Northern Territory
Auditor-General's Office

Auditing for Parliament

August 2023

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

28 August 2023

Dear Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits, reviews and analysis completed during the period from 28 January 2023 to 31 July 2023 that have not been previously reported and I request that you table the report in the Legislative Assembly.

This report presents the results of five financial statements audits completed during the period. Of these, three relate to the year ended 31 December 2022 and one for the year ended 30 June 2022. The results of my audit of the financial statements of Batchelor Institute of Indigenous Tertiary Education for the year ended 31 December 2021 are included in this report. I issued a disclaimer of opinion. My reasons for issuing a disclaimer of opinion are presented on page 9 of this report.

This report contains a summary of findings from agency compliance audits conducted at 16 agencies. I issued a qualified opinion in relation to the adequacy of controls at one agency.

Past audits have identified weaknesses in the management of contracts and grant agreements. This report presents the findings of two performance management system audits directed at each of these topics. Of concern, both of these audits had a limitation imposed on the scope because information requested for audit purposes was not provided. As a result, further audit procedures relating to the missing information could not be undertaken.

Continuing the theme of previous performance management system audits directed at the processes designed to achieve budget repair and a $40 million economy by 2030, I undertook an audit of the performance management system supporting the implementation of the recommendations from the Territory Economic Reconstruction Committee (TERC) and a further audit assessing the performance management systems in place to support implementation of the wages policy as promulgated by the TERC.

An across-government program evaluation framework has recently been mandated. This report includes the results of a performance management system audit in relation to one agency's implementation of the framework.

The report includes findings from two reviews of information technology systems.

Analysis of salary payments identified a number of abnormally high payments at one agency which resulted in my Office undertaking further review of the accuracy of the payments. Findings from the review are included in this report.

I have been referred one matter under the *Public Information Act 2010*. I am yet to conclude my consideration of this matter. I expect to report separately on that matter in the September sittings.

Yours sincerely,

Julie Crisp
Auditor-General for the Northern Territory

Auditor-General's Overview

Summary of this Report

The *Audit Act 1995* provides a legislative requirement for the Auditor-General to report to the Legislative Assembly on at least an annual basis. This is the first report provided for tabling within the Legislative Assembly for the year ending 30 June 2024. The last report was tabled during February 2023.

This report outlines the results of 29 separate audits and other tasks completed during the period 28 January 2023 to 31 July 2023. This report summarises the results of the following types of audits and legislated tasks conducted during the period:

- Statutory audits of financial statements;
- Controls and compliance audits; and
- Information technology system audits;
- Performance management systems audits; and
- Data analysis.

The report presents the results of audits that were performed to assess the adequacy of selected aspects of controls over accounting and material financial transactions at 16 Northern Territory government agencies. Findings arising from these audits have been reported to the affected agencies to enable them to address control weaknesses as required. Agency compliance audits are undertaken in accordance with Section 13 of the *Audit Act 1995* and provide support to the audit of the Treasurer's Annual Financial Statements. I issued a qualified opinion in relation to the adequacy of controls at one agency.

This report presents the results of five financial statements audits completed during the period. Of these, three relate to the year ended 31 December 2022 and one for the year ended 30 June 2022. The results of my audit of the financial statements of Batchelor Institute of Indigenous Tertiary Education for the year ended 31 December 2021 are included in this report. I issued a disclaimer of opinion. My reasons for issuing a disclaimer of opinion are presented on page 9 of this report. Page 137 of this report explains the circumstances when an auditor shall issue a disclaimer of opinion.

The majority of the content in this report constitutes the audit observations and recommendations from five performance management system audits designed to test the adequacy of performance management systems within the agencies related to the:

- Achievement of grant outcomes and outputs
- Achievement of outsourcing outcomes and outputs
- Performance evaluation framework
- Territory Economic Reconstruction Commission implementation of recommendations
- Wages policy and lump sum payments

Auditor-General's Overview cont…

Past audits have identified weaknesses in the management of contracts and achievement of the outcomes and outputs from grant programs. This report presents the findings of two performance management system audits directed at each of these topics. Of significant concern to me, is that both of these audits had a limitation imposed on the scope because information requested for audit purposes was not provided. As a result, further audit procedures relating to the missing information could not be undertaken.

Continuing the theme of previous performance management system audits directed at the processes designed to achieve budget repair and a $40 million economy by 2030, I undertook an audit of the performance management system supporting the implementation of the recommendations from the Territory Economic Reconstruction Committee (TERC) and a further audit assessing the performance management systems in place to support implementation of the wages policy as promulgated by the TERC.

The Northern Territory Government has recently developed and implemented an across-government program evaluation framework. I conducted a performance management system audit at one agency in relation to its implementation of this framework. The results are presented in this report.

The report presents the findings from two reviews of information technology systems. Whilst I had initially scheduled an audit of the implementation of the SerPro system to occur in the six months to 30 June 2023, the project to implement SerPro had not progressed to a stage where such an audit could provide useful insights on progress against budget and planned delivery.

Analysis of salary payments identified a number of abnormally high payments at one agency which resulted in my Office undertaking further review of the accuracy of the payments. Findings from the review are included in this report.

Whilst I have been referred one matter under the *Public Information Act 2010*, I am yet to conclude my consideration of this matter. I expect to report separately on that matter in the September sittings.

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

A number of audits scheduled to be commenced and completed prior to 30 June 2023 are still to be completed. The outcomes of these audits (listed in Appendix 4: Status of Audit Activity) will be presented in the future reports to the Legislative Assembly.

