interest Policy requires all conflicts be managed openly and transparently, there were no additional processes or guidance to assist personnel to address risks specific to, or of increased relevance to, the stimulus initiatives.

An overarching conflict of interest declaration was not required to be completed by Grant Officers or NTG employees seconded from other agencies at the commencement of the initiative. There was no guidance provided to the assessors on what constitutes a conflict of interest. As Agency staff are considered to be bound by the overarching NTG Code of Conduct, Agency management decided additional conflict of interest processes were not necessary. The risk that actual and perceived conflicts of interest may exist and not be effectively managed increased significantly with the arrival of a large number of additional personnel not familiar with any pre-existing conflict of interest processes within the Agency.

Department of Industry, Tourism and Trade cont...

The Smarty Grants system has an inbuilt conflict of interest check at the beginning of each assessment where the Grants Officer undertaking the initial assessment is required to declare 'yes' or 'no' in response to a question as to whether a conflict of interest exists. When the Grants Officer records a conflict of interest, the system will not allow the assessment to proceed and the Grant Officer is not able to access the application. A new Grant Officer is allocated to undertake the assessment. The Grant Officer with the conflict will then select the next application for assessment. When additional assessors work on an application, no subsequent conflicts of interest checks are performed.

The Smarty Grants system did not seek or record details of the conflict of interest declaration within the software, nor was a register maintained. In response to recommendations raised as a result of internal reviews of the initiatives conducted in June 2020 (by the Department of the Attorney-General and Justice at the request of the Agency), the process was updated to require notes to be recorded in Smarty Grants when a conflict is identified however there was no guidance on what to include in the note. This process was only in place for the HIS assessments.

Business registrations

Businesses were required to register prior to providing goods and services under the JRRP initiatives. Business Registrations opened on 30 March 2020 to any Northern Territory business ('Territory Enterprise') that was in operation for at least a month prior to the announcement of the JRRP. This requirement supports the intention to sustain an industry rather than create or expand an industry. The Territory Enterprise requirement subsequently changed to being *"a legal entity and holds a valid Australian business number (ABN) from the date the program was announced (18 March 2020) and was providing its services in the NT from the date the program was announced (18 March 2020)"*. Registrations remained open at 30 September 2020. To verify a business met the definition of a Territory Enterprise, Grant Officers confirmed the business had physical premises in the NT, was providing services in the NT and employed NT residents.

A number of applications selected for further scrutiny as part of my audit identified the existence of close family relationships between the individuals controlling the businesses registered to provide services and applicants however the use of trust structures impaired easy identification of the individual/s with ultimate control of the business. The Terms and Conditions were intentionally carefully prepared to prevent circumstances where related parties were working together to benefit from the scheme and required both the service provider and the applicant to declare that no related party arrangement existed. Agency representatives have advised that the Agency considers the existence of any related party transactions unlikely to be financially material.

At 30 September 2020, 2,542 businesses had applied for participation in the stimulus initiative and registered businesses had redeemed 7,454 of the issued vouchers at a value of \$39.17 million.

Table 4: Business Registration Status – 30 September 2020

Status	#
Approved	2,083
Declined	164
Withdrawn	265
To be processed	30

Source: DTBI Internal Reporting

Department of Industry, Tourism and Trade cont...

Spot checks

The Terms and Conditions of the various stimulus initiatives provide the Agency with the ability to conduct compliance procedures against the prescribed Terms and Conditions. The Agency appointed one dedicated Grant Officer to perform spot checks on applications received for all JRRP initiatives. This verification activity commenced in June 2020 in response to the recommendations of the reviews conducted by the Department of the Attorney-General and Justice.

The establishment of random testing through an internal audit (or equivalent) function conducted by a staff member independent of the grants assessment process may have further supported the testing process through the provision of independent assurance and provided an opportunity to identify where personnel may have required additional procedural support/training.

As at 30 September 2020, 87 spot checks were completed. This represents 0.3% of the total 24,961 applications under the JRRP Initiatives.

Table 5: Spot Checks Performed - 30 September 2020

	In progress	Complete	Compliant	Non-compliant
Home Improvement Scheme	72	84	82	2
Business Hardship Package	-	-	-	-
Business Improvement Grant	-	3	3	-
Immediate Work Grant	-	-	-	-
Small Business Survival Fund	-	-	-	-
Business Rebound and Adaptation Grant	-	-	-	-
Stimulus Initiative Business Registration	-	-	-	-

Source: DTBI Internal Reporting

Home Improvement Scheme

The HIS was announced on 18 March 2020, with an initial budget allocation of \$30 million. It was subsequently expanded to \$100 million. The HIS was the first initiative of the JRRP to be executed.

The purpose of the HIS was to “*help more households and save more jobs*” through the NTG making contributions to homeowners to assist in completing physical improvements to land and/or buildings, including repairs and maintenance services.

The target recipient of the HIS was “*one or more natural persons*”¹ being the registered owner of a property. The HIS definitions provided details of ‘excluded recipients’ which included ‘trust structures with a corporate Trustee’ yet there was no exclusion for trust structures with a natural person/s as trustee/s. The role of a Trustee is to “*manage money or property for others*”². This role does not differ whether the entity is a corporate structure or a natural person. Clarification of the intent of this requirement and the rationale for excluding a Trust from applying based on the nature of the Trustee may assist applicants in interpreting the eligibility criteria.

¹ Page 14, Jobs Rescue and Recovery plan – Home Improvement Scheme, Business Improvement Grants, Immediate Work Grants – Terms and Conditions

² TRUSTEE | meaning in the Cambridge English Dictionary

Department of Industry, Tourism and Trade cont...

The HIS operates on a voucher system, with homeowners receiving either:

- a voucher worth \$4,000 where they contribute at least \$1,000 of their own funds, or
- a voucher worth \$6,000 where they contribute at least \$2,000 of their own funds.

The eligible works were required to be “screwdriver ready” that could start immediately and be able to be completed within three months from the date the voucher was issued or no later than 28 February 2021. To facilitate the accelerated rollout of this initiative, on 3 April 2020, the NTG announced an amendment to the NT Planning Scheme to effectively reduce some planning requirements normally required prior to undertaking building improvements. The amendment allowed an exemption from these requirements for works being undertaken as part of the JRRP. The homeowner is responsible for ensuring all final work meets regulatory requirements.

Figure 2: Home Improvement Scheme TimeLine



Applications for HIS vouchers opened on 6 April 2020 and were to remain open for six months, to the end of October 2020. On 16 April 2020, after more than 9,000 applications had been received, exceeding the originally committed budget of \$30 million and 5,000 projects, the government announced that the HIS was to be expanded and extended, with an additional \$30 million committed for works to be completed over the following 12 months with voucher approvals to be staggered over this time. Applications for the extended scheme closed at 5:00pm on 17 April 2020.

On 22 April 2020, it was announced that 19,584 HIS applications had been received. The scheme was further extended to a total commitment of \$100 million with the intention to contribute to approximately 20,000 projects.

Table 6: Home Improvement Scheme updates

	18 March 2020	16 April 2020	22 April 2020
Estimated Output	5,000 projects	10,000 projects	20,000 projects
Funding Allocated	\$30 million	\$60 million	\$100 million
Concession Value	Voucher values: <ul style="list-style-type: none"> ▪ \$4,000 if the applicant contributes at least \$1,000, or ▪ \$6,000 if the applicant contributes at least \$2,000 Minimum grant \$500 (Clause 2.1)		
Timing	Work to be completed within the sooner of three months from the issue of the voucher or 28 February 2021.	Work to be spread over a 12-month period.	Applications assessed by end October 2020, works to be completed by 31 May 2021.

Source: NTAGO developed

Department of Industry, Tourism and Trade cont...

A decision was subsequently made to extend the eligible works completion date from 29 February 2021 to 31 May 2021, allowing for works to be conducted over a longer period of time.

During the audit testing, 45 applications were reviewed, with two vouchers issued under the initial completion timeframe, requiring to be extended, as works were unable to be completed within three months.

The Agency has previously delivered two earlier rounds of the HIS and an IWG initiative during the 2016 and 2017 years. The two HIS grants saw 8,800 applicants apply in each round. The 2017 HIS closed a month early due to the volume of applications received and allocated funds being fully committed. The initial planning for the 2020 HIS accounted for 5,000 applications anticipated with a funding allocation of \$30 million.

Table 7: Summary of previous HIS Grant Initiatives

	HIS 2016	HIS 2017
Budget	\$20 million	\$15 million
Applications received	8,800	8,800
Applications approved	7,199	6,458
Grant value	\$12.3 million	\$17.9 million
Estimated economic impact	\$66 million	\$83 million

Source: DTBI Annual Report 2016-17

The HIS was more generous in dollar terms than the earlier stimulus initiatives (2016: up to \$2,000 and 2017: up to \$4,000) with no limitations placed on individuals that had previously benefitted from receiving funding under the first two stimulus initiatives.

Status – 30 September 2020

At 30 September 2020, a total of 13,604 applications with a financial value of \$73.94 million had been approved.

Table 8: HIS Application Status – 30 September 2020

Received	19,575	Grant funding approved	\$73,940,020
Unprocessed	4,394	Estimated Value of Approved Works	\$120,266,311
Further information	483	Estimated Economic Impact	\$199,642,076
Approved	13,604	Vouchers Issued	14,906
Withdrawn / Declined	1,094		

Source: DTBI Internal Reporting

The figures reported in this table have not been reviewed as part of this audit.

