



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

Auditing for Parliament

# March 2022

## 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](mailto:NT.Audit@nt.gov.au).

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## **March 2022 Report to the Legislative Assembly**

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**Northern Territory**  
**Auditor-General's Office**  
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The Honourable Speaker of the Legislative  
Assembly of the Northern Territory  
Parliament House  
Darwin NT 0800

29 March 2022

Dear Madam Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits, reviews and assessments completed during the four months ended 28 February 2022 and I request that you table the report in the Legislative Assembly.

This report presents the results of financial statements audits completed during the period.

A number of performance management system audits designed to test the adequacy of performance management systems within agencies as they related to strategic goals presented in Budget Paper No. 3 or to specific programs or projects were completed and the findings included in this report. Three of these audits were directed at measures implemented to support fiscal restraint as identified through the *Plan for budget repair* report and the whole of government *Root and Branch Review*.

The report also presents the findings from audits of information technology systems that were undertaken to assess the adequacy of controls to support the access to and security of those systems and the adequacy of controls over data maintained within such system.

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

Yours sincerely,

Julie Crisp  
Auditor-General for the Northern Territory

# Auditor-General's Overview

## Summary of this Report

This report outlines the results of nine separate audits and other tasks completed during the period 1 November 2021 to 28 February 2022. This report summarises the results of the following types of audits and legislated tasks conducted during the period:

- Data Analysis;
- Information Technology System Audits;
- Performance Management Systems Audits; and
- Statutory Audits of Financial Statements.

This report presents the results of performance management system audits designed to test the adequacy of performance management systems within agencies as they related to specific programs or projects.

The report presents the findings from audits of information technology systems that were undertaken to assess whether physical and environmental controls over the NT Government data centres were adequate and to review the service continuity and resilience capability.

The results of an analysis of data relating to salary overpayments are included in this report.

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

The *Audit Act 1995* provides a legislative requirement for the Auditor-General to report to the Legislative Assembly on at least an annual basis. This is the third report provided for tabling within the Legislative Assembly for the year ending 30 June 2022, the last report was tabled during November 2021.

A number of audits scheduled to be completed by 31 December 2021 are still to be completed. The outcomes of these audits (listed in Appendix 4) will be presented in the future reports to the Legislative Assembly.

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

# Jabiru Town Development Authority

## Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2021

### Background

The Jabiru Town Development Authority (the Authority) has overall responsibility under the *Jabiru Town Development Act 1978* for maintenance and development of the town of Jabiru, the issue of sub-leases of land, and for administration, management and control of the town. A head lease agreement between the Authority and the Commonwealth over the town expired in June 2021.

A 1985 cost sharing agreement set out the principles for the allocation between participating parties of expenditure required for the town development. The participating parties were principally the Commonwealth Government, the Northern Territory Government, Energy Resources Australia Limited and the Authority.

The Authority is indebted to the Northern Territory Government as a result of loans provided to the Authority for the construction of infrastructure. The initial value of loans provided was \$8.40 million, but by 1986, the amount outstanding had increased to \$8.80 million due to the capitalisation of net unpaid interest. In August 1986, the Northern Territory Government granted the Authority a moratorium on interest payments and principal repayments on existing loans. That moratorium continued to apply at 30 June 2021.

### Scope and Objectives

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of Jabiru Town Development Authority for the year ended 30 June 2021.

### Audit Opinion

The audit of the Jabiru Town Development Authority for the year ended 30 June 2021 resulted in an unmodified independent audit opinion with an emphasis of matter related to the alternative basis of accounting applied, which was issued on 2 December 2021.

The audit opinion, while unmodified, did include the following emphasis of matters paragraphs.

#### *“Loan payable to Northern Territory Government*

*The Authority has a loan payable to the Northern Territory Government amounting to \$8,804,916. The loan has been subject to a moratorium on future interest and principal repayments since 1 July 1986 and as at the date of this report, remained in place. The Authority expects that the Northern Territory Government will provide it with a waiver such that a solvent winding up process can occur.*



## Jabiru Town Development Authority cont...

### *Cessation of head lease and expected wind up of affairs*

*On 28 June 2013, the Aboriginal Land Rights and Other Legislation Amendment Act 2013 was passed by the Australian Government. An impact of this legislative change is that the Head lease over the township of Jabiru currently held by the Authority ceased on 30 June 2021. Upon expiry of the Head lease on 30 June 2021, the entity commenced the procedure to complete an orderly winding up of its affairs."*

## **Audit Observations**

The audit did not identify any material weaknesses in controls.

### **Performance Overview**

#### ***Financial Analysis***

The Authority generated a loss for the year of \$24,590 (2020: loss of \$95,991).

- Total revenue of \$95,264 (2020: \$102,604) decreased by \$7,340 due to less interest income being received during the year.
- Total expenditure of \$119,854 (2020: \$198,595) reduced due to a decrease of \$48,555 in management fees and the absence of amortisation (2020: \$62,500) and impairment (2020: \$21,608) charges as assets were fully depreciated. These decreases were partially offset by an increase in storage costs of \$40,072.

The Authority had a net liability position of \$7,359,221 (2020: \$7,334,631) as at 30 June 2021 which comprised:

- Cash and cash equivalents of \$1,460,695;
- Accounts and other payables of \$15,000; and
- Loan payable to the Northern Territory Government of \$8,804,916.

### **Going Concern**

The Authority has prepared its annual financial statements using an alternative basis of accounting as the Authority intends to liquidate the Authority and to cease operations in less than 12 months from the date of signing the financial report.

### **Loan payable to Northern Territory Government**

The Authority has a loan payable to the Northern Territory Government amounting to \$8,804,916. The loan has been subject to a moratorium on future interest and principal repayments since 1 July 1986 and as at the date of the audit report, the moratorium remained in place. The Authority expects that the Northern Territory Government will provide it with a waiver such that a solvent winding up process can occur.

## Jabiru Town Development Authority cont...

### **Failure to comply with the Jabiru Town Development Act 1978**

Section 28 (3) of the *Jabiru Town Development Act 1978* (the Act) specifies that section 10 of the *Financial Management Act 1995* applies to the Authority as if its activities were a Government Business Division within the meaning of the *Financial Management Act 1995*. Section 10 of the *Financial Management Act 1995* requires financial statements of Government Business Divisions to be prepared within two months of the end of the financial year (or such other period as the Treasurer determines) and the audited financial statements to be tabled within four months of the end of the financial year (or such other period as the Treasurer determines).

The financial statement was not provided to me within the required two months and the resultant financial statement and audit opinion were not provided to the Minister and tabled within the required four months.

Jabiru Town Development Authority cont...

## Financial Performance for the year

	2021	2020
	\$'000	\$'000
<b>Income</b>		
Grants	90	90
Interest	5	13
<b>Total income</b>	<b>95</b>	<b>103</b>
<b>Expenditure</b>		
Administration expenses	(120)	(136)
Amortisation of town infrastructure	-	(63)
<b>Total expenditure</b>	<b>(120)</b>	<b>(199)</b>
<b>Deficit</b>	<b>(25)</b>	<b>(96)</b>

## Jabiru Town Development Authority cont...

### Financial Position at year end

	2021	2020
	\$'000	\$'000
Cash and cash equivalents	1,461	1,494
Receivables and other current assets	-	-
Less current liabilities	(8,820)	(8,829)
<b>Working Capital</b>	<b>(7,359)</b>	<b>(7,335)</b>
Add non-current assets	-	-
Less non-current liabilities	-	-
<b>Net Assets</b>	<b>(7,359)</b>	<b>(7,335)</b>
Represented by:		
Accumulated deficit	(7,359)	(7,335)
<b>Equity</b>	<b>(7,359)</b>	<b>(7,335)</b>

# Northern Territory Police Supplementary Benefit Scheme

## Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2021

### Background

The Northern Territory Police Supplementary Benefit Scheme was established under a Trust Deed rather than by legislation and is intended to supplement pensions payable from the Commonwealth Superannuation Scheme (CSS) for members of the Northern Territory Police.

Eligibility for membership of the CSS ceased from 1 January 1988 and membership of the scheme is declining steadily. At 30 June 2021 there were 15 members (19 in 2020) and 214 pensioners (211 in 2020).

Members finance a share of scheme benefits by contributing one per cent of their salary to the fund, which is managed by the Trustee, the Superannuation Trustee Board. Each member has an accumulation account in the fund representing the member's contributions and earnings.

A member qualifies for a supplementary benefit if:

- the member is at least 50 years of age or has at least 25 years CSS contributory service when ceasing to be a member of the scheme; and
- the member becomes entitled to a CSS age retirement pension, early retirement pension, deferred pension or postponed pension on or after ceasing to be a member of the scheme.

The supplementary benefit is based on the amount of the member's CSS employer-financed pension and the member's age when ceasing to be a member of the Northern Territory Police Force or a CSS contributor, whichever occurs later. Upon qualification for a supplementary benefit, the member's accumulated contributions and earnings are paid to the Northern Territory, which is responsible for the payment of the supplementary benefit.

The supplementary benefit is paid as a lifetime indexed pension, which commences when the CSS employer-financed pension commences. Alternatively, a pension may be commuted to a lump sum equal to ten times the annual amount of a pension. Where a person ceases membership and is not entitled to a supplementary benefit, an amount equal to the member's contributions plus earnings is paid.

### Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Northern Territory Police Supplementary Benefit Scheme for the year ended 30 June 2021.

### Audit Opinion

The audit of the Northern Territory Police Supplementary Benefit Scheme for the year ended 30 June 2021 resulted in an unmodified independent audit opinion, which was issued on 21 January 2022.

## Northern Territory Police Supplementary Benefit Scheme cont...

### Audit Observations

The audit did not identify any material weaknesses in controls.

### Performance Overview

Net assets of the Scheme decreased by \$30,288 to negative \$17,175 (2020: \$13,113) primarily due to an over distribution to members during the period as a result of a difference between the notional tax rate and the actual tax rate applied in the tax computations.

Income increased by \$296,403 to \$302,358 (2020: \$5,955). This movement resulted from the receipt of increased distributions from investments (\$98,228 in the current year compared to \$83,603 in the prior year) and the upward movement in the market value of investments of \$174,745 where the prior year saw a downward revaluation of the market value of \$114,395. The improvement to the fair value of investments reflects the investment environment during the year as the wider economy recovers from the effects of the pandemic on the investment markets in 2020. Membership contributions of \$29,216 decreased by \$7,027 from the prior year as several members exited the fund.

Net benefits expense increased by \$303,832 to \$301,692 from the prior year. The increase is primarily due to the increased investment earnings during the year which have been distributed to members.

Northern Territory Police Supplementary Benefit Scheme cont...

## Abridged Income Statement for the year

	2021	2020
	\$'000	\$'000
<b>Income</b>		
Interest	-	-
Distribution from investments	98	84
Movement in net market value of investments	175	(114)
Member revenue	29	36
<b>Total income</b>	<b>302</b>	<b>6</b>
<b>Expenditure</b>		
Benefits expense		
Decrease in member liabilities	242	299
Payment of accumulated contributions to the Territory	(544)	(297)
Other expenses	(5)	(5)
<b>Total expenditure</b>	<b>(307)</b>	<b>(3)</b>
<b>Revenue less expenses before income tax expense</b>	<b>(5)</b>	<b>3</b>
Income tax benefit/(expense)	(25)	8
<b>Change in net assets</b>	<b>(30)</b>	<b>11</b>

## Northern Territory Police Supplementary Benefit Scheme cont...

### Financial Position at year end

	2021	2020
	\$'000	\$'000
Cash and cash equivalents	32	39
Investments and other assets	1,383	1,645
<b>Total assets</b>	<b>1,415</b>	<b>1,684</b>
Less liabilities	(1,432)	(1,671)
<b>Net assets</b>	<b>(17)</b>	<b>13</b>
<b>Vested benefits</b>		
Member financed	1,415	1,207
Employer financed	91,200	84,900
<b>Total vested benefits</b>	<b>92,615</b>	<b>86,107</b>
<b>Net assets as a percentage of vested benefits</b>	<b>(0.02%)</b>	<b>0.02%</b>



# Budget Repair

## Department of Treasury and Finance

### Background

In November 2018, a Fiscal Strategy Panel (the Panel) was established to assess the Territory's fiscal outlook and develop a plan for budget repair.

The Panel released an Interim Report on 14 December 2018. The Interim Report provided an overview of the Northern Territory Government's (NTG) fiscal position and outlook in 2018 together with medium term fiscal projections, economic context and fiscal strategy.

The purpose of the Interim Report was to inform stakeholders and enable engagement and community input to assist in the development of the framework for medium term budget repair.

The Interim Report identified *"in the absence of immediate and sustained expenditure restraint, the next generation of Territorians will bear a growing burden of current expenditure through interest costs and reduced capacity for service delivery with interest expenses approaching \$2 billion per annum, or around 12 per cent of total expenditure. This also means that a substantial proportion of borrowing over this period would be used to pay interest costs rather than deliver the services that future Territorians will need."*

*Without a new fiscal strategy, underpinned by structural reforms to drive expenditure restraint, the Territory will have little to no capacity to respond to unanticipated shocks and a greater exposure to interest rate movements."*

The Panel undertook a stakeholder engagement process in January and February 2019.

On 16 April 2019, the Chief Minister released the report entitled 'A plan for budget repair' (the Final Report) and the government's response to the report's recommendations. The Final Report (also referred to as 'the Langoulant Report') was authored by the Panel chaired by Mr John Langoulant.

The Final Report provided a prioritised action plan intended to return the NTG budget to a sustainable position over the medium term. It outlines: *"the panel has identified a comprehensive package of reforms that will support the Territory Government and agencies to reduce expenditure by around \$11.2 billion over 10 years, in comparison to a business as usual scenario, and return the Territory budget to balance by 2028-29."*

The Final Report contained 76 recommendations. NTG accepted 68 recommendations in full, four in principle and two in part. Two were not accepted. The 68 accepted recommendations were grouped into the following categories to assist implementation of the NTG's response:

- |  |   |
|--|---|
| 1. Accountability and transparency                   | 5. Evidence-based decision-making       |
| 2. Financial management                              | 6. Digital transformation               |
| 3. Workforce sustainability and capability           | 7. Revenue optimisation                 |
| 4. Organisational efficiency and strategic alignment | 8. Reform implementation and monitoring |

## Budget Repair cont...

The Final Report included a detailed plan recommending a staged approach and prioritised the ideal implementation time for each recommendation. The near, medium and long term timeframes were identified as:

- reform phase 1: 2019-20 Budget financial year
- reform phase 2: 2020-21 Budget financial year
- reform phase 3: 2021-22 Budget financial year

Based on the above plan, the recommendations were to be in place by June 2022. This provided three financial years to implement the recommendations from the date the Final Report was published in April 2019. The timeframes have been subsequently altered to take into consideration more refined delivery plans and unanticipated delays (such as those caused by the pandemic).

## Scope and Objectives

The objective of the audit was to provide the Legislative Assembly with an overview and assessment of the actions taken by the NTG and monitored by the Department of Treasury and Finance ('the Agency' or 'DTF') to address the recommendations contained within the Final Report.

DTF, through the Budget Repair Office (BRO), supports the Fiscal Repair Standing Committee (FRSC) (formerly the Budget Repair Standing Committee) in its oversight of the NTG's response to the Final Report.

This audit was primarily conducted at DTF as the agency tasked with assisting the FRSC in its oversight of the progress of implementing the NTG's response to the recommendations published in the Final Report and therefore with responsibility for implementing the systems and processes necessary to assess whether the objectives of the Final Report are being achieved economically, efficiently and effectively.

DTF is not responsible for ensuring the NTG's response is delivered in its entirety although the Agency is responsible for delivering the response to some recommendations where the FRSC has determined DTF to be the lead agency.

I have been advised that detailed reporting of action taken to implement the recommendations from the Final Report is provided by the Agency to the Budget Review Subcommittee of Cabinet. This audit did not examine the content of reporting to oversight bodies above the FRSC as shown in the hierarchical structure pictured in Figure 1 of this report.

I make no comment as to the merits of the recommendations contained within the Final Report or any aspect thereof. The audit was not designed or intended to assess the adequacy or appropriateness of the recommendations. The audit was not designed to and does not provide assurance on how effectively the government has delivered on austerity measures or the economic recovery of the Northern Territory.

## Budget Repair cont...

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## Budget Repair cont...

### Audit Opinion

The objective of the audit was to provide the Legislative Assembly with an overview and assessment of the actions taken by the NTG and monitored by the Agency to address the recommendations contained within the Final Report. This involved examination of the systems and processes in place at the Agency to enable effective monitoring of the actions taken.

To effectively achieve savings established within the budget, agencies must be able to implement the required change leading to the desired outcome. Merely budgeting for a reduction in expenditure does not necessarily invoke the corresponding action to realise the saving. If the required action is not in place at the commencement of the budgetary period in which the budgeted savings have been captured, the ability of agencies to meet reduced expenditure targets will be impaired. Put simply, if cost reduction strategies are not implemented at the same time as the reduced budget comes into effect, either the saving or the deadline will not be met unless the action taken from that point is more severe than originally planned.

At the time of the audit, there were systems and processes in place at the Agency to assist the FRSC in its oversight of the progress of implementing the NTG's response to the recommendations published in the Final Report however the existing systems and processes do not permit assessment of the effectiveness of the implementation of the response in achieving the ultimate outcome of the Final Report. Such assessment would involve determining whether the NTG budget had returned to a sustainable position over the medium term or the extent to which implementation to date has achieved the outcome of returning the NTG budget to a sustainable position.

In my opinion, additional systems and processes are required to enable the Agency to assess whether the NTG's objectives, as they pertain to the Final Report, are being achieved.

### Recommendations

I have presented opportunities for the Agency to improve its systems and processes which are detailed below.

#### Improve oversight by monitoring outcomes

Outcomes identify what an entity seeks to achieve. Outputs identify the actions or items that contribute to achieving the outcome. Measuring outcomes enables assessment of the effectiveness of a project or course of action. If the planned outcome is to reduce/restrain expenditure and the actual outcome is increased expenditure, it could be determined that the project or course of action is not successful.

I recommended the Agency assesses the effectiveness of the work undertaken to achieve the desired outcomes. This may include financial modelling to demonstrate the milestones that would need to be met to return the budget to surplus by 2028-29.

#### Improve processes to identify of conflicts of interest and manage associated risks

I recommended the Agency consider what additional processes are required to ensure all conflicts of interest are identified and managed.

Identifying a conflict of interest does not automatically give rise to a risk. A conflict may be perceived or actual. To ensure the mitigating response is appropriate, I recommended the Agency identify and document the risk associated with the identified conflict and how the proposed mitigating action addresses the conflict.

## Budget Repair cont...

### Improve oversight by assessing actions taken to implement recommendations

I recommended the Agency assist the FRSC to assess whether the actions taken to implement the recommendations are consistent with the NTG's responses and the recommendations within the Final Report.

As part of the program evaluation, it would be beneficial to undertake an independent assessment to determine if the actions taken to implement the recommendations are consistent with the government's responses and the recommendations from the Final Report.

### Capture program costs for all projects

Identifying program costs enables assessment of the extent to which a project is economically and efficiently delivered. Where a high level of resources is committed with limited achievement of outcomes, independent assessment may determine that the resources would have yielded greater benefit if invested elsewhere.

I recommended a process to capture all project costs be established for all projects and an assessment of actual cost against outcomes and outputs be performed as part of the program evaluation process.

### Enhance reporting of progress including reporting against timelines

I recommended transparency of reporting be improved by ensuring the status recorded and publicly reported more accurately reflects the actual status. This would involve reporting when the actions to realise the savings have not been implemented or are dependent on other activities. Until all the actions to implement a recommendation are realised, the status of the recommendation would not be marked as 'complete'. Recognising that subsequent policy decisions may result in a change in status from 'complete' to 'underway' or 'superseded', it might be appropriate to clarify the reasons for such changes in any publicly available status reports. Enhanced reporting would also include explanations of any deviations from the action recommended in the Final Report or from the NTG's formal response.

I further recommended reporting upon the progress of actions be improved by clearly identifying the original timeline for implementation, any subsequent extensions to the timelines and progress against the timelines.

### Enhance reporting on fiscal strategy objectives and targets

I recommended an assessment be performed of the extent to which the figures projected in Budget Paper No. 2 aligned with the 15 fiscal strategy targets. Better practice would result in this assessment being publicly reported and accompanied by an analysis explaining the reasons if a target has not been met and the risk associated with not meeting the target. I recommended this analysis be extended to the Mid-Year Report and Treasurer's Annual Financial Statement.

### Clarify terms related to the NTG's response to the Final Report

To improve readers' understanding of current reporting, I recommended some financial terms used in the progress reporting to be consistently defined in public reports. Terms where clarity may be required include 'controllable costs', 'assessable borrowings' and 'non-cash items'.

I recommended additional information be included in Budget Paper No.3 to ensure transparency around the causes for planned deficits in NTG agencies including an explanation as to why any budgeted deficit will not, by itself, negatively impact progress toward achieving budget repair.

## Budget Repair cont...

### Audit Observations

#### Machinery of government changes

Since the release of the Final Report, new Administrative Arrangements Orders reflecting ministerial portfolios and changes to agencies have been issued. Changes to agencies as a result of changed Administrative Arrangements Orders are referred to as 'machinery of government' or 'MOG' changes. The most significant of the recent changes are described below.

The Office of the Commissioner for Public Employment (OCPE) was subsumed into the Department of the Chief Minister and Cabinet (DCMC) which was formerly the Department of the Chief Minister. The Department of the Chief Minister and Cabinet also received the Local Government functions and Aboriginal Interpreter Service from the former Department of Housing, Local Government and Community Development.

The Department of Corporate and Information Services became the Department of Corporate and Digital Development (DCDD) and acquired the majority of the human resource and information technology capability and associated budgets from all NTG agencies.

The Department of Trade, Business and Innovation together with the former Department of Primary Industry and Resources became the Department of Industry, Tourism and Trade (DITT). DITT also received the tourism functions from the former Department of Tourism, Sport and Culture and a number of regulatory functions from the Department of the Attorney-General and Justice.

Territory Families became the Department of Territory Families, Housing and Communities and included the tenancy management functions from the former Department of Housing, Local Government and Community Development and the sport and cultural (arts and museums) functions from the former Department of Tourism, Sport and Culture.

The Department of Infrastructure, Planning and Logistics (DIPL) initially received the repairs and maintenance functions and budget from all agencies and subsequently received the public housing building, repairs and maintenance functions that were previously managed within the former Department of Housing, Local Government and Community Development.

Management of the Territory's national parks became part of the Department of Environment, Parks and Water Security.

Following the machinery of government changes, the following agencies ceased to exist:

- Department of Housing, Local Government and Community Development
- Department of Tourism, Sport and Culture
- Department of Primary Industry and Resources.

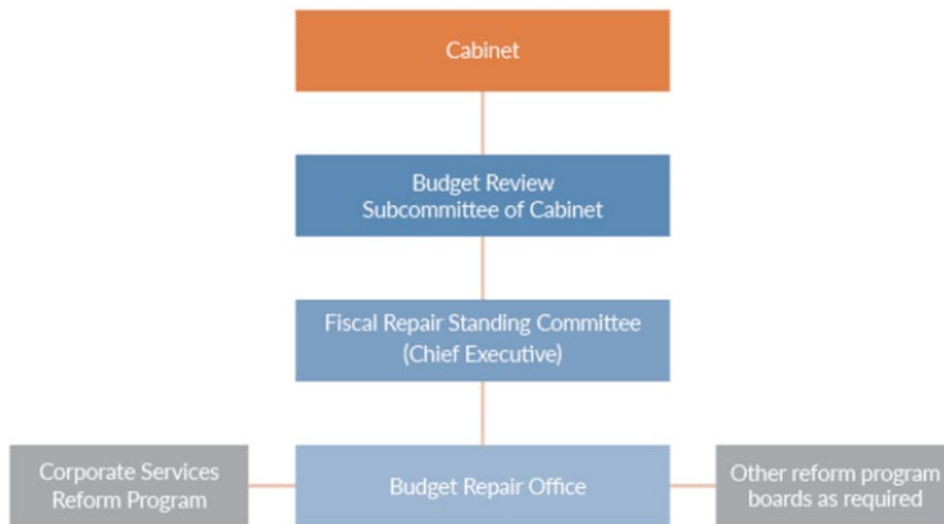
## Budget Repair cont...

### Planning

#### Governance Structure

A reporting structure has been established to manage and oversee the implementation of the recommendations.

Figure 1: Budget repair governance structure



Source: <https://treasury.nt.gov.au/dtf/financial-management-group/budget-repair-office/about-bro>, 2021

The roles of the BRO and FRSC were limited to overseeing the implementation of the NTG's response to the recommendations. No assessment had been performed at the time of the audit that determines whether the recommendations were implemented as intended by the Panel and the extent to which budget repair has been achieved as a result of the action taken.

#### Fiscal Strategy Panel

The Panel was a temporary panel established to:

- assess the NTG fiscal strategy with a focus on medium term fiscal modelling and framework reform; and
- prepare an action plan to return the NTG budget to a sustainable position.

The Agency was responsible for establishing the Panel and the administration of the Panel.

Declarations of conflicts of interest were completed by each panel member with guidance provided by the Agency on what would be considered as a conflict. The Agency documented the results of the conflict of interest declarations including mitigating strategies for identified conflicts.

The conflicts of interest identified by the two external members were declared in the Final Report. An analysis of how any identified conflict may realise as a risk was not documented. As a result, it is not clear if the mitigating action sufficiently addresses the risk associated with the conflict.

For identified conflicts, the mitigating actions were limited to the affected panel members managing their actual or perceived conflict by abstaining from conversations regarding their conflict. There was no documented plan to assess if the mitigating action was implemented.



## Budget Repair cont...

No conflicts of interest were declared by the Panel members selected from government agencies. As each were Accountable Officers of agencies affected by the review, there may be a risk of self-interest or familiarity with other agencies' Accountable Officers and staff. No additional processes were in place to identify any potential conflicts that were not declared.

### Budget Review Subcommittee of Cabinet

The purpose of the Budget Review Subcommittee of Cabinet is to assist the government of the day to achieve its fiscal strategy and targets.

The Budget Review Subcommittee of Cabinet comprises the Chief Minister (Chair), the Deputy Chief Minister and the Minister for Renewables and Energy. The scope of this audit did not extend to the functions of the Budget Review Subcommittee of Cabinet and the work undertaken by it.

### Fiscal Repair Review Subcommittee

The FRSC was established to provide strategic direction in implementing the NTG's response to the recommendations contained in the Final Report. This Committee was originally named the Budget Review Subcommittee of Cabinet.

### Budget Repair Office

The BRO was established to assist in delivering the NTG's response. Its functions are undertaken by three employees within the Agency's Financial Management Group. None are assigned full-time to undertake the work of the BRO. The BRO is responsible for:

- coordinating the development of implementation plans for each reform as required, including monitoring and evaluating plans for the more complex reforms;
- reporting and secretariat functions for the FRSC;
- providing quarterly progress reports to the FRSC;
- preparing annual progress reports; and
- coordinating reform evaluations post implementation.