Reports on the Results of Audits, Reviews and Assessments

Batchelor Institute of Indigenous Tertiary Education

Audit findings and analysis of the financial statements for the year ended 31 December 2021

Background

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

Scope and objectives

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of the Institute for the year ended 31 December 2021.

Disclaimer of opinion

The audit of the Institute for the year ended 31 December 2021 resulted in a disclaimer of opinion, which was issued on 1 February 2023.

Basis for disclaimer

The audit report presents the basis for the disclaimer of opinion, which is presented below.

> I have identified significant deficiencies in the Institute's entity level control environment, including its governance policies and practices, risk assessment and management, monitoring processes, internal controls over the financial reporting process, general information technology controls and an absence of controls over student records maintained in the student management application. Effectively designed and operating controls supporting the Institute's key systems and financial reporting processes are fundamental to the Institute's ability to produce accurate and reliable financial statements. Further, the internal control and process weaknesses are pervasive and not confined to specific elements, account balances or items within the financial statements and I am unable to quantify the potential material misstatements, if any, arising from these weaknesses. During the period subject to audit, the Institute has experienced high turnover of senior personnel charged with governance and increased the use of remote working practices leading to diminished managerial oversight. These limitations and restrictions to my audit are both material and pervasive and as a result I have been unable obtain sufficient appropriate audit evidence to enable me to express an audit opinion on the financial statements taken as a whole.

To provide further context to the above paragraph, the following factors influenced my decision to disclaim.

Batchelor Institute of Indigenous Tertiary Education cont…

A number of reviews have been conducted at the Institute over the past six years. Some reviews have been instigated by the Institute and others have been undertaken by external entities in response to various concerns. These include:

- Assurance Advisory Group Financial Governance Review [2017]
- Deloitte Assessment of the 2018 Budget and Cash Flows [2018]
- Vincents Risk Management Project [2020]
- Ernst & Young Financial Sustainability Review [2020]
- Bentley's Review of Batchelor Institute of Indigenous Tertiary Education [2021]
- Independent Commissioner Against Corruption Review of Batchelor Institute of Indigenous Tertiary Education [2022]

Each of these reviews has resulted in reports identifying areas of improvement and/or recommendations for the Institute in relation to corporate governance matters, financial management and internal controls. Many of the recommendations are yet to be addressed.

The failure to address the weaknesses, has to a large extent, been the result of continual changes in the individuals holding leadership positions within the Institute. From the beginning of 2021 to the conclusion of my audit, there have been six individuals holding (either nominally or acting) the position of Director, four individuals holding (either nominally or acting) the position of Chief Financial Officer and four individuals recorded as holding (either nominally or acting) the position of Chief Operating Officer. Throughout the Institute, many positions have remained unfilled over extended periods of time. Whilst records demonstrate there has been intent to address the deficiencies identified in the reviews, there simply has not been the resources or the continuity of staff to support the development of improved corporate governance and financial policies, processes and controls.

The Institute has a decentralised staffing model with finance staff physically working from premises at Batchelor, at the Charles Darwin University Casuarina campus and at employees' residences including at least one living interstate.

I recognise that the increased number of remote working arrangements was necessary as part of the Institute's response to COVID-19, however the physical dispersion of employees has reduced the level of oversight by senior employees of work performed by less experienced and, in some cases, less qualified employees.

The absence of contemporary, fit-for-purpose policies, processes and work instructions has resulted in employees undertaking their tasks without a consistent and robust approach.

Without key positions being filled, there has not been adequate segregation of duties for conflicting processes or oversight of corporate governance, information technology and financial management practices.

Batchelor Institute of Indigenous Tertiary Education cont…

Audit observations

Failure to comply with legislation

Section 45 of the Act requires the Annual Report of the Institute to be forwarded to the Minister by 30 June 2022. As at 30 June 2023, no exemptions were sought in relation to the 2021 Annual Report and this section of the Act.

Section 46 of the Act requires the Institute's financial statements to be prepared within three months after the end of the financial year, in this instance by 31 March 2022. The Institute sought extensions for the provision of the 2021 financial statements to the Minister and the Auditor-General, however the extension deadline was also not met.

Section 47 of the Act requires the Minister to lay the Annual Report (under section 45) and the audited financial statements (under section 46) before the Assembly within six sitting days after the last of the reports is received by the Minister. The audited financial statements (under section 46) were provided to the Minister on 1 February 2023. As at 30 June 2023, the Annual Report and the financial statements (including the Auditor-General's disclaimer of opinion) had not been tabled before the Assembly.

Performance overview

The Institute reported a surplus of $0.76 million (2020: deficit of $0.21 million). This was an improvement of approximately $0.97 million when compared to the prior year.

- An increase in revenue of $2.8 million was influenced by increases of:
  - $0.5 million in Australian and Northern Territory Government financial assistance;
  - $2.1 million in consultancy and contracts fees; and
  - $0.2 million in fees and charges, services received free of charge, investment income and other income.
- Expenditure increased by $1.8 million with increases of $0.4 million in employee related expenses and $1.5 million in other expenses partially offset by a decrease of $0.1 million due to depreciation and amortisation, contracted services and communication and utilities.

The Institute's net asset position increased as at 31 December 2021 from $30.7 million to $31.5 million. Significant changes affecting the balance sheet include:

- An increase in cash and deposits of $1.7 million.
- An increase in receivables of $1.7 million.
- A decrease in property, plant and equipment of $1.6 million caused by the offsetting movements of $0.5 million of additions and $2.1 million in depreciation expenditure.
- A decrease in trade and other payables of $0.4 million.
- An increase of $1.2 million in other liabilities mainly attributable to the increase of contract liabilities at the end of the year.