Approximately 11,500 applicants stated they would not have conducted the works without the grant.

Based on all the applications (including withdrawn and declined), a total of 1,757 contractors were nominated to conduct works under the HIS, with 307 applications not nominating a contractor. 20 contractors received 2,297 (10.7%) of the applications and \$16,630,791 (9.8%) of the total approved grant funding. 832 contractors received five or less applications, representing 9.9% of the total vouchers and \$16,468,268 (9.7%) of the total approved grant funding.

Department of Industry, Tourism and Trade cont...

Table 9: HIS Contractor – Number of times a contractor was nominated – 30 September 2020

# of Applications received	No. of Contractors	Total approved grant voucher amount (\$)	Portion of funding (%)
1	252	1,960,212	1.2%
2	192	2,883,900	1.7%
3	155	3,666,850	2.2%
4	129	4,109,132	2.4%
5	104	3,848,174	2.3%
6 - 10	348	21,874,714	12.9%
11 - 25	356	50,746,499	29.9%
26 - 50	154	43,149,138	25.4%
51 - 75	47	20,782,026	12.2%
76 - 100	11	6,840,179	4.0%
101 – 200	7	6,176,813	3.6%
201+	2	3,617,698	2.1%
Total	1,757	169,651,434	100.0%

Source: DTBI Internal Reporting

The figures reported in this table have not been reviewed as part of this audit.

Figures exclude 307 applications that did not identify a contractor.

Assessment Process

Applicants apply for the grant through the Smarty Grants system or by completing a manual application. Manual applications were entered into Smarty Grants upon receipt, ensuring one comprehensive record of all applications, with the applications dated on the day they were physically received by the Agency. A total of 76 manual applications were received.

All applications are assessed using Smarty Grants and, upon approval, the applicant receives a unique voucher. Eligible works can only commence once the voucher has been received.

Review of the list of HIS applications identified 19,575 applications. 1,728 applications contained quotes for exactly \$8,000.

The NTG announced, through a media release on 16 April 2020, that the assessment of applications would be undertaken on a first come, first served basis.

Following the subsequent extensions of the HIS, the government announced at the COVID-19 Public Accounts Committee Hearing on 28 May 2020, that the process had changed such that applications would now be approved taking into consideration specific geographic areas and businesses that had yet to receive work. Comments posted to social media demonstrated that not all stakeholders were aware of the change in approach.

Department of Industry, Tourism and Trade cont...

The Agency aspired to process between 800 to 1,000 applications each week, with all 20,000 applications to be assessed by the end of October 2020. The first application (JRRP-HIS01311) was approved on 11 April 2020. At the end of September 2020, reports demonstrated an average weekly processing total of 608 applications, a substantial workload for the small team of Grant Officers.

Table 10 presents a summary of the status of processing as at 30 September demonstrating the workload achieved by the Grants Team.

Table 10: Summary of application processing

Date of submission	Decision Date						Not processed	Total*
	Apr	May	Jun	Jul	Aug	Sep		
6 Apr	501	1,260	227	66	36	41	6	2,137
7 Apr		380	680	63	31	33	12	1,199
8 Apr		15	1,154	160	55	34	20	1,438
9 Apr	2	18	593	522	56	32	19	1,242
10 Apr	1	12	64	429	16	14	9	545
11 Apr		5	52	296	16	9	8	386
12 Apr		6	47	216	12	8	5	294
13 Apr		3	53	319	28	16	11	430
14 Apr		8	111	662	127	42	19	969
15 Apr		4	69	549	185	57	17	881
16 Apr		15	171	88	1,516	211	49	2,050
17 Apr	4	59	449	184	722	2,404	4,106	7,928
Total	508	1,785	3,670	3,554	2,800	2,901	4,281	19,499*

*Excludes 76 manual applications

Source: DTBI provided HIS applications at 30 September 2020

Review of the information within Smarty Grants identified a significant number of applications which took longer to review and resulted in the Agency seeking additional information from applicants and contractors. Examples include:

- home owners submitting duplicate applications.
- home owners submitting quotes from related parties.
- quotes not containing the correct information.
- additional processes to confirm with contractors that they were available to perform the work.

Department of Industry, Tourism and Trade cont...

Prior to the implementation of any similar schemes in the future, it would be beneficial for a position regarding incomplete applications to be determined, agreed and communicated. It is likely that some potential applicants may have withheld lodgement of their application until they had obtained a valid quote relevant to the permitted works period and, consequently, missed the opportunity to apply. Agreeing and communicating an approach to processing (first in/first processed or an alternate method) would also provide clarity to applicants.

There was no documented guidance to support decisions relating to non-sequential prioritisation. Agency representatives advised that all exceptions to the processing order were assessed for approval by the Senior Director of Grants on a case-by-case basis. Some applicants sought urgent prioritisation either directly or through their electorate office where the:

- applicant required emergency repairs;
- applicant was facing financial hardship; or
- contractor was facing financial hardship (no work).

Of the small sample of 45 applications selected for testing from the 19,575 applications received, 15 received prioritisation.

Applications are assessed by a single Grant Officer. Grant Officers relied on detailed process notes to guide them in their assessment and approval of applications.

The Terms and Conditions for the HIS established the following criteria:

- be an eligible recipient – the registered owner of a property (ie one or more natural persons);
- have a quotation lodged with the Agency as part of the application;
- be for eligible works – the provision and installation of physical improvements that will be permanently fixed to the property;
- eligible works must only commence after an application has been approved by the Agency and must be completed within three months of the date of issue of the voucher;
- eligible works may be carried out to any building on the property that is used for residential purposes provided that it has a certification of occupancy or occupancy permit;
- eligible works must demonstrate value for money and include a labour component;
- eligible works must be conducted by an Eligible Business that is a Territory Enterprise;
- eligible works exclude solar photovoltaic panels, installation and batteries;
- a voucher is not redeemable by the recipient or transferrable to any other person;
- a voucher must not be used with any other voucher or benefit granted under any other initiative (whether an Australian Government or NTG initiative) to pay for the same works.

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In lodging the application, all applicants were required to confirm and lodge an 'Unattested Declaration' under the *Oaths, Affidavits and Declarations Act 2010*, that declared:

- *I have read, understood and agree to comply with the Term and Conditions of the Jobs Rescue and Recovery Plan's Home Improvement Scheme.*
- *I have read, understood and agree to the Privacy Statement.*
- *I understand and accept that I (and other joint owners, if any) can only apply once to the Home Improvement Scheme, whether I have received the maximum grant amount under this application or not.*
- *I am an owner of the property (as defined in the Terms and Conditions) that is the subject of this application and the property is lawfully used for residential purposes only.*
- *No other application for a voucher under this Home Improvement Scheme has been made by any other person in relation to the property.*
- *All works included in the quotation will be conducted on the property.*
- *I have made all due diligence enquiries about the business providing the quotation that I deem necessary or desirable.*
- *I have undertaken appropriate due diligence regarding the works to be undertaken on the property, and am satisfied either:*
 1. *That a building permit, occupancy certification, and/or other approval under the Building Act is not required for those works; or*
 2. *That a building permit or other approval is required under the Building Act for those works, and I have obtained that building permit.*
- *I am not 'Related' to the business which gave me the quote (see definition in the Terms and Conditions).*
- *No offer of cashback or any other benefit (whether monetary or not) has been made to me by the business whose quotation I have included in this application or any third party as a condition of acceptance of a quotation during the course of the Program.*
- *I understand the processes contained in the Terms and Conditions.*
- *I will advise the Department immediately if any of the information and details provided in this application change during the course of the scheme.*
- *I understand the dispute resolution process, accept that the relationship under this scheme is between me and the quoting business, and agree to indemnify the Northern Territory Government against any loss or damages sustained under or in connection to works undertaken as part of this scheme.*

Department of Industry, Tourism and Trade cont...

Businesses applying for registration were required to confirm and lodge the following declaration:

- *I have read, understood and agree to comply with the Term and Conditions of the Jobs Rescue and Recovery Plan's Home Improvement Scheme.*
- *I have read, understood and agree to the Privacy Statement.*
- *My business is a Territory Enterprise as per the Terms and Conditions.*
- *I acknowledge and accept that the Department of Trade, Business and Innovation will conduct relevant and necessary due diligence checks to ascertain that my business is eligible under the Program;*
- *No offer of cashback or any other benefit (whether monetary or not) will be made to an eligible grant applicant (ie. your client/customer) or any third party as a condition of acceptance of a quotation during the course of the Program;*
- *I understand all the information required on the quotations and invoices in relation to work under the Program;*
- *I will accept an NT Government-issued voucher as (part) payment for the eligible works;*
- *I understand the processes contained in the Terms and Conditions;*
- *I understand the dispute resolution process and agree to indemnify the Northern Territory Government against any loss or damages sustained under or in connection to works undertaken as part of the Program;*
- *I understand some business and contact information that I give the Department as part of this application may be listed publicly and I acknowledge the disclaimer regarding how the information I provide will be stored and used;*
- *My business will undertake works as defined in the Terms and Conditions only in the Northern Territory;*
- *If my business needs to subcontract or outsource works under the Program, I will do so to other eligible Territory businesses as defined in the Terms and Conditions;*
- *I understand and accept that if the eligible grant applicant is entitled to any other rebates and/or financial incentives/assistance, the voucher amount under the Program will be reduced by the corresponding amount;*
- *My business has and will maintain all necessary insurance coverage required to undertake any works in connection with the Program, including (without limitation) valid public liability insurance policy with minimum \$10 million cover;*
- *My business will maintain all relevant business, occupation and related licences required to conduct its business and undertake work in connection with this Program;*
- *My business is not insolvent and I have no reason to believe it will become insolvent;*
- *My business is not currently being investigated and has no current action pending by any law enforcement agency for fraud, NT Worksafe issues or Licensing NT non-compliance;*
- *I will advise the Department immediately if any of this information changes during the course of the Program;*
- *I am a Principal of the business and I am duly authorised to make this Declaration.*

Department of Industry, Tourism and Trade cont...