## ***Co-ordinating Implementation***

### Outcomes and Objectives

The intended outcome of the Final Report is to provide a prioritised action plan to return the NTG budget to a sustainable position over the medium term. It outlines the *"Implementation of the reforms is expected to reduce the government's expenditure by a cumulative \$11.2 billion over 10 years, compared to the status quo, and return the budget to surplus by 2028-29."*

Agency staff advised the return to surplus by 2028-29 projected in the Final Report was based on the NTG operating within the parameters of the 2018 Mid-Year Report and restraining expenditure growth over the projection period (2022-23 to 2029-30) to around 3%, reflecting indexation plus long-term population growth less a reform dividend, and revenues, particularly GST revenue, increasing at around 4.8% per annum.

Agency representatives advised that the actual savings made were not able to be calculated and an improved measure would be the limit of expenditure growth.

The Final Report *"proposed that the budget be returned to balance through a staged process"*.



## Budget Repair cont...

The primary purpose of the FRSC was to oversee the implementation of the NTG's response to the recommendations accepted in the Final Report. The responsibility for ensuring that outcomes are achieved sits with the Budget Review Subcommittee of Cabinet.

Table 1: Key responsibilities of Governance Groups

Group	Role in Implementation
Budget Review Subcommittee of Cabinet	Achieve fiscal strategy and targets.
FRSC	Provide strategic direction to the BRO in implementing the NTG's response to the recommendations.
BRO	Responsible for coordination, monitoring and reporting.

Source: Terms of Reference and Implementation Plan

Review of the Implementation Plan and FRSC minutes of meetings demonstrates there is a focus on the progress of the implementation of each response, however this does not extend to assessing what financial impact, (such as reduction in expenditure) results from each completed response thus there is no assessment of the effectiveness of the action being implemented to address the recommendation.

There was no evidence to demonstrate how the collective implementation of the recommendations will achieve the desired outcome. There was no financial modelling undertaken to demonstrate the granular milestones.

### Overarching Plan

An overarching plan '*A plan to fix the budget: Implementation Strategy (Implementation Strategy)*', was prepared by the Agency and endorsed by the Budget Review Subcommittee of Cabinet on 18 October 2019.

The Implementation Strategy defined the governance structure, roles and responsibilities, stakeholder engagement and risk management activities. The recommendations were grouped into eight themes and outlined actions for each theme.

Each NTG agency responsible for the implementation of each recommendation, together with an associated timeline for implementation, was identified and documented within the Implementation Strategy. The key agencies (as they existed at the time) responsible for implementation of the recommendations are:

- Department of the Chief Minister
- Department of Trade, Business and Innovation
- Department of Treasury and Finance
- Department of Health
- Office of the Commissioner for Public Employment
- Department of Corporate and Information Services
- Department of Infrastructure, Planning and Logistics

## Budget Repair cont...

### Individual Plans

Each agency assigned responsibility for a reform project in the Implementation Strategy was required to prepare a plan for implementation. An agency could elect to prepare an agency level implementation plan, outlining how the agency will manage the implementation of multiple reform projects, or a detailed project plan outlining how specific reforms will be implemented.

The plans were endorsed and monitored by the FRSC.

### Risk Assessment

The FRSC approved the development of a risk register by the BRO.

The risk register was developed and endorsed by the Agency's Senior Management Group. The FRSC has not formally approved the final document.

### **Cost**

The initial cost of the Panel and developing the Interim Report and Final Report was \$308,777 comprising \$226,200 for consultants, \$78,847 for Panel costs and \$3,730 for document production.

Costs associated with the implementation of the recommendations have not been monitored or reported as these costs were absorbed within agencies' existing budgets.

If an agency identified that additional resources were required, it was the responsibility of that agency to find the required resources through normal budget processes. No additional budget allocations or related costs have been identified at the time of this audit.

Consultants have been used to assist with the implementation of some recommendations however as the costs are not monitored at a program level, the total cost incurred to date of responding to the recommendations in the Final Report is unknown.

### **Reporting**

The BRO was tasked with:

- providing quarterly progress reports to the FRSC;
- preparing annual progress reports; and
- coordinating reform evaluations post implementation.

### Progress Reports

Quarterly progress reports were prepared by the Agency and reported to the FRSC. An annual report is available on the Agency's website. It follows the same format as the quarterly report.

The original timelines for implementation were specified as the 2019 Budget, 2020 Budget and 2021 Budget. Where items were being progressed as part of the actual Budget process, the items would be actioned within the Budget financial years (i.e. 2019 Budget: 2019-20, 2020 Budget: 2020-21 and 2021 Budget: 2021-22). This approach allowed three financial years to implement the recommendations.

## Budget Repair cont...

As at June 2021, DTF reported that 51 of the recommendations were implemented, 16 were underway and seven had been superseded.

Table 2: A plan to fix the budget: Implementation Status as at June 2021

Agency	Complete	Underway	Superseded	Total
DTF	31	6	-	37
DCMC	7	1	2	10
OCPE	8	4	-	12
DCDD	3	5	-	8
DITT	1	-	5	6
DIPL	1	-	-	1
<b>TOTAL</b>	<b>51</b>	<b>16</b>	<b>7</b>	<b>74</b>

Source: (DTF Budget Repair Status Update - June Quarter 2021)

Timeframes were updated as detailed plans were established. Agency personnel advised that delays were incurred due to the re-direction of resources toward the government's COVID-19 response. As a result, the deadlines established for 2020 were extended to 2021. Individual deadlines falling due in 2021 were extended as required. A process to approve deadlines was not consistently applied.

The Agency's June 2021 quarterly reporting identified the following timelines for the 16 responses reported as 'underway'.

Table 3: Uncompleted recommendations as at June 2021

Timeline per Implementation Strategy	# of recommendations
2019-20	1
2020-21	7
2021-22	5
Phased over 2019-21	1
Ongoing	2

Source: (DTF Budget Repair Status Update - June Quarter 2021)

## Program Evaluation

The Implementation Strategy stated: "An evaluation will be conducted at the whole of government level after 18 months of implementation, in the fourth quarter of the 2020 calendar year."

Agency representatives advised the evaluation was not undertaken in 2020 due to delays caused by the COVID-19 pandemic. No decisions have been made as to who will undertake the intended evaluation. The extent to which the evaluation will assess whether the intended outcomes from the initial recommendations have been achieved and the ultimate goal "to reduce expenditure by around \$11.2 billion over 10 years, in comparison to a business as usual scenario, and return the Territory budget to balance by 2028-29" has also not been determined.

## Budget Repair cont...

The roles of the BRO and FRSC were limited to overseeing the implementation of the NTG's response to the recommendations. There is no reporting on the achievement of outcomes at this level. Agency representatives have advised that the Agency undertakes extensive monitoring and provides regular reporting to Budget Review Subcommittee of Cabinet and Cabinet regarding fiscal outcomes and projections as part of business as usual activities. That reporting includes quarterly reports on whole of government financial outcomes, quarterly reports on agency financial performance, quarterly reports on compliance with relevant caps and monthly staffing reports.

Agency representatives advised it is expected that the implementation of the recommendations will assist NTG and its agencies to live within established budgets. Actual results against budget are monitored as part of the existing financial management processes with agency budgetary control being the responsibility of each agency's Accountable Officer.

The existing budget process includes:

- establishing an NTG fiscal strategy with objectives and targets and mandated reporting of actual performance against the strategy;
- preparing and reporting annual NTG and agency budget papers that present the budgeted figures for the following financial year, estimates for the following three years and a projected budget over 10 years; and
- mid-year and end-of-year reporting of budget movements caused by changes to policy and movements unrelated to policy.
- quarterly updates to the Budget Review Subcommittee of Cabinet on whole of government and general government agencies' budget performance, including analysis of agencies' performance against operating and employee expense caps.

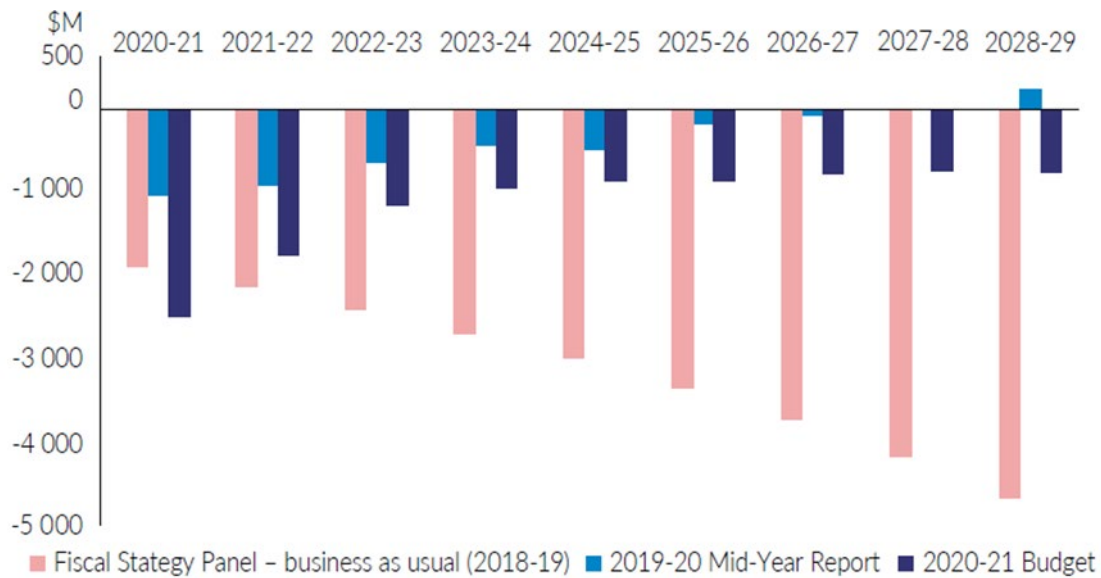
Budget Paper No. 2 for the 2020-21 and 2021-22 financial years included a medium term fiscal outlook analysis that projected the NTG public sector fiscal balance over ten years.

The 2019-20 Mid-Year Report reported that NTG was on track to reach a surplus in 2027-28.

## Budget Repair cont...

The 2020-21 Budget Paper No. 2 explained the “economic impact of COVID-19 has deteriorated the non financial public sector’s fiscal balance deficit, which is no longer projected to return to surplus by 2027-28 as reported in the 2019-20 Mid-Year Report.”

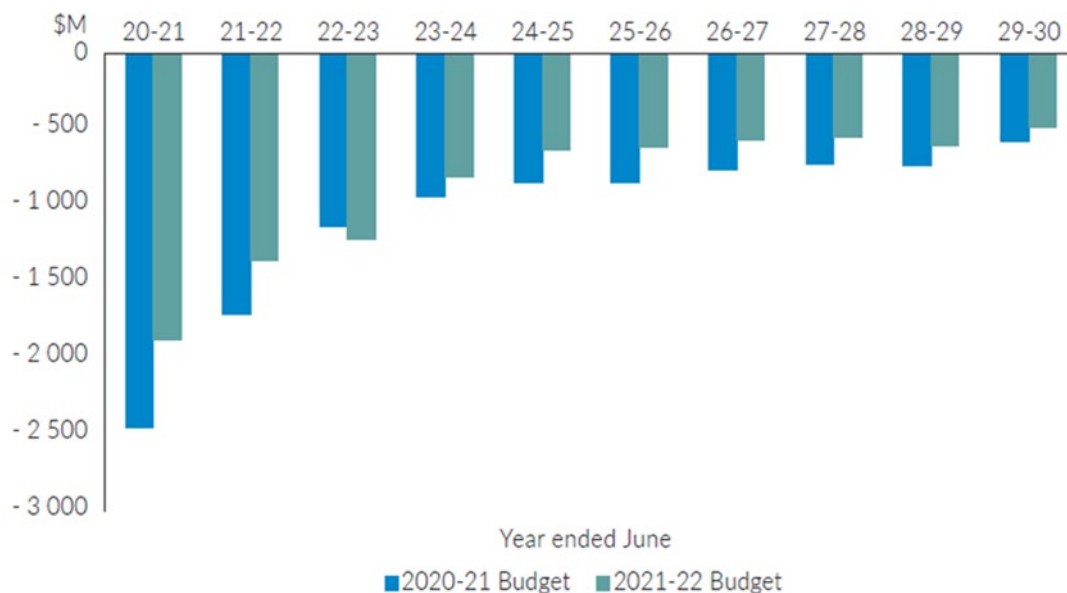
Figure 2: 2020-21 Non financial public sector fiscal balance



Source: (2020-21 NTG Budget Paper No. 2)

Budget Paper No. 2 for 2021-22 forecasts an improved fiscal balance position with a reduced deficit out to 2029-30. No surplus is currently projected.

Figure 3: 2021-22 Non financial public sector fiscal balance



Source: (2021-22 NTG Budget Paper No. 2)

## Budget Repair cont...

### Implementation

This audit involved selecting a sample of recommendations and obtaining evidentiary support for activities undertaken to address the recommendations contained within the report. The audit focused on recommendations with a 'complete' status. Audit testing was initially undertaken using the March 2021 status report prepared by the Agency as this was the most recent status report at the time of the audit.

A number of responses had changed status by the time of the June 2021 quarterly status report. Of the changes: the status of two responses changed from 'underway' to 'superseded'; eight changed from 'nearly complete' to 'complete'; five changed from 'complete' to 'superseded'; and two changed from 'complete' to 'underway'. The audit findings were subsequently updated to reflect the status reported by the Agency in the June Quarterly report. The audit testing was carried out from May to October 2021.

Readers of this report may find it beneficial to read the audit observations below in conjunction with:

- 'A plan for budget repair' (the Final Report)
- Northern Territory Government's response to the Fiscal Strategy Panel Final Report
- 'A plan to fix the budget implementation status update – June quarter' Budget Repair update

The audit observations and findings following are aligned to the recommendations as numbered in the Final Report.

Source: <https://treasury.nt.gov.au/dtf/financial-management-group/budget-repair-office>

### The Territory economy

Recommendation from Final Report	Jun-21 Status	Audit Finding
2.1 Reform the current major projects process to expedite and improve the efficiency of project approvals.	Superseded	Evidence was not provided to demonstrate how the recommendation will be achieved.

### Investor Journey Mapping

An investor journey mapping exercise was undertaken to identify desired service outcomes, functions and specialist skills and capability. The audit did not identify if industry consultation was performed or an updated major projects process was developed as a result of the exercise.

Agency representatives advised this recommendation has been superseded by the recommendations in the Territory Economic Reconstruction Commission (TERC) report. There was no documentation that explained how the recommendation will be addressed by the work undertaken in response to the TERC report.

## Budget Repair cont...

Recommendation from Final Report	Jun-21 Status	Audit Finding
2.2 Develop a microeconomic reform roadmap with the key objective of making the Territory a globally competitive capital investment destination.	Superseded	<p>Implementation action was not consistent with the recommendation or NTG response.</p> <p>Evidence was not provided to demonstrate how the recommendation will be achieved.</p> <p>It was not evident that the work undertaken in response to this recommendation will be utilised.</p>

### Beige Tape Review

The Beige Tape Review was a benchmarking exercise intended as the first step in developing a model for microeconomic reform.

The implementation activities, being the Beige Tape Review, differed from the NTG's initial response that recommended a focus on red tape.

Table 4: Definitions of 'Red Tape' and 'Beige Tape'

Term	Definition
Red Tape	Processes or requirements of government that impose a burden on business, community organisations or individuals.
Beige Tape	Bureaucratic decision-making process.

Source: *A plan for budget repair*, Final Report, March 2019

A Beige Tape Review was undertaken on the basis that:

- feedback from proponents indicated that it is often not the legislation/regulations requiring onerous processes, rather it is the manner in which legislation/regulations are interpreted and applied; and
- there was an existing program underway reviewing legislative and regulatory reform at the time of the Final Report.

My audit did not evaluate the content, recommendations or progress of implementation of the findings from the Beige Tape Review. Without such an evaluation, it is unclear how the high level recommendations above will assist with delivering the outcomes intended from the Budget Repair.

## Budget Repair cont...

At the time of my audit, the recommendations from the Beige Tape Review had not been addressed and a microeconomic reform roadmap was not developed.

Agency representatives advised this recommendation has been superseded by the recommendations in the TERC report. There was no documentation that explained how the recommendation will be addressed by the work undertaken in response to the TERC report.

Cessation of the implementation of this recommendation came into effect after significant work had been carried out to implement the recommendation including paying a consultant to undertake the Beige Tape Review.

Recommendation from Final Report	Jun-21 Status	Audit Finding
2.3 Consolidate the major projects, microeconomic reform and investment attraction functions into an Office of Investment Attraction.	Superseded	Evidence was not provided to demonstrate how the recommendation will be achieved.

### Office of Investment Attraction

The Office of Investment Attraction was established on 1 July 2019 in the former Department of Trade, Business and Innovation. At this time the recommendation was marked as complete.

Subsequently in November 2020, the TERC report recommended NTG “*Appoint an Investment and Major Projects Commissioner as the single point of coordination for major private investment*”, consistent with recommendation 2.3.

On 6 April 2021, an NTG Media Release advised of the creation of the Territory Investment Commissioner and Major Projects Commissioner. Agency representatives advised that, to maintain the centralised function as recommended in the Budget Repair Report, the two Commissioners are expected to jointly lead Investment Territory, a division of DCMC.

In addition to the Territory Investment Commissioner and the Major Project Commissioner, the following key roles were identified:

- Major Projects (DCMC)
- Microeconomic Reform (DITT)
- Economic Innovation (DITT)
- Team NT (DCMC)
- Invest NT (DCMC)

Whilst the establishment of the Office of Investment Attraction is consistent with the recommendation, the appointment of two Commissioners and support staff in two separate agencies does not appear consistent with the recommendation from the Final Report or the TERC report.



## Budget Repair cont...

### *A New Fiscal Strategy*

Recommendation from Final Report	Jun-21 Status	Audit Finding
3.1 Retain the twin objectives of the current fiscal strategy but specify that budget repair is the primary objective.	Complete	No findings noted.
3.2 Targets under the fiscal strategy should have a more medium to long-term focus.	Complete	No findings noted.
3.3 Expand the principles and targets of the fiscal strategy to include government owned corporations.	Complete	Improvements to implementation noted.
3.4 Adopt the new fiscal strategy principles and targets outlined in Chapter 3.	Complete	Implementation not consistent with recommendation or NTG response.

### Fiscal Strategy

To meet the requirements, 2019-20 Budget Paper No. 2 includes a Fiscal Strategy statement that discloses the NTG Fiscal Strategy and supporting principles and targets.

### Fiscal Strategy to include Government Owned Corporations

Principle 5 reported within 2019-20 Budget Paper No. 2 relates to the commercial management of Government Owned Corporations (GOCs) and is accompanied by established performance targets / key performance indicators (KPIs).

When considering performance based on KPIs, consideration needs to be given to whether the establishment of a KPI may lead to unintended consequences. As examples:

- mandating a reduction in cost of sales may result in management reclassifying costs of sale to other expenditure classifications
- the financial benefit of a mandated return of dividends (via cash payment) to government may be offset by increased costs of borrowing or a greater need for financial support from government to the GOCs such as through community service obligations.

To measure the net effect of GOCs on the NTG budget, the total investment made by the NTG into the GOCs (including community service obligations, loans and interest, debt forgiven) needs to be compared to the returns. Increased reporting on the total investment made by the NTG will help users assess the performance.

### Targets under the fiscal strategy

The Fiscal Strategy Statement in the 2019-20 Budget Paper No. 2 demonstrated that, of the 15 recommended principles:

- nine were included;
- four contained amendments not consistent with the recommendation; and
- three were not included as a target.

## Budget Repair cont...

To monitor the achievement of fiscal strategy objectives and targets, the Treasurer's Annual Financial Statements report the actual performance against the budget for the reported financial year. There is currently no legislation or policy that imposes repercussions if the fiscal strategy and supporting objectives are not achieved.

Table 5: Status of the recommended fiscal principles in the 2019-20 Budget Paper

Recommended Principle	Status against the 2019-20 BP No. 2
Long-term: Ensure new general government capital investment is funded through revenues rather than borrowings.	Not included as target. <sup>(1)</sup>
General government sector infrastructure investment <a href="#">be held to no more than</a> the average level of depreciation over the budget cycle and not allow Territory-funded investment to exceed twice the level of depreciation in any year.	Included with amendments:  <a href="#">Average</a> general government sector infrastructure investment <a href="#">not to fall below</a> the level of average depreciation over the budget cycle and Territory-funded investment not to exceed twice the level of depreciation in any year.
Long-term: Debt-funded infrastructure be limited to projects with a positive economic return on investment.	Included with amendments resulting in the Government Owned Corporations not being required to adopt this target.  <a href="#">General government sector</a> debt-funded infrastructure to be limited to projects with a positive economic return on investment.
Long-term: The Territory's non financial public sector net debt to revenue ratio at or below 50 per cent.	Not included. <sup>(2)</sup>
Short-term: Ensure operating expenditure growth does not increase at a rate greater than operating revenue growth.	Included with amendments:  Ensure <a href="#">government owned corporation</a> operating expenditure growth does not increase at a rate greater than operating revenue growth.
Medium-term: Reduce cost of sales and improve operating efficiencies while maintaining industry appropriate service standards.	Included with amendments:  Reduce <a href="#">controllable</a> costs and improve operating efficiencies. <sup>(3)</sup>
Annual review of board and chief executive performance consistent with governance policies, processes and Statement of Corporate Intent.	No included. <sup>(4)</sup>

1 Statement in text notes once fiscal surpluses are achieved, it is intended that all infrastructure projects will be funded through revenues as per long-term objectives of sustainable service provision.

2 This is a long term objective, as it is not feasible of being a current target as noted in the budget paper.

3 Controllable costs exclude cost of sales, depreciation, impairments, interest and tax expenses.

4 This target was not included in the Fiscal Strategy as it is already covered in more detail in the Government Owned Corporation Corporate Governance and Reporting Framework

## Budget Repair cont...

Recommendation from Final Report	Jun-21 Status	Audit Finding
3.5 Adopt the proposed Charter of Budget Discipline.	Complete	No findings noted.

### Charter of Budget Discipline

The Charter of Budget Discipline does not change the methods available to agencies to alter their budgets, rather it seeks to limit the timing of adjustments relating to additional NTG funding to specified budget development processes, unless certain conditions are met.

Agency representatives advised there are thousands of adjustments to agency budgets each year. Generally, the following adjustments to agency budgets can be made after the establishment of an initial budget:

- additional output and or capital appropriation approved by Cabinet (the Charter of Budget Discipline seeks to limit these changes to Budget Cabinet meetings unless certain conditions are met);
- administrative variations, including revised revenue and expenditure projections associated with external funding agreements and own-source revenues;
- carryovers;
- Treasurer's Advance; and
- machinery of government changes.

Agency representatives advised that there were no increases in output appropriation for 2020-21 outside the budget process. Any changes to the budget are monitored and publicly reported. Existing reporting identified changes to the budget due to policy changes and changes to the budget unrelated to policy changes.

## ***Accountability and Transparency***

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.1.1 Remove the efficiency dividend exemption from grants and property management expenses across the forward estimates.	Complete	No findings noted.
5.1.2 Abolish the efficiency dividend discount.	Not Accepted	Not assessed as part of this audit.
5.1.3 Review the wages indexation factor as part of the development of a new wages policy.	Complete	The action to realise the saving had not been implemented at the time of the audit.
5.1.4 Replace the special demand parameter for hospital and primary health services with a population based indexation factor applied equally across the health department and networks.	Complete	No findings noted.

## Budget Repair cont...

### Restrain Expenditure Growth

The recommendations are accounted for in the 2021-22 Budget. The implementation required a change to a parameter in the budget system.

Regarding recommendation 5.1.3, the June 2021 Quarterly Report status for this recommendation is 'complete', however the action to realise the saving had not been implemented at the time of the audit as the actions to realise the savings are dependent on the 2021 Enterprise Agreement negotiations. The negotiations were still in progress at the time the audit fieldwork was completed.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.1.5 Publish 10-year budget and forward estimates key fiscal aggregate information in Budget Paper No. 2.	Complete	Implementation not consistent with recommendation or NTG response.
5.1.6 Publish five-year agency output information in Budget Paper No. 3.	Complete	Implementation not consistent with recommendation or NTG response.

### Key Fiscal Aggregate

The key fiscal aggregate information includes four key indicators that are published consistently in Budget Papers and the Treasurer's Annual Financial Statements.

Figure 4: 2020-21 Budget Paper No. 2 - Key fiscal aggregate information

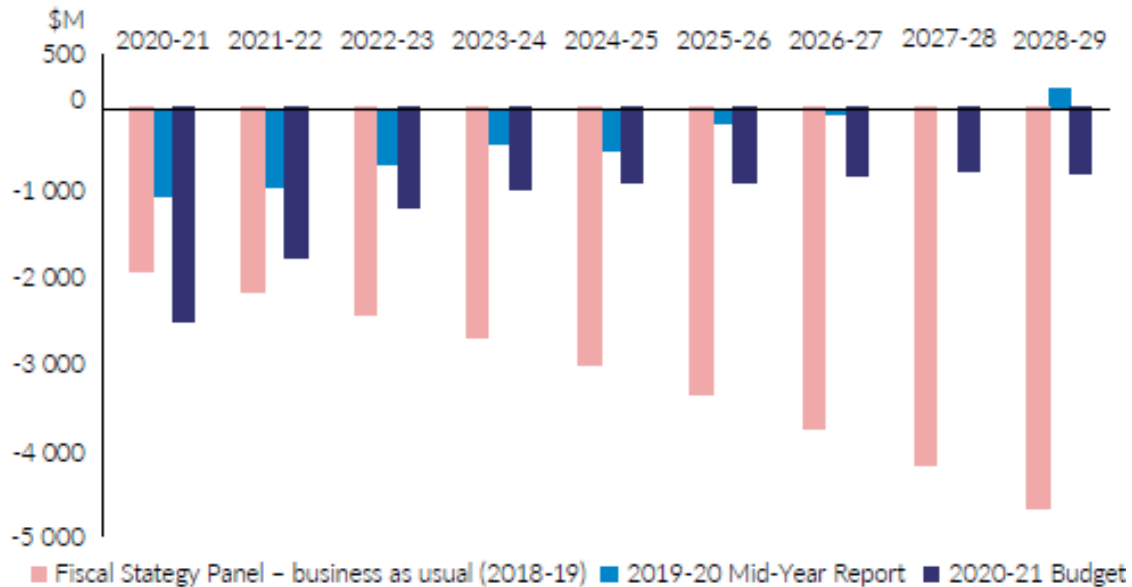
	2019-20	2020-21	2021-22	2022-23	2023-24
	Outcome	Budget	Forward estimate		
	\$M	\$M	\$M	\$M	\$M
<b>General government sector</b>					
Net operating balance	- 766	- 1 676	- 774	- 819	- 739
<b>Non financial public sector</b>					
Fiscal balance	- 821	- 2 450	- 1 713	- 1 136	- 938
Net debt	5 777	8 404	10 084	11 149	12 004
Net debt to revenue (%)	89	132	148	167	179

The 10-year projection presented in Budget Paper No. 2 was limited to one indicator, being the non financial public sector fiscal balance, and not the other three key fiscal aggregate indicators included in Budget Paper No. 2.