Batchelor Institute of Indigenous Tertiary Education cont…

Overall cash position

The Institute's cash position was $10.3 million at 31 December 2022.

The cash forecast indicates that, for the 2023 financial year, the Institute is expected be in a cash surplus each month and therefore has the ability to pay debts as and when they fall due for at least 12 months from the date of signing the 31 December 2021 financial statements. I note that the net cash provided by operating activities during the 2021 financial year, as reported in the cash flow statement, was $2.5 million (2020: $0.2 million). Notwithstanding the healthy cash position, those charged with governance should continue to closely monitor cash balances and maintain tight controls in relation to operating expenditure.

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

Batchelor Institute of Indigenous Tertiary Education cont…

Financial performance for the year

	2021	2020
	$'000	**$'000**
Revenue from continuing operations		
Australian Government financial assistance	13,209	11,905
Northern Territory Government financial assistance	13,091	13,865
Other revenue	7,736	5,469
Total revenue from continuing operations	**34,036**	**31,239**
Less expenses from continuing operations		
Employee expenses	(20,733)	(20,300)
Depreciation and amortisation	(2,139)	(2,197)
Other expenses	(10,407)	(8,956)
Total expenses from continuing operations	**(33,279)**	**(31,453)**
Surplus/(Deficit)	**757**	**(214)**

Batchelor Institute of Indigenous Tertiary Education cont…

Financial position at year end

	2021	2020
	$'000	$'000
Cash and cash equivalents	8,293	6,615
Receivables and other current assets	3,647	2,005
Less current liabilities	(8,380)	(7,489)
Working capital	**3,560**	**1,131**
Add non-current assets	28,561	30,117
Less non-current liabilities	(590)	(547)
Net assets	**31,531**	**30,701**
Represented by:		
Reserves	30,814	30,741
Retained surplus/(accumulated deficit)	717	(40)
Equity	**31,531**	**30,701**

Batchelor Institute of Indigenous Tertiary Education cont…

The Batchelor Institute of Indigenous Tertiary Education has commented:

In response to the issue of an exemption from the Minister for Education, as required by Section 45 of the *Batchelor Institute of Indigenous Tertiary Education Act 1999* with reference to the late submission of the 2021 Annual Report, we have now sought this information request.

Charles Darwin University

Audit findings and analysis of the financial statements for the year ended 31 December 2022

Background

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

- Bridging the Gap Foundation Limited; and
- Menzies School of Health Research.

The financial results of both controlled entities are consolidated within the financial statements of the University.

The University provides both higher education and vocational education and training (VET). Higher education funding is provided to the University by the Commonwealth Government through direct grants and through the proceeds of student loans under the auspices of the HECS-HELP Scheme. VET funding is provided by the Northern Territory Government (NTG) through monies appropriated by the Legislative Assembly through the Department of Industry, Tourism and Trade.

The University is required by its enabling Act to prepare financial statements as at 31 December each year and to submit those statements to the Auditor-General by 31 March each year.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the University and its controlled entities for the year ended 31 December 2022.

Audit opinion

The audit of the University and its controlled entities for the year ended 31 December 2022 resulted in an unmodified independent audit opinion, which was issued on 28 June 2023.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Discontinued operations

On 30 September 2021, the Directors of the Charles Darwin University Foundation, as trustee for the Charles Darwin University Foundation Trust, resolved that Charles Darwin University Foundation and Charles Darwin University Foundation Trust be dissolved. In accordance with the Trust Deed, the remainder of the Trust funds was transferred to Charles Darwin University. The transfer of Trust funds was completed in December 2022.

Charles Darwin University cont…

Performance overview

The University (parent entity) generated a net surplus of $23.3 million (2021: $62.2 million). The decrease in surplus from the prior year arose from a combination of decreases in grant income from both Australian and Northern Territory Governments and an increase in employee-related expenses.

- Australian Government grant income decreased by $10.0 million due to deferral of income recognition as programs are yet to be fully delivered or acquitted.
- Northern Territory Government financial assistance revenue decreased by $19.5 million from the prior year as the prior year included grant funding from the City of Darwin for the construction of the Education and Community Precinct in the central business district.
- Consultancy and contracts revenue increased by $11.0 million due to new research grants received during the year.
- Other revenue increased by $5.1 million mainly due to the receipt of Charles Darwin University Foundation Trust funds following the dissolution of the Trust.
- Employee related expenses increased by $15.4 million reflecting an increase in employee numbers for both academic and general staff.
- Other expenses increased by $8.6 million due to:
  - Higher expenditure on materials arising from student related expenses, placement and facility fees;
  - Consultancy costs associated with the implementation of new projects;
  - Travel costs due to increased travel activities following easing of travel restrictions in response to the COVID-19 pandemic; and
  - Utilities and facilities management costs due to a change in contract with service providers and higher electricity costs.
  - These increases were partially offset by a decrease in scholarships, grants and prizes.

The University (parent entity) had a net asset position of $671.8 million as at 31 December 2022 (2021: $625.7 million). The following significant movements were noted:

- Receivables increased by $8.0 million primarily due to timing of the recognition and receipt of the Waterfront Operational grant.
- Assets classified as held for sale decreased by $16.1 million as the assets were sold during the year.
- Property, plant and equipment increased by $104.2 million mainly attributable to:
  - Additional construction costs for the Education and Community Precinct amounting to $51.9 million during the year;
  - Building revaluation increment of $26.0 million; and
  - New right-of-use assets associated with the lease of the Sydney campus contributing $24.7 million at the inception of the lease.
- Other non-current financial assets decreased by $13.7 million due to a decrease in the value of IDP Education Limited shares.