Section 4 of the Oaths, Affidavits and Declarations Act 2010 states: "*Part IIAA of the Criminal Code applies to an offence against this Act*".

Section 119 of the Criminal Code 1983, as it relates to false declarations and statements, states:

"Any person who, on any occasion on which he or she is permitted or required by law:

- a) to make a statutory declaration or an unattested declaration as provided for in the Oaths, Affidavits and Declarations Act 2010; or*
- b) to make a statement or declaration of any other kind before any person authorised by law to permit it to be made before him or her;*

makes such a declaration or statement that, in any material particular, is to his or her knowledge false, is guilty of an offence and is liable to imprisonment for 3 years."

High-level review of information contained within the Smarty Grants system identified numerous instances where:

- A natural person had lodged more than one application.
- The nominated building on the property did not have a Certificate of Occupancy nor an Occupancy Permit.
- The voucher was ultimately transferred to another person.
- The application was not submitted by the owner of the property.
- Other joint owners had submitted duplicate applications.
- The applicant was related to the business undertaking the works.
- Details (such as maiden names) were omitted from the application preventing the identification of related parties.

Whilst in some instances, some of these matters may have been genuine mistakes, some appear not to be inadvertent or genuine errors. Where deliberate misstatement or omission occurred in order that the applicant or the business would obtain a benefit, it is possible that such action constitutes an offence under section 227 of the *Criminal Code 1983*, which states:

(1) Any person who by any deception:

(a) obtains the property of another; or

(b) obtains a benefit (whether for himself or herself or for another),

is guilty of an offence and is liable to the same punishment as if he or she had stolen the property or property of equivalent value to the benefit fraudulently obtained (as the case may be).

(1A) In subsection (1), benefit includes any advantage, right or entitlement.

(2) For the purposes of subsection (1), a person obtains property if he obtains ownership, possession or control of it and obtains includes obtaining for another and enabling another to obtain or retain.

Department of Industry, Tourism and Trade cont...

- (3) *Any person who by any deception obtains credit or further credit for himself or another, whether for the performance of an obligation that is legally enforceable or for one that is not, is guilty of an offence and is liable to imprisonment for 7 years.*
- (4) *Any person who, for the purposes of gain for himself or another, by any deception induces a person to engage in any conduct is guilty of an offence and is liable to imprisonment for 7 years.*

Quotation lodged

After the HIS applications closed, the Agency identified a design flaw associated with the HIS automated application form, allowing applicants to submit the application without a quote attached, in clear contradiction of the published Terms and Conditions.

Applications submitted without attached quotes were identified during the assessment process and were declined. The Agency identified 543 applications as not having a valid quotation provided on application.

In instances where a valid quotation was subsequently emailed through prior to the application close time, the application was accepted with an updated submission date of the day the additional information was received.

Table 11: Application Status for applications without quotes

Status	#
Undecided	104
Approved	113
Declined	223
Withdrawn	103

Source: DTBI provided HIS applications at 30 September 2020

Audit testing identified two applications where valid quotations had not been submitted with the application, yet a voucher was granted.

Eligible Works and Value for Money

Under the definition of 'eligible works', all works were required to contain a labour component and demonstrate value for money.

There was no requirement for the quotations submitted to separately disclose a labour component. As a result, grants officers were not provided with sufficient information to assess whether the works to be undertaken met the 'eligible works' definition.

No guidance was provided to the Grant Officers to assist in determining if the proposed works demonstrated value for money.

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Breach procedures

If a breach of the Terms and Conditions was detected, the only publicised ramification was the removal of the Eligible Businesses from further participation in the Program. The publicly available information did not communicate all potential repercussions and responses available to the NTG in response to the submission of applications that were deliberately misleading or not compliant with the associated Terms and Conditions. Consideration could be given to whether it may be beneficial to release further information in regard to non-compliance.

NTG employee applications

The HIS was available to all NT homeowners, including NTG employees. The Agency applied a two week restriction preventing Agency staff from applying prior to 20 April 2020, to address public perception that Agency employees may gain an unfair advantage by having inside knowledge of the HIS. There is no evidence to suggest that conflicts of interest existed in relation to processing applications from applicants employed by the Agency. Notwithstanding, it may be worth considering whether disclosure of the employment relationship is something that should be considered for future similar initiatives. Established practice would support a simple declaration by the assessor that the applicant is a colleague to mitigate the risk of any perception of an undisclosed conflict of interest.

With the sudden closure of the HIS within the two week restriction, the Deputy Chief Executive amended the restriction allowing employees to submit applications from 16 April 2020, the day prior to the official closure of 5pm on 17 April 2020. Agency data indicates 52 Agency personnel applied for the HIS. Consistent with the instructions to staff members, all but one had applied after the Agency employee restrictions were lifted. The one early application was from a staff member on long service leave at the time the application was submitted and as such, appears entirely reasonable. The adherence to requirements by these employees is admirable.

Findings of Audit Testing

This audit tested a targeted small sample of 45 applications. Of the 45 applications tested, 36 (80%) were identified to have breached the criteria or assessment process. In total, 61 exceptions were identified during the audit testing (with some applications having multiple exceptions). Whilst some exceptions could be considered largely administrative with little likelihood of affecting the assessment outcome, those that I consider more significant include:

- Quote dated prior to the HIS being announced;
- Voucher issued to contractor prior to work being completed;
- Assessor incorrectly re-opened an application and approved it, documenting in the system it was based on Senior Director approval however the approval could not be demonstrated;
- Application approved for work that received a benefit from another initiative;
- Application able to be re-submitted when original application was found to be non-compliant;
- Inconsistent outcomes with one application rejected and one application approved based on same conditions;
- Applicant was able to change both work and selected property after the closure date; and
- Voucher granted for work where the applicant did not own the property which was commercially owned.

Department of Industry, Tourism and Trade cont...

Business Hardship Package

The BHP was announced on 8 April 2020 with a budget allocation of \$108 million. The BHP is an initiative intended to assist Northern Territory businesses experiencing significant hardship as a result of the COVID-19 restrictions. At the time of my audit this initiative was still open to applications. Under the initiative, businesses could apply for:

- waiver or deferral of payment of payroll tax;
- reduced utilities bills;
- incentives for commercial landlords to reduce rents;
- reduction or deferral of rates; and
- other relief which may be offered from time-to-time agreed to by the responsible Minister.

To access this assistance, a business needed to meet specific eligibility criteria for inclusion on the Business Hardship Register (BHR).

To be placed on the BHR, a business must be considered an 'Eligible Business' within the definitions provided in the BHP Terms and Conditions, as described below.

An Eligible Business:

- is a legal entity and holds a valid Australian Business Number (ABN) as at 23 March 2020; and
- is a Territory Enterprise; and
- is not a Government agency, Government owned body statutory corporation or local government body; and
- has a turnover of no more than \$50 million; and
- meets the eligibility criteria at Section 1.5.

All five criteria must be met for a business to be considered eligible.

The second requirement, that the business must be a '*Territory Enterprise*', suggests a business must be engaged in productive activities (ie. production of goods or delivery of services) in the Northern Territory, has a significant permanent presence within the Northern Territory and employs Northern Territory residents.

Review of the BHR identified a number of individual commercial landlords that received relief under the BHP however there was no documented evidence of any assessment undertaken to demonstrate that these individuals employ NT residents, and therefore met the eligibility criteria as it related to qualifying as a Territory Enterprise.

Self-managed superannuation funds, as a result of their established purpose, are generally not permitted to operate businesses or employ personnel. Review of the BHR identified a self-managed superannuation fund approved for inclusion on the BHR however there was no documented evidence of any assessment undertaken to demonstrate it met the definition of a Territory Enterprise.

The Agency was responsible for assessing applications for inclusion on the BHR. Successful businesses then received a 'Business Hardship Certificate' to confirm their eligibility.

Department of Industry, Tourism and Trade cont...

As the Business Hardship Package provided assistance and concessions from numerous NT authorities, it was decided that the Agency would perform the initial eligibility assessment and maintain the BHR to reduce the administrative burden on NT businesses, enabling them to only have to prove hardship once. A further, and perhaps underemphasised, benefit to this approach was that it also reduced the administrative burden on administering authorities providing assistance and concessions as the underlying assessment was performed by the Agency thus enabling processing efficiencies within each administering authority.

Approved businesses then received a 'Business Hardship Certificate' to confirm their eligibility and could then provide the hardship certificate to the relevant administering authority to apply for the relevant concessions.

Table 12: Summary of concessions available under the Business Hardship Package

Payroll Tax Concession

Administered by Territory Revenue Office:

Offers payroll tax:

- waivers for Territory employers with Australian wages for 2019-20 below \$7.5 million where turnover has been reduced by at least 30%; and
- deferral for Territory employers with Australian wages for 2019-20 above \$7.5 million where turnover has been reduced by at least 50%.