## Budget Repair cont...

The 2020-21 Budget Paper No. 2 included a medium-term fiscal outlook section that has a 10-year projection for the fiscal balance in a chart with analysis.

Figure 5: 2020-21 Budget Paper No. 2 - Medium-term fiscal outlook



## Agency Output Information

Budget Paper No. 3 includes budgeted data for:

- Output group budget;
- Key performance indicators;
- Operating statement,
- Balance sheet;
- Cash flow statements; and
- Revenue statement.

## Budget Repair cont...

Whilst the recommendation in the Final Report stated “the current two-year agency output budget summary reporting in Budget Paper No. 3 (comprising the current year and the budget year) should be extended to five years to clearly illustrate the approved expenditure trajectory for each agency”, the five year projection was limited to agency output appropriation.

Figure 6: 2020-21 Budget Paper No. 3 - Output appropriation

	2020-21 Budget	2020-21 Revised	2021-22 Budget	2022-23 Forward estimate	2023-24 Forward estimate	2024-25 Forward estimate
	\$000	\$000	\$000	\$000	\$000	\$000
Department of the Chief Minister and Cabinet	218 364	214 918	176 044	164 768	159 135	160 189
Department of the Legislative Assembly	24 608	25 110	25 105	25 165	25 245	25 354
Auditor-General's Office	3 088	3 088	3 059	3 058	3 063	3 078
Northern Territory Electoral Commission	4 021	4 021	1 507	1 498	1 491	1 486
Office of the Independent Commissioner Against Corruption	6 949	6 949	6 843	5 577	5 022	4 974
Ombudsman's Office	2 516	2 866	2 840	2 816	2 792	2 777
Department of Treasury and Finance	150 662	147 925	138 886	150 450	138 897	137 560
Northern Territory Police, Fire and Emergency Services	391 573	392 202	389 590	389 450	389 293	389 718
Department of Industry, Tourism and Trade	434 371	425 954	285 123	250 160	246 334	237 612
Department of Health	1 103 291	1 127 036	1 098 579	1 100 598	1 118 780	1 137 630
Department of Infrastructure, Planning and Logistics	342 062	323 972	374 639	370 399	370 497	370 101
Department of Environment, Parks and Water Security	97 575	92 848	99 216	82 931	84 565	77 722
Department of Education	526 347	526 232	537 993	542 408	542 164	540 994
Department of Territory Families, Housing and Communities	713 513	699 473	626 816	641 650	653 491	653 395
Department of the Attorney-General and Justice	286 249	306 036	296 170	295 873	292 945	292 203
Department of Corporate and Digital Development	311 953	277 329	298 200	261 738	257 182	259 222
Aboriginal Areas Protection Authority	3 442	3 442	3 289	3 257	3 223	3 199
<b>Total</b>	<b>4 620 584</b>	<b>4 579 401</b>	<b>4 363 899</b>	<b>4 291 796</b>	<b>4 294 119</b>	<b>4 297 214</b>

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.1.7 Strengthen the processes and level of ministerial and executive accountability for agency financial performance.	Complete	No findings noted.

### Financial Management Act 1995

The FMA was updated on 1 July 2021. The following key changes were observed:

- Clause 14 Money to be committed by Accountable Officer had the following requirements added:

*“(4) The Accountable Officer of an Agency must not commit money for expenditure in a financial year if the expenditure would result in the Agency exceeding the Agency's final approved budget for the financial year.*

## Budget Repair cont...

*(5) Despite subsection (4), the Accountable Officer may commit money for expenditure in a financial year in excess of the Agency's final approved budget for the financial year if the Accountable Officer believes on reasonable grounds that the Agency will receive revenue that is equal to or greater than the value of the excess expenditure.*

*(6) Subsection (4) does not apply in relation to money committed for expenditure that the Treasurer considers is eligible, in accordance with the Treasurer's Directions issued under section 38, for a portion of the Treasurer's Advance."*

- Clause 40 Offences was removed. This clause previously stated: "A person who contravenes or fails to comply with a provision of this Act that applies to him or her is guilty of an offence."

### Chief Executive Code of Conduct

The updated Code of Conduct was issued by the Commissioner for Public Employment (the Commissioner) on 25 June 2021 and became effective as at 1 July 2021. It contains:

- a Part A applicable to all public sector employees, consistent with the previous requirements in the *Public Sector Employment and Management Act 1993* (PSEMA); and
- a new Part B, applicable to Accountable Officers.

Sanctions for non-compliance have been introduced and communicated to Chief Executives (Accountable Officers).

Agency personnel advised that the updated Code of Conduct includes actions that can be taken against a Chief Executive if they are found to have not complied with the requirements of Part B.

### Parliamentary Committee

This recommendation was accepted in principle by the NTG.

Agency representatives advised the implementation of recommendation 5.1.8 was Minister led, as such the Agency had no documentation to support the implementation.

The Agency's June 2021 Quarterly Report status for this recommendation is 'complete' however as agreement between all Members of the Legislative Assembly was not reached, the recommendation has not been implemented.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.1.9 Legislate a debt ceiling.	Complete	Clarify terminology relating to borrowings.
5.1.10 Strengthen the accountable officer requirements in the Financial Management Act to limit the ability of accountable officers to commit money for expenditure in excess of the approved budget and develop a Treasurer's Direction clearly outlining the sanctions for accountable officers for non-compliance with the Act.	Complete	An opportunity exists to improve reporting and analysis of budgeted deficits and their associated impacts.



## Budget Repair cont...

### Debt Ceiling

The *Fiscal Integrity and Transparency Act 2001* (FITA) was updated on 1 July 2021 to include a \$15 billion “*borrowing amount limit*”. Paragraph 5(1)(ca) noted “*the Government must ensure that the Territory’s borrowings, excluding leases, in relation to the Territory non financial public sector does not exceed \$15 billion (the borrowing amount limit)*”.

Existing public sector definitions, as referenced in budget papers and financial statements, define borrowings to include loans, overdrafts and lease liabilities. The FITA references the ‘borrowings’ to be used for evaluation against the borrowing limit, as excluding finance leases. This definition is not consistent with the definition of borrowings in existing NTG reporting nor with generally accepted accounting terms as promulgated by Australian Accounting Standards.

The FITA determines that, while an emergency declaration is in force, the borrowing limit may be suspended for a specified period of up to 12 months. Impacts of an emergency can include loss of revenue, additional expenditure or stimulus spending. There is no overarching requirement to separately identify or record the total costs incurred during and as a result of an emergency declaration nor is there any explanation as to the type of cost that may be justified leading to a breach of the borrowing limit.

### Financial Management Act 1995

Review of the FMA did not identify any sanctions. Changes to the legislation on 1 July 2021 involved the removal of clause 40 Offences that legislated “*A person who contravenes or fails to comply with a provision of this Act that applies to him or her is guilty of an offence.*” New processes have been developed and compliance will now be enforced through the NTG Code of Conduct through application of the requirements specific to Chief Executives.

Several agencies had budgeted for a deficit in the 2021-22 budget. Agency representatives advised the deficits arise because there is no appropriation (revenue) provided for non-cash items such as depreciation or when agencies have approval to spend existing reported cash balances (referred to as ‘carryovers’).

Accrual accounting is the process of applying costs in the year the entity benefits from the cost. As an example, depreciation is a means of allocating the cost of an asset (purchase or build price) over the life of the asset. Where depreciation costs, and possibly other controllable costs, are not funded, the resultant funding gap represents a deficit on the operating statement however may not result in a deficit in the cash flow statement.

Non-cash items are not clearly identified in agencies’ approved budgets as published in Budget Paper No. 3 or in the actual results based on the agency pro forma financial statement. As a result, sufficient information is not provided to enable a user of the information to determine compliance with the newly introduced requirements or the extent to which a deficit may result in a cash shortfall potentially necessitating further borrowing by the NTG.

After taking the non-cash items into account, seven agencies budgeted for a deficit. Agency representatives advised that those agencies incurring a deficit would be required to seek approval as required by the *Financial Management Act 1995* and Treasurer’s Directions. Budget Paper No.3 does identify what approval had been sought and obtained in order to budget for an intended deficit.



## Budget Repair cont...

Table 6: NTG entities budgeted surplus/deficit positions for 2021-22

Agency	Net surplus(+) / deficit (-)	less depreciation and amortisation expenditure	Adjusted net surplus(+) / deficit (-)
	\$000	\$000	\$000
Department of the Chief Minister and Cabinet	(308)	308	-
Department of the Legislative Assembly	(3,721)	3,721	-
Auditor-General's Office	-	-	-
Northern Territory Electoral Commission	(2)	2	-
Office of the Independent Commissioner Against Corruption	(269)	269	-
Ombudsman's Office	-	-	-
Department of Treasury and Finance	(383)	3	(380)
Central Holding Authority*	(10,126)	-	(10,126)
Northern Territory Treasury Corporation	40,928	-	40,928
Land Development Corporation	297	726	1,023
Northern Territory Police, Fire and Emergency Services	(26,047)	26,641	594
Department of Industry, Tourism and Trade	(8,842)	5,589	(3,253)
Department of Health	(62,829)	58,857	(3,972)
Department of Infrastructure, Planning and Logistics	(69,256)	71,179	1,923
Department of Environment, Parks and Water Security	(9,887)	10,047	160
Territory Wildlife Parks	(2,101)	(2,395)	(4,496)
Department of Education	(64,651)	52,905	(11,746)
Department of Territory Families, Housing and Communities	(156,320)	165,776	9,456
NT Home Ownership	1,108	-	1,108
Department of the Attorney-General and Justice	(19,412)	18,685	(727)
Department of Corporate and Digital Development	(19,850)	85,426	65,576
NT Fleet*	7,046	17,222	24,268
Data Centre Services*	4,638	3,915	8,553
Aboriginal Areas Protection Authority	101	107	208
<b>TOTAL</b>	<b>(399,886)</b>	<b>518,983</b>	<b>119,097</b>

Source: Budget Paper No. 3 2021-22

\* The Central Holding Authority and government business divisions are not required to comply with the Charter of Budget Discipline

## Budget Repair cont...

### Financial Management

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.2.1 Review the Financial Management and Accountability Framework and associated legislation, policies and procedures to ensure best practice.	Complete	No findings noted.

#### Financial Management and Accountability Framework

The Agency is undertaking a comprehensive review of the Financial Management and Accountability Framework. The 'Project Management Plan' included the objective to reflect changes in operational and financial management practices since 2000, consistent with other jurisdictions and in a manner that best meets the Territory's needs.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.2.2 Introduce bilateral meetings with the Budget Review Subcommittee prior to and during the development of Budget Cabinet submissions.	Complete	No findings noted.
5.2.3 Require OCPE to provide advice to Cabinet on submissions with staffing implications.	Complete	No findings noted.

#### Bilateral Meetings

The Charter of Budget Discipline states: *"Bilateral meetings between portfolio ministers and the Budget Review Subcommittee will be held as part of the annual budget development process" and "Submissions with staffing implications must be circulated to the Office of the Commissioner for Public Employment, and should seek to offset the request by utilising existing agency positions and staying within the approved agency staffing cap."*

This audit did not review the extent to which these actions occurred during the latest budget development process.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.2.4 Limit supplementary funding submissions outside of the budget development process to extraordinary items and, where possible, require the identification of offsetting savings.	Complete	An opportunity exists to clarify what constitutes 'exceptional circumstances'.

#### Supplementary Funding

The Charter of Budget Discipline states: *"In the absence of exceptional circumstances (e.g. natural disasters), submissions outside of the budget development process should not impact the fiscal balance or net debt at the whole of government level, including the current year, budget year and forward estimates."*

This audit did not extend to testing compliance with or application of the submission requirements in the Charter of Budget Discipline during the latest budget development process. The term 'exceptional circumstances' is not defined.

## Budget Repair cont...

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.2.5 Develop clear and strict eligibility guidelines to support the assessment of Treasurer's Advance applications to ensure it is used for genuinely unforeseen and unavoidable circumstances.	Complete	No findings noted.
5.2.6 Publish a list of approved Treasurer's Advance items in the Treasurer's Annual Financial Report.	Complete	No findings noted.

### Treasurer's Advance

The Treasurer's Direction - Treasurer's Advance was released in March 2021. The new Treasurer's Direction defines the:

- eligibility criteria;
- process for seeking a Treasurer's Advance;
- agency responsibilities for unused Treasurer's Advance; and
- agency recordkeeping and reporting requirements.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.2.7 Implement reward/milestone-based budgeting for new initiatives to incentivise the achievement of desired outcomes.	Underway	Not assessed as part of this audit.
5.2.8 Reward agencies that achieve outcomes and spend within their approved budget by allowing them to retain a share of underspends.	Complete	No findings noted.

### Reward Agencies That Achieve Outcomes

The Treasurer's Direction - Carryovers was released in May 2021. The new Treasurer's Direction defines the:

- eligibility criteria for a carryover request;
- process for seeking a carryover;
- process for assessment of residual improvement in accordance with the budget accountability principles; and
- agency recordkeeping and reporting requirements.

## Budget Repair cont...

### Workforce Sustainability and Capability

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.3.1 Implement a cap on Territory-funded FTE positions for the next three years, with growth in the cap thereafter limited to population growth.	Complete	No evidence to demonstrate how the action taken has achieved the intended result.
5.3.2 Implement an immediate recruitment freeze for agencies currently exceeding their expenditure budget.	Complete	No findings noted.
5.3.3 Incorporate staffing KPIs into chief executive performance agreements.	Complete	No findings noted.

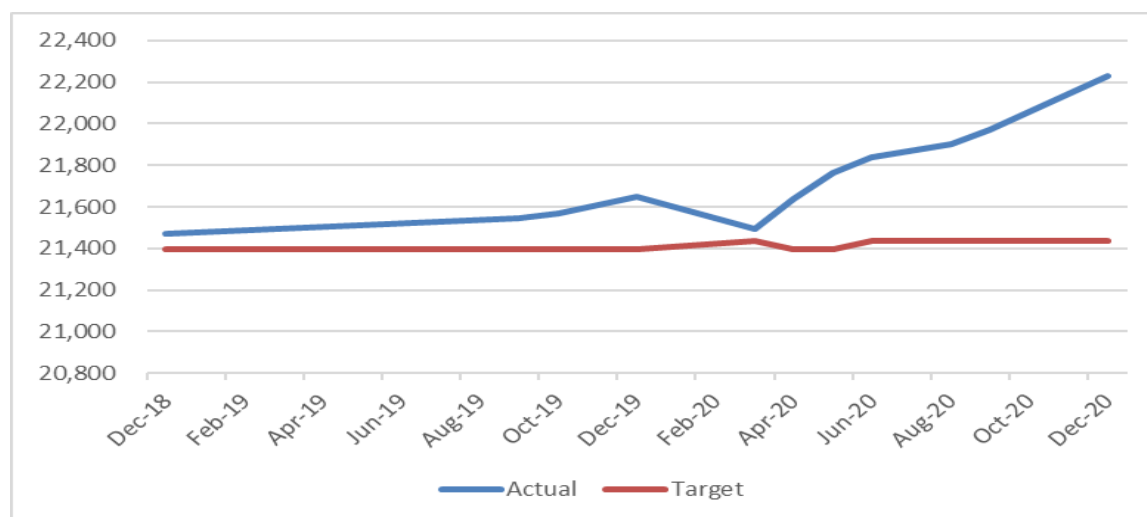
### Staffing Caps

Staffing caps were set and first reported to the FRSC in October 2019 with reporting of the September 2019 figures. The FTE cap and analysis included agencies, Government Business Divisions and Government Owned Corporations.

The reported figures did not exclude positions tied to Commonwealth funding as recommended in the Final Report.

As at September 2019, the total FTE cap was established at 21,395.

Figure 7: NTG FTE numbers and caps



Source: (FRSC Agenda Papers, Sep-19, Oct-19, Dec-19, Mar-20, Apr-20, May-20, Jun-20, Aug-20, Sep-20, Dec-20)

In March 2020, the total FTE cap was increased by 57 FTE to 21,437. The April 2020 and May 2020 reporting continued to reference the earlier cap of 21,395.

As at December 2020, the actual average quarter FTE was 22,228, an increase of 681 FTE from when the cap was introduced in September 2019 and 791 FTE above the March 2020 cap. From an individual entity view, nine of the 32 NTG entities reported upon exceeded the FTE cap.

On 3 February 2021, the FTE staffing caps were replaced with labour expense caps. ECO staffing caps remained in place.

## Budget Repair cont...

The processes to implement this recommendation were ongoing at the time of the audit. The reports demonstrate continued growth in FTE since the Final Report.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.3.4 Review ECO levels and their associated remuneration structure.	Complete	No findings noted.
5.3.5 Implement a cap on executive staffing (including SAO2/SP2 positions) with immediate effect, pending the outcome of the executive classification review (recommendation 5.3.4 refers).	Complete	No findings noted.
5.3.6 Convert all existing ECO1 positions to SAO2/SP2 positions as soon as practicable.	Not Accepted	Not assessed as part of this audit.

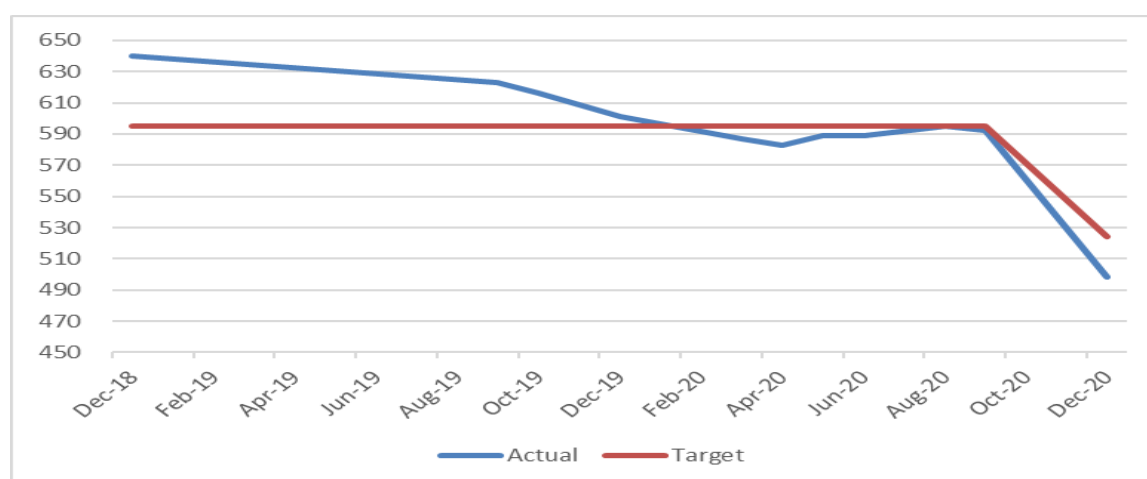
### ECO Caps

ECO caps were set and first reported to the FRSC in October 2019 with reporting provided on the September 2019 figures. The ECO cap and analysis included agencies, Government Business Divisions and Government Owned Corporations.

The reported figures did not exclude positions tied to Commonwealth funding as recommended in the Final Report.

As at December 2019, the total ECO cap was 524.

Figure 8: NTG ECO FTE numbers and caps



Source: (FRSC Agenda Papers, Sep-19, Oct-19, Dec-19, Mar-20, Apr-20, May-20, Jun-20, Aug-20, Sep-20, Dec-20)

As at December 2020, the actual average quarter ECO count was 498, being 26 under the cap. From an individual entity view, seven of the 32 NTG entities exceeded the ECO cap.

At the time of this audit, no action had been taken in relation to NTG entities that exceeded the ECO cap as the Chief Executive Code of Conduct only came into effect from 1 July 2021.

## Budget Repair cont...

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.3.7 Develop a new wages policy based on a \$1000 per annum wage increase, including a wage freeze for executives and parliamentarians.	Complete	The action to realise the saving has not been implemented.
5.3.8 Rationalise awards, harmonise conditions and review entitlements across the NTPS.	Underway	Not assessed as part of this audit.
5.3.9 Explicitly prohibit back pay or equivalent sign-on payments under the new wages policy to encourage timely bargaining resolution.	Complete	The action to realise the saving has not been implemented.

### New Wages Policy and Prohibit Back Pay

The June 2021 Quarterly Report status for this recommendation is 'complete', however the actions are dependent on the 2021 Enterprise Agreement negotiations.

At the time of the audit, the 2021 Enterprise Agreement was not finalised. At the date of writing this report, the arrangements in the 2021 Enterprise Agreement do not align with the recommendation. Notwithstanding that the budgeted savings have been factored into agencies' budgets, the ability to realise the identified saving may be impaired. Agency representatives advised that, if the budgeted savings are not realised through negotiations, agencies will have to deliver other savings to ensure they remain within the total expenditure budgets.

The Final Report identified other risks associated with the Northern Territory Public Sector (NTPS) wage policy. No further review was performed on these risks to determine how they might be mitigated or eliminated.

### ECO Wage Freeze

The OCPE Determinations 5 and 8 of 2019 were issued in April 2019 for all new or renewed ECO contracts. The Determinations implemented the three year wage freeze consistent with the recommendations in the Final Report. Notwithstanding the wage freeze, a number of bonus payments have been made since the conclusion of this audit.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.3.10 Expand the current PSEMA review to include assessment of the contemporaneity and efficiency of the broader NTPS employment framework including options to reduce duplication through consolidation of tribunals and legislation.	Underway	Not assessed as part of this audit.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.3.11 Move industrial relations to the Treasurer's portfolio and merge the Wages Subcommittee with the Budget Review Subcommittee.	Complete	No findings noted.

## Budget Repair cont...

### Industrial Relations

The Administrative Arrangements Order (No. 2) 2021 aligned responsibility for industrial relations within the Treasurer's portfolio.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.3.12 Establish a whole of government strategic workforce board.	Complete	No review has occurred to determine how implementation has achieved the intended result.
5.3.13 Develop a comprehensive training program to address concerns about the hollowing out of policy, administrative and technical capability across the NTPS.	Underway	Not assessed as part of this audit

### Whole of Government Strategic Workforce Board

A Strategic Workforce Board was established in October 2019. The objective of the Strategic Workforce Board is to *"work to ensure the capability and capacity of both the current and future workforce is fit for purpose."*

No updates on the actions or improvements made by the Strategic Workforce Board to address the recommendation were provided to the BRO or FRSC.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.3.14 Introduce a Job Family model for corporate roles common across agencies.	Underway	Not assessed as part of this audit.

## ***Organisational Efficiency and Strategic Alignment***

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.4.1 Implement the next phase of shared services reform by further centralising corporate services in the Department of Corporate and Information Services.	Complete	No findings noted.
5.4.2 Further centralise infrastructure planning, management and delivery into the Department of Infrastructure, Planning and Logistics, including repairs and maintenance budgets.	Complete	No findings noted.

### Shared Services Reform

The Corporate Services Reform 3 (CSR3) program to consolidate corporate services across NTG commenced in July 2019.

## Budget Repair cont...

The CSR3 governance framework includes oversight by the FRSC reporting to the Budget Review Subcommittee of Cabinet. A CSR3 Program Board monitors the development of initiatives and delivery of CSR3 sprint implementation plans.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.4.3 Restructure agencies to consolidate similar/related functions and reduce duplication.	Complete	No findings noted.

### Consolidate Similar/Related Functions

Agency representatives advised that the following actions had been undertaken in response to the recommendation:

- The functional overlaps regarding economic and industry development were addressed through the creation of the Office of Investment Attraction and subsequently DITT.
- Further centralisation of housing infrastructure services occurred in 2020-21 and 2021-22.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.4.4 Implement a rolling program of organisational reviews.	Complete	The action to realise the saving has not been implemented.
5.4.5 The annual schedule of reviews should be determined by the Budget Review Subcommittee as part of the Budget development process.	Complete	No findings noted.

### Organisational Reviews

The NTG Agency Organisational Review Framework was approved in February 2021. It establishes a whole of government standard and precedent for agency organisational reviews, which will be conducted on an annual basis and timed to provide outcomes and recommendations to consider as part of the Budget development and Mid-Year Report processes.

An annual schedule of agency reviews will be determined by the Budget Review Subcommittee of Cabinet and ratified by Cabinet each year. Two to three agencies are expected to be reviewed each year.

The reviews commenced in June 2021. The Agency's March and June 2021 Quarterly Report status for this recommendation is 'complete' which reflects the development of the framework. The program of organisational reviews was yet to be developed and delivered.



## Budget Repair cont...

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.4.6 Work with the Commonwealth and local government to improve remote service delivery coordination.	Complete	The action to realise the saving has not been implemented.

### Remote Service Delivery Coordination

DCMC are in collaboration with National Indigenous Australians Agency to collaborate on a range of projects across the NT. At the time of the audit, no framework and governance arrangements had been finalised. As a result it is unclear as to what action has been taken specifically or differently from before to improve remote service delivery coordination. The Agency's June 2021 Quarterly Report status for this recommendation is 'complete' which is not consistent with the actual status.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.4.7 Develop a centralised whole of government remote travel hub.	Underway	Not assessed as part of this audit.

### ***Evidence-Based Decision Making***

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.5.1 Develop a whole of government program evaluation framework.	Complete	No findings noted.
5.5.2 Update the Cabinet submission template to include program evaluation requirements.	Complete	No findings noted.
5.5.3 Develop an annual schedule of evaluation of existing programs for approval by the Budget Review Subcommittee.	Complete	No findings noted.
5.5.4 Mandate the use of sunset clauses in new programs.	Complete	No findings noted.
5.5.5 Foster the development of behavioural economics capability across the NTPS with a focus on adopting proven approaches from other jurisdictions.	Complete	No findings noted.

## Budget Repair cont...

### Program Evaluation Framework

The NTG program evaluation framework was approved in June 2020.

Evaluation activity will be overseen, coordinated and supported by a central Program Evaluation Unit within DTF, supported by DCMC, OCPE and DCDD. The Program Evaluation Unit is responsible for:

- promoting the use of evaluation in government decision making;
- leading the NTG Program Evaluation Community of Practice;
- supporting agencies to complete evaluation overviews as part of their Cabinet submissions;
- coordinating the rolling schedule of evaluations;
- strengthening evaluative capacity across the NTPS;
- preparing an annual whole of government summary of evaluations; and
- maintaining a database of completed evaluations and sharing findings to inform future policy and program design.

As part of the budget development process each year, agencies now complete a program master list template that aims to capture current NTG funded programs, including tier ranking, linkage to government priorities, previous evaluations and planned evaluations. This information is used to inform the whole of government evaluation schedule.

The 2021-22 Evaluation Schedule was endorsed by BRS in June 2021 with 56 programs scheduled for review in 2021-22.

The 'Program Evaluation Framework' stipulates that agencies are responsible for prioritising evaluations and are required to report to the Program Evaluation Unit on evaluations undertaken and managed.

The Program Evaluation Toolkit (section 6.1) encourages agencies to consider the most appropriate way of communicating results, noting that the decision to publicly release evaluation findings rests with the relevant agency Minister. An agency may publish the evaluation findings, either in full or a summary of the key findings.