Charles Darwin University cont…

- Lease liabilities increased by $22.2 million consistent with the increase in right-of-use assets at the new Sydney campus lease.
- The University has drawn down $10.0 million from its loan facility agreement with the Northern Australia Infrastructure Facility to finance the construction of the Education and Community Precinct.
- Other current liabilities increased by $7.2 million as the result of:
  - An increase in contract liabilities of $15.8 million due to ongoing projects; and
  - A decrease in funds held in trust by the University following the dissolution of the Charles Darwin University Foundation Trust ($4.1 million in the prior year) and a withdrawal of $4.0 million in funds by Menzies School of Health and Research.

At a consolidated level, the Group generated a net surplus of $22.3 million (2021: $64.4 million) and recorded net assets of $706.1 million (2021: $661.0 million). The individual results of each of the entities consolidated within the Group are analysed within the entities' individual financial statements.

Salary underpayment

During 2021, the University contracted an external consultant to conduct a payroll internal audit covering the period 1 January 2015 to 30 December 2020 assessing the University's compliance with its obligations under the relevant industrial instruments and whether any underpayments of entitlements for casual staff had occurred.

The University conducted a further review of payments made to casual employees and identified underpayments due to non-payment of minimum engagement periods. The University has established a project to perform a detailed review of historical records to determine the liability for underpayments more accurately and to rectify the issue. The University has disclosed this as a contingent liability in Note 30 in the Financial Statements.

Charles Darwin University cont…

Financial performance for the year

	2022	2021
	$'000	**$'000**
Revenue from continuing operations		
Financial assistance and grants from the Australian Government	134,504	143,031
Financial assistance from the Northern Territory Government	37,507	56,536
Fees and charges	95,657	96,484
Other revenue (HECS, fees, interest)	57,841	41,547
Total revenue from continuing operations	**325,059**	**337,598**
Less expenses from continuing operations		
Employee expenses	(173,878)	(158,477)
Administration, operational and other expenses	(127,896)	(116,936)
Total expenses from continuing operations	**(301,774)**	**(275,413)**
Surplus	**23,285**	**62,185**

Charles Darwin University cont…

Financial position at year end

	2022	2021
	$'000	**$'000**
Cash and cash equivalents	172,720	174,333
Receivables and other current assets	31,300	34,044
Less current liabilities	(122,821)	(114,322)
Working capital	**81,199**	**94,055**
Add non-current assets	627,392	535,491
Less non-current liabilities	(36,766)	(3,896)
Net assets	**671,825**	**625,650**
Represented by:		
Restricted and accumulated funds	292,835	267,758
Reserves	378,990	357,892
Equity	**671,825**	**625,650**

Bridging the Gap Foundation Limited

Audit findings and analysis of the financial statements for the year ended 31 December 2022

Background

Bridging the Gap Foundation Limited (the Foundation) is a company limited by guarantee. The Foundation is a fundraising arm of the Menzies School of Health Research and is a controlled entity of the University within the meaning of section 41 of the *Charles Darwin University Act 2003.*

The Foundation's purpose is to support and assist Menzies School of Health Research and other such organisations in the health, research and education sectors and to encourage and foster the interest and financial support of those persons and organisations interested in assisting and promoting these entities.

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 Foundation for the year ended 31 December 2022.

Audit opinion

The audit of the Foundation for the year ended 31 December 2022 resulted in an unmodified independent audit opinion which was issued on 23 May 2023. My audit opinion included an Emphasis of Matter paragraph as reproduced below.

Emphasis of matter – subsequent events and going concern

> I draw attention to Note 14 of the Financial Report, which describes the events subsequent to 31 December 2022 and the going concern basis used. My opinion is not modified in respect of these matters.

Audit observations

In May 2023, Menzies School of Health Research advised the Foundation to pursue opportunities to become a self-reliant, financially independent charity and fundraising entity.

As a result of the audit, the following issues were reported to the Board of Directors:

- There was no formal documented policy or agreement regarding the shared services rendered to the Foundation by Menzies School of Health Research.
- The Foundation's Constitution and other company records were not updated.
- One expense transaction had not been undertaken in accordance with the Foundation's Delegation Policy.
- There are no formal documented policies and procedures in relation to the payment of donations and grants.
- Other expenses were initially incorrectly recorded as donation expenses.
- The Foundation issued a remittance advice to a recipient of a donation using the letterhead of Menzies School of Health Research.

Bridging the Gap Foundation cont…

Performance overview

The Foundation recorded a surplus of $5,365 (2021: deficit of $25,758).

The Foundation reported total income of $405,662 (2021: $624,166) derived solely from donations during the year. The program funded through grants received from the Commonwealth Department of Health concluded in the prior year. There was no new income from grant funding during the year ended 31 December 2022.

The decrease in total expenses reflects the conclusion of the program referred to in the preceding paragraph. There was no grant expenditure during the year as there were no grants received. Expenses for the year ended 31 December 2022 primarily constituted donations paid to Menzies, payments to Sports Education and Development Australia Pty Ltd for scholarships, and operational expenses paid to Menzies.

As at 31 December 2022, the Foundation's net assets comprised cash of $130,190 (2021: $121,695) and trade receivables of $1,121 (2021: $4,250). The Foundation had no liabilities at the conclusion of either financial year.