Utility Concessions

Administered by registered electricity retailers in the NT:

- Prescribed customers under section 13A(d) of the Electricity Reform (Administration) Regulations 2000, may be entitled to an electricity tariff that is no more than 50% of the usual commercial rate.
- Similarly, business may be entitled to a water supply and sewerage services tariff that is no more than 50% of the usual commercial rate.

Council Rates Concessions

Administered by Local Government Council:

Entities that use their premises for their business may be able to apply for:

- a three-month rate waiver of rates, and
- a further three-month deferral on paying rates for 2020-21 (that is, deferred to 1 January 2021).

Rent Concessions

Administered by individual commercial landlords:

Commercial landlords that negotiate rent relief in good faith or where properties become vacant (with relief negotiated) due to coronavirus are eligible to receive:

- payroll tax;
- utility bills relief;
- rates relief; and
- property activation levy.

Source: <https://businessrecovery.nt.gov.au/businesses/business-hardship-package>

Department of Industry, Tourism and Trade cont...

Status – 30 September 2020

At 30 September 2020, 1,336 businesses had applied for the BHR, with 1,090 being successfully placed on the register.

Table 13: BHR Application Status – 30 September 2020

Status	#
Received	1,336
Unprocessed	23
Further information	117
Approved	1,091
Withdrawn/ Declined	105

Source: DTBI Internal Reporting

The figures reported in this table have not been reviewed as part of this audit.

Agency representatives advised that the number of applications that have claimed a subsidy and the value of the subsidies was not directly available from the Agency. This data is available at the subsidy level and maintained at each administering entity.

Assessment Process

All applications are assessed within Smarty Grants and, on approval, the applicant receives a unique voucher. Review of the list of BHR applications provided identified 1,361 applications. Exceptions were identified in the data provided for audit. Whilst some exceptions could be considered largely administrative with little likelihood of affecting the assessment outcome, there are some that require addressing to demonstrate the assessment was accurate and complete and supports the applicants being marked as approved. Examples of these exceptions include:

- 598 entries did not include turnover figures.
- For 25 entries, the turnover decreased less than 30%.
- For 18 entries, the turnover increased.
- The notes in the column “Percentage decrease in turnover due to COVID-19” identified:
 - 41 were recorded as “Less than 30% decrease in turnover - Not Eligible”
 - 7 were recorded as “Further information required”.

Applications are assessed by a single Grant Officer, who is provided with detailed process notes to ensure a consistent approach to the assessment process. There was no independent review or check conducted of the assessment.

In order to be eligible to receive a ‘Business Hardship Certificate’, an NT business needs to be able to evidence that it has experienced ‘hardship’.

Based on the published Terms and Conditions, hardship has been defined as “*the business has suffered a reduction in Turnover of 30 per cent or more as a result of the Coronavirus (COVID-19) pandemic.*”³

³ Business Hardship Register Terms and Conditions (Sept 2020)

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The turnover reduction is assessed based on evidence provided by the business in the application. For the application to be accepted, one of the four criteria in Table 14: Summary of Hardship Criteria must be satisfied.

Table 14: Summary of Hardship Criteria

BHR Terms and Conditions Hardship Criteria	How the Agency assesses this criteria
1. The business is eligible for the Commonwealth Government's JobKeeper initiative, and evidence of eligibility is able to be provided; or	For a business to be registered and receiving the first round of the Australian Taxation Office JobKeeper ⁴ initiative (up to 27 September 2020), the business must evidence an actual or projected decline in turnover of at least 30%, when compared to the same period in 2019. The internal process notes for the BHR, require the Grant Officer to assess this decrease in turnover. ⁵
2. The business has been deemed eligible for the Small Business Survival Fund (SBSF); or	To be immediately eligible for the SBSF, a business needs to evidence a 50% or greater decline in turnover. Once the business has met the eligibility criteria for the SBSF and has been approved, they are automatically approved for registration under the BHR.
3. The business is able to evidence a reduction in turnover of more than 30 percent; or	The supporting documentation required to be provided by the applicant can be ' <i>audited financial statements, internal accounting system reports prepared by bookkeeper/accountant or the Business Activity Statements</i> '. The applicant is also required to provide evidence of turnover both before and after the COVID-19 shutdown.
4. If the business is a commercial landlord, is able to evidence a reduction in turnover of more than 30 percent and that it has negotiated in good faith with all of its tenants for rent relief in line with the Mandatory Code of Conduct for commercial tenancies, agreed to by National Cabinet.	For this type of business, both requirements are to be met; not only the 30% turnover decline, but also evidence of negotiations with tenants.

Source: NTAGO developed

Turnover is defined in the Terms and Conditions of the BHP as to be '*calculated using the same calculation of turnover as for the JobKeeper Payment*'⁶.

⁴ <https://www.ato.gov.au/General/JobKeeper-Payment/In-detail/Original-decline-in-turnover-test/>

⁵ Business Hardship Register Process Notes

⁶ Page 5, Jobs Rescue and Recovery Plan, Business Hardship Package – Terms and Conditions.

Department of Industry, Tourism and Trade cont...

Audit testing identified three applications that utilised the JobKeeper criteria for inclusion on the BHR, yet the evidence provided did not demonstrate a turnover decline of at least 30%. Where mandated criteria are unable to be met, section 1.5 of the BHP Terms and Conditions allow for applications that meet the 'intent and principles' of the initiative to be assessed on a case-by-case basis by the Chief Executive Officer. The intent and principles were not defined in the Terms and Conditions.

Due to the large volume of applications received for the HIS, Agency resources were prioritised to the HIS. This resulted in other initiatives, including the BHR, having minimal resources available for the assessment of applications with the result that it took longer to process applications against the prescribed criteria thereby delaying assistance to affected businesses.

Findings of Audit Testing

Of the 15 applications tested, nine contained exceptions as listed below.

1. Approved applications had insufficient evidence provided of eligibility for JobKeeper.
2. An approved entity did not meet the definition of 'Territory Enterprise'.
3. The methodology for assessing hardship was incorrectly applied.
4. Inconsistent methodologies were applied by assessors.
5. The completed assessment form on Smarty Grants, contains incorrect or outdated information.
6. Notification to applicants on the outcome of the applications did not adequately report the reason/s for the outcome.

Business Improvement Grant

The BIG was announced on 18 March 2020, with \$20 million allocated to assist with repairs or renovations to Northern Territory business premises. It was the second initiative available under the original JRRP and was targeted at businesses only. Individuals, not-for-profit organisations, schools, government (and related entities) and statutory bodies were expressly excluded from applying.

The intent of the BIG was to improve business operations and/or enhance customer experience.

Businesses were provided the opportunity to apply for a grant of \$10,000, with a further \$10,000 available on a matching dollar-for-dollar basis. Applications opened on 8 April 2020, with applications to be made through the Smarty Grants system.

The processing of applications was prioritised based on specific industries required to close their premises due to the implementation of the COVID-19 restrictions thus allowing for any works to be conducted during the period of closure. The website advised that applications are assessed in the order they are received.

Once an application was approved, a voucher was issued to the applicant to be redeemed by the registered contractor upon satisfactory completion of the quoted works.

The application period closed on 24 April 2020, two weeks after opening.

The Terms and Conditions of the JRRP provided the initiative would remain open to applicants until 31 October 2020 or until grant funds had been fully committed. At the time of closing, it was estimated that, should all applications received be approved, the BIG's initial budget of \$20 million would be fully utilised.

Department of Industry, Tourism and Trade cont...

Status – 30 September 2020

Table 15: BIG Application Status – 30 September 2020

Status	#
Received	1,424
Unprocessed	206
Further information	222
Approved	607
Withdrawn / Declined	389
Grant funding approved	\$8,514,379
Estimated Value of Approved Works	\$12,240,689
Estimated Economic Impact	\$22,890,089
Vouchers Issued	695

Source: DTBI Internal Reporting

The figures reported in this table have not been reviewed as part of this audit.

No audit procedures were performed on the applications to test compliance with the Terms and Conditions.

Immediate Works Grant

The IWG was announced on 18 March 2020 with a budget allocation of \$15 million. IWG was targeted at not-for-profit organisations and provided a maximum grant of up to \$100,000 with a co-contribution being required for works over \$50,000.

The purpose of the IWG was to conduct repairs, renovations and upgrades to the business premises of not-for-profit organisations. This was the third initiative of the JRRP.

Applications opened on 20 April 2020, with applications to be made through the Smarty Grants system. The initially committed funding of \$5 million was exhausted within a few days and as a result the initiative was closed on 22 April 2020. During this time, 114 applications were received, with 97 applications being approved.

Due to many not-for-profit entities missing out on the first round of funding, an additional \$10 million was announced on 29 July 2020. New Terms and Conditions were developed for this second round of funding, preventing organisations that were not incorporated prior to the announcement date of 29 July 2020 from applying.

At 30 September 2020, the second round remained open with 255 applications received and two having been approved. This also included a number of applicants that had incorrectly applied for the BIG.

Department of Industry, Tourism and Trade cont...

Status – 30 September 2020

Table 16: IWG Application Status – 30 September 2020

Status	#
Received	369
Unprocessed	224
Further information	33
Approved	99
Withdrawn / Declined	13
Grant funding approved	\$5,234,039
Estimated Value of Approved Works	\$6,671,659
Estimated Economic Impact	\$12,476,003
Vouchers Issued	120

Source: DTBI Internal Reporting

The figures reported in this table have not been reviewed as part of this audit.