The role of DTF is to review evaluation reports to ensure the reports address the key evaluation questions identified in the evaluation work plan submitted to DTF within six months of approval of the program. DTF will provide feedback to agencies as required. DTF will also use these reports to inform comments on Cabinet submissions.

DTF is responsible for the preparation of an annual whole of government summary of evaluation for the Budget Review Subcommittee of Cabinet. This includes:

- a list of the evaluations that have been completed in the previous year, including a status update on recommendation responses
- a list of any evaluations that were scheduled but did not take place
- an updated rolling schedule of evaluations for the next four years.

For evaluations that have been completed in the previous year, the Program Evaluation Unit will summarise the recommendations from each and record whether or not they have been actioned.

## Budget Repair cont...

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.5.6 Develop a process to ensure new and existing business-related regulations are actively maintained and improved through a regulatory stewardship model.	Superseded	Evidence was not provided to demonstrate how the recommendation will be achieved.
5.5.7 Update the Cabinet submission template to include regulation evaluation requirements.	Complete	Not assessed as part of this audit.
5.5.8 Develop and communicate clear timeframes for decision-making processes to minimise the impact of beige tape and improve investor certainty.	Superseded	Evidence was not provided to demonstrate how the recommendation will be achieved.
5.5.9 Publicly report actual performance against approved regulatory decision-making process timeframes through annual reports and budget papers.	Superseded	Evidence was not provided to demonstrate how the recommendation will be achieved.
5.5.10 Mandate the use of sunset clauses in new regulations that affect the cost of doing business in the Territory.	Superseded	Evidence was not provided to demonstrate how the recommendation will be achieved.

### Regulatory Reform

Agency representatives advised that this group of recommendations has been superseded by the Regulatory Reform Program arising out of the TERC implementation.

There was no documentation that disclosed the extent to which the above recommendations have been or will be addressed by the work undertaken in response to the TERC implementation.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.5.11 Implement the Northern Territory Project Development Framework (NTPDF) via Treasurer's Direction to support a structured approach to capital project development.	Complete	No findings noted.

## Budget Repair cont...

### Northern Territory Project Development Framework (NTPDF)

The NTPDF applies to capital projects that are NTG funded or require some level of NTG support, whether they are projects funded through the capital works program or government facilitated strategic projects. Projects within scope are those benefitting from cash and non-cash contributions of \$30 million and over towards and/or associated with the project. The NTPDF has been developed and mandated for use across government.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.5.12 Work with the Commonwealth to secure increased capital investment to address the Territory's infrastructure deficit.	Complete	The action to realise the saving has not been implemented.

### Commonwealth Capital Investment

The Agency's June 2021 Quarterly Report status for this recommendation is 'complete' with the status description noting the work to implement the recommendation was absorbed within another recommendation. The status is not consistent with the actual status or recommendation 5.7.8 that is marked as in progress.

## **Digital Transformation**

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.6.1 Adopt a digital first mindset in relation to government service delivery.	Complete	No review has occurred to determine how implementation has achieved the intended result.
5.6.2 Develop a digital government transformation plan to identify technologies that could create efficiencies in the delivery of government services across the Territory, such as telehealth/videoconferencing/drones.	Underway	Not assessed as part of this audit.

### Data Governance Framework

The NTG Data Governance Framework (November 2019) identifies a number of relevant policies and standards intended to support technology-based service delivery. Examples include the Digital Services Policy (issued in June 2019); Open Data Policy; and the Shared Data Management Policy

The Digital Service Policy and Standard (June 2019) outlines that the *"Northern Territory Government agencies are to develop people-focussed digital services that are smart, secure and accessible."*

No reporting on the extent of improved efficiencies resulting from the use of technology were provided to the BRO or FRSC.

## Budget Repair cont...

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.6.3 Undertake a whole of government ICT system stocktake.	Complete	No findings noted.
5.6.4 Develop and maintain a five-year ICT system roadmap outlining priority projects and major system replacement requirements.	Underway	Not assessed as part of this audit.
5.6.5 Rationalise the number of bespoke/standalone ICT systems across the NTPS.	Underway	Not assessed as part of this audit.

### Whole of government ICT system stocktake

A stocktake was undertaken and documented in the ICT Systems Stocktake (July 2020) which identified that control of approximately 70% of business systems was held within individual agencies rather than centrally.

A list of the systems was not requested or reviewed as part of this audit.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.6.6 Develop and implement a single integrated budget management system for agencies.	Underway	Not assessed as part of this audit.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.6.7 Develop an automation roadmap for Territory Government service delivery.	Underway	Not assessed as part of this audit.

## **Revenue Optimisation**

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.7.1 Maintain a competitive taxation environment and revenue raising effort relative to other jurisdictions.	Complete	No findings noted.
5.7.2 Reform gambling taxation arrangements for bookmaker and betting exchange taxes.	Complete	No findings noted.

### Own-source revenues

Budget Paper No. 2 outlines the fiscal objective to “*maintain a competitive tax environment that encourages investment, creates jobs and attracts business to the Territory, while raising sufficient revenue to contribute to funding government’s service delivery requirements*”.

The Agency uses the Commonwealth Grants Commission’s assessment of taxation effort to measure the NT’s competitiveness. The target is to achieve an effort of 90% against the national average of 100%. The target was set below the national average to incentivise investment in the NT. In 2019-20 the NT’s effort was 74.9%.

## Budget Repair cont...

The *Racing and Betting Act 1983* has been amended 14 times since 2012, with most changes directed at the rates and/or bands used to determine the amount of tax charged. The *Racing and Betting Act 1983* was updated on 1 July 2021. Amendments to the legislation included:

- imposing tax on corporate bookmaker and betting exchange total monthly betting profits;
- reducing the tax rate from 10% to 5%; and
- increasing the maximum tax payable in a financial year from 500,000 revenue units (equivalent to \$605,000 in 2020-21) to 1,000,000 revenue units.

The 2020-21 budget showed revenue from taxation of bookmakers was budgeted to increase by 57% (\$3,388k) and betting exchange tax revenue was budgeted to increase by 105% (\$625k) from 2020-21 to 2021-22.

The extract from 2021-22 Budget Paper No. 2 presented in Table 7 shows the revenue gains intended from changes to the bookmaker tax and betting exchange tax are largely offset over the short term as a result of the changes to community gaming machine tax which reduced associated tax revenue.

As at 1 April 2020, the gaming machine tax rates applied to clubs and hotels were changed to revert to the 2016 rates. The changes to the tax brackets resulted in all venues receiving a decrease in their effective tax rate.

Table 7: NTG own-source revenue

	2020-21 Revised \$000	2021-22 Budget \$000	2022-23 \$000	2023-24 Forward Estimate \$000	2024-25 \$000
Community gaming machine tax	43,022	36,947	38,315	39,737	41,215
Lotteries tax	28,840	30,250	31,729	33,281	34,909
Community benefit levy	13,714	12,733	13,046	13,373	13,713
Bookmaker tax	5,988	9,376	9,603	9,830	10,057
Casino/internet tax	5,333	4,085	4,136	4,189	4,241
Betting exchange tax	605	1,240	1,270	1,300	1,330
Wagering tax	170	170	170	170	170
<b>Total</b>	<b>97,672</b>	<b>94,801</b>	<b>98,269</b>	<b>101,879</b>	<b>105,635</b>

Source: Budget Paper No. 2 2021-22

## Budget Repair cont...

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.7.3 Increase accountability for the performance of government owned corporations against their statements of corporate intent, including developing clear sanctions for non-compliance.	Underway	Not assessed as part of this audit.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.7.4 Develop a commercial asset management framework.	Underway	Not assessed as part of this audit.
5.7.5 Undertake a review of existing commercial assets in accordance with the commercial asset management framework.	Underway	Not assessed as part of this audit.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.7.6 Develop a government services pricing framework.	Underway	Not assessed as part of this audit.

Recommendation from Final Report	Jun-21 Status	Audit Finding
5.7.7 Commission an independent review of areas where Commonwealth expenditure in the Territory is lower than other jurisdictions (for example, Medicare) and where funding is required to close the gap in Aboriginal disadvantage.	Complete	The action to realise the saving has not been implemented.  No review has occurred to determine how implementation has achieved the intended result.
5.7.8 Seek relief of debt inherited from the Commonwealth on self-government.	Underway	Not assessed as part of this audit.

### Maximise its share of Commonwealth funding

A review of Commonwealth Government expenditure in the Northern Territory was undertaken by an external consultant at a total cost of \$66,550 including GST. The report identified nine recommendations. The Children and Families Standing Committee are preparing a submission for consideration by BRS on an NTG response and implementation plan to the report resulting from the review. At the time of this audit, this work had not been completed.

The Agency's June 2021 Quarterly Report status for this recommendation is 'complete' as the recommendation to commission a review has been undertaken. Action in response to the findings from the review is yet to be undertaken.

## Budget Repair cont...

### Reform Implementation and Monitoring

Recommendation from Final Report	Jun-21 Status	Audit Finding
6.1 Adopt a staged process to budget repair, incorporating phases of reform linked to the annual budget development process.	Complete	No findings noted.
6.2 Implement the governance model outlined at Figure 13, including the establishment of a Budget Repair Standing Committee and Budget Repair Office.	Complete	No findings noted.

A staged approach and governance structure was implemented as outlined in the *Co-ordinating Implementation* section earlier in this report.

### Financial Snapshot

The NTG commenced actions to assess the Territory's fiscal outlook in November 2018, with *A plan for budget repair* released on 16 April 2019. Actions to repair the NTG budget were to commence immediately and conclude by the end of 2021 budget, being June 2022. Recommendations from *A plan for budget repair* are directed at the non financial public sector. NTG financial reporting occurs across three sectors as demonstrated below.

Figure 9: Northern Territory Government public sector reporting entities

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

Source: NTAGO



## Budget Repair cont...

The following terms have been defined to assist understanding of the financial snapshot.

Table 8: Definitions

Term	Definition
Assessable Borrowings	Borrowings less leases.
Borrowings	Borrowing refers to amount of funds the government has borrowed in exchange for an obligation to pay back over time at a greater value through paying interest.
Budget Fiscal Outlook Report (published as Budget Paper No. 2)	Provides information to allow the assessment of Government's fiscal performance against the fiscal strategy set out in the current fiscal strategy statement.  FITA Schedule Part 5 Division 2
Fiscal Balance (Net Lending/Borrowing)	The balance of revenue less expenditure including capital spending but excluding depreciation and other non-cash expenses.  Fiscal balance, also referred to as net lending/borrowing, is an operating statement measure that differs from the net operating balance in that it includes spending of capital items but excludes depreciation. A net lending (or financial surplus) balance indicates that a government is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) position indicates that the government's level of investment is greater than its level of savings.
Fiscal Balance Deficit	When the net operating balance results in revenue being less than expenditure incurred for the financial year.
Fiscal Balance Surplus	When the net operating balance results in revenue being greater than expenditure incurred for the financial year.
General Government Sector	Includes:  All government departments; <ul style="list-style-type: none"> <li>Other administrative units such as the NT Police, Fire and Emergency Services and the Office of the Commissioner for Public Employment; and</li> <li>Other entities that provide services that are mainly non-market in nature, for the collective consumption by other Agencies or by the community.</li> </ul>
Key Fiscal Indicator	A set of quantifiable measures that the Government uses to evaluate its performance over time.
Leases	Rights conveyed in a contract, or part of a contract, to use an asset (the underlying asset) for a period of time in exchange for consideration. As of the 2019-20 financial year financial leases payments are required to be treated as borrowings.

## Budget Repair cont...

Term	Definition
Net Debt	<p>Net debt measures a Government's net balance of selected gross financial liabilities less financial assets.</p> <p>It equals the sum of deposits held, advances received, government securities, loans and other borrowings, less the sum of cash and deposits and advances paid in investments, loans and placements.</p>
Non Financial Public Sector	The sector formed through a consolidation of the general government and public non financial corporation sectors.
Public Non Financial Corporations	<p>Comprises:</p> <ul style="list-style-type: none"> <li>▪ Power and Water Corporation and its subsidiary Indigenous Essential Services Pty Ltd;</li> <li>▪ Power Retail Corporation (trading as Jacana Energy);</li> <li>▪ Power Generation Corporation (trading as Territory Generation); and</li> <li>▪ Land Development Corporation.</li> </ul>

The Budget Papers and Treasurer's Annual Financial Statement report upon four key financial indicators intended to assist in the assessment of the Northern Territory's fiscal position. These financial indicators are net operating balance, fiscal balance, net debt and net debt to revenue.

The NTG has introduced a new term "Assessable borrowings". "Assessable borrowings" are borrowings as reported in the budget papers and Treasurer's Annual Financial Statements adjusted to remove the value of lease obligations. Changes to Australian Accounting Standards require the fair value of lease obligations to be recognised as a liabilities effective from the 2019-20 financial year. This resulted in a significant increase to the liabilities reported by the public sector.

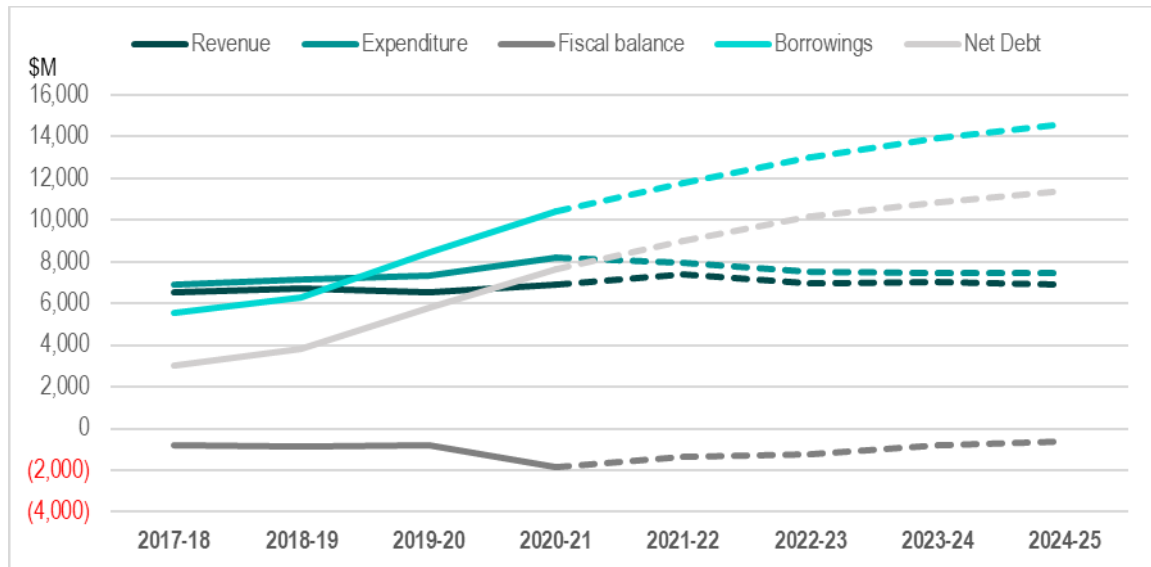
The NTG's self-determined debt ceiling of \$15 billion applies to the "Assessable borrowings" rather than actual debt or borrowings as defined in the table above which would include leases.

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

## Budget Repair cont...

Presented below is a summary of the actual, budget and estimated financial indicators from the Treasurer's Annual Financial Report data 2017-18 to 2019-20 and the 2021-22 Budget Paper No. 2 data from 2020-21 to 2024-25.

Figure 10: Non financial public sector financial indicators 2017 to 2025



Source: Treasurer's Annual Financial Statement 2017-18, Treasurer's Annual Financial Statement 2019-20, Budget Paper No. 2 2021-22.

The fiscal balance is the balance of revenue less expenditure including capital spending but excluding depreciation and other non-cash expenses. A fiscal surplus indicates revenue exceeds expenditure. A fiscal deficit is where a government's revenues are not sufficient to meet its expenses and refers to net expenditure flows in a single financial year.

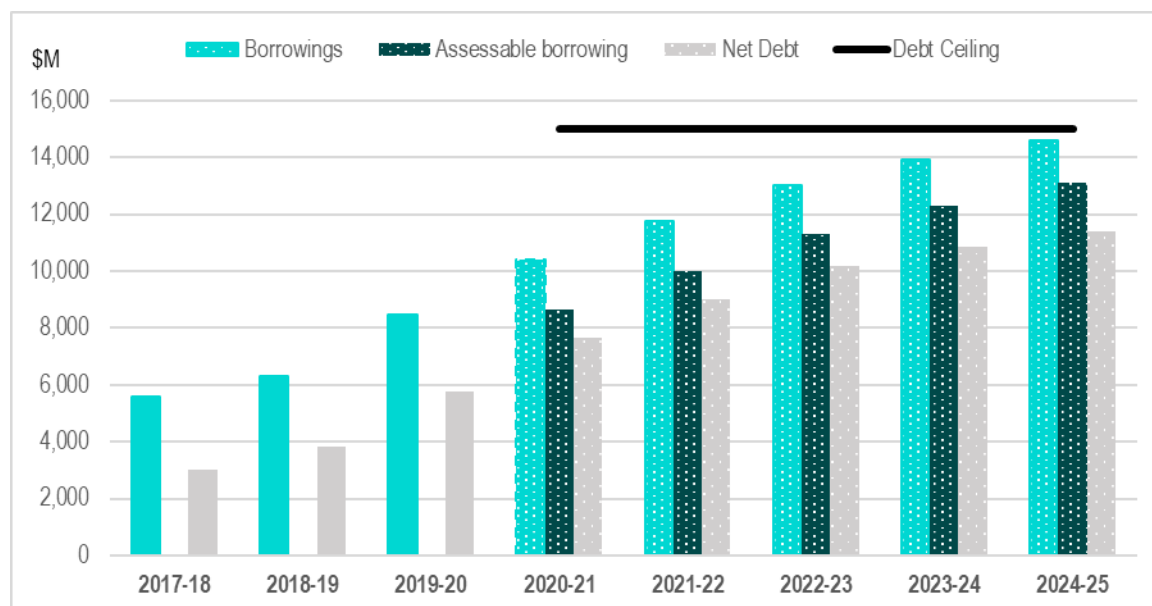
No budget year in the period between 2017-18 and 2020-21 or the forecast years to 2024-25, budgeted for a fiscal surplus.

Prolonged fiscal deficits will result in a requirement to borrow to fund operational costs in addition to borrowing to fund capital investments.

## Budget Repair cont...

Presented below is a summary of the borrowings (including lease liabilities), assessable borrowings (excluding lease liabilities) and net debt presented against the established debt ceiling from the Treasurer's Annual Financial Report data 2017-18 to 2019-20 and the 2021-22 Budget Paper No. 2 data from 2020-21 to 2024-25.

Figure 11: Non financial public sector borrowings, assessable borrowings and net debt 2017 to 2025



Source: Treasurer's Annual Financial Statements for the 2017-18 and 2019-20 financial years, Budget Paper No. 2 2021-22.

Borrowing refers to the amount of funds the government has borrowed in exchange for an obligation to pay back over time at a greater value through paying interest.

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

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

The 2021-22 Budget Paper No. 2 notes *"During periods of low economic growth and constrained revenues, it may be considered prudent to maintain higher levels of debt in order to maintain government expenditure and support services to the economy. When economic growth and own-source revenues are strong, lower debt levels may be considered prudent as they present an opportunity for government to pay down debt while there is strong revenue growth and private sector investment. Consequently, prudent debt management cannot be explicitly defined but rather is an assessment made in developing a budget in light of the economic and fiscal conditions faced by the Territory at that time."*

Net debt has been budgeted to increase since the 2014-15 financial year.

## Budget Repair cont...

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

The Department of Treasury and Finance notes the audit findings and recommendations. Amendments have been made to various reporting and documentation processes, consistent with the recommendations.

In general, the department considers sufficient systems and processes are in place through regular reporting to Government, the publication of reports that monitor the effectiveness of budget repair measures, and reporting on the Government's fiscal strategy more broadly.

Overall, the department notes that the emergence of COVID-19 materially and adversely impacted the finances of all Australian jurisdictions, from both an expenditure and revenue perspective. Despite the worsening, the fiscal balance projections in the 2020, 2021 and 2022 Budgets remained significantly lower than the Fiscal Strategy Panel's business as usual projections. If GST revenues had remained in line with the Fiscal Strategy Panel's pre-COVID-19 projections, the Territory would be on track to deliver a surplus within the original timeframe.

# Root and Branch Review

## Selected Agencies

### Background

In November 2021, a Fiscal Strategy Panel (the Panel) was established to assess the Territory's fiscal outlook and develop a plan for budget repair. On 16 April 2019, the Chief Minister released the final report 'A plan for budget repair' and the NTG's response to the report's recommendations.

In addition to the NTG's response to *A plan for budget repair*, immediate savings were identified in a Root and Branch Review. The review intended to deliver a range of savings which were listed against the agency designated to be accountable for delivering the savings. A media announcement dated 16 April 2019 stated "Savings from this review total \$1.4B over 10 years."

Figure 1: Root and Branch Review: Savings across government

Program review by category	2018-19	2019-20	2020-21	2021-22	2022-23	Ongoing
	\$000	\$000	\$000	\$000	\$000	\$000
Whole of government efficiencies	-	38 308	84 473	113 790	138 410	138 410
Efficiency dividend	-	14 001	42 248	42 248	42 248	42 248
CPI adjustment	-	3 459	3 459	6 227	8 985	8 985
Grant efficiency dividend	-	16 348	32 266	37 690	43 079	43 079
Other efficiencies	-	4 500	6 500	27 625	44 098	44 098
Corporate efficiency savings	7 740	25 468	35 554	36 722	36 622	36 522
Program rationalisation savings	300	17 635	24 783	27 011	27 011	27 111
Workforce sustainability savings	-	8 629	10 312	10 993	11 670	12 090
Revenue measures	-	3 811	5 196	6 035	6 035	6 035
<b>Subtotal</b>	<b>8 040</b>	<b>93 851</b>	<b>160 318</b>	<b>194 551</b>	<b>219 748</b>	<b>220 168</b>
Less return to budget savings <sup>1</sup>	7 800	30 648	43 445	45 052	45 729	46 149
<b>Total (net of return to budget savings)</b>	<b>240</b>	<b>63 203</b>	<b>116 873</b>	<b>149 499</b>	<b>174 019</b>	<b>174 019</b>

<sup>1</sup> Return to budget savings – in some agencies, savings have been reinvested to assist returning to budget.

Source: Root and Branch Review, 2019

In addition to identifying the quantity of savings, the report introduced a dollar value attributed to 'return to budget savings'. This represents savings that are intended to be reinvested into selected agencies to assist them in returning to budget. In practice this would occur when an agency reduces or ceases delivery of a program or function yet is authorised to keep the related appropriation and redirect it to other existing programs or functions in order to operate within the agency's total approved budget.

The implementation of the savings measures is the responsibility of each specified agency. Each agency is required to report to the Department of Treasury and Finance on a monthly basis.

## Root and Branch Review cont...

### Scope and Objectives

The objective of the audit was to provide the Legislative Assembly with an overview and assessment of the actions taken by the NTG to action the immediate savings identified within the Root and Branch Review. The audit did not examine the extent to which the reported savings measures had been implemented and monitored at every NTG agency. The audit sought to understand the approaches taken by the NTG to identify and implement the savings measures and monitor and evaluate the success of the savings measures. This involved audit work being undertaken at a number of selected agencies as listed below.

The audit was conducted at the following agencies:

- Department of Treasury and Finance (DTF)
- Department of the Chief Minister and Cabinet (DCMC)
- Department of Education (DoE)
- NT Police, Fire and Emergency Services (NTPFES)

The audit covered the period from 16 April 2019 to 28 February 2021.

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### Audit Opinion

At an agency level, the reporting and supporting processes provided evidence that sufficient monitoring of the implementation of the budget savings identified within the Root and Branch Review has taken place.

At the time of my audit, there were no systems or processes in place to demonstrate that an adequate performance management system is in place to assess whether the NTG's objectives, as they relate to achievement of the targets established through the Root and Branch Review, are being achieved economically, efficiently and effectively at a whole of government level.

## Root and Branch Review cont...

### Recommendations

As a result of this audit, I have recommended the Agency/ies:

- Perform a program evaluation to assess if the outcomes of the Root and Branch Review were achieved.
- Establish monitoring and reporting on the agency specific savings measures identified in the Root and Branch Review for the whole of the NTG over the life of the program. Effective reporting will identify exceptions where the savings measures are not implemented, implementation was delayed or the savings were not achieved.
- Consider measuring the extent to which transferring a cost to another agency actually represents a saving at a whole-of-government level in order to assess whether the savings measure has been effective.

### Audit Observations

#### Savings across Government

The savings identified as part of the Root and Branch Review can be broken down broadly into two separate components, those being 'whole of government efficiencies' and 'agency specific savings'.

##### Whole of government efficiencies

The whole of government efficiencies as identified in Figure 1 encompass the efficiency dividend; CPI adjustment; grant efficiency dividend; and other efficiencies. Agency representatives advised that these whole of government savings measures are applied to all agencies during the annual budget setting process preceding each financial year. These measures are described below:

1. *Efficiency dividend* – This is the annual reduction in resources provided through appropriation to the agencies. This is applied as a percentage reduction each financial year and can vary between agencies.
2. *CPI adjustment* – This is an adjustment resulting from the CPI indexation included in agency budgets to reflect current CPI expectations. This impacts the appropriation received by each agency.
3. *Grant efficiency dividend* – This saving operates similarly to the efficiency dividend and results in a reduction in the amount of Territory grant funding distributed to agencies to fund current grants and subsidies to recipients outside the NTG.
4. *Other efficiencies* – This includes savings generated by across government operational efficiencies such as the increases in retention periods for NT Fleet vehicles, changes to the NT Property Management leasing parameters, and efficiencies to be generated from changes to across government information and communications technology support services.

To establish the value to be returned through whole of government savings, DTF prepared a submission regarding options for whole of government savings. The submission was first considered and endorsed by the Budget Review Subcommittee of Cabinet (BRS) and then considered and approved during the Budget Cabinet deliberations.



## Root and Branch Review cont...

### Agency specific savings

The agency specific savings identified in Figure 1 encompass corporate efficiency savings; program rationalisation savings; workforce sustainability savings; and increased revenue measures. These are explained below:

1. *Corporate efficiencies* – Measures ‘targeted at delivering savings through more efficient use of existing administrative resources, improvements to the way that existing tasks are administered and other measures such as reductions in corporate travel and reduced board memberships.’
2. *Program rationalisation savings* – Measures that ‘target savings through a more efficient use of existing program and grant resources, and rationalisation of programs that no longer focus on delivery of priority programs or services.’
3. *Workforce sustainability savings* – Measures that ‘improve the way in which government utilises its employees, better aligning positions and employee numbers to service delivery requirements, and improving workforce sustainability.’
4. *Revenue measures* – ‘Targeted at improving the Territory’s revenue collection efforts.’

Identification of the savings measures occurred using an agency led approach whereby DTF requested each agency to identify the savings they could achieve.

To determine the agency specific savings, each agency provided DTF with a summary listing each function/program that their agency was undertaking, as well as identifying which programs could be rationalised. The Under Treasurer and senior DTF personnel together with the Chief Executive Officer of the Department of the Chief Minister and Cabinet (DCMC) reviewed the agency returns and provided additional analysis and advice regarding the options presented by each agency.