Bridging the Gap Foundation cont…

Financial performance for the year

	2022	2021
	$'000	**$'000**
Grant income	-	450
Donations and interest	406	174
Grant expense	-	(450)
Donations expense	(353)	(199)
Other	(48)	(1)
Surplus/(Deficit)	**5**	**(26)**

Bridging the Gap Foundation cont…

Financial position at year end

	2022	2021
	$'000	$'000
Cash and cash equivalents	130	122
Receivables and other current assets	1	4
Less current liabilities	-	-
Working capital	**131**	**126**
Add non-current assets	-	-
Net assets	**131**	**126**
Represented by:		
Retained earnings	131	126
Contributed sum	-	-
Equity	**131**	**126**

Menzies School of Health Research

Audit findings and analysis of the financial statements for the year ended 31 December 2022

Background

The Menzies School of Health Research (the School) was established under the *Menzies School of Health Research Act 1985* and operates as a medical research institute within the Northern Territory. The School is deemed to be controlled by Charles Darwin University by virtue of section 11(1) of the *Menzies School of Health Research Act 1985* which, at the time of the audit, specified that the Vice-Chancellor of the University will be a member of the School's Board, and that five Board members, but no more than nine Board members, will be appointed by the Council of Charles Darwin University.

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 School for the year ended 31 December 2022.

Audit opinion

The audit of the School for the year ended 31 December 2022 resulted in an unmodified independent audit opinion, which was issued on 24 May 2023.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

The School recorded an operating result attributable to members of $4.2 million in the current year (2021: $2.3 million). This increase of $1.9 million from the prior year is the net result of a decrease of $3.8 million in total expenditure and a partially offsetting decrease in total income of $1.9 million.

The overall decrease in revenue is attributable to the following significant movements:

- A decrease in funding from Commonwealth National Health and Medical Research Council of $2.4 million related to projects scheduled to be completed in 2023;
- A decrease in other revenue of $3.3 million, mainly caused by a lower amount of research block grants;
- An increase in funding from other Commonwealth Government agencies (primarily the Department of Health) of $2.3 million; and
- An increase in investment income of $1.2 million, due to increased market interest rates on investments and dividend income from shares held.

Menzies School of Health Research cont…

The decrease in expenditure represents the net result of the following significant movements:

- A decrease of $1.4 million in direct research costs, primarily driven by a return of a research grant received amounting to $0.937 million;
- A decrease of $3.6 million in employee related expenses due to less employees in 2022; and
- An increase of $1.3 million of other expenses, the most significant of which were the:
  - $0.484 million increase in overseas salaries and wages in Timor-Leste due to higher employee numbers during the year;
  - $0.415 million increase in travel expenses related to various projects especially in Timor-Leste;
  - $0.370 million settlement paid to terminate the lease of the Brisbane Office; and
  - $0.228 million increase in sub-contracted staff expense.

Menzies School of Health Research cont...

Financial performance for the year

	2022	2021
	$'000	**$'000**
Income		
Financial assistance from the Australian Government	23,034	23,099
Financial assistance from the Northern Territory Government	6,132	6,570
Other revenue	25,582	26,980
Total income	**54,748**	**56,649**
Less expenditure		
Employee expenses	(27,659)	(31,559)
Administration, operational and other expenses	(22,900)	(22,816)
Total expenditure	**(50,559)**	**(54,375)**
Surplus	**4,189**	**2,274**

Menzies School of Health Research cont…

Financial position at year end

	2022	2021
	$'000	$'000
Cash and cash equivalents	14,460	11,002
Receivables and other current assets	55,577	60,737
Less current liabilities	(38,538)	(43,298)
Working capital	**31,499**	**28,441**
Add non-current assets	3,022	2,183
Less non-current liabilities	(420)	(620)
Net assets	**34,101**	**30,004**
Represented by:		
Reserves	641	435
Retained earnings	33,460	29,569
Equity	**34,101**	**30,004**

Nitmiluk (Katherine Gorge) National Park Board

Audit findings and analysis of the financial statements for the year ended 30 June 2022

Background

The Nitmiluk (Katherine Gorge) National Park Board was formed in 1989 under the *Nitmiluk (Katherine Gorge) National Park Act 1989* to acknowledge and secure the rights of those Aboriginals who are the traditional owners of certain land in the Northern Territory of Australia, and certain other Aboriginals, to occupy and use that land, to establish a National Park comprising that land [to be known as the Nitmiluk (Katherine Gorge) National Park] and to provide for the management and control of that Park and certain other land and for related purposes.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of Nitmiluk (Katherine Gorge) National Park Board for the year ended 30 June 2021.

Audit opinion

The audit of the Nitmiluk (Katherine Gorge) National Park Board for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 23 March 2023.

Audit observations

Performance overview

Park income of $1,240 thousand (2021: $975 thousand) increased from the prior year by $264 thousand. This increase was largely due to a recovery in visitor numbers that were reduced in the prior year as a result of the government's response to COVID-19. The balances most significantly affected were camping fees and boat tour income, which increased from the prior year by $102 thousand and $110 thousand respectively. The increase in revenue is largely due to both an increase in visitors to the park and the new booking system which has resulted in more bookings being received.

Total expenses were $1,240 thousand (2021: $975 thousand). The increase in expenses of $264 thousand is mainly due to the increase in payments to Traditional Owners and payments to the Department of Environment, Parks and Water Security. The movement in expense is equivalent to the movement in revenue, as all revenue remaining after paying expenses is distributed.