No audit procedures were performed on the applications to test compliance with the Terms and Conditions.

All applications are assessed within Smarty Grants.

Review of the list of IWG applications identified eight applications that had a “submitted on” date between 22 April 2020 and 29 July 2020 when the application process was closed.

Small Business Survival Fund

The SBSF was announced on 27 March 2020 with a budget allocation of \$50 million. It was developed by an industry-led Advisory Board, established on 23 March 2020.

The Board consisted of representatives from Hospitality NT, Chamber of Commerce NT, Tourism NT, the Darwin City and Waterfront Retailers Association. The Advisory Board not only developed the parameters of the initiative but also the various sub-initiatives of the SBSF, with these being approved by the Chief Minister on 31 March 2020.

In defining a Small Business, the NTG has adopted the definition used by the Australian Bureau of Statistics. This definition simply references the number of employees, with a small business having less than 20 employees.

Of the businesses operating in the NT, 95.5%⁷ are considered small.

⁷ Department of Industry, Tourism and Trade Northern Territory state of the economy September Quarter 2020

Department of Industry, Tourism and Trade cont...

The SBSF was directed at NT small businesses significantly impacted by the physical distancing requirements of the COVID-19 restrictions.

The initiative has three goals:

1. Help local businesses survive through the partial or full shut-down period. For example, support in meeting unavoidable fixed costs.
2. Help local businesses adjust and adapt to take advantage of the new consumer environment. For example, expanding online services, takeaway and delivery.
3. Prepare local businesses to take advantage of the rebounding economy when the COVID-19 crisis is over. For example, upgrading premises or upskilling staff.

To achieve these goals, \$50 million was committed as detailed in Table 17.

Table 17: Small Business Survival Fund sub initiatives

Support Available	Description
Immediate Survival Payment	A payment between \$2,000 and \$50,000, to offset immediate cost pressures. This payment is based on the number of full time equivalent employees (including sole traders).
Rapid Adaption Payment	A payment of up to \$5,000 to assist the business make the necessary changes to adapt to a post-COVID-19 business environment. This payment is based on the number of full time equivalent employees.
Operational Boost Payment	A payment between \$2,800 and \$42,000 to assist in offsetting ongoing cost pressures. This payment is based on the number of full time equivalent employees.
Operational Support Payment	Three payments to assist with operating costs (paid fortnightly) between \$1,000 and \$15,000 per payment. This payment is based on the number of full time equivalent employees.
Rebound Support Grant	A grant of up to \$15,000 for new activities that adapt or rebound the business to operate effectively in the new economic environment. This payment is based on the number of full time equivalent employees and included a 50:50 co-contribution.

Source: SBSF Terms and Conditions (May 2020)

Of the \$50 million funding committed to the SBSF, \$2 million has been quarantined for applicants that had been impacted but are not initially eligible under the documented initiative parameters, with the CEO being delegated the authority to exercise his discretion in regard to these applications.

The Terms and Conditions allow for applications to be assessed on a case-by-case basis where a business's annual turnover is over \$10 million or where they meet the 'intent and principles' of the SBSF.

Department of Industry, Tourism and Trade cont...

As disclosed on the NTG Business Recovery website, NTG identified the following industries as having been impacted by the physical distance restrictions:

- Food, drink and retail
- Beauty and personal care services
- Entertainment venues
- Leisure and recreation.

Businesses in other industries were encouraged to apply but were to be assessed on a case-by-case basis, requiring CEO approval for participation in the initiative. Of the 1,311 approved applications, 948 were in one of the identified industries. Where an applicant does not fall within the documented parameters, a memo is prepared for the CEO's consideration. At 30 September 2020, the CEO had reviewed 990 such applications. Of these, 709 were approved and the remaining 281 declined.

Of the five sub-initiatives under the SBSF, all grants are provided directly to the applicant to be used at their discretion. There were no requirements to declare actual expenditure or to provide quotes or invoices. Only the Rapid Adaptation and Rebound Support grants require an appropriate invoice for works undertaken to be assessed by the Agency.

Where funds are provided with few or no conditions attached and may be spent at the recipient's discretion, it may be difficult for the Agency to demonstrate that the funds have been distributed in order to meet an agreed, identified outcome or purpose.

The Terms and Conditions of the SBSF allow for the Agency to perform audit activity on the documentation supporting applications for a period of up to 12 months after the finalisation of the SBSF. At the time of the audit, no such audit activity had been conducted on any SBSF applications.

Status – 30 September 2020

During the two months the SBSF was open, 1,731 applications were received. As at 30 September 2020, 1,311 applications had been approved, 280 had been declined and the remaining 140 applications had been withdrawn.

Table 18: SBSF Application Status – 30 September 2020

Received	1,731
Approved (and not paid)	1,311
Withdrawn / Declined	420
Grant funding approved	\$45,471,444

Source: DTBI Internal Reporting

The figures reported in this table have not been reviewed as part of this audit.

Actual spending was not required to be acquitted as part of the initiative requirements. As a result the value of the approved works and estimated economic impact of the initiative is unknown.

All applications are assessed within Smarty Grants.

Department of Industry, Tourism and Trade cont...

Review of the SBSF application listing identified 1,731 applications. Entries within a number of field suggest the data may require further review. The more significant examples include:

- Two applications had a “submitted on” date (in June and July) after the application period closed on 25 May.
- 67 applications were marked as “No (ineligible)” in responses to “In pay period immediately before shutdown did your business employ NT residents”, 46 of these applications were approved.
- 105 applicants recorded greater “FTE Hours works after” the shutdown compared to “FTE Hours worked prior”, 72 of these applications were approved.

No audit procedures were performed on the applications to test compliance with the Terms and Conditions.

Business Rebound and Adaptation Grant

The BRAG was announced on 29 July 2020 with a budget allocation of \$20 million. It was intended to aid businesses that were not eligible to apply for assistance under the other JRRP initiatives.

Unlike the other initiatives, the eligible expenditure under the BRAG did not need to be spent on physical improvements but could include:

- Access/egress management for a property
- Increased capacity of the business to service customers
- Technological improvements such as website design
- Redesign / refurbishment of premises
- Marketing (but not advertising ie. purchase of media space)
- Occupational Health and Safety / Security
- Re-configuring layouts for physical distancing
- Cashless ‘No Touch’ Payment
- Partitioning
- Training initiatives for staff
- Advice on and fixtures installed in a property in relation to hygiene practices
- Professional services (accounting, legal, business planning)
- Physical improvements to premises.

The BRAG was provided on a co-contribution basis up to a maximum grant payment of \$10,000.

The criteria for the BRAG required the business to be a *Territory Enterprise* and also have a minimum turnover of \$75,000; fewer than 199 employees; and be able to demonstrate a turnover decline of at least 30%, due to COVID-19.

Applications opened on 1 September 2020.

At 30 September 2020, the initiative had received 68 applications, with one application having been approved.

Department of Industry, Tourism and Trade cont...

Agency representatives attributed the slow take up of this grant to the requirement for businesses to provide evidence of a 30% turnover decline. With the NT being effectively 'open for business' since May 2020, many business were not experiencing this level of turnover decline.

Due to the minimal uptake of BRAG, it was closed on 30 November 2020.

Table 19: SBSF Application Status – 30 September 2020

Received	68
Unprocessed	55
Further information	12
Approved (and not paid)	1
Estimated Value of Approved Works	\$1,237,214
Estimated Economic Impact	\$2,313,590

Source: DTBI Internal Reporting

The figures reported in this table have not been reviewed as part of this audit.

No audit procedures were performed on the applications to test compliance with the Terms and Conditions.

Territory Tourism Voucher Scheme

Following machinery of government changes in September 2020, the Territory Tourism Voucher Scheme was transferred from the Department of Tourism, Sport and Culture to the Agency. The Territory Tourism Voucher Scheme was announced on 11 June 2020 with an initial budget allocation of \$5.2 million, subsequently expanded to \$16.2 million. The scheme targeted the NT's tourism industry and aimed to "to encourage Territorians to explore the Territory and support local tourism businesses until borders can safely reopen to interstate visitors". An additional two rounds of vouchers were subsequently announced.

Table 20: Territory Tourism Voucher Scheme updates

Launch date	1 July 2020	1 November 2020	1 February 2021
Funding Allocated	\$5.2 million	\$5.5 million	\$5.5 million
Concession Value	50% upfront discount of the total booking value up to a maximum of \$200 applied.	50% upfront discount of the total booking value up to a maximum of \$200 applied. The added bonus kilometre claim will see up to an additional \$200 returned to the traveller via reimbursement.	
Timing	Once downloaded, vouchers are valid for 30 days only and must be booked within this time. Travel must be completed by 31 October 2020.	Vouchers issued within seven days in a staggered approach from 4 November and must be redeemed within 14 days.	Vouchers issued within seven days in a staggered approach and must be redeemed within 14 or less days from date of issue.

Source: NTAGO developed

Department of Industry, Tourism and Trade cont...

Complaints and Appeals

Disputes and Complaints

The Terms and Conditions of the majority of initiatives under the JRRP include a disputes and complaints section. Applicants are directed to Consumer Affairs, the NTG's Building and Complaints website or referred to a link providing contact details of the relevant business divisions within the Agency.