The agencies’ returns and additional analysis was then provided to the BRS who met with the portfolio minister and agency representatives including the Chief Executive Officer to consider the savings options identified by each agency. The Under Treasurer, Chief Executive Officer of DCMC and Assistant Under Treasurer (Finance) also attended these meetings. This process resulted in preliminary decisions and recommendations being provided to Budget Cabinet who ultimately approved the savings measures for each agency. DTF advised agencies of the final outcomes of the Root and Branch Review as part of the annual budget process. The approved savings measures were categorised as either whole of government efficiencies or agency specific savings and included a high-level summary of the savings measures to assist with public communications.

### Return to budget savings

Return to budget savings were identified as savings gained from reducing internal operations or service provision and associated expenditure in one area to enable the related appropriation to be spent in another area in order for the agency to return an improved financial result. Return to budget savings were approved for selected agencies including Northern Territory Police, Fire and Emergency Services, Department of the Attorney-General and Justice, Department of Health and the former department of Territory Families.

DTF personnel advised that these agencies were determined by Cabinet to be eligible for return to budget savings with redirected funds intended to meet demand pressures and support the delivery of government priorities.

## Root and Branch Review cont...

### Implementation within Agencies

For each savings measure, a budget adjustment journal that had been authorised, approved and actioned into the APEX budget system was provided. The journals reflected the reduction in each agency's budget as presented in the Root and Branch Review report.

Savings were applied at an agency level using one of two methods:

1. *Reduction in output appropriation and expenditure* – Output appropriation is the annual funding allocated to an agency for the provision of outputs identified in the Budget Papers. Achievement of the savings measures can be assessed and monitored by analysing the actual spend against the budget expenditure.
2. *Reduction in output appropriation offset with an increase in other revenue* – Other revenue refers to revenue sourced from users/recipients of the agencies' services usually based on a user pays approach. The user may be another NTG agency or an external entity.

Where the savings measure is represented by increased other revenue from parties external to the NTG, the value of the saving should be able to be readily identified.

When the savings measure is applied through on-charging another NTG agency, the cost related to the charge is still incurred by the NTG. A saving can only be realised where the on-charged entity receives no increase in its appropriation (short and long term) to meet the new charge. There is no system in place to assess how the NTG entity being charged has funded the cost and whether that has resulted in any unintended reduction in service delivery within that entity as a result.

Notwithstanding that an Agency may have an effective performance management system to monitor the steps taken to action the agreed policy, the ability to realise the identified saving may be impaired.

The audit identified:

- One agency that was not tracking the implementation or the effectiveness of the Root and Branch Review savings measures.
- One instance where action to implement the savings measure had not progressed.
- One instance where a savings measure was applied, then in a subsequent budget period, budget for that same expense was transferred back to the agency from another agency's budget.
- One instance where the savings measure was included in the budget however the planned savings were not actually achieved for either the 2019 or the 2020 financial year.
- One instance where the savings measure was applied through one agency on-charging another NTG agency meaning the cost is still incurred by NTG.

## Root and Branch Review cont...

### Whole of Government Reporting

There was no process for monitoring and reporting the impact on the NTG (as a whole) of the agency specific savings measures identified in the Root and Branch Review. Agency specific savings measures are incorporated into the normal operating budget cycle applicable to each agency. The current output reporting focuses on whether agencies have operated within their overall budget. It does not assess if the individual savings measures from the Root and Branch Review were implemented. A limitation in this reporting is the inability to ascertain if any savings realised to date were as a result of implementing the measures identified by the Root and Branch Review, or whether reported savings occurred as a result of intended or unintended actions or circumstances outside the scope of the Root and Branch Review.

Responsibility for delivery of each savings initiative remains with each individual agency.

### Program Evaluation

In a media release issued by the Treasurer and Chief Minister of the Northern Territory, it was identified that savings from the Root and Branch Review would total \$1.4 billion over a 10-year period. The report resulting from the Root and Branch Review showed that the NTG agency specific savings should total \$139.43 million at the conclusion of the 2021 financial year.

At the time of the audit there had been no assessment of the outcomes to determine if the targeted savings have been achieved or are likely to be achieved.

## Root and Branch Review cont...

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

The Department of Education where necessary has addressed recommendations for improved analysis and reporting mechanisms for savings measures.

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

The Department of Treasury and Finance notes the audit findings and recommendations. The department's focus is on agency and whole of government financial performance, monitored against total budget. The implementation of individual approved savings measures is the responsibility of the accountable officer in each agency.

### **Northern Territory Police and Emergency Services has commented:**

NTPFES acknowledges the findings and has implemented improved reporting processes in accordance with the recommendation.

# NT Worksafe

## Department of the Attorney-General and Justice

### Background

It is essential for an Agency to know whether it is meeting its objectives and how economical, efficient and effective the Agency's operations are. Performance management system audits focus on the service performance of agencies beyond the financial results. These audits complement other audits conducted by the Auditor-General that focus on compliance and controls to give a more holistic view of how an agency operates and the manner in which it is delivering upon its stated outcomes.

Budget Paper No. 3 provides accrual and output-based information for Northern Territory Government (NTG) agencies. It includes output statements for agencies and business line statements for government business divisions (GBDs), including key performance indicators.

2020-21 Budget Paper No. 3 explains that *"An outcome is provided for each output group with a description for each output (business line for GBDs).*

*Key performance indicators are provided with targets identified for each measure. The indicators are focused on presenting measures that are meaningful, nationally consistent and relevant to assessing the achievement of the stated outcome."*

*"The financial management framework provides a consistent basis for the 2020 Budget, including output structures and key performance indicators for each agency. Agency annual reports record actual performance and provide explanations of significant variations."*

Thus, there should be a direct correlation between the output groups and outcomes, key performance indicators and the performance information in the Agency's annual report. To enable accurate performance reporting, the Agency should have a performance management system that enables the Agency to assess whether its objectives are being achieved economically, efficiently and effectively.

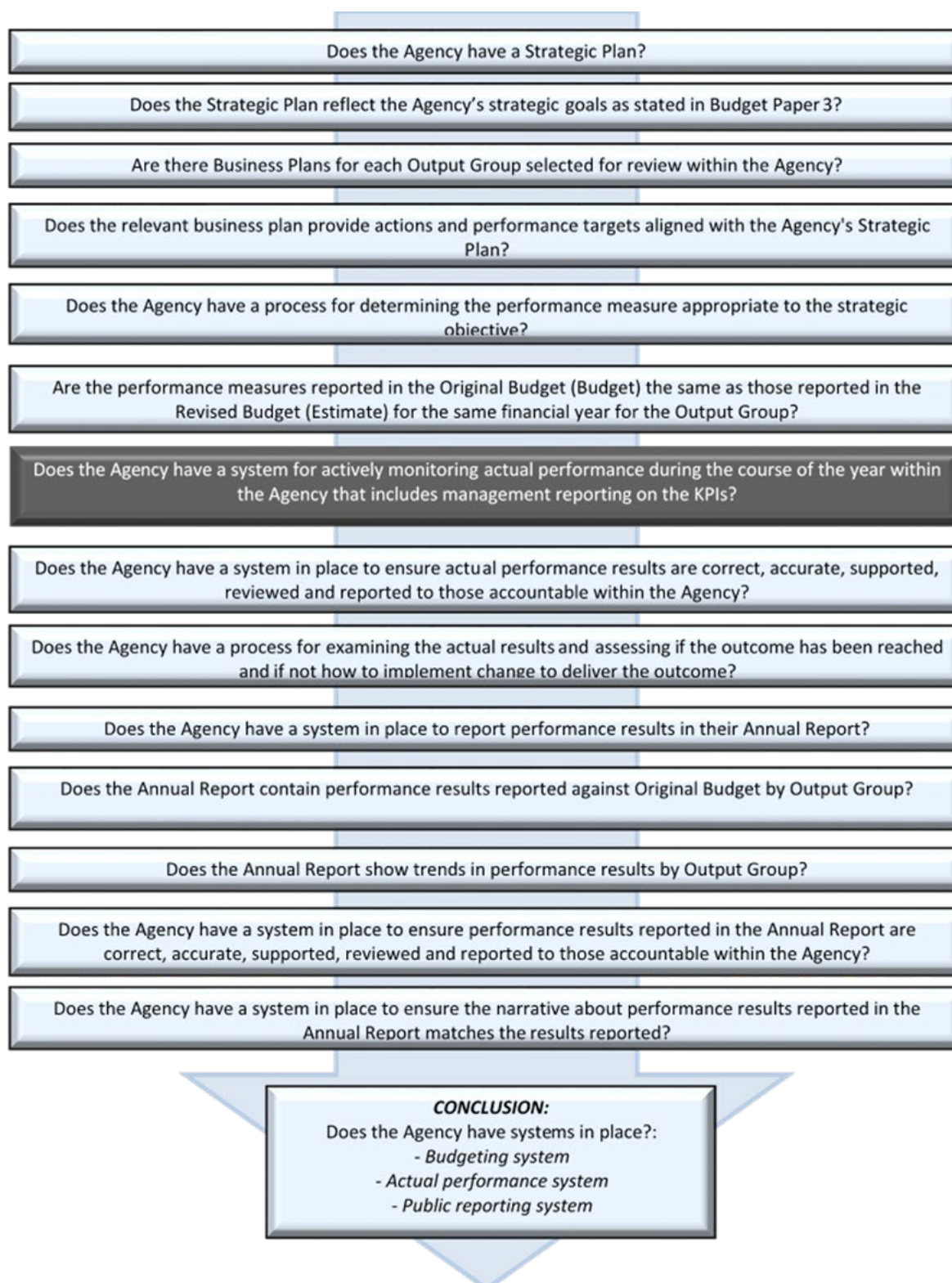
This audit assessed whether the following components of a performance management system are implemented and operating effectively within the Agency in relation to the Agency's stated strategic goal selected for testing:

- A strategic plan exists for the Agency;
- The strategic plan reflects the Agency's strategic goals as stated in Budget Paper No. 3;
- Business plans exist for the Output Group within the Agency;
- The relevant business plan provides actions and performance targets aligned with the Agency's strategic plan;
- There is a process for determining the performance measure appropriate to each strategic objective;
- Performance is actively monitored during the course of year within the Agency;
- Performance results are reported to those accountable within the Agency; and
- Performance results are reported in the Agency's Annual Report and are accompanied by sufficient explanatory information that enables a reader to independently form a conclusion on the Agency's performance.

## NT Worksafe cont...

The performance management process is presented in Figure 1.

Figure 1: Evaluation of Performance Management System Process Flow



## NT Worksafe cont...

### Scope and Objectives

The Department of the Attorney-General and Justice (the Agency) has functional accountability for a number of statutory authorities and independent statutory officers within its service delivery mandate. One such statutory authority is NT WorkSafe. Whilst the functions of NT WorkSafe are required to be undertaken independently of any direction from the Agency, the functions of NT WorkSafe are funded through the Agency's appropriation as presented in Budget Paper No. 3.

This audit concentrated on performance management systems and processes related to NT WorkSafe's strategic outcome of *"Legislative reforms, safety awareness, and education that supports industry, business and community needs"* as identified in 2020-21 Budget Paper No. 3. The audit focused on the related key performance indicators:

- compliance and enforcement activities;
- advice and information sessions; and
- NT WorkSafe workers' compensation incident claims per 1000 workers.

The audit covered the period 1 July 2020 to 30 June 2021.

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The report on this audit is structured as follows:

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### Audit Opinion

The audit identified that the Agency had invested time, effort and resources to establish relevant performance measures and are implementing further systems, processes and controls to support achievement of outcomes and improved reporting as they relate to the performance management systems and processes related to NT WorkSafe's strategic outcome of *"Legislative reforms, safety awareness, and education that supports industry, business and community needs"*.



## NT Worksafe cont...

Some opportunities exist to enhance the performance management systems and processes related to the selected strategic outcomes.

### Recommendations

At the conclusion of the audit, I made the following recommendations to enhance the effectiveness of the Agency's performance management systems and processes related to NT WorkSafe's strategic outcome of *"Legislative reforms, safety awareness, and education that supports industry, business and community needs"*.

- Design, document and implement an approach for the development of the Strategic Plan that includes the processes by which progress against the Strategic Plan will be monitored and reported upon.
- Ensure externally published strategic issues, outcomes, outputs, key performance indicators and organisational structures are consistent and aligned with those used internally to manage the performance of the Agency.
- Establish a system for actively monitoring actual performance against targeted performance during the course of the year and at year end, including regular management reporting in relation to performance measures.
- Develop standardised policies and procedures for data collection and reporting.

### Audit Observations

#### Strategic Framework

Whilst the Agency and NT WorkSafe have each developed a Strategic Plan, the documentation of an end to end process for development of the strategic framework encompassing all plans and related governance documents was not apparent. A documented strategic framework would assist in ensuring that all the obligations of the Agency and NT WorkSafe are clearly identified, documented, communicated and addressed; that the relationship between the Strategic Plan, Business Plan and Performance Measures is clearly demonstrated; and that each of these Plans/Measures are developed consistently across output groups within the Agency.

#### Budget Paper No. 3

Within the 2020-21 Budget Paper No. 3, the Agency identifies NT WorkSafe's strategic outcome of *"Legislative reforms, safety awareness, and education that supports industry, business and community needs"*. There were three related performance measures included in the budget paper.

#### Strategic Plan

##### *Agency Strategic Plan*

The Agency had a Strategic Plan 2017 to 2020. Agency representatives advised that, due to the machinery of government changes in 2020-21, together with changes in the Chief Executive Officer position, a Strategic Plan was not developed for the 2020-21 financial year.

The Agency developed a Strategic Plan 2021-2025 which used input from a number of regional roadshows to determine the Agency's consolidated outcomes which were then agreed during workshops facilitated in Darwin. Representatives from NT WorkSafe were invited to attend these Strategic Planning workshops.



## NT Worksafe cont...

Both the Agency's Strategic Plan 2017-2020 and Strategic Plan 2021-2025 included strategic statements that were able to be related to NT WorkSafe's strategic outcome of "*Legislative reforms, safety awareness, and education that supports industry, business and community needs*" as published in the 2020-21 Budget Paper No. 3 however they were not directly aligned to NT WorkSafe's strategic outcome. The various strategic statements are presented below.

### Agency Strategic Plan 2017-2020

- Maximising awareness of services through education
- Re-examining changes to workers' compensation legislation to achieve a fair balance.

### Agency Strategic Plan 2021-2025

- Increased community engagement in education and awareness raising activities
- Increased understanding of and accountability for our service standards.

### **NT WorkSafe Strategic Plan**

Prior to 2021, NT WorkSafe's strategies were developed in conjunction with the Agency's overall strategies.

NT WorkSafe, led by the newly appointed Executive Director, developed its own Strategic Plan 2021-2026 concurrently with the development of the Agency's Strategic Plan 2021-2025. Development of the Strategic Plan occurred through collaborative consultation with NT WorkSafe's teams of inspectors, advisors and officers and was informed by relevant legislation and taking into account the Northern Territory context.

NT WorkSafe's recently released Strategic Plan 2021-2026 includes the following strategic objectives which are each supplemented by activities included within the plan:

- Reduce harm
- Build capability
- Secure compliance
- Effective regulatory frameworks
- Evidence-based practice
- Continuous improvement.

Presented below are those activities listed against the strategic objectives in NT WorkSafe's Strategic Plan 2021-2026 that are most closely aligned to the strategic outcome of NT WorkSafe as presented in the 2020-21 Budget Paper No. 3. There are further activities included in the Strategic Plan 2021-2026.

- Reduce Harm: Eliminate and minimise hazards and risks
  - Regulator resources targeted to priority industries and risks
  - Increase the effective use of compliance and enforcement tools to respond to health and safety risks

## NT Worksafe cont...

- Reduce Harm: Advice
  - Develop tools and advice for priority industries and mechanisms of injury
  - Provide advice to all stakeholders to ensure the impact of work-related injuries and illnesses are minimal on Territory workers, and that workers have a timely, safe and durable return to work
  - Actively engage with Health and Safety Representative in workplaces
- Build Capability: Education campaigns
  - Conduct education campaigns in priority industries with relevance to targeting priority mechanisms of injury
- Build Capability: Information and resources
  - Provide information, tools and resources in support of our education campaigns
  - Provide timely information on workplace fatalities and reoccurring serious workplace incidents
  - Provide industry associations with relevant work health and safety statistics and trends
- Secure Compliance: Compliance campaigns
  - Conduct education campaigns in priority industries with relevance to targeting priority mechanisms of injury
  - Regular compliance checks for relevant permits and licenses approved by NT WorkSafe
  - Use improvement and prohibition and where required, infringement notices
- Secure Compliance: Investigation and prosecution
  - Investigations prioritised using the risk-based approach outlined in the National Compliance and Enforcement Policy
  - Prosecution action taken in accordance with the Director of Public Prosecution guidelines

## Business Plans

### ***Agency Business Plan (relevant to NT WorkSafe)***

The Agency has seven output groups:

- Legal Services
- Correctional Services
- Court and Tribunal Support Services
- Director of Public Prosecutions
- Independent Offices
- NT WorkSafe
- Corporate and Shared Services

## NT Worksafe cont...

The Agency developed a Business Plan 2020-21 effective from 21 July 2020 relevant to the Agency's 'Regulatory Services' which included strategies and key performance measures attributed to NT WorkSafe, Licensing NT and Consumer Affairs. The strategic objectives contained in the Business Plan relevant to Regulatory Services do not closely align to the strategic outcome of *"Legislative reforms, safety awareness, and education that supports industry, business and community needs"*.

The Business Plan 2020-21 did not include a financial plan, human resource plan, information technology plan or capital works plan.

### ***NT Worksafe Business Plan (relevant to NT WorkSafe)***

NT WorkSafe did not prepare a specific Business Plan to supplement NT WorkSafe's Strategic Plan 2021-2026.

### **Performance Measures**

#### ***Agency Performance Measures (relevant to NT WorkSafe)***

The Regulatory Services Business Plan 2020-21 includes the following two performance measures that relate to NT WorkSafe, however there are no targets established in the document:

- number of site inspections
- workers' compensation incident ratio.

Whilst there were two performance measures identified in the Regulatory Services Business Plan 2020-21, there were three performance measures published in 2020-21 Budget Paper No. 3. Of these, only the workers' compensation incident ratio was in both documents.

Management advised that the Regulatory Services Business Plan 2020-21 was a preliminary Business Plan and the performance measures were subsequently revised to remove the *"Number of site inspections"* and include the following performance measures:

- compliance and enforcement activities
- advice and information sessions.

Management advised that the change in performance measures was initiated to enable the new measures to be aligned with the Comparative Performance Monitoring Report. The Comparative Performance Monitoring Report published by Safe Work Australia analyses trends in work health and safety and workers' compensation scheme performance across Australia and New Zealand.

### ***NT WorkSafe Performance Measures***

NT WorkSafe's Strategic Plan 2021-2026 includes the following performance measure *"NT WorkSafe workers compensation incident claims per 1000 workers"* and includes the following strategic goals which align to its performance measure:

- Reduce the lives lost in workplace incidents
- Reduce the number of serious work related injuries
- Reduce the number of incidents claims per 1000 workers
- Increase the percentage of injured workers who return to work within 12 months.

## NT Worksafe cont...

There was no documented framework or methodology for determining targets relevant to each key performance measure. There was no evidence to demonstrate that NT WorkSafe personnel had considered if the identified performance measures met the established better practice criteria for performance measures in that they were Specific, Measurable, Achievable, Relevant and Timely (SMART).

Table 1 demonstrates that the performance management systems and processes would benefit from closer alignment between the Agency's Strategic Plan and Business Plan (relevant to NT WorkSafe) and the Strategic Plan developed by NT WorkSafe to assist NT WorkSafe personnel delivering upon their statutory responsibilities.

Table 1: Comparison of Agency and NT Worksafe strategic corporate documents

Agency	NT Worksafe (Agency Output Group)
Budget Paper No. 3 included: <ul style="list-style-type: none"> <li>NT WorkSafe relevant outcome</li> <li>Three performance measures</li> </ul>	Budget Paper No. 3 included: <ul style="list-style-type: none"> <li>NT WorkSafe relevant outcome</li> <li>Three performance measures</li> </ul>
Strategic Plan which included: <ul style="list-style-type: none"> <li>Strategic objectives related to, but not specific to, NT WorkSafe</li> </ul>	Strategic Plan for NT WorkSafe which included: <ul style="list-style-type: none"> <li>Strategic objectives and related activities</li> <li>Strategic goals</li> <li>One performance measure</li> <li>One performance target</li> </ul>
Business Plan for 'Regulatory Services' encompassing NT WorkSafe, Licencing NT, and Consumer Affairs, which included: <ul style="list-style-type: none"> <li>Two performance measures relevant to NT WorkSafe subsequently revised to three performance measures</li> </ul>	

## Monitoring and Management Reporting

NT WorkSafe maintains an excel spreadsheet that is used to collate the data relevant to performance measures by month for reporting purposes. This spreadsheet is used to monitor the actual performance during the year and contributes to monthly management internal reports, executive reports, the Annual Report content and reports to external parties.

Processes supporting the reporting and monitoring of actual performance are generally manual rather than automated and are dependent on the collation of data by a number of personnel within various NT WorkSafe teams. As a result of the significant reliance on manual processes, errors or inconsistencies in collation may not be easily detected and corrected.

## NT Worksafe cont...

There are documented procedures or work instructions within each NT WorkSafe team that identify the data to be collected and the processes for recording, reporting and storing the collated data. The work instructions are comprehensive however there is no holistic approach to ensure standardisation of policies, procedures and work instructions relating to the data collection process for each performance measure. As a result, there could be inconsistent data collection methods and performance measure definitions leading to inconsistent inclusion or exclusion of data across teams.

In addition, there was limited documentary evidence to demonstrate NT WorkSafe's assessment of actual performance against targets.

### Annual Reporting

Performance results are reported in the Agency's Annual Report using the data contained within the excel spreadsheet maintained by the Business Manager, NT WorkSafe. Evidence to support the data in this excel spreadsheet is saved in TRM by the respective NT WorkSafe teams.

There was no documentary evidence to demonstrate that someone independent of the individuals collecting and collating the data had reviewed the data contained in the excel spreadsheet to ensure the reported results were accurate and complete.

The audit procedures involved testing the 2020-21 excel spreadsheet for formula accuracy with a small number of formula errors identified within the spreadsheet that resulted in erroneously reported performance measures.

Table 2: Variance analysis of key performance measures selected for audit

Performance Measure 2020-21	Using corrected formulas	2020-21 Annual Report	Variance (%)
Compliance and enforcement activities (Intervention and enforcement actions)	3,566	3,899	333 (8.5%)
Advice and information sessions (Education and advice activities)	42,911	39,978	2,933 (7.3%)
NT WorkSafe workers' compensation incident claims per 1000 workers	8.4	8.2	0.15 (1.8%)

## NT Worksafe cont...

### Testing Overview

A summary of the key performance measures as budgeted, together with actual results and related variances is presented below and was subject to audit testing.

Table 3: Variance analysis of key performance measures selected for audit

Performance Measure 2020-21	2020-21 Budget	2020-21 Annual Report	Performance Variance to Budget	Performance Variance to Budget (using corrected formulas)
Compliance and enforcement activities (Intervention and enforcement actions)	4,000	3,899	101u	434u
Advice and information sessions (Education and advice activities)	40,000	39,978	22u	2,911f
NT WorkSafe workers' compensation incident claims per 1000 workers	8.6	8.2	0.4u	0.2u

Source: Department of the Attorney-General and Justice Annual Report 2021 (Variance to Budget figures)

u = Unfavourable

f = Favourable

There was no detailed examination or assessment of the variance between actual results and budgeted performance undertaken by NT WorkSafe or the Agency to enable further strategic actions to be developed to ensure targets are met. The extent to which a variance from budget was favourable or unfavourable was not explained. The Annual Report for the 2020-21 financial year did not include any explanatory information or analysis of trends notwithstanding that three-year trends were reported for the performance measures. The inclusion of a comparable dataset over time, as presented in the Annual Report, represents better practice.

## NT Worksafe cont...

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

The recommendations in the Auditor-General's report are noted. The Department and NT WorkSafe have already begun working together to improve the minor performance management system improvements recommended.

# Shared Services

## Department of Corporate and Digital Development

### Background

Historically, Northern Territory Government (NTG) agencies had maintained their individual corporate services functions within their respective agency. In 1998, corporate services were consolidated within a newly formed agency being the Department of Corporate and Information Services (DCIS). The function of DCIS was to maintain a centralised corporate services delivery model to effectively support the day-to-day operations of all government agencies.

In November 2018, the NTG established the 'Fiscal Strategy Panel' (the Panel) to assess the Territory's fiscal outlook and develop a plan for budget repair<sup>1</sup>. The Panel identified numerous reform opportunities however the following two were specifically in relation to shared services:

- *"5.4.1 Implement the next phase of shared services reform by further centralising corporate services in the Department of Corporate and Information Services.*
- *5.4.2 Further centralise infrastructure planning, management and delivery into the Department of Infrastructure, Planning and Logistics, including repairs and maintenance budgets."*

This audit focused on the implementation of Recommendation 5.4.1, relating to the further centralisation of corporate services.

This recommendation was premised on the reasoning that *"an opportunity exists to significantly improve efficiency across government through further centralisation of corporate support functions common across agencies to achieve improved scale, and standardised and streamlined processes"*<sup>1</sup>.

The Panel's report identified a significant level of duplication in the corporate services functions maintained by the various NTG agencies. The Panel recommended the following services be consolidated and performed by DCIS:

- Human Resources (advisory, case management, training and development, reporting)
- Information and communications technology (ICT) (advisory, support staff, business systems support)
- Procurement (advisory, procurement planning and processing, contract administration, reporting); and
- Web management (technical).

The overarching objective of the reform process was to bring similar functions together, standardise functions to gain efficiencies and reduce costs over time, with *A plan for budget repair* detailing that the reform would be based on the following four principles:

- *The model would apply to all agencies in the general government sector (that is, excludes government owned corporations)*
- *Agency staff in identified functions/activities would be transferred to the new central service agency from the outset, with the service delivery model refined as the reform program is progressed*

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<sup>1</sup> DTF. (March 2019). *A plan for budget repair – Final Report*



## Shared Services cont...

- *Savings would be achieved over time through attrition, including reductions in senior administration and executive contract officers (targets would be developed as the reform program is progressed)*
- *Service and policies would be standardised to drive efficiency, requiring a change management program to assist agencies to transition from customised approaches.*

Following machinery of government changes in September 2020, DCIS was renamed the Department of Corporate and Digital Development (DCDD). The key functions of DCDD remained unchanged. For consistency, this report will refer to the current and former Agency as DCDD.

The implementation of this recommendation is referred to as Corporate Services Reform Stage 3 (CSR3 or the CSR3 reform program). DCDD is responsible for implementation of the CSR3 reform program<sup>2</sup>.