Receivables and other current assets of $725 thousand (2021: $450 thousand) increased from the prior year by $275 thousand including an increase in other receivables of $161 thousand and the introduction of a new account 'other prepaid expenses' which had a balance of $114 thousand at year end. The introduction of the new account is due to the new online booking system where bookings and payments for camping/walking fees can be made in advance, which was not previously possible. This increase in receivables reflects the current year's increased revenue.

Nitmiluk (Katherine Gorge) National Park Board cont…

Financial performance for the year

	2022	2021
	$'000	**$'000**
Income		
Park income	1,136	826
Other revenue	103	149
Total income	**1,239**	**975**
Expenditure		
Payments to Traditional Owners	(691)	(520)
Payments to the Department of Environment, Parks and Water Security	(445)	(306)
Operational costs	(103)	(149)
Total expenditure	**(1,239)**	**(975)**
Surplus	**-**	**-**

Nitmiluk (Katherine Gorge) National Park Board cont...

Financial position at year end

	2022	2021
	$'000	**$'000**
Cash and cash equivalents	-	-
Receivables and other current assets	725	450
Less current liabilities	(725)	(450)
Working capital	**-**	**-**
Add non-current assets	-	-
Less non-current liabilities	-	-
Net assets	-	-
Represented by:		
Accumulated funds	-	-
Capital	-	-
Equity	**-**	**-**

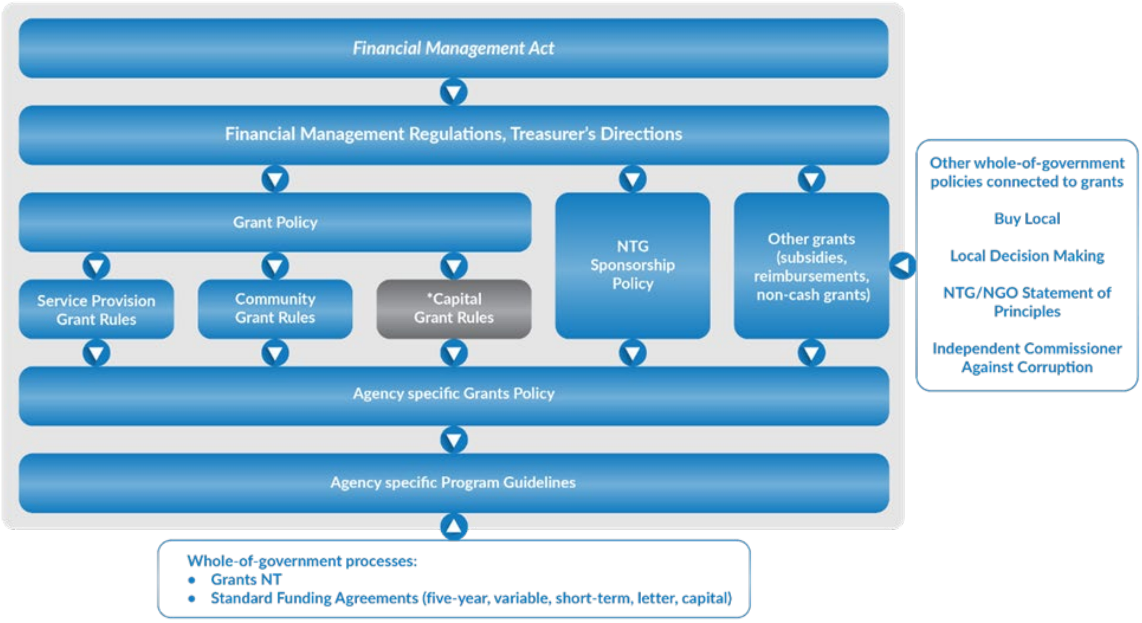
Achievement of Grant Outcomes and Outputs

Department of the Attorney-General and Justice

Background

The Northern Territory Government (NTG) Grants Policy (the Policy) outlines the financial management and accountability framework for grants applicable to all NTG agencies.

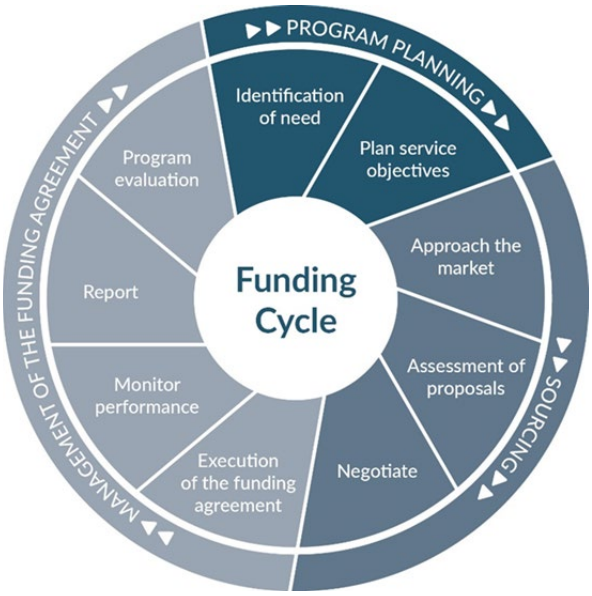
Figure 1: NTG Grant Framework



Source: NTG Grant Policy, June 2022.

The Policy addresses the requirements applicable to all grants from planning to sourcing and management of the funding agreement.

Figure 2: Grant funding cycle



Source: NTG Grant Policy, June 2022.

Achievement of Grant Outcomes and Outputs cont…

The Policy establishes the overarching principles to be applied when managing grants, and provides guidance on planning, sourcing, management, performance monitoring, reporting requirements and standard grant funding agreements. Agencies need to ensure any agency specific grant management policies and program guidelines align to the Policy.