The Terms and Conditions for the BHR and SBSF do not provide applicants with any guidance should they have a complaint or disagree with the Agency's decision assessment. Possibly as a consequence, a number of unsuccessful applicants lodged appeals with the NT Civil and Administrative Tribunal.

At the time of audit, the Agency had yet to implement an agency-wide complaints policy, which may result in complaints received being treated inconsistently.

Appeal Process

When the appeal process was developed by the Agency, an Appeal Assessment form was created within Smarty Grants however no formally documented procedures exist to provide guidance for Grant Officers when processing appeals.

The appeal process was conducted by a Grant Officer with the Grants Team. An internal register was introduced in June 2020 to monitor the appeals. Prior to the establishment of the register in June, the Agency did not have any means of monitoring the progress of appeals.

Review of the register identified that the information collected was not always complete or consistent. The following instances were noted where the content could be more comprehensive:

- 10 instances where the appeal date was not documented;
- five instances where the reason for the original decline was not documented;
- 22 instances where the reason for the appeal was not documented;
- 10 instances where the decision date was not documented;
- two instances where the application notification date was not recorded; and
- 19 instances where there is a CEO decision date recorded and the CEO decision is not recorded.

Although no formally documented procedures are in place to support the appeals process, all appeals are required to be endorsed by the Manager and approved by the Senior Director. Only appeals relating to the SBSF are required to be approved by the CEO.

At 30 September 2020, 113 appeals had been received by the Agency (across all initiatives) with the majority (83) relating to HIS. Of the 113 appeals received, 15 were overturned, with approval being provided by the Senior Director.

Department of Industry, Tourism and Trade cont...

The Department of Industry, Tourism and Trade has commented:

The Jobs Rescue and Recovery Plan (JRRP) was implemented in direct response to the impact of the COVID-19 pandemic. This situation was unprecedented and the scale of the program was also unparalleled in relation to the urgency and resources required.

The objective of the JRRP was to provide an immediate stimulus to the economy to help keep businesses open, cash flowing and Territorians working. The Department of Industry, Tourism and Trade (DITT) believes that the program was a success with few businesses forced to close, unemployment kept well below the national average and broad community and industry recognition of the significant role these programs played in stabilising the Territory in the face of a severe economic shock.

The former Department of Trade, Business and Innovation (DTBI) oversaw the implementation of this initiative and its grant policy and framework underpinned the execution of the program. This framework provided appropriate structure, authority, delegations and procedures to support the successful delivery of the program and minimise fraudulent behaviour.

DITT notes the findings and recommendations of the audit and will incorporate these in future policy documents and programs.

Department of Treasury and Finance

COVID-19 Stimulus Initiatives – Jobs Rescue and Recovery Plan

Background

The Territory receives funding from the Commonwealth and generates its own-source revenue. The Territory's own-source revenue is raised through taxes, mining royalties, fees and charges, rent and tenancy income, interest and dividend revenue, and profits from the disposal of assets.

The 2020-21 Budget noted that revenue *“has been significantly influenced by the economic effects of COVID-19 including lower GST and own-source revenue.”*

“Payroll tax is the Territory's largest own-source revenue tax imposed on businesses with total payroll above the tax-free threshold of \$1.5 million per annum. COVID-19 has introduced greater than usual uncertainty on payroll tax forecasting due to impacts on employment, wage growth and business investment... Payroll tax forecasts are also influenced by government stimulus measures, such as payroll tax waivers and deferrals for COVID-19 relief measures and the Commonwealth JobKeeper, and other stimulus measures.”

Scope and Objectives

The objective of the performance management system audit was to examine the performance management systems and processes implemented to manage the stimulus initiatives implemented as part of coronavirus recovery measures. The audit assessed the performance management systems in place at the Department of Treasury and Finance (the Agency) that enable it to manage the stimulus initiatives announced under the Jobs Rescue and Recovery Plan (JRRP) relating to the waiver or deferral of payroll tax and concession relief applicable to the cost of utilities (the 'stimulus initiatives subject to audit').

The audit covered the period from commencement of the stimulus initiatives to 30 September 2020.

Conclusion

The objective of the performance management system audit was to obtain reasonable assurance as to whether the performance management systems enable the Agency to assess whether its objectives, as they apply to the stimulus initiatives subject to audit, are being achieved economically, efficiently and effectively.

Except for the matters giving rise to the recommendations, the audit found the performance management systems in place at the Agency to manage the stimulus initiatives subject to audit enable the Agency to assess whether its objectives are being achieved economically, efficiently and effectively.

The audit did not identify any significant weaknesses in the delivery or administration of the two initiatives. Some opportunities exist to enhance performance management systems and processes related to the stimulus initiatives implemented as part of coronavirus recovery measures.

Department of Treasury and Finance cont...

Recommendations

Opportunities for the Agency to improve its systems and processes related to:

- conducting risk assessments prior to the implementation of new initiatives;
- establishing reporting to support oversight of the COVID-19 initiatives;
- performing program evaluations to determine whether outcomes are being achieved;
- retaining adequate and appropriate evidentiary documentation;
- clarifying, within Agency procedural documents, the 'applicable period' for assessing the reduction in turnover and the treatment of grouped businesses; and
- implementing additional processes to ensure the accuracy of claims for Community Service Obligations.

Audit Observations

The Agency was involved with providing the following COVID-19 stimulus initiatives:

Initiative	Description
Payroll Tax Waiver *	Waiver of payroll tax for Territory employers with Australian wages for 2019-20 below \$7.5 million where turnover has been reduced by at least 30%.
Payroll Tax Deferrals *	Deferral of payroll tax for Territory employers with Australian wages for 2019-20 above \$7.5 million where turnover has been reduced by at least 50%.
Waiver of payroll tax on JobKeeper Payments *	Waiver of payroll tax on JobKeeper Payments from the Australian Government to employers.
Extension of the payroll tax hiring resident employees exemption	Eligible Businesses who employ a Territorian in the next 12 months won't be liable for payroll tax on those wages for a two year period.
Utility Concessions *	Eligible Businesses can access up to 50% off the electricity tariff or water supply and sewerage services tariff.
Property activation levy waiver	Levy waived where land or building becomes unoccupied due to a business ceasing due to COVID-19.
Gambling tax relief	Gaming machine taxes in pubs, clubs and casinos waived in March 2020. (Gambling tax relief is subject to another NTAGO audit and was not reviewed as part of this audit.)
Administration of HomeBuilder grant on behalf of the Australian Government	Provides eligible owner-occupiers (including first home buyers) with a grant to build a new home or substantially renovate an existing home.

* Part of the Jobs Rescue and Recovery Business Hardship Package

Each initiative is managed by a separate team using initiative-specific processes within the Agency.

Department of Treasury and Finance cont...

No separate risk assessment was performed when implementing the initiatives. Agency representatives advised that risks and required controls were considered when determining and developing processes however no risk assessment was documented.

There is no regular reporting by the Agency of the status of the COVID-19 initiatives.

At the time of the audit, the Agency had not developed measures to assess to what extent each initiative was successful.

Business Hardship Package Summary

The Business Hardship Package (BHP) is part of the JRRP.

The BHP was announced on 8 April 2020 with a budget allocation of \$108 million. The BHP is an initiative to assist Northern Territory businesses experiencing significant hardship as a result of the COVID-19 restrictions. At the time of my audit, this initiative was still open to receive applications. Under the BHP, businesses could apply for:

- waiver or deferral of payment of payroll tax;
- reduced utilities bills;
- incentives for commercial landlords to reduce rents;
- reduction or deferral of rates; and
- other relief which may be offered from time-to-time as agreed to by the responsible Minister.

To access this assistance, a business needed to meet specific eligibility criteria for inclusion on the Business Hardship Register (BHR). Applications for the BHR opened on 1 May 2020 at 9am.

To be placed on the BHR, a business must be considered an *'Eligible Business'* within the definitions provided in the Terms and Conditions of the BHP.

An Eligible Business:

- is a legal entity and holds a valid Australian Business Number as at 23 March 2020; and
- is a Territory Enterprise; and
- is not a Government agency, Government owned body, statutory corporation or local government body; and
- has a turnover of no more than \$50 million; and
- meets the eligibility criteria.

All five criteria must be met to be considered an Eligible Business. Once the status of Eligible Business has been affirmed, eligibility for access to assistance requires an Eligible Business to meet one of the following subsequent criteria, being that the Eligible Business:

- is eligible for the Commonwealth Government's JobKeeper initiative; or
- is deemed eligible for the Small Business Survival Fund; or
- has a reduction in turnover of more than 30 percent; or
- if the business is a commercial landlord, has a reduction in turnover of more than 30 percent and has negotiated in good faith with all of its tenants for rent relief.

Department of Treasury and Finance cont...

Once approved, businesses receive a business hardship certificate which can be used to access relevant concessions offered as part of the BHP. The Eligible Business is required to separately apply to the relevant administering authority to receive the relevant concessions.

In October 2020, the NTG announced the extension of the BHP relief to 1 July 2021 from the initial date of 30 September 2020.

Businesses that are experiencing hardship after 30 September 2020 are required to provide evidence of a continued reduction in turnover to continue to be eligible for the concessions.

Payroll Tax Concessions

Payroll tax relief available to businesses under the BHP provides for:

- waiver of payroll tax liabilities for Eligible Businesses;
- deferral of payroll tax liabilities for Eligible Businesses; and
- waiver of payroll tax liabilities that result from taxable wages comprising the Australian Government's JobKeeper payments.