## Scope and Objectives

This audit concentrated on performance management systems and processes implemented to manage Shared Services on behalf of the NTG. The audit assessed the performance management systems in place at the Department of Corporate and Digital Development that enabled it to deliver:

- Recommendations within the report entitled *A plan for budget repair* as they relate to centralising corporate services; and
- Northern Territory Government Shared Services.

The audit covered the period from the commencement of the CSR3 reform program from 1 July 2019 through to 28 February 2021. The audit fieldwork was largely conducted between April 2021 and November 2021 inclusive with completion of the audit occurring in January 2022.

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<sup>2</sup> DCDD Reforms Program Plan 2020-21

## Shared Services cont...

### Index

The report on this audit is structured as follows:

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### Audit Opinion

A considerable amount of work has been undertaken by DCDD in order to identify and standardise service offerings to the public sector entities that represent the Agency's clients. In my opinion, the Agency could implement some improvements in order to demonstrate the Agency's objectives are being achieved economically, efficiently and effectively.

### Recommendations

I recommended:

- Management assess the effectiveness of the work undertaken to achieve the desired outcomes. It would be beneficial to undertake an independent assessment of outcomes and outputs as part of subsequent program evaluation.
- Reporting be improved by clearly identifying the original timeline for completion and any subsequent extensions to the timeline.
- Management extend its processes for monitoring feedback and complaints to ensure they are recorded, assessed and appropriately actioned with outcomes communicated back to the client agency.
- Management ensure the services are consistently defined and documented throughout key internal and external documents.

## Shared Services cont...

- Service Statements be enhanced to ensure services are clearly and concisely defined and to attribute key performance indicators and standards to each service. To achieve efficiencies in service delivery, I further recommended consideration be given to enabling client agencies to identify any listed services they do not require which may enable DCDD to identify and downsize service offerings accordingly.
- Sufficient information be made available to enable client agencies to recalculate the cost charged and test that the costs charged are accurate. This would involve clearly defining the cost drivers and disclosing from where the usage data is obtained. Service Statements would benefit from being referenced to the Pricing Model. Management may also need to consider whether a mechanism for client agency approval/acceptance of direct charges is necessary to ensure client agencies' financial delegations are complied with.
- The cost allocation method be reviewed on a regular basis to ensure the appropriateness of the assumptions and the cost drivers utilised. Such a review process, including the communication of any changes, could be documented within the Enterprise Service Framework (the Framework).
- Management consider implementing a timetable for annual review of the Pricing Model that aligns as closely as practicable to the requirements of the budget timetable released by the Department of Treasury and Finance.
- Evidence of reviews of data be maintained to demonstrate the accuracy of the data used for invoicing.
- Processes be reviewed on a regular basis to ensure they are contemporary and accurate. Good practice would involve processes being tested by users to ensure that instructions are clear and complete.
- Existing arrangements be reviewed to ensure that they are aligned to the Framework objectives of 'Standardise' and 'Improve and automate where feasible' in order to achieve efficiencies.

## Audit Observations

### Implementation of Shared Services Reform

The intent of CSR3 is to *"unify and integrate common corporate support functions and resources needed to deliver corporate functions, with the aim of achieving the following outcome: effective government service delivery enabled through an optimal organisation construct providing high calibre support and effective use of resources"*.<sup>3</sup>

The rollout of the CSR3 reform program commenced on 1 July 2019, requiring all agencies to transfer to DCDD the budget and staff used to deliver designated corporate services functions. The responsibility for managing agencies' ICT systems, support staff and associated budgets were also transferred.

The Agency's 2019-20 Annual Report identified that more than 500 corporate services staff were transferred across to DCDD. The 2020-21 Annual Report recorded a major office co-location program was undertaken with around 1,500 staff relocated and functional teams established.

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3 Corporate Services Reform (CSR3) – Transition to Functional Streams information paper

## Shared Services cont...

On 17 February 2021, the DCDD website reported the “*Corporate Services reform program is being undertaken in phases, over one to two years*”.

The CSR3 program has five phases. At the time this audit commenced, the reform was in the ‘Standardise’ phase which involves “standardise and streamline business process, develop standard operating procedures and management reporting, establish common forms, consolidate duplicate ICT systems”.

Figure 1: Shared corporate services reform continuum



Source: CSR3 Timeline

Moving into the next two phases, ‘Improve and automate’ and ‘Generate efficiencies’, will allow the development and refinement of savings targets. There were no key performance indicators or targets initially established to assist with monitoring the outcomes of the reform although DCDD personnel have established action plans identifying activities to be achieved.

### Governance

The CSR3 reform program is being overseen by several boards and committees, both internal and external to DCDD. Internally, the governance structure consists of the:

- Enterprises Services Program Board (previously Reforms Program Board)
- DCDD Corporate Reforms Oversight Committee
- DCDD Digital Reforms Oversight Committee

These groups meet on a bi-monthly or monthly basis and report directly to the Chief Executive of DCDD.

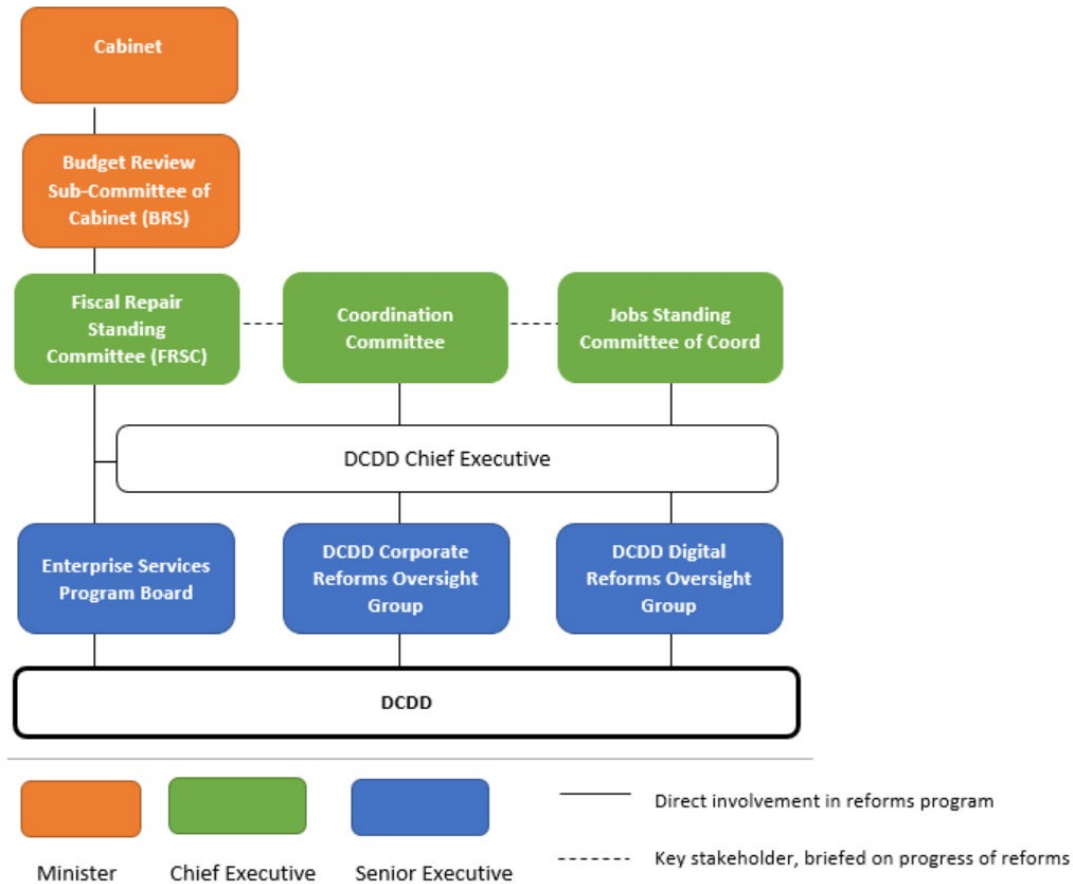
External oversight of the reform is undertaken by the:

- Fiscal Repair Standing Committee (FRSC)
- Chief Executives Coordination Committee
- Jobs Standing Committee
- Budget Review Subcommittee of Cabinet.

## Shared Services cont...

A diagrammatical representation of the governance structure overseeing the CSR3 reform program is presented in Figure 2.

Figure 2: CSR3 governance structure



Source: DCDD Reforms Program Plan 2020-21

### Enterprise Services Program Board

The role of the Enterprise Services Program Board is to oversee DCDD's implementation of CSR3, including identification of any issues or opportunities. It reports to both the DCDD Chief Executive and the FRSC on the following responsibilities:

- *"Monitor program performance and progress of Corporate and Digital Transformation reforms implementation across reform projects identified in the plan for budget repair in line with implementation plans and Government's policy decisions"*
- *Consider matters relating to enterprise services reform programs implementation requirements and provide advice to the DCDD Chief Executive and, where required, FRSC*
- *Provide a coordinated and collaborative approach to enterprise services reform implementation across government*
- *Identify matters of broader budget strategy or policy for referral to the FRSC"<sup>4</sup>.*

<sup>4</sup> DCDD Enterprise Service Program Board Terms of Reference – January 2021

## Shared Services cont...

As at 30 April 2021, the membership included:

- Chief Executive, DCDD
- Deputy Under Treasurer, Department of Treasury and Finance
- Executive Director, NT Police Fire and Emergency Services
- Director Employee Relations, Office of the Commissioner for Public Employment
- Reform Office Senior Director, DCDD
- Executive Director, Department of Education
- Chief Financial Officer, Department of Infrastructure, Planning and Logistics
- Executive Director Strategy and Performance, Territory Families, Housing and Communities

### Reform Oversight Committees

Two Oversight Committees were established, one with the responsibility to oversee the Corporate Reforms and the other to oversee the Digital Reforms. The membership of each Oversight Committee comprises DCDD senior staff as determined by the Chief Executive.

### ***Planning***

To implement CSR3, DCDD applied a project management approach which uses short development cycles allowing elements of the project to be delivered frequently and in smaller components.

A total of three implementation plans, referred to as Sprints 1, 2 and 3, were developed in the 2019-20 financial year. The duration of each Sprint ranged between 90-100 days. The purpose of short sprints was to allow each plan to adapt and change depending on the realised outcomes.

Each Sprint plan is summarised below<sup>5</sup> :

- *“Sprint 1: Implementation Plan (June to August 2019) focused on maintaining ‘as is’ arrangements for clients and corporate services staff with agency-based service delivery.*
- *Sprint 2: Implementation Plan (September to December 2019) delivered the Aggregate Phase involving finalisation of MOG and budget transfers, establishing functional realignment and restructuring to enable effective government service delivery for the transition, coordinating logistics, commencing process improvement and continuation of governance and reporting.*
- *Sprint 3: Implementation Plan (January to June 2020) transitioned to the Re-Organise Phase with implementation of a more centralised operational model and structures for the seven new corporate functions. Milestones achieved 1 April 2020 with Enterprise Corporate Services transitioned to delivering corporate services through a hybrid model with a mix of enterprise services and portfolio teams.”*

At the completion of each plan, DCDD monitored the success of the specified deliverables by reporting against each plan, with any outstanding deliverables being addressed in the next plan. Sprint 3 detailed 30 specific actions, of which ten were completed, 19 were in progress and one was yet to commence as at June 2020.

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<sup>5</sup> DCDD Reforms Program Plan 2020-21

## Shared Services cont...

During the 2020-21 year, DCDD moved from setting three and six month sprint plans to an annual Reforms Program Plan aligned to the financial year. DCDD advised the Reforms Program Plan for 2020-21 commenced in October 2020 due to the COVID-19 pandemic, Machinery of Government (MOG) changes and DCDD's development of the Framework.

The move from sprint plans to an annual Reforms Program Plan combined key programs for which DCDD had responsibility including the CSR3, Digital Transformation Program and the implementation of the recommendations from the TERC Report. These additional responsibilities were not reviewed as part of this audit.

Due dates were established within sprint plans and the Reforms Program Plan for the time period specific to each plan. There was no timeline developed across the whole program encompassing the five stages. With the actions to establish and commence the centralised services now complete, DCDD anticipate that efficiencies and budget and savings from the reform will become evident in future years with reporting on reform activities expected to continue for the next two years. Recognising that the shared services reform continuum presented in Figure 1 involves aggregation, reorganisation and standardisation of services before the realisation of efficiencies can be demonstrated, the establishment of timelines and corresponding performance targets would be useful to demonstrate how implementing the reforms has resulted in improved efficiencies and an associated impact on government expenditure.

### ***Enterprise Service Framework***

The Framework, finalised in September 2020, was to "*set out the OneNTG collaborations approached for the delivery of enterprise-wide corporate and digital support services to NTG agencies, business divisions and other government entities (collectively, clients)*". 'OneNTG' is the internal brand used to refer to the shared services arrangements. The Framework sets out the key principles for service delivery including expectations of DCDD and its client agencies. Under the Framework, DCDD's roles and responsibilities are:

- to deliver centralised corporate services and business support solutions that enable all government agencies and entities to focus on their core business and fulfil their service goals
- to support agencies to achieve their goals by delivering high calibre services, transformative solutions and trusted advice.

The Framework includes several performance reports to facilitate monitoring of the delivery of services by DCDD. Performance reporting of these commenced in September 2020, with the 'Enterprise and Agency Strategic Priorities report' being developed and provided to thirteen client agencies on a quarterly and annual basis.

DCDD established liaison officer positions, referred to as 'Business Connectors' to assist with monitoring of client service delivery and complaints handling.

A dispute resolution process is included in the Framework, with feedback on service delivery being provided either through DCDD's website or by the individual client agency's dedicated Business Connector. The feedback is received on a daily basis, however at the time of audit fieldwork this was yet to be centrally recorded and monitored.

An NTG Customer Experience Framework was developed in July 2020 by the Department of the Chief Minister and Cabinet with DCDD intending to release its Customer Charter in 2022. An updated complaints policy is also in the process of being finalised, as the current version has not been updated since June 2018.



## Shared Services cont...

### **Resourcing**

The *A plan for budget repair* report initially identified four services<sup>6</sup> for transition to a central model. The four services were later split into seven, with ICT services divided into Data and Digital and the inclusion of Information Management. The following seven services were transferred from the client agencies to DCDD:

- |                           |                   |
|---------------------------|-------------------|
| 1. Human Resources        | 5. Web Management |
| 2. ICT                    | 6. Fleet          |
| 3. Procurement            | 7. Data.          |
| 4. Information Management |                   |

The Administrative Arrangements Order (No 2) 2019 issued on 27 June 2019 transferred the budget, staff and IT systems from the client agencies to DCDD. The Order took effect on 1 July 2019 with the transfer taking place over several months.

The Accountable Officer of each agency was required to identify all relevant resources and agree to transfer them over to DCDD. The staff in the roles being transferred (procurement, human resources, ICT) were determined as being 'in-scope' and therefore transferred to DCDD. Where a staff member performed numerous functions, the agency was required to assess if the role was suitable for transfer.

By the conclusion of Sprint Plan 3 in June 2020, a total of 556 staff from 15 different agencies had been transferred to DCDD.

Subsequent to this initial consolidation process, one group of resources was transferred back to the original client agency by agreement between the relevant Accountable Officers.

In order to assist with the transition process, all staff initially remained physically located in their original agencies, with only their 'roles' being transferred to DCDD. During the 2020-21 financial year, these staff were then relocated into central locations.

Along with the staff, a total of \$11,048,000 in budget allocation was also transferred to DCDD in addition to relevant assets, such as ICT devices and systems, fleet vehicles, furniture and fittings and office tenancies.

### **Cost**

Costs associated with the implementation of the recommendations were required to be absorbed within agencies' existing budgets. Apart from the resources transferred in, DCDD did not receive any additional appropriation to implement the roll out of CSR3. Any additional costs were to be met through the existing budget.

The additional expenditure incurred by DCDD to run the Reform Office and the introduction of the Business Connectors was \$1.96 million for the 2020-21 financial year and was funded from the budget transferred in from agencies.

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6 DTF. March 2019. A plan for budget repair – Final Report



## Shared Services cont...

### ***Risk monitoring***

A CSR3 Risk Register was developed in May 2019. The register was then incorporated within the DCDD's Strategic Risk Register and the Reform Office's Fraud and Operational Risk Register.

Risk assessments are completed on a six-monthly basis with the assessment being conducted by the Reform Office and reported to the Risk Management Committee and the Chief Executive. At the time of conducting fieldwork, the most recent risk review was undertaken in January 2021.

Both risk registers report high levels of inherent risk associated with the rollout of *A plan for budget repair* including CSR3, the risk being that DCDD will be unable to deliver the efficiencies expected from the reforms. DCDD has established a number of processes including stakeholder engagement and reporting and monitoring of the reforms to governance groups within and outside DCDD. The residual risk after the implementation of the current control measures reduces to 'medium' for all CSR3 related risks.

### **Shared Services Delivery**

The Framework sets out the OneNTG collaborative approach for the delivery of enterprise wide corporate and digital support services. The Framework identifies 11 service domains to be provided by DCDD categorised under the two primary services Corporate Services and Digital Services:

Corporate	Digital
1. Workforce	7. Digital Systems
2. Finance	8. Digital Projects
3. Procurement	9. Business Intelligence
4. Information Management	10. Digital Infrastructure
5. Fleet	11. Hosting Services
6. Property Leasing	

These 11 service domains are further broken down into 38 service segments, each supported by a Service Statement.

### ***Service Statements***

The delivery of shared services is defined by individual 'Service Statements' prepared by DCDD and available to all client agencies. The Framework includes a template of the content to be included within each Service Statement including:

- Service Description: DCDD Service Responsibilities, Service Exclusions, Reports and Standards
- Client Responsibilities
- Service Access: Delivery Contacts, Costing, Related Services
- Feedback

## Shared Services cont...

The 38 Service Statements relate to the following services:

- |   |   |
|---|---|
| 1. Accounts Payable                             | 20. Fleet Management Services   |
| 2. Accounts Receivable                          | 21. ICT Infrastructure Services   |
| 3. Across Government Contracts                  | 22. ICT Security Services   |
| 4. Across Government Systems                    | 23. ICT Services  |
| 5. Agency Business Systems                      | 24. Inability, Conduct, Performance Management, Workers Compensation and Dispute Resolution |
| 6. Agency Procurement Services                  | 25. Information Management  |
| 7. Application Hosting and Integration Services | 26. Job Evaluation Services   |
| 8. Application Services                         | 27. Ledger Services   |
| 9. Asset Services                               | 28. Payroll Debt Recovery   |
| 10. Banking Services                            | 29. Payroll Services  |
| 11. Career Pathways                             | 30. Procurement Administration Services   |
| 12. Corporate Card Services                     | 31. Property Leasing Services   |
| 13. Data Services                               | 32. Quotations and Tenders Services   |
| 14. Data Storage and Backup Services            | 33. Receiver of Territory Monies  |
| 15. Digital Communications                      | 34. Recruitment Services  |
| 16. Employee Relations and Change Management    | 35. Taxation Services   |
| 17. Employment Actions                          | 36. Technology Services   |
| 18. Enterprise Project Services                 | 37. Workforce Development   |
| 19. Facilities Management of Leased Property    | 38. Workforce Services Support  |

Some Service Statements lack sufficient detail to provide a clear understanding of the services that will be delivered and the corresponding cost. The following areas for improvement were observed in a number of Service Statements:

- The service responsibility statements provided are broad descriptions which are not specific or measurable.
- The service responsibilities and standards are not consistent.
- Performance standards are not included.
- There is no description of what the listed reports are for or how they should or could be utilised.
- There is no clear alignment to the Pricing Model.

There is no mechanism for client agencies to elect to receive only those services required by their agency. To achieve efficiencies in service delivery, consideration needs to be given to enabling client agencies to identify any listed services they do not require which would enable DCDD to identify and downsize unwarranted service offerings (and personnel) accordingly.

## Shared Services cont...

The Service Statements were updated between December 2020 and April 2021 to reflect the new Model and Framework from the CSR3 reform.

During the process of updating the Service Statements, draft Service Statements were provided to the agencies for feedback specifically requesting if:

- the services meet their needs,
- there were any missing services, and
- it was clear as to how the services were accessed.

A Feedback Register was produced using information collated by DCDD Senior Directors of each segment. The information was summarised and updated Service Statements were issued to the Executive Management Board for approval (via the Reform Office).

Prior to this, the existing Service Statements had not been updated since 2014. The Framework now requires the Service Statements to be reviewed on a rolling annual basis or when the service significantly changes.

### ***Cost and Pricing Model***

To fund the provision of services, DCDD receives an annual appropriation and also generates revenue from the sale of services delivered to its client agencies.

#### Allocation Method

Costing information included in the Service Statements is not specific, with the default narration being a generic reference to the 'cost model' (Pricing Model).

DCDD uses a cost allocation method to recover the costs of delivering services. No profit margins are recovered. The methodology was first adopted by DCDD in 2013. The process involves:

1. Service definition.
2. Allocating the direct and overhead costs.
3. Apportioning costs based upon the predicted number of transactions.

Separate to the Service Statements, DCDD maintain a Pricing Model. The 2019-20 Pricing Model identified 67 charges. There is no clear and documented alignment between the services in the Framework, Service Statements and the cost drivers.

Neither the Pricing Model nor Service Statements specify where the cost drivers are sourced from or the time period to which the charges are applied.

The Pricing Model for 2020-21 was updated and released on 26 October 2021, four months into the financial year in which the charges are being applied. Pricing Model changes did not align with agency budget development requirements. Consequently, the new prices are not reflected in the agencies' budgets released in May 2021.

Prior to the 2020-21 update, the Pricing Model was last updated in the 2018-19 financial year with minor price revisions being made. Prior to this update, the listed products and prices had remained unchanged since the 2012-13 financial year. The Pricing Model is not available on NTG Central, the across government intranet. Client agencies are reliant on notification from DCDD of any changes in the Pricing Model in order to revise their internal budgets.

## Shared Services cont...

The 2021-22 Pricing Model has 87 charges across 13 services:

- |                              |                           |
|------------------------------|---------------------------|
| 1. Across Government Systems | 8. Information Management |
| 2. Agency Digital Services   | 9. Procurement Services   |
| 3. Data Services             | 10. Property Management   |
| 4. Employment Services       | 11. Web Services          |
| 5. Finance Services          | 12. Workforce Development |
| 6. Fleet Services            | 13. Workforce Relations   |
| 7. ICT Services              |                           |

There is no clear nexus between the Service Statements and the Pricing Model.

The Pricing Model consists of two elements, the cost drivers and the product prices. The cost drivers most commonly used include the number of full time employees or the number of transactions.

Neither the Service Statements nor the Pricing Model define the cost drivers. Many cost drivers are not able to be clearly identified or understood. Examples where further explanation could be beneficial are presented below.

Cost Driver	Further explanation as to:
# of Pay Transaction Records – Manual	What constitutes a manual transaction?
# of Pay Transaction Records – Auto	What constitutes an automated transaction?
# of Payroll Contacts	What is a contact?
# of Temporary / nominal moves	What is a temporary / nominal move?
# of Interfaced Payment Transactions	What is an interfaced payment?
# of Manual Payment Transactions	What constitutes a manual payment?
# of Manual Ledger Transfers	What constitutes a ledger transfer?
# of Manual Receipts	What constitutes a manual receipt?
Per Workstation	What components comprise a workstation?
Per advice across the full suite of HR services	What constitutes advice?
% of services by agency	What constitutes a service?
Per Device	What is a device?

The items charged to client agencies are divided into 'real' and 'notional' charges. Invoices (both for "notional" and "real" cost) are accessible to client agencies via the Electronic Invoice Management System (EIMS). 'Real' charges are incurred by Government Business Divisions and other entities who are required to pay for the services that are provided. Where agencies are 'notionally' charged with no funds recovered, DCDD processes the relevant expenditure and corresponding revenue directly to the individual agency's ledger, as a 'free of charge service'. It is not clear how the practice of directly charging client agency expense codes aligns with the client agencies' financial delegations.

## Shared Services cont...

### *Invoicing*

Invoices are created by the Budgets and Finance Unit, based on the monthly quantity usage of each product, recorded within the Internal Billing Information System. The cost driver information is extracted from the relevant business systems.

The usage quantity is extracted by the Segment Unit or the Data Services Unit within DCDD, before being collated into a summary spreadsheet by an officer within the Budgets and Finance Unit. As usage is activity based, minor fluctuations are anticipated month on month. Significant fluctuations are checked as part of the review process by the relevant Billing Manager within the Budgets and Finance Unit prior to the issue of the invoice. No records of the review process were retained.

Quantity data is required to be provided to the Business and Finance Unit by the fifteenth day of each month, to facilitate the invoicing process. As the quantity data reports can only be generated at a 'point in time', there is no ability to reproduce the reports at a later date.

Although the invoicing process has been documented within the Monthly Billing Procedure document, it has not been updated since August 2017.

As notional invoices are not required to be physically paid, there is no formal notification of the charge to client agencies, requiring the client agencies instead to monitor their general ledger. Client agencies do not have access to the quantity usage data and are reliant on the limited information in the invoices and the quality controls performed by DCDD. Where a client agency has concerns over what has been invoiced, their inquiry is directed to the Senior Budgets and Finance Officer.

All but two DCDD client agencies are subject to the Service Statements and Pricing Model. The two exceptions are Power Water Corporation (PWC) and the Museum and Art Gallery of the Northern Territory (MAGNT).

A fixed cost arrangement with MAGNT has been in place since 2015-16 at which time DCDD's antecedent agency agreed to align the fixed charge to MAGNT's budget appropriation for administrative costs. Notwithstanding the fixed cost arrangement, MAGNT is subject to the requirements of the Service Statements. Although DCDD revised their Pricing Model for the 2020-21 year, the fixed costs to MAGNT had not decreased in line with the general pricing adjustments in the Pricing Model.

PWC have one additional service provided by DCDD. The additional service is not documented in the Service Statements, Pricing Model or other formal arrangement. This arrangement has been in place for several years, with the unit price for the service remaining unchanged since inception.

A sample of invoices from the eight billing cycles within the scope of the audit was selected from four of the 38 client agencies and subject to testing as part of this audit. Of the information tested for each of the four entities, the transactions for three were able to be verified against the relevant usage quantities, as extracted from the business systems by DCDD. For the fourth client agency, the audit identified one error, being the allocation of one product to an incorrect standard classification code.

## Shared Services cont...

**The Department of Corporate and Digital Development has commented:**

The Audit opinion is noted. DCDD is working to implement a range of the recommended actions identified in the audit, a number of which are already well progressed as elements of DCDD's continuous approach to service improvement.

# Data Centre Physical and Environmental Security

## Department of Corporate and Digital Development

### Background

Data centres, as centralised locations for computer and networking equipment, should be appropriately secured so as to ensure that access to the centre is not gained by unauthorised personnel and the damage likely to be caused by natural events is mitigated.

Physical and environmental security should ensure that equipment is protected from theft, fire, water leakage, natural disasters (e.g. heatwave, cyclone, flood and earthquake), long term power failure, terrorist activities or any other event that could cause damage, or loss of access, to the data or equipment.

The Department of Corporate and Digital Development (DCDD) hosts the majority of the NT Government (NTG) systems at the Government Data Centre. DCDD hosts a secondary mainframe environment at an external data centre operated by a third party service provider.