The Policy states:

'The NT Government needs to ensure public funds achieve the best value for the Territory, an accountable use of public money, and deliver the best outcomes for individuals, families and communities.'

The Program Planning stage includes establishing the need, objectives and outcomes of a grant or grant program, aligned to agency or NTG strategic objectives.

The Management of the Funding Agreement stage requires periodic evaluations against key performance indicators or measures to understand if the objectives of the grant or grant program have been achieved. This is expected to be achieved through:

- Performance monitoring (section 6.1 of the Policy)
- The establishment and adherence to reporting requirements (section 6.2 of the Policy) and
- Application of the NTG Program Evaluation Framework (section 5 of the Policy).

GrantsNT is an NTG grant management system that is mandated to be used by NTG agencies and grant applicants/recipients to manage grant funding activities.

Scope and objectives

The objective of the audit was to assess the performance management systems in place at the Department of the Attorney-General and Justice (the Agency) that enable management to evaluate whether its objectives, as associated with its grant funded service delivery, are being delivered with regard to effectiveness, efficiency and economy.

The Northern Territory Government (NTG) Grant Policy version 2.4 (the Policy) defines grants as *'the distribution of public money made by the NT Government (an agency) to an external entity or individual (a grant recipient) to provide a diverse range of services, events, activities, outcomes and initiatives, which are directed at achieving agency outcomes.'*

When reviewing the Agency's performance management systems, the audit assessed the:

- Systems and processes in place to effectively manage grants in accordance with the NTG Grant Framework.
- Processes in place at the Agency to effectively plan for service delivery through the payment of grants.
- Processes for ensuring identified outcomes from grant funded services are achieved.
- Use of performance assessments of grant funded service delivery.

The audit covered the period from 1 July 2021 to 31 August 2022.

Limitation of scope

Audit procedures for testing grants processes were unable to be completed for two of the eight grants due to the requested information not being provided. As a result, audit procedures and further inquiries could not be undertaken.

Achievement of Grant Outcomes and Outputs cont…

Index

The report on this audit is structured as follows:

Audit opinion

In my opinion, the audit identified that the Agency could implement improvements to the performance management systems in order to demonstrate the Agency's grant objectives are being achieved economically, efficiently and effectively.

I draw attention to the limitation of scope paragraph on the previous page.

Recommendations

Opportunities to improve the grant systems and processes are presented below.

Setting grant policy and processes

- Ensure the Accounting and Property Manual is updated and reviewed annually so it reflects current practices. Key corporate governance documents that are out of date or non-existent present risks that appropriate processes are not in place.
- Develop, implement and communicate guidance and processes to Agency personnel. Where individual business units have additional processes, ensure these are formally documented. Whole of agency practices can help to ensure compliance with applicable frameworks, provide consistency, reliability and comparability and assist with succession planning.
- Develop and deliver training to assist with the effective and efficient management of grants. Consideration could be given to developing both procedural and system training to be made available to grant recipients in addition to employees.
- Implement a centralised support function or person that can develop and enhance Agency-wide grants processes to provide support and share knowledge.

Achievement of Grant Outcomes and Outputs cont...

Measuring the performance of grant recipients

- Review key performance indicators, which are used to assess a grant recipient's performance, to ensure the indicators are specific, measurable, attainable and relevant and contain a timeframe for achievement.
- Develop formal performance evaluations that assess, document and communicate a grant recipient's performance. The recipient's performance should then be considered when re-issuing or awarding future grants.
- Enhance documentation supporting key decisions including the selection of grant recipients and considerations; and conclusions on the recipient's performance particularly when key performance indicators or deliverables are not met.

Monitoring grant practices

- Consider key areas where grant management could benefit from quality control measures and implement such measures accordingly.
- Develop and implement a process that ensures regular review of system access is undertaken by appropriately designated management personnel to minimise the risk of inappropriate access to information.

Documentation

- Implement processes to ensure grant agreements are in place from the commencement of each grant arrangement and that future agreements are prepared sufficiently in advance of the termination of current agreements to ensure continuity of grant funded functions and activities.
- Implement processes to ensure records are maintained of discussions held during grant meetings including a record of action to be taken. Maintain these records in either GrantsNT or the across-government records management system to ensure they remain easily accessible across the life of the grant.
- The Policy states that in order to promote transparency, an agency should make the grant program guidelines, including the criteria, assessment and other processes, public where appropriate. Document a whole of Agency approach to providing grant information publicly and implement such measures accordingly.