Criteria

The following criteria are relevant to determining eligibility for concessions:

1. Waiver of payroll tax liabilities (other than JobKeeper payments)
 - a) The business must have annual turnover less than \$50 million;
 - b) Turnover must have declined by at least 30% due to the impact of COVID-19 (when compared to the corresponding month or quarter in 2019); and
 - c) Australia-wide wages are below \$7.5 million.
2. Deferral of payroll tax liabilities
 - a) The business must have annual turnover less than \$50 million;
 - b) Turnover must have declined by at least 50% due to the impact of COVID-19 (when compared to the corresponding month or quarter in 2019); and
 - c) Australia-wide wages are above \$7.5 million.

The waiver was applied for all payroll tax relating to JobKeeper payments without being assessed against any additional criteria.

Application and Assessment Process

The Territory Revenue Office (TRO) within the Agency is responsible for implementing Payroll Tax Concessions.

To be eligible, registration of the business on the BHR is required to be evidenced through a Business Hardship Certificate. To access payroll tax relief, the business is required to submit a separate application with the TRO.

Processes established within the Agency provide for personnel within the TRO to place reliance on the assessment processes undertaken by the Department of Industry, Tourism and Trade to determine that an applicant has experienced at least a 30% decline in turnover. Notwithstanding this reliance, TRO personnel did obtain additional supporting documentation as required to ensure eligibility was appropriately evidenced within the Agency.

Department of Treasury and Finance cont...

Slow progress by businesses to apply for the relief caused personnel from the TRO to proactively review the BHR to identify listed businesses that were registered for payroll tax and then contact these businesses to commence the payroll tax concession application process. This approach identified that many business owners were not aware of the second application requirements.

Applications for Payroll Tax Concessions are allocated to TRO officers for processing through the TRO's online payroll tax system.

The TRO established a policy, procedure and checklist relevant to the initiative. The checklist constitutes a step-by-step guide for reviewing and documenting a business's eligibility and ensuring the assessment of each application was consistent and documented. The process includes requirements for detailed review and approvals for each application.

Substantive testing of 17 payroll tax concession applications identified one instance where evidence obtained to demonstrate that the businesses turnover was \$50 million or less was inconsistent with the standard process for determining turnover. The reason for the deviation from the process was not documented.

Information used for the assessment is largely sourced from the BHR application and available information recorded in online payroll tax system. Personnel from the TRO may request further information from businesses in order to determine whether the payroll tax concession criteria have been met.

Once the assessment is complete, the business is advised of the outcome.

Businesses must continue to lodge payroll tax returns through the online lodgment portal by the respective due dates with the annual reconciliation due to be lodged by 28 July 2020. This enables monthly waiver and deferral amounts to be processed, and 2019-20 payroll tax reconciliations to be completed.

Financial Impact

Estimated Outcomes		Actual Outcomes as at 30 September 2020	
# of recipients	Financial Impact	# of recipients	Financial Impact
2,600	\$62.0 million	230	\$4.2 million

The estimated financial impact of the payroll tax waiver and deferral amounted to \$12 million and \$50 million respectively.

Both estimates were calculated assuming the most extreme impact which would have seen all businesses impacted by COVID-19 and consequently all Eligible Businesses applying for waiver or deferral. At the time of determining the estimate, there was understandable uncertainty in relation to the length and extent of border controls, business shutdowns, social distancing and other health response measures. The maximum impact on payroll tax collections was estimated to ensure that the NTG adequately provided for the potential loss of revenue and costs of providing business assistance measures.

Department of Treasury and Finance cont...

Audit procedures to test the accuracy of the estimate identified a number of input factors that were unable to be verified to robust information and identified some inconsistent approaches to rounding of results. Agency representatives advised that due to the urgency involved in developing these measures, there was limited value in conducting a detailed analysis of the calculations however the estimates were subsequently updated to take into account actual uptake and changes in factors affecting the estimates for use in NTG Budget Papers. The updated estimate used in the Budget Paper was \$6.5 million.

Table 1 presents the financial impacts of the payroll tax concession waivers and deferrals as at 30 September 2020.

Table 1: Status as at 30 September 2020 – Payroll Tax Concessions

	Waivers \$	#	Deferrals \$	#	Total \$	#
Approved	2,762,410	173	324,833	5	3,087,243	178
Pending Approval	41,418	6	20,932	1	62,350	7
Processing	565,092	20	2,383	1	567,475	21
Withdrawn	167,157	9	-	-	167,157	9
Denied	261,589	10	39,837	1	301,426	11
Unprocessed	*	*	*	*	TBD	4
Total	3,797,666	218	387,985	8	4,185,651	230

(Source: Territory Revenue Office)

* Unknown at time of audit.

Applicable Period

There are two elements to consider when determining the applicable period:

- determining eligibility to register under the BHP conditions; and
- for Eligible Business, determining when the payroll initiative is applied.

The BHP eligibility period is outlined in the Terms and Conditions of the BHP with 'hardship' defined as "A reduction in Turnover of 30 per cent or more as a result of the Coronavirus (COVID-19) pandemic" with Turnover being calculated "using the same calculation of turnover as for the JobKeeper Payment."

For the purposes of the Commonwealth JobKeeper initiative, turnover is self-assessed. The original decline in turnover test for JobKeeper required businesses to satisfy the reduction in turnover test for the period 30 March 2020 to 27 September 2020.

There were two extension periods that had been approved prior to the completion of this audit:

- Extension 1 – from 28 September 2020 to 3 January 2021
- Extension 2 – from 4 January 2021 to 28 March 2021.

Payroll tax is payable monthly. Business are required to submit and pay by the 21st day of the next month (for example, the return for April return 2020 is to be lodged and paid by 21 May 2020).

Department of Treasury and Finance cont...

At the end of each financial year, all registered employers must lodge an annual adjustment return by 21 July and pay (or if applicable, seek a refund of) the difference between tax paid during the first 11 months of the year and the full year liability to 30 June.

The TRO website states *“As part of this package, payroll tax relief is available for eligible businesses that can demonstrate substantial hardship due to the COVID-19 pandemic. The relief has been extended and is now available for 14 months from April 2020, which aligns with the 14 returns between March 2020 and April 2021.”*

Inconsistencies were noted in the ‘applicable period’ used to demonstrate a reduction in turnover in that some businesses provided evidence of a decline in turnover in March 2020 when compared to March 2019 rather than using the Commonwealth’s reduction in turnover test during the June quarter as mandated in the BHP Terms and Conditions.

Substantive testing of 17 applications identified four instances where the test of hardship eligibility was based on a reduction in turnover for the month of March 2020 in comparison to March 2019. If the assessment had been conducted using the JobKeeper approach, some businesses would not have met the eligibility criteria.

Payroll Tax Concessions – Grouped Businesses

In the Northern Territory, payroll tax is payable monthly by any business that pays wages (of any amount) in the Northern Territory, where the business’s Australian wages (comprising wages paid by it, and its grouped businesses, anywhere in Australia including the Northern Territory) are above the tax-free threshold of \$1,500,000 per year.

For payroll tax purposes, businesses are ‘grouped’ when they are subject to ‘common control’ (whether direct or indirect) and/or share the use of one or more employees.

When two or more businesses are grouped, only one member of the group can claim a tax-free threshold, which is then calculated taking account of wages paid by all group members in all states and territories of Australia.

The Australian Taxation Office hardship provisions require entities that are part of the group to be assessed as a group.

Under the stimulus initiatives there are three criteria that businesses need to meet before they are granted relief from payroll tax liability:

- a) Annual turnover should be less than \$50 million;
- b) The reduction in monthly or quarterly turnover should be at least 30% for waiver (at least 50% for deferral) (when compared to the same period in 2019); and
- c) Annual Australia wide wages should be less than \$7.5m for waiver (above \$7.5m for deferral).

The above criteria are applied to an individual business and do not consider grouping. If the assessment was undertaken for businesses as a group, some businesses may not meet the criteria.

Agency records as at 30 September 2020 identified 103 businesses that were part of groups and had been approved for a payroll concession based on an assessment of the individual business (not the group).

Department of Treasury and Finance cont...

Substantive testing of 17 applications identified instances where the application of grouping provisions consistent with the approach adopted for the Australian Taxation Office hardship provisions would have yielded a different result to the results when assessed as individual businesses.

The Agency's documented policy, procedures and Terms and Conditions do not clearly state whether the grouping provisions should or should not be applied when determining the eligibility of a business for a payroll tax waiver.

Utility Concessions

Utility Concessions are available for businesses registered on the BHP and provide for concessions of:

- 50% of the usual commercial rate electricity tariff; and
- 50% of the usual commercial rate water supply and sewerage services tariffs.

The concession is available for business under section 13A(d) of the Electricity Reform (Administration) Regulations 2000. The reduced rates are included in the updated Contestable Customer Service Obligation (CSO) Rate Schedule issued by the Treasurer.

The concession was initially effective for six months from 1 April 2020 to 30 September 2020 consistent with the BHP Terms and Conditions. It has been subsequently extended until 1 July 2021.

Criteria

There are no additional criteria for eligibility beyond the criteria established in the Terms and Conditions applicable to the BHR.

Application and Assessment Process

The Economic Group within the Agency is responsible for implementing the Utility Concessions.

To access the concession, businesses must provide their utilities provider with the BHR certificate. If the business meets the hardship criteria between 1 April 2020 and 30 June 2020, the relief will apply retrospectively from 1 April 2020. If the criteria are met from 1 July 2020 and onwards, the relief will apply retrospectively from 1 July 2020.