### Scope and Objective

The objective of this review was to assess the effectiveness of the physical security controls and the environmental controls over the NTG information technology data centres used by DCDD.

### Opinion

Based on the scope of the review and testing performed, DCDD's physical security controls and environmental controls over the data centres appear to have operated effectively. Some opportunities to enhance the existing controls were identified.

### Observations

DCDD have implemented a range of physical security controls over access to the Government Data Centre that prevent and/or detect unauthorised access to the data centre building and the server room. All door access is logged, with CCTV and motion detection sensors enabled at key locations throughout the building.

A comprehensive building management system has been implemented that monitors the operating conditions of the data centre (e.g. ventilation, cooling, humidity, fire and smoke detection) to ensure that the equipment continues to operate. Whilst protective and detective physical and environmental security measures have been implemented, DCDD does not have a formally defined policy establishing the physical or environmental security requirements of data centres hosting NTG data.

DCDD has defined expected physical and environmental controls in the contractual arrangements associated with the secondary data centre. Some of these controls are the subject of external quality accreditation, however the third party does not provide ongoing external assurance over the operating effectiveness of the required controls.

## Data Centre Physical and Environmental Security cont...

**The Department of Corporate and Digital Development has commented:**

DCDD Data Centre Services continues to strengthen and enhance all aspects of data centre security. Overarching policy documentation addressing physical and environmental security requirements is being developed to augment existing procedural documentation.



# Service Continuity and Resilience

## Department of Corporate and Digital Development

### Background

The Department of Corporate and Digital Development (DCDD) has responsibility for service continuity for an increased number of systems following machinery of government changes in 2020.

DCDD hosts the majority of the systems used across government at the Government Data Centre. DCDD hosts a secondary mainframe environment at an external data centre operated by a third party service provider. Prior to this there was no capability to restore services to an alternate data centre in the event of loss of the Government Data Centre.

The secondary data centre primarily hosts the alternate mainframe environment to enable the failover from the Government Data Centre should the need arise.

### Scope and Objective

The objective of this review was to:

- review the alignment of business impact assessment availability ratings with backup and replication frequency;
- test backup, high availability and recovery processes; and
- inspect information technology disaster recovery processes and the DCDD Business Continuity Planning testing cycle.

### Opinion

Based on the scope of the review and testing performed, DCDD's service continuity and resilience controls appear to have operated effectively.

### Observations

When DCDD assumed the role of managing the majority of the NTG's information technology systems, most agency systems were not 'dual site'. This situation is largely unchanged as DCDD is not currently funded to enable dual site capability for many agency systems hosted on the mid-range equipment.

There has not been a recent business impact assessment at agency level to determine or verify agency expectations for system availability, maximum acceptable outage, recovery point objective or recovery time objectives. Backup regimes are agreed at the time the systems are implemented, and if changes are required, they are managed through a change request. The lack of formal communication and agreement between DCDD and agencies increases the risk that agency expectations regarding the availability and recovery of their critical systems are not aligned with actual capability.

DCDD is currently communicating the benefits of dual site and failover capability with agencies and assisting some agencies to undertake cost benefit analysis in relation to dual site capability.

There may be limited benefit in deploying dual sites for legacy systems. As legacy systems are replaced, planning including the project scope and requirements should consider dual site capability. Once all planned replacement systems have been implemented, DCDD expect the majority of the critical systems will then have failover/recovery capability to an alternate site.

## Service Continuity and Resilience cont...

**The Department of Corporate and Digital Development has commented:**

DCDD continues to work with agencies to assess the benefits and viability of deploying midrange business systems in a dual-site configuration to strengthen resiliency of services. Full service resiliency and disaster recovery capability has been implemented for all government's critical mainframe systems.

# Salary Overpayments

## Selected Entities

### Background

The objective of this assessment was to provide an analysis of salary overpayments outstanding as at 31 August 2021, and new salary overpayments that were identified between 1 July 2020 and 30 June 2021, and to provide information about those transactions to selected NT Government entity's management for review and follow-up.

The analysis is based upon two reports sourced from the BOXI PIPS Financials reporting system, the 'ePOD01 – Outstanding Employee Overpayments' and the 'ePOD02 – Employed Overpayments – Created Obligations' reports.

The ePOD01 report details overpayments outstanding as at the date the report was run. In this instance, the report was run on 1 September 2021 thus effectively being for 31 August 2021. As this report is a 'point in time' report, it does not detail overpayments that have been fully recovered prior to the date the report was run.

The ePOD02 report details all overpayments that have been entered into the ePOD system. This report is able to be produced for a specific time frame. For this analysis, the ePOD2 report was restricted to new salary overpayments identified between 1 July 2020 and 30 June 2021 (inclusive). Salary overpayments recouped within the fortnight, or where there has been an immediate undertaking by the payee to return the money, are classed as 'salary adjustments' not 'overpayments' thus they are not captured within the ePOD02 report.

### Scope and Objectives

The objective of this assessment was to provide an analysis of salary overpayments outstanding as at 31 August 2021, and new salary overpayments that were identified between 1 July 2020 and 30 June 2021.

The analysis was performed for every entity that had either salary overpayments outstanding as at 31 August 2021 or new salary overpayments identified between 1 July 2020 and 30 June 2021. This identified overpayments at the following entities:

- Aboriginal Areas Protection Authority
- Batchelor Institute of Indigenous Tertiary Education
- Board of the Museum and Art Gallery of the Northern Territory
- Central Australia Health Service
- Department of Corporate and Digital Development
- Department of Education
- Department of Environment, Parks and Water Security
- Department of Health
- Department of Industry, Tourism and Trade
- Department of Infrastructure, Planning and Logistics
- Department of Territory Families, Housing and Communities

## Salary Overpayments cont...

- Department of the Attorney-General and Justice
- Department of the Chief Minister and Cabinet
- Department of the Legislative Assembly
- Department of Treasury and Finance
- Northern Territory Legal Aid Commission
- Northern Territory Police, Fire and Emergency Services
- NT Fleet
- Power and Water Corporation
- Power Generation Corporation (Territory Generation)
- Power Retail Corporation (Jacana)
- Territory Wildlife Parks
- Top End Health Service

## Overall Assessment

My review of the data related to salary overpayments highlights the necessity for management to be vigilant at all times and to ensure that all salary amendments are notified to the Department of Corporate and Digital Development (DCDD) Shared Services in a timely manner. Management has a responsibility to ensure financial losses are recovered in a timely manner. Management should work with DCDD Shared Services to analyse trends and identify strategies to reduce overpayments.

The fact that the assessment has identified items as reported in the observations below does not mean that there are not other matters of which management should be aware in meeting their responsibilities, nor does this report absolve them from taking appropriate action to meet their responsibilities. It should be noted that this assessment did not constitute an audit.

## Salary Overpayments cont...

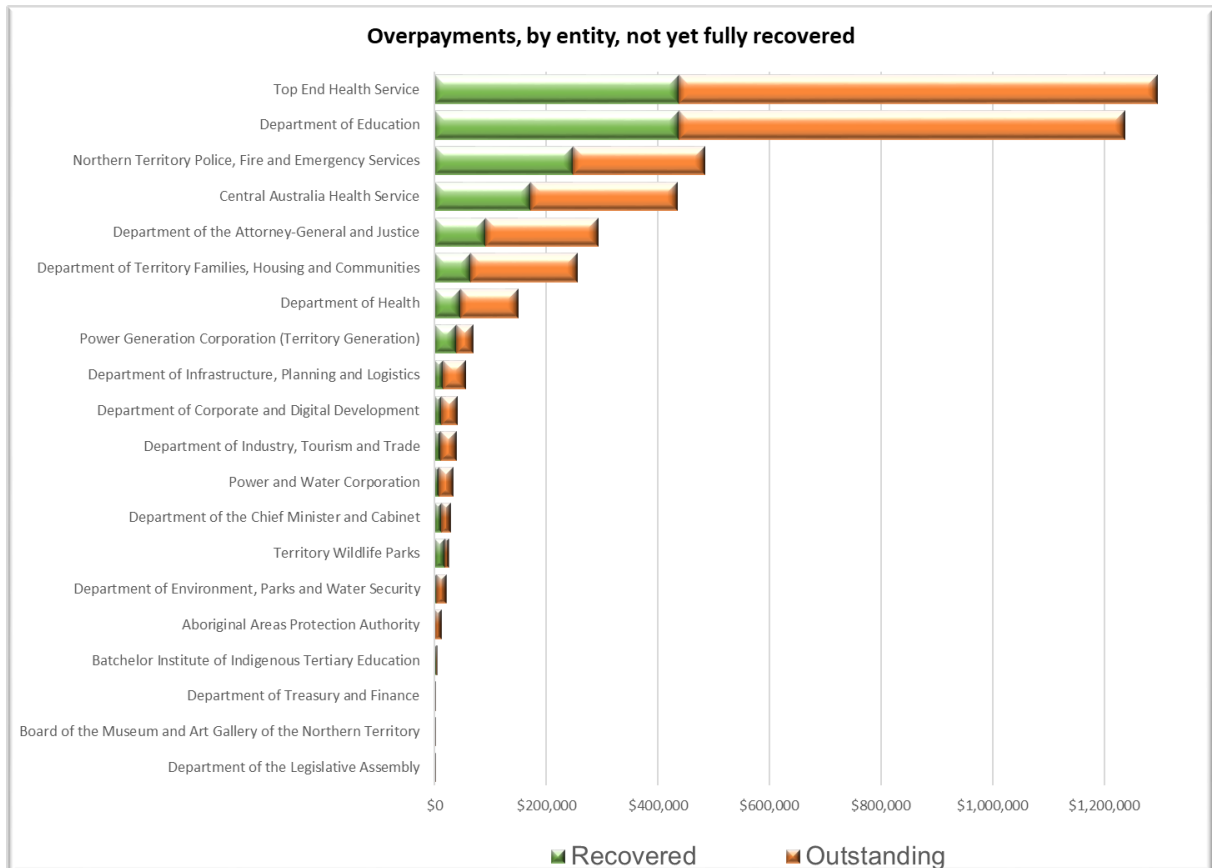
### Observations

#### Outstanding Overpayments as at 31 August 2021 (ePOD01)

The ePOD01 report has identified 795 individual employees that had one, or more, overpayments outstanding at 31 August 2021.

Figure 1 presents the dollar value of overpayments, by entity, which were not fully recovered as at 31 August 2021.

Figure 1: Value of overpayments, by entity

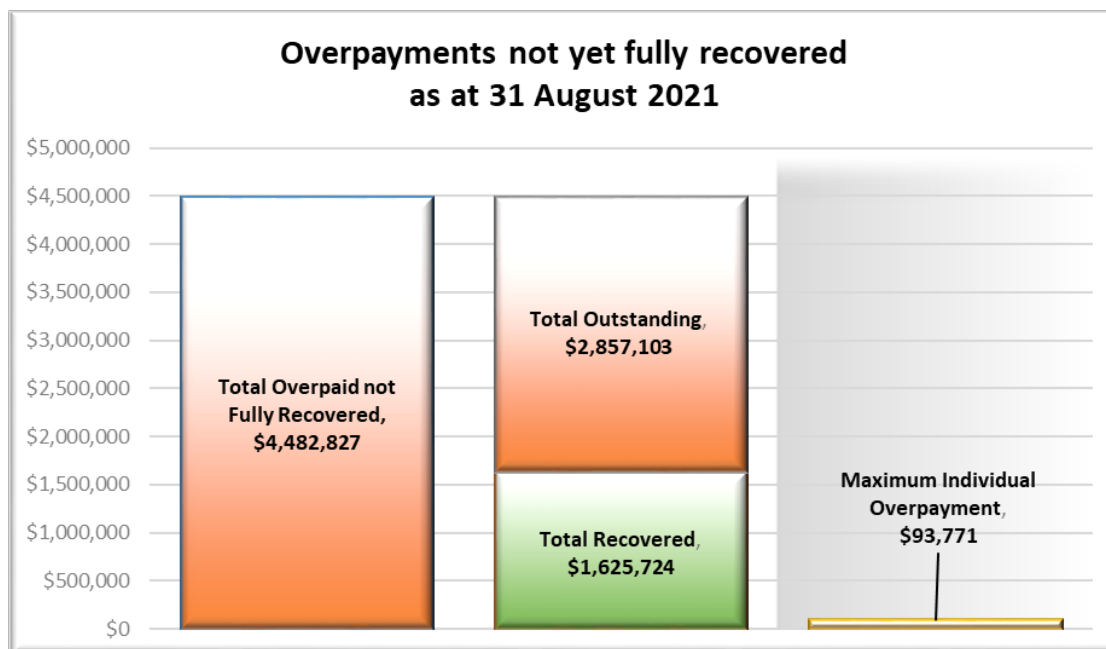


Source: NTAGO derived from ePOD01 report

The overpayments not yet fully recovered as at 31 August 2021 totalled \$2,857,103 and initially consisted of 851 separate overpayments totalling \$4,482,827. Of the initial 851 overpayments, 473 overpayments have been partially recovered. The value of these recoveries is \$1,625,724. The balance of \$1,730,149 associated with these overpayments was yet to be recovered as at 31 August 2021. 378 overpayments totalling \$1,126,953 had no recoveries recorded as having been received from the overpaid employees.

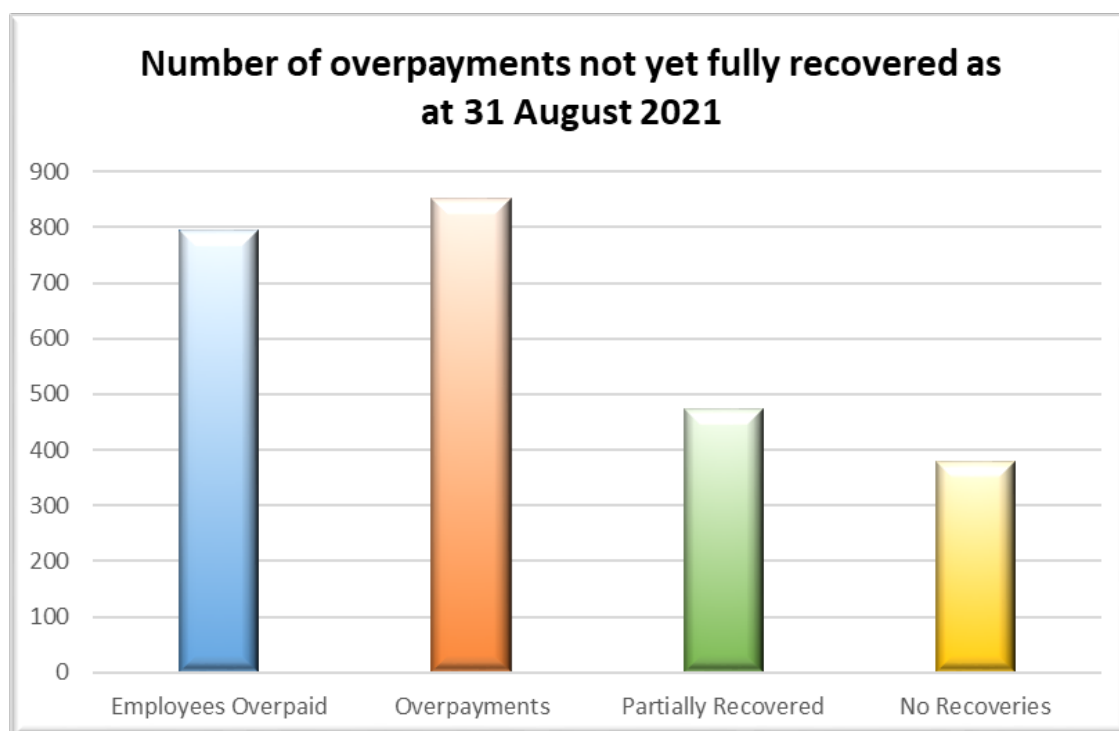
## Salary Overpayments cont...

Figure 2: Overpayments, all entities, not yet fully recovered as at 31 August 2021



Source: NTAGO derived from ePOD01 report

Figure 3: Number of overpayments, all entities, not yet fully recovered as at 31 August 2021



Source: NTAGO derived from ePOD01 report

## Salary Overpayments cont...

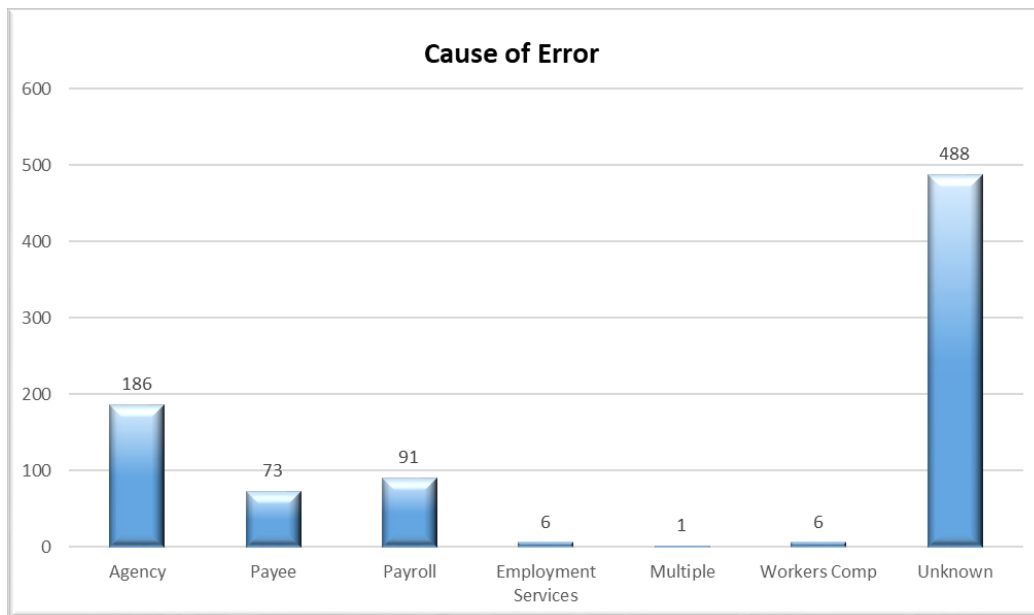
Significant individual overpayments that were not fully recovered as at 31 August 2021 include:

1. \$93,771  
Obligation date 9 July 2021 with no recoveries reported at 31 August 2021.
2. \$83,246  
Obligation date 7 April 2020, with \$1,926 recovered by 31 August 2021. This employee pays \$482 per fortnight to settle the debt thus the debt is expected to be extinguished in approximately six years.
3. \$81,939  
Obligation date 25 June 2013, with \$20,200 recovered by 31 August 2021. This employee pays \$100 per fortnight to settle the debt thus the debt is expected to be extinguished in approximately 24 years.
4. \$76,269  
Obligation date 26 March 2020 with no recoveries reported by 31 August 2021. This employee has been recorded as separated from the NT Government on 13 December 2019.
5. \$54,556  
Obligation date 29 July 2015 with \$41,066 recovered by 31 August 2021. This employee pays \$100 per week to settle the debt thus the debt is expected to be extinguished in just under three years.
6. \$53,509  
Obligation date 29 April 2015 with \$33,659 recovered by 31 August 2021. This employee pays \$150 per fortnight to settle the debt thus the debt is expected to be extinguished in approximately five years.
7. \$49,512  
Obligation date 20 December 2018, with \$28,750 recovered by 31 August 2021. This employee pays \$250 per fortnight to settle the debt thus the debt is expected to be extinguished in approximately three years.
8. \$47,528  
Obligation date 19 September 2018, with \$31,200 recovered by 31 August 2021. This employee pays \$400 per fortnight to settle the debt thus the debt is expected to be extinguished in just under two years.
9. \$45,824  
Obligation date 29 July 2015 with \$45,000 recovered by 31 August 2021.
10. \$44,286  
Obligation date 23 October 2018, with \$10,950 recovered by 31 August 2021. This employee pays \$150 per fortnight to settle the debt thus the debt is expected to be extinguished in approximately nine years.

## Salary Overpayments cont...

The cause of the overpayments can be categorised as: Agency, Payee, Payroll, Employment Services, Multiple, Workers Compensation and Unknown. The graph below shows the cause of most errors is categorised as either “Unknown” or “Agency”. This suggests that better root cause analysis and recording is required in order for agencies to implement improvements to processes and controls to reduce the risk of overpayments and the resultant financial loss to the NTG.

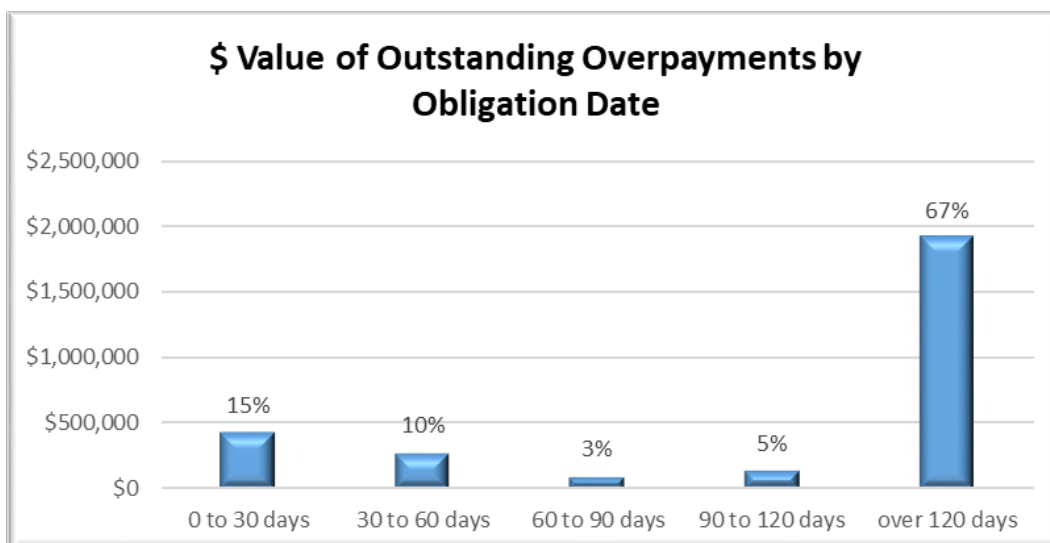
Figure 4: Cause of error



Source: NTAGO derived from ePOD01 report

67% of the overpayments have been outstanding for over 120 days with the oldest obligation date recorded as 31 May 2010 for \$36,807. Of this overpayment, \$12,600 has been repaid and \$24,207 remained outstanding as at 31 August 2021. The last repayment for this overpayment was recorded on 1 February 2016 for \$300. There is no separation date recorded for this employee within the ePOD01 report.

Figure 5: \$ Value of outstanding overpayments by obligation date



Source: NTAGO derived from ePOD01 report

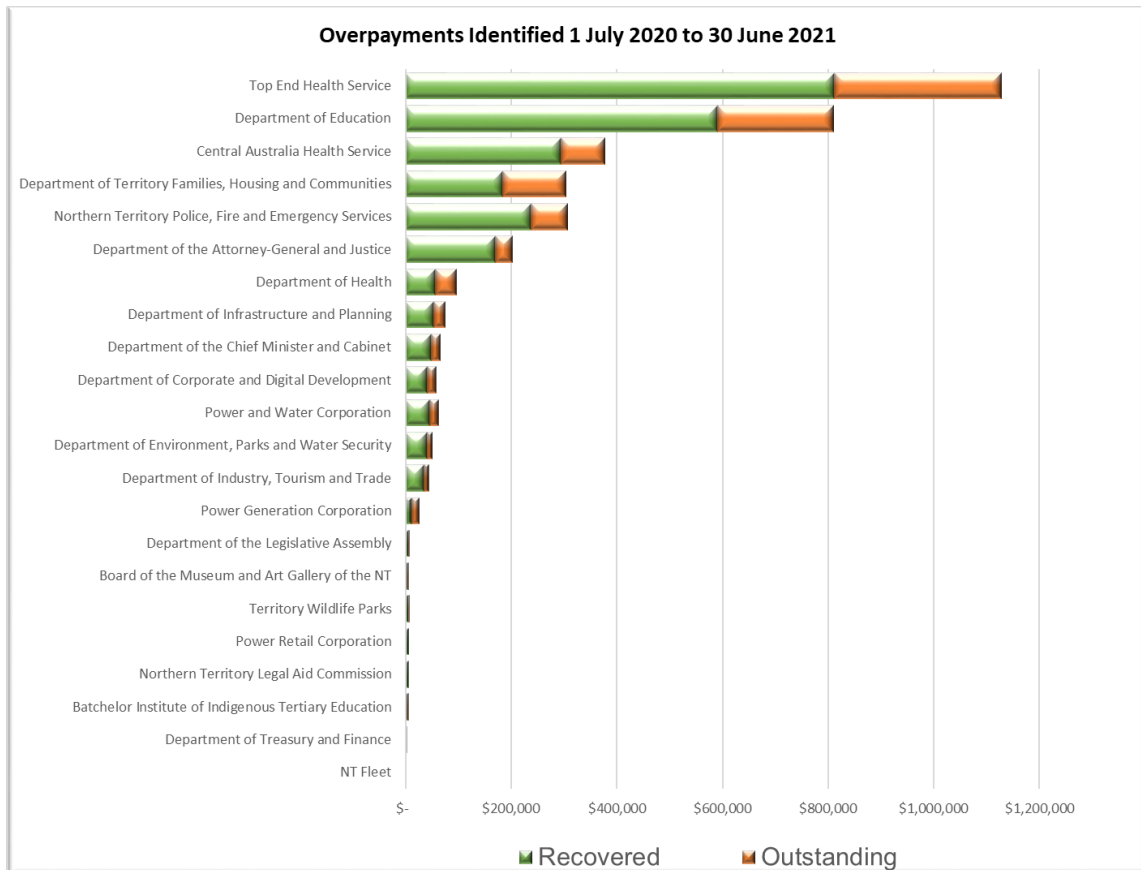


## Salary Overpayments cont...

### New Overpayments between 1 July 2020 and 30 June 2021 (ePOD02)

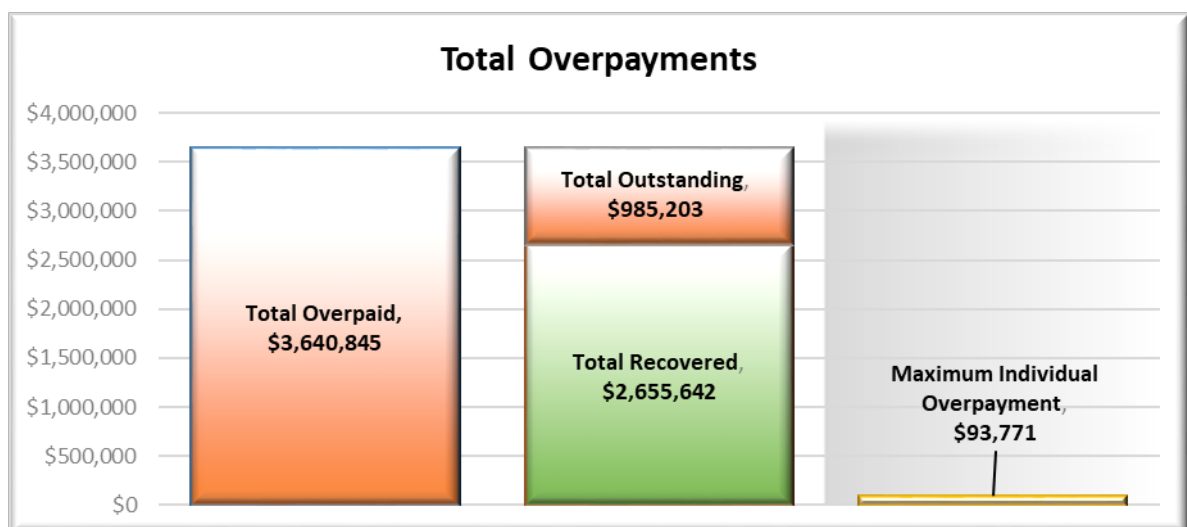
Figure 6 presents the dollar value of overpayments, by entity, made during the period 1 July 2020 to 30 June 2021.

Figure 6: Value of overpayments between 1 July 2020 and 30 June 2021, by entity



Source: NTAGO derived from ePOD02 report

Figure 7: Total overpayments between 1 July 2020 and 30 June 2021



## Salary Overpayments cont...

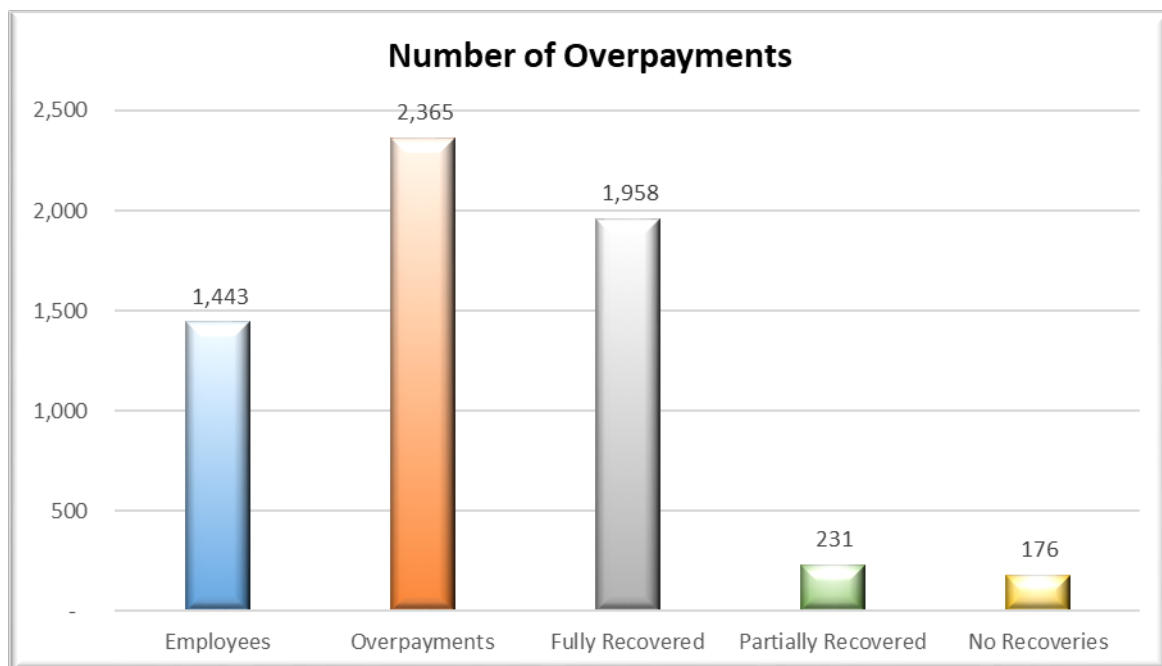
The ePOD02 report identified that 1,443 individual employees had one or more overpayments identified between 1 July 2020 and 30 June 2021.

The overpayments identified between 1 July 2020 and 30 June 2021 consisted of 2,365 overpayments totalling \$3,640,845. 1,958 overpayments, totalling \$2,258,722, have been fully recovered.

In 231 of the remaining overpayments, \$396,920 has been partially recovered and \$530,402 remains outstanding. 176 overpayments totalling \$461,427 have had no recoveries recorded against them. Six overpayments have recorded recoveries in excess of the initial overpayment.

\$985,203 (27%) of the overpayments recorded for the period 1 July 2020 to 30 June 2021 were still outstanding at 31 August 2021.

Figure 8: Number of overpayments between 1 July 2020 and 30 June 2021



Source: NTAGO derived from ePOD02 report

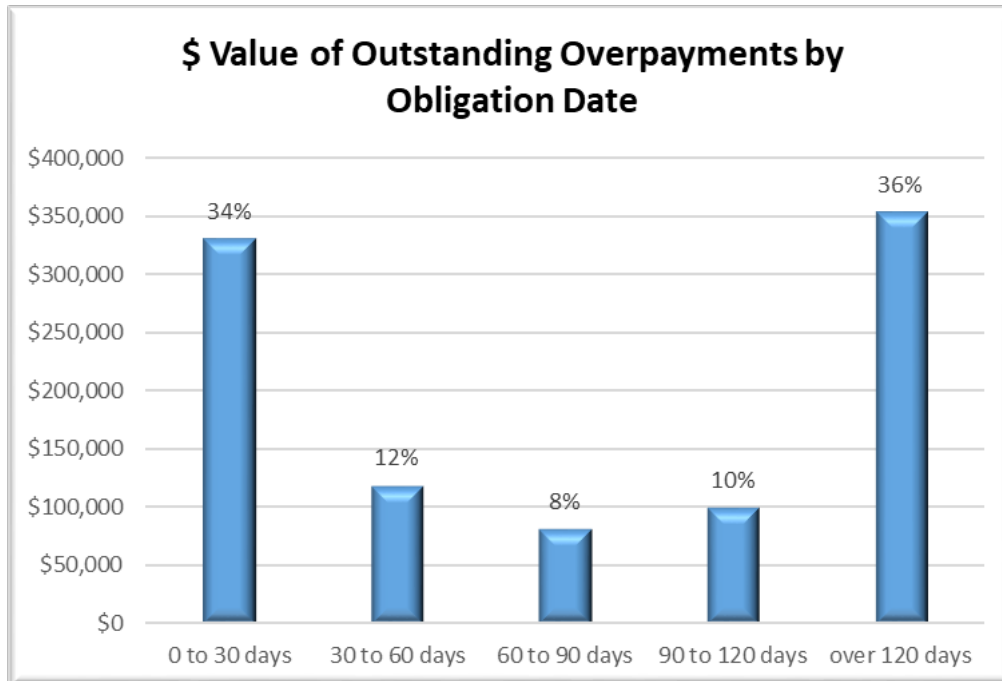
As noted previously in this report, the largest overpayment (in one transaction) was \$93,771 dated 8 January 2021. No recoveries were reported by 31 August 2021 with the overpayment being recorded as due to a "Payroll" error.

36% of the overpayments recorded during the period 1 July 2020 to 30 June 2021 have been outstanding for over 120 days.

## Salary Overpayments cont...

Figure demonstrates the aging of the debt receivable to the NTG associated with the outstanding overpayments.

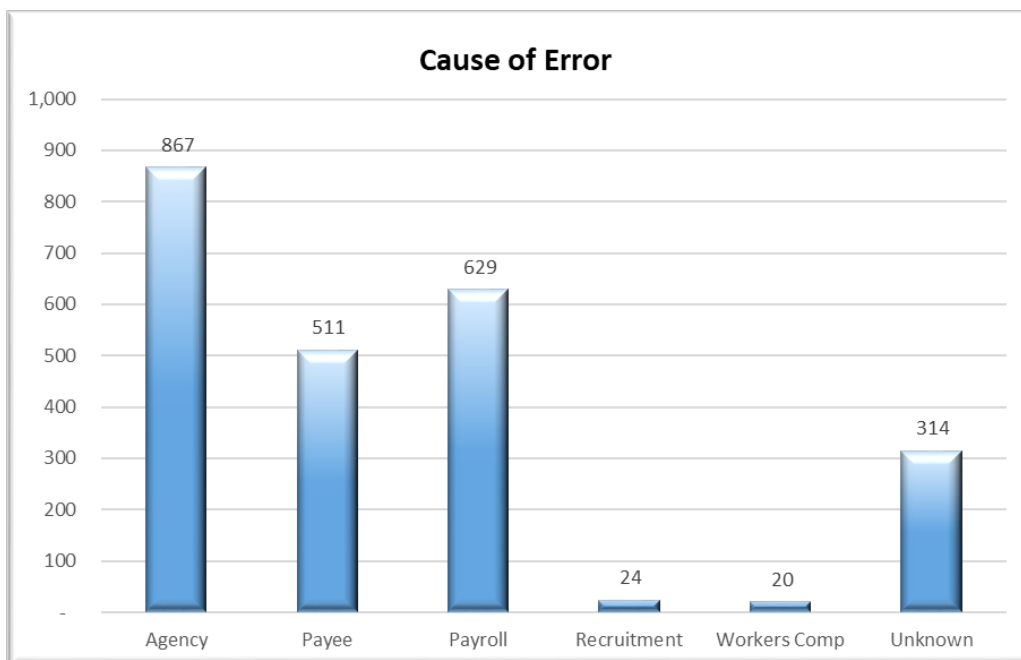
Figure 9: Value of outstanding overpayments between 1 July 2020 and 30 June 2021 by obligation date



Source: NTAGO derived from ePOD02 report

The system enables the cause of the errors to be categorised as either: Agency, Payee, Payroll, Recruitment, Workers Compensation and Unknown. As can be seen from the graph below, most errors have been categorised as attributable to “Agency” or “Payroll” errors.

Figure 10: Cause of overpayments between 1 July 2020 and 30 June 2021



Source: NTAGO derived from ePOD02 report

## Salary Overpayments cont...

Reasons recorded for “Agency” related errors include:

- Change of working hours
- Exceeding recreational leave or personal leave entitlements
- Incorrect Board member fee paid
- Late advice of flexible working agreement
- Late cancellation of Higher Duties Allowance
- Paid after resignation
- Paid whilst on leave without pay
- Receiving full pay during recreation leave at half pay

Reasons recorded for “Payee” related errors include:

- Exceeding personal leave without medical certificates
- Leave taken when all personal leave has been utilised
- Leave without pay applications being submitted late
- Overpayment of allowances (Higher Duties Allowance, Location Allowance)

Reasons recorded for “Payroll” related errors include:

- Contract ceased in wrong pay cycle
- Entitlement conditions set-up incorrectly
- Late processing of personal leave at half pay
- Leave bonus paid at incorrect amount
- Paid higher duties increment due to a processing error
- Personal leave being processed as full pay instead of half pay
- Reduction in pay not actioned

## Salary Overpayments cont...

### **The Department of Corporate and Digital Development and NT Fleet have commented:**

The overall assessment is noted, DCDD continues to work with agencies to achieve timely notification of changes to employee status and entitlements to minimise the occurrence and impact of overpayments. Continued focus is applied to recover overpayments as promptly as practicable, having regard to employee's circumstances and causal factors.

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

The Department of Education has been working on a number of strategies over a period of time to address the matters raised in this report, including identifying improvements to internal controls to reduce and mitigate overpayments, and improve recovery processes in partnership with Department of Corporate and Digital Development.

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

NTPFES notes the findings and is reviewing current processes to identify areas for improvement in conjunction with the Department of Corporate and Digital Development.

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

## Background

The *Public Information Act 2010* (the Act), as in force at 10 April 2019, and the associated Regulations, provide for the review of public information produced by public authorities. A public authority is defined in Section 5 of the Act as:

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

Excluded from the definition are:

- holders or occupiers of:
  - judicial office;
  - an office as a member of a tribunal established under a law of the Territory;
  - the office of the Auditor-General;
- a local government council;
- Jacana Energy;
- the Power and Water Corporation;
- Territory Generation; and
- a person or body prescribed by regulation.

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

Section 4(1) of the Act defines public information as “*information given by a public authority to the public by using money or other property of the Territory*”. Exemptions from this definition are:

- information given to members of the electorate of an Assembly member if the preparation and giving of the information is funded by an allowance payable to the Member for the electorate under a law of the Territory; and
- a media release of a Member of the Legislative Assembly (whether or not in his or her capacity as an Assembly member); and
- information prescribed by regulation.

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

Section 6(1) of the Act provides that the Auditor-General must, upon the receipt of a written request of a Member of the Legislative Assembly, or may, on the initiative of the Auditor-General, conduct a review of that information to determine whether the provisions of the Act have been contravened, with regard to the Public Information Regulations.

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

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

The Auditor-General may also determine this Act is contravened in relation to particular public information if the Auditor-General is satisfied the content of the information is not for the purpose of the public interest.

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

### ***“Achieving Equality in the Northern Territory”***

On 17 February 2022, a Member of the Legislative Assembly wrote to the Auditor-General alleging contraventions of the provisions of the Act.

The allegation was that a publication tabled in the Legislative Assembly on Wednesday 16 February 2022 titled “*Achieving Equality in the Northern Territory*” contravened the provision of the Act, in particular section 6(2)(a), which states that the Act is contravened if the information promotes particular party political interests.

### **Review of Allegation**

I conducted a review to determine whether information presented within the document tabled in the Legislative Assembly by the Honourable Selena Uibo MLA, Attorney-General entitled “*Achieving Equality in the Northern Territory*” (tabled paper 484) contravened the provision of the Act, in particular section 6(2)(a), which states that the Act is contravened if the information promotes particular party political interests.

After examining the content of the referred document and making enquiries with a representative from the Office of the Honourable Selena Uibo MLA, I formed the opinion that:

- the document “*Achieving Equality in the Northern Territory*”, meets the definition of public information for the purposes of the *Public Information Act 2010*; and
- the public information represents a contravention of the provisions of Section 6(2)(a) of the Act in that the public information makes reference to the “Territory Labor Government” throughout the document and places emphasis on policy achievements over “the last 5 years” which represents the tenure of the current leading political party. Given the emphasis throughout the information on highlighting perceived achievements of the Territory Labor Government, I am of the opinion that the information promotes particular party interests.

On Friday, 25 March 2022 I received a formal response to my preliminary decision from the Honourable Selena Uibo MLA, Attorney-General and Minister for Justice which stated:

*I advise the purpose of the Achieving Equality in the Northern Territory paper was to outline the achievements and pathway forward for anti-discrimination law in the Northern Territory. As Territory Labor has been in government for the last five years, I believe it is an accurate reflection of what has been achieved in this space and I believe it is important to be accurate when it comes to this important area of regulation.*

*The document was not developed with a partisan approach, and this can be evidenced by no mention of the differences of approach or policy position by the Country Liberal Party (CLP), nor does it provide commentary of previous CLP failings in this reform area.*

*I appreciate that this is a subjective assessment, and that recommendations in relation to the Act have been made.*

*I accept the recommendation in the draft response and I have reminded my office of the requirements of the Act. Further, I have requested my staff receive training in accordance with the recommendation*



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

### Conclusion

I have considered the comments in the response and, notwithstanding the assertion in the response that the document was not developed with a partisan approach, my preliminary decision remained unchanged and I concluded that the referred content within the tabled document does represent a contravention of section 6(2)(a) of the *Public Information Act 2010*.

### Recommendation

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

- withdrawal of the public information;
- making specified changes to the content of the public information.

As the document has been tabled in Parliament and is now permanently on the public record, I make no recommendations in relation to the publication as tabled.

In accordance with Section 7(2)(b) of the Act, I do recommend that the employees within the Office of the Honourable Selena Uibo MLA implement appropriate quality assurance processes and take any action considered necessary in order to prevent further instances where public information may be likely to contravene the provisions of the Act. Staff of the Office of the Honourable Selena Uibo MLA may benefit from receiving training in relation to the requirements of the Act.

## Appendices

# Appendix 1: The Role and Responsibilities of the Auditor-General

## Responsibilities of the Auditor-General

The Auditor-General's powers and responsibilities are established in the *Audit Act 1995* by the Northern Territory's Parliament, the Legislative Assembly. The Auditor-General is required to report to the Legislative Assembly at least once each year on any matters arising from the exercise of the auditing powers established in that Act. Each report may contain findings from financial statement audits, agency compliance audits, information technology audits, controls and compliance audits, performance management system audits and findings from any special reviews conducted. Results of any reviews of referred information under the *Public Information Act 2010* are included when the reviews are concluded.

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

The Auditor-General is required to report to the Accountable Officer (or equivalent) of public sector entities on matters arising from the conduct of audits at the conclusion of the audit.

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

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

The requirements of the *Audit Act 1995* in relation to auditing the Public Account and other accounts are found in:

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

## Appendix 1: The Role and Responsibilities of the Auditor-General cont...

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

Using information about the effectiveness of internal controls identified in the overall control environment review, Agency Compliance Audits including End of Year Reviews and the results of financial statement audits, an audit approach is designed and implemented to obtain assurance that the balances disclosed in the Treasurer's Annual Financial Statement are in accordance with the disclosure requirements adopted by the Treasurer, and are within acceptable materiality standards.

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

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

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

Audits conducted through the Auditor-General's Office are conducted in accordance with Australian Auditing Standards. Those standards are issued by the Australian Auditing and Assurance Standards Board, a Commonwealth statutory body established under the *Australian Securities and Investments Commission Act 2001*. Auditing Standards issued by the Board have the force of law in respect of audits of corporations that fall within the ambit of the *Corporations Act 2001*, while the *Audit Act 1995* also requires that the Auditor-General has regard to those standards.

### The Public Account

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

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

## Appendix 1: The Role and Responsibilities of the Auditor-General cont...

### Audits of Performance Management Systems

#### Legislative Framework

A Chief Executive Officer, as an Accountable Officer, is responsible to the appropriate Minister under section 23 of the *Public Sector Employment and Management Act 1993* for the proper, efficient and economic administration of his or her agency. Under section 13 (2)(b) of the *Financial Management Act 1995*, an Accountable Officer shall ensure that procedures “*in the agency are such as will at all times afford a proper internal control*”. Internal control is defined in section 3 of the *Financial Management Act 1995* to include “*the methods and procedures adopted within an agency to promote operational efficiency, effectiveness and economy*”.

Section 15 of the *Audit Act 1995* complements the legislative requirements imposed on Chief Executive Officers by providing the Auditor-General with the power to audit performance management systems of any agency or other organisation in respect of the accounts of which the Auditor-General is required or permitted by a law of the Territory to conduct an audit.

A performance management system is not defined in the legislation, but section 15 of the *Audit Act 1995* identifies that: “*the object of an audit conducted under this section includes determining whether the performance management systems of an agency or organisation in respect of which the audit is being conducted enable the Agency or organisation to assess whether its objectives are being achieved economically, efficiently and effectively.*” Performance management system audits can be conducted at a corporate level, a program level, or at a category of cost level, such as capital expenditure.

#### Operational Framework

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

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

## Appendix 2: Guide to Using this Report

### Auditing

There are two general varieties of auditing undertaken in the Northern Territory Public Sector, independent auditing and internal auditing. Only independent audits are undertaken through the Northern Territory Auditor-General's Office. The Auditor-General and personnel of the Office do attend meetings of agencies' audit and risk committees where invited, but only in the role of observer.

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

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

### Internal Audit

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

### Types of Financial Reports

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

### General Purpose Financial Report

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

### Special Purpose Financial Report

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

## Appendix 2: Guide to Using this Report cont...

### Types of Assurance Engagements

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

#### Reasonable Assurance

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

#### Limited Assurance

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

### Audit Opinions

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

#### Unmodified Audit Opinion

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

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

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

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

Australian Auditing Standard ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* deals with the auditor's responsibility to communicate key audit matters in the auditor's report. The purpose of communicating key audit matters is to enhance the communicative value of the auditor's report by providing additional information to intended users of the financial report to assist them in understanding those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period.

## Appendix 2: Guide to Using this Report cont...

### Modified Audit Opinion

Australian Auditing Standard ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*, paragraph 2, establishes three types of modified opinions, namely, a qualified opinion, an adverse opinion and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon:

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

### Qualified Opinion

An auditor shall express a qualified opinion when:

- a) the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial report; or
- b) the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be material but not pervasive. [ASA 705, paragraph 7]

### Adverse Opinion

An adverse opinion is expressed when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial report. [ASA 705, paragraph 8]

### Disclaimer of Opinion

An auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be both material and pervasive. [ASA 705, paragraph 9]

The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial report due to the potential interaction of the uncertainties and their possible cumulative effect on the financial report. [ASA 705, paragraph 10]



## Appendix 2: Guide to Using this Report cont...

### Assurance Engagements Conducted by the Auditor-General

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

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

#### Statutory Financial Statements Audits

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

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

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

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

#### Information Technology Audits

Information technology audits are undertaken as stand-alone audits of key agency or across government systems. Systems selected for audit may directly have an important role in processing data and providing information for the purposes of financial management or may be non-financial systems that are of critical importance to the delivery of government services such as those related to health, justice and education.

A number of financial information technology systems are audited specifically to provide assurance to the Auditor-General and the Legislative Assembly on the completeness and accuracy of information used for the purposes of financial reporting and the preparation of the Treasurer's Annual Financial Statement.

## Appendix 2: Guide to Using this Report cont...

### End of Year Reviews

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

Whilst these audits are primarily intended to inform the Auditor-General's opinion on the Treasurer's Annual Financial Statements, the results from these audits may also assist Accountable Officers by identifying departures from the requirements of Australian Accounting Standards and the Northern Territory government's Financial Management Framework and misstatements in recorded financial transactions and balances. Resulting reports to Accountable Officers contain recommendations to enhance the agencies' financial management processes.

### Controls and Compliance Audits

Controls and Compliance Audits are conducted of selected systems or accounting processes to determine whether the systems and processes achieve compliance with legislated or otherwise mandated requirements. These audits are primarily intended to assist in the audit of the Public Account as they provide the Auditor-General and the Legislative Assembly with assurance that adequate financial and governance controls are designed, implemented and operating effectively across government.

Controls and Compliance Audits can assist Accountable Officers by identifying weaknesses in financial and governance processes and controls that, if left unaddressed, may contribute to regulatory non-compliance, financial mismanagement or inefficient operations, or the realisation of other risks to the agency.

### Performance Management System Audits

The audit process determines whether existing systems or practices, or management controls over systems, are adequate to provide relevant and reliable performance information that will assist intended users of the information make decisions relating to accountability and the achievement of results. These audits are also intended to provide the Legislative Assembly with assurance that audited agencies have appropriate systems and processes in place to effectively monitor and manage projects, programs and policy directions.

Performance management system audits are not directed at assessing the extent to which an agency has achieved a particular outcome however they can assist Accountable Officers by identifying opportunities to enhance their ability to effectively monitor and manage the implementation of projects, programs and policies to ensure the intended outcomes are achieved.

### Public Information Act 2010 Referrals

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

## Appendix 3: Audit Opinions Issued

### Issued between 1 November 2021 and 28 February 2022

#### Financial Statements for the year ended 30 June 2021

	Date 2021 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 30 June 2021	Date of Audit report year ended 30 June 2020
Jabiru Town Development Authority	16 February 2022	2 December 2021	4 March 2021
Northern Territory Police Supplementary Benefit Scheme	Not required	21 January 2022	7 April 2021

*Not required – Financial statements are not required to be tabled*

#### Acquittals or other returns for the year ended 30 June 2021

	Deadline for submission of Audited Financial Statements	Date of Audit report year ended 30 June 2021	Date of Audit report year ended 30 June 2020
<i>National Land Transport Act 2014</i>			
Black Spot Program <sup>(1)</sup>	31 December 2021	14 December 2021	27 November 2020
Infrastructure Investment Program <sup>(1)</sup>	31 December 2021	14 December 2021	23 December 2020

<sup>(1)</sup> Not separately reported within this report

## Appendix 4: Status of Audit Activity

Listed below is the status, as at 28 February 2022, of non-routine audits and reviews identified as not yet complete in Appendix 4 of the Auditor-General's November 2021 Report to the Legislative Assembly.

### Department of Corporate and Digital Development

Data Centre Physical and Environmental Security	Refer page 95
Grants Management	Not yet completed
Service Continuity and Resilience	Refer page 97
Shared Services	Refer page 80

### Department of Infrastructure, Planning and Logistics

Accounting for Assets on Leased Land	Not yet completed
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### Department of the Chief Minister and Cabinet

Darwin City Deal	Not yet completed
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### Department of Territory Families, Housing and Communities

Grants Management	Not yet completed
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### Department of Treasury and Finance

Budget Repair	Refer page 17
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### Selected Agencies

Root and Branch Review	Refer page 62
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In addition to the routine audits, primarily being compliance audits of agencies and audits of financial statements, the following audits and reviews were identified in Appendix 5 of the Auditor-General's November 2021 Report to the Legislative Assembly as scheduled to be conducted during the six months to 30 June 2022:

### Department of Corporate and Digital Development

NAB Transact Banking
Operations and Service Management
Payment Gateway

### Department of the Chief Minister and Cabinet

Implementation of the TERC Recommendations
Local Jobs Fund

### Selected Agencies

Prefabricated Housing Project
Youth Justice Facility

## Appendix 5: Abbreviations

ASA	Australian Auditing Standard
BOXI	BusinessObjects XI
BP	Budget Paper
BRO	Budget Repair Office
BRS	Budget Review Subcommittee of Cabinet
CCTV	Closed-circuit Television
COVID-19	Coronavirus Disease 2019 or SARS-CoV-2
CPI	Consumer Price Index
CSR3	Corporate Services Reform Stage 3
CSS	Commonwealth Superannuation Scheme
DCDD	Department of Corporate and Digital Development
DCIS	Department of Corporate and Information Services
DCMC	Department of the Chief Minister and Cabinet
DIPL	Department of Infrastructure, Planning and Logistics
DITT	Department of Industry, Tourism and Trade
DoE	Department of Education
DTF	Department of Treasury and Finance
ECO	Executive Contract Officer
EIMS	Electronic Invoice Management System
FITA	<i>Fiscal Integrity and Transparency Act 2001</i>
FMA	<i>Financial Management Act 1995</i>
FRSC	Fiscal Repair and Standing Committee
FTE	Full Time Equivalent
GST	Goods and Services Tax
HR	Human Resources
ICT	Information and Communications Technology
IT	Information Technology
KPI	Key Performance Indicator

## Appendix 5: Abbreviations cont...

MAGNT	Museum and Art Gallery of the Northern Territory
MLA	Member of the Legislative Assembly
MOG	Machinery of Government
NAB	National Australia Bank
NT	Northern Territory
NTAGO	Northern Territory Auditor-General's Office
NTG	Northern Territory Government
NTPDF	Northern Territory Project Development Framework
NTPFES	Northern Territory Police, Fire and Emergency
NTPS	Northern Territory Public Sector
OCPE	Office of the Commissioner for Public Employment
PIPS	Personnel Information and Payroll System
PSEMA	<i>Public Sector Employment and Management Act 1993</i>
PWC	Power and Water Corporation
SMART	Specific, Measurable, Achievable, Relevant and Timely
TERC	Territory Economic Reconstruction Commission

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