A utilities provider can then submit a Business Hardship CSO claim to the Agency to recover their loss of revenue resulting from application of the concession. The CSO claim is submitted in the form of an Excel spreadsheet recording details of all customer meter identification numbers for whom the retailer is claiming a CSO payment. Meter identification numbers with concessional rates are identified by their BHR certificate numbers.

The Agency did not require additional processes to assess the concession as the existing CSO assessment process was used. The process includes two review processes and requires approval for payment from the Assistant Under Treasurer (Economics).

As part of the review process, Agency personnel identified and corrected errors in submitted claims.

Agency personnel do not routinely review the meter readings included in the CSO claim however the meter readings may be tested as an ad hoc audit of customer information. No audits of customer information had been undertaken as at 31 October 2020. Any discrepancies identified as part of the audit of customer information are to be adjusted against future CSO payments.

Department of Treasury and Finance cont...

Audit procedures identified a number of exceptions in data and one instance where a concession was incorrectly claimed.

Estimated and Actual Cost

Estimated Outcomes		Actual Outcomes as at 30 September 2020	
# of recipients	Cost	# of recipients	Cost
not provided*	\$45.2 million	37	\$0.4 million

* The Agency estimated 100% of business would be affected.

The cost of the utility concessions was originally estimated to be \$45.2 million; being \$31.2 million for electricity and \$14 million for water supply and sewerage services. The estimated cost was based on a worst case scenario where it was assumed that all businesses subject to regulated tariffs would be negatively impacted by COVID-19.

Subsequently the estimates were updated for use in NTG Budget Papers to take into account actual uptake and change in factors affecting the estimates. The forgone revenue estimate disclosed in the 2020-2021 Budget was \$8.3 million.

Property Activation Levy Waiver

The Property Activation Levy applies to vacant land and ground floor non-residential buildings within a designated zone within the Darwin CBD. The purpose of the levy is to encourage property owners to activate their properties and revitalise the Darwin CBD.

The levy is applied annually at a rate of two per cent for vacant land and one per cent for unoccupied non-residential buildings based on the unimproved capital value of the property. For the purpose of the levy, a building is occupied if at least 50 per cent of the ground level area is occupied and being used for its intended purpose.

Relief from the levy is available where the ground floor of a building becomes unoccupied due to a business ceasing as a direct result of COVID-19 and the property owner has negotiated in good faith with its tenants on rent relief, for example, through the provision of rent reductions, waivers or deferrals. Negotiations between the landowner and the tenants are required to be conducted in accordance with the principles in the National Cabinet Mandatory Code of Conduct for commercial tenancies.

Relief applies from March 2020 and continues to May 2021.

Criteria

The ground floor of a building becomes unoccupied due to a business ceasing as a result of COVID-19, and the property owner has negotiated in good faith with its tenants on rent relief, through the provision of rent reductions, waivers or deferrals.

Department of Treasury and Finance cont...

Application and Assessment

The TRO within the Agency is responsible for implementing the Property Activation Levy Waiver.

Property owners that would otherwise be subject to the levy are required to apply in writing to the TRO for relief from the date the business ceases. The applicant is also required to provide supporting documents that demonstrate the criteria for waiver have been met.

Since it was expected there would be a relatively low number of applications for this relief, a senior officer from TRO performs the assessment of any applications received.

When an application is received, the TRO officer assesses all supporting documents provided by the applicant and determines whether the criteria has been met and the waiver can be granted.

The estimated cost for the property activation levy relief was assessed to be negligible. As at 30 September 2020, one application had been received and approved with a concession value of \$8,278.

Department of Treasury and Finance cont...

The Department of Treasury and Finance has commented:

1. DTF notes that, subject to the recommendations, the audit found that the performance management systems in place in DTF enable the agency to assess whether the objectives of the stimulus measures are being achieved economically, efficiently and effectively.
2. It is important that the extraordinary circumstances surrounding the implementation of the COVID-19 stimulus measures are taken into account as part of a performance management audit. The scale and urgency of program delivery required was unprecedented and the schemes were a direct and immediate response to the COVID-19 pandemic and the economic disruption caused by both the virus and subsequent health response.

In the early stages of the pandemic, National Cabinet was formed and decisions were made and implemented very quickly, with many businesses facing immediate closure for an unascertainable period of time, and Australians facing widespread job losses and economic and financial hardship. The philosophy of all Australian governments, supported by the advice of the public service, Reserve Bank of Australia and other experts, was to undertake the health response measures necessary to curtail the spread of the virus and in doing so, support businesses and maintain employment to the greatest extent possible in the face of business, border and movement restrictions.

As such, a significant range of COVID-19 stimulus measures were implemented by all state and territory governments and the Australian government in early 2020 under circumstances of great urgency and uncertainty as to how the pandemic would impact Australian people businesses and the health care system.

3. The following comments are provided in relation to your recommendations that there are opportunities for DTF to improve its systems and processes related to:
 - a) *Conducting risk assessment prior to the implementation of new initiatives*

DTF worked closely with the Department of Industry, Tourism and Trade (DITT) to develop the comprehensive terms and conditions for business hardship eligibility. While there was a sense of urgency, risk identification and mitigation was considered and reflected in the detailed requirements and terms and conditions for assessing eligibility for hardship relief.

Risk assessment was also conducted as part of preparing DTF's Payroll Tax Relief Policy Framework, Procedure and Checklist. Most risks (such as an employer incorrectly claiming waiver or deferral relief) were assessed as having a low risk rating in accordance with DTF's risk management framework on the basis of being of rare to unlikely likelihood with minor to moderate impact and appropriate controls being put in place by DTF to mitigate risk.

The possibility of deferred payroll tax liability not subsequently being paid was initially assessed as a significant risk, but was subsequently revised down to low risk due to the low number of applications for deferrals.

Department of Treasury and Finance cont...

The Department of Treasury and Finance comments continued:

b) Establishing reporting to support oversight of the COVID-19 initiatives

In addition to the internal Territory Revenue Office reporting set out in the internal process and procedure documents, regular reports (particularly numbers of payroll tax relief recipients and quantum of relief provided) on the COVID-19 stimulus measures administered by DTF were provided to the Under Treasurer, Treasurer and the Public Accounts Committee for the period during which the delivery of the 2020 Budget was delayed from May to November 2020.

Estimates of the financial costs of the stimulus measures were updated in the 2020 Budget published in November 2020 and the 2021 Budget published in May 2021.

c) Performing program evaluations to determine whether outcomes are being achieved
Noted.

d) Retaining adequate and appropriate evidentiary documentation

There does not appear to be any Audit Observations in the Report that indicate issues with DTF's retention of documentation. All information and documentation utilised or obtained by DTF was recorded in DITT's Business Hardship Register system, DTF's payroll tax portal and/or the DTF's records management system.

The Report notes that there was *"one instance where evidence obtained to demonstrate that the businesses turnover was \$50 million or less was inconsistent with standard procedure"*.

As explained during the audit process, primary investigations by DITT, and confirmed by DTF, determined that the business in question was impacted by COVID-19 and that the methodology used by DITT and DTF to confirm annual business turnover produced a reasonably accurate result that was well below \$50 million. Consistent with this, the business had annual turnover of under \$12 million in 9 of 10 prior financial years.

e) Clarifying, within Agency procedural documents, the 'applicable period' for assessing the reduction in turnover and the treatment of grouped businesses

A business' eligibility for payroll tax relief was assessed on an individual basis unless the primary purpose of the business was to provide labour services to other members in its corporate group. This is consistent with the ATO approach.

The recommendation to the Territory Government, and ultimately approved by the Treasurer, was to provide hardship relief to individual businesses, utilising similar (but not identical) principles as JobKeeper, regardless of the nature of the business as a member of a group or otherwise. While strict adoption of the JobKeeper assessment criteria may have resulted in a small number of businesses being refused hardship relief in the Territory, it would also have introduced unnecessary complexity to what was designed as a beneficial scheme required to be rolled out on a very tight timeframe.

Department of Treasury and Finance cont...

The Department of Treasury and Finance comments continued:

- f) *Implementing additional processes to ensure the accuracy of claims for Community Service Obligations*

As noted in the Audit Observations, DTF utilises the existing CSO assessment process, which includes two review processes and approval for payment by the Assistant Under Treasurer.

An audit of an electricity retailer's metering data commenced in November 2020 with Power and Water Corporation, the Territory's meter data provider and the results confirmed that the retailer applied the correct CSO rates Ongoing audit of CSO claims data will be undertaken.

Appendix

Appendix 1: Abbreviations

ABN	Australian Business Number
BHP	Business Hardship Package
BHR	Business Hardship Register
BIG	Business Improvement Grant
BRAG	Business Rebound and Adaptation Grant
CBD	Central Business District
CEO	Chief Executive Officer
COVID-19	Coronavirus disease 2019
CSO	Community Service Obligation
DTBI	Department of Trade, Business and Innovation
DTF	Department of Treasury and Finance
FTE	Full Time Equivalent
GST	Goods and Services Tax
HIS	Home Improvement Scheme
IWG	Immediate Work Grant
JRRP	Jobs Rescue and Recovery Plan
NT	Northern Territory
NTAGO	Northern Territory Auditor General's Office
NTG	Northern Territory Government
SBSF	Small Business Survival Fund
TBD	To be determined

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