Audit observations

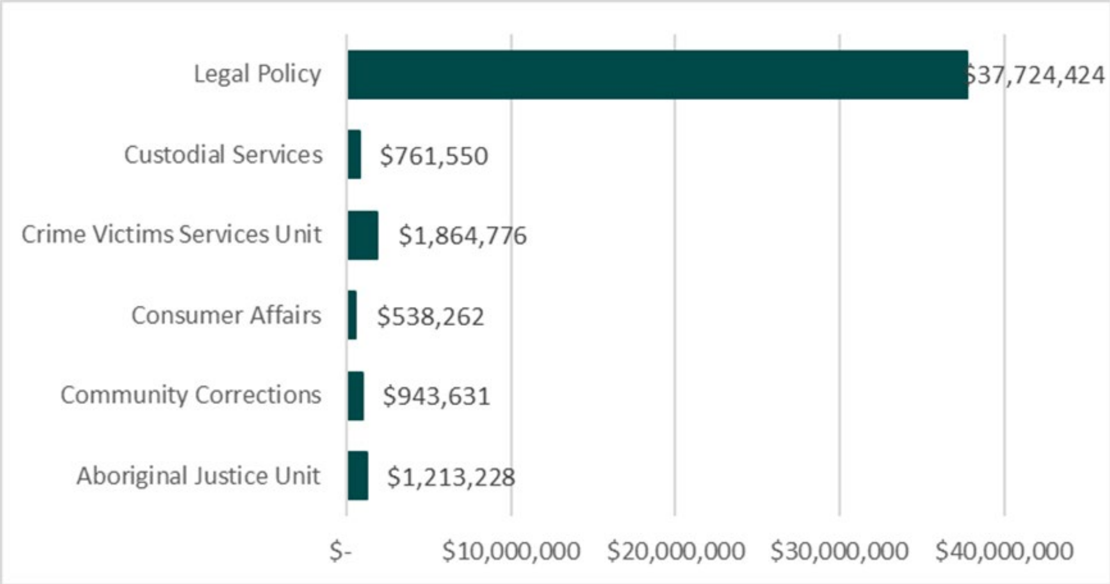
Systems and processes

All grants within the NTG are governed by the NTG Grant Framework and are required to be recorded in the GrantsNT system as outlined in the background. At the Agency, grant processes are decentralised with each business unit being responsible for developing its own practices.

In 2020-21 the Agency provided grants totalling $43.0 million across six business units. The total included Commonwealth and NTG funded grants.

Achievement of Grant Outcomes and Outputs cont…

Figure 3: Dollar value of grants paid by the Agency in 2021-22



Source: Agency Internal Documentation

All grants and transactions were included in GrantsNT and reconciled to the general ledger.

Within the Agency, the Finance unit has a central role for managing grants. This role is limited to reconciliation, executive reporting and budget management.

An Agency Accounting and Property Manual was released in August 2017. Whilst the manual includes some requirements relating to grants, it has not been updated to reflect the Agency's current processes or mandatory requirements from the NTG Grants Framework. The manual includes references to Treasurer's Directions that no longer exist and includes links to websites that do not exist anymore. There is no other documented whole of agency guidance relating to grant management.

Each business unit is responsible for planning, sourcing and managing grant activities. Discussions with the grant managers in each business unit identified that there were no further processes or guidance in relation to grant management documented within their specific area. Agency personnel expressed a need for whole of agency guidance. Agency representatives advised that documenting the grants processes was a key task identified to be undertaken after they had completed data cleansing of the records maintained within GrantsNT.

There is no other support or training for Agency personnel tasked with managing grants outside of the NTG framework published by the Department of the Chief Minister and Cabinet and GrantsNT system training provided by the Department of Corporate and Digital Development. Agency personnel advised the GrantsNT system training is thorough however, without consistent use of all of the functionality, it can be difficult to remember all the content. Classroom style training is limited and it would be beneficial to have knowledgeable individuals within the Agency who can be contacted to share tips. It would be necessary to communicate the existence of such individuals. Agency personnel expressed a need for further training or support.

Achievement of Grant Outcomes and Outputs cont…

Some employees provided examples where they had started to informally collaborate with others to improve and modify grant processes.

Discussions with Agency personnel identified there had been instances where the recipient could not use the GrantsNT functions due to grant recipient's personnel not being familiar with the system. This is a recurring issue due to the level of staff turnover within entities that are grant recipients.

Not all reporting is submitted by grant recipients through GrantsNT.

The GrantsNT system allows various levels of access to be assigned to a particular user. As at 15 September 2022, the Agency had 56 GrantsNT users with 238 different levels of access. Currently, there is no documented process in place to review grant system access. The frequency of reviews undertaken was different in each business unit and usually ad hoc.

Effective planning

To assess the effectiveness of planning for the awarding and distribution of grants, the audit considered processes that covered the key principles from section 4 of the Policy. There are opportunities for the Agency to enhance supporting documentation and internal processes intended to address the key principles as presented in Table 1.

Table 1: Key Principle from section 4 of the Policy

Key Principle from section 4 of the Policy	Agency application
1. The funded activity should provide the **best value** for the Northern Territory	For 27 of the 33 active grants in 2021-22, the application process was pre-approved to a single recipient. Six grants were subject to an open application process. For a sample of grants tested, there was no documented explanation as to why or when a grant would be issued through an open application process rather than being issued directly to a recipient.
2. **Clear objectives** – allow for a better understanding of the outcomes of a grant program. This makes it easier to develop performance indicators and a monitoring and evaluation framework	The majority of grants have an underlying agreement, often applicable for a period of five years. Agreements are prepared based on the NTG templates. The objective, performance measurements and reporting requirements are outlined in the agreement. Six grants did not have a current agreement. In these cases, the grant funds were being administered based on an approved extension of the past agreement and the new agreements were being prepared.

Achievement of Grant Outcomes and Outputs cont…

Key Principle from section 4 of the Policy	Agency application
3. **Planning and consistency** – assists the implementation of a grant program by having the appropriate processes, resources and mechanisms in place	Grant management is decentralised and there are no overarching processes. Some consistency is gained from applying the Policy and using the GrantsNT system to manage the grants. The grant managers expressed a view that centralisation and consistency would be beneficial. Review of information within GrantsNT demonstrated inconsistencies in the recording of grant information. There were inconsistent naming conventions, varying approaches to the level at which grants are recorded and errors in the data.
4. **Proportionality** – involves adopting processes to match the nature, scale, complexity and risks of the grant or grant program. Grants and grant programs which are considered low financial value or risk should have simpler requirements, specification, monitoring and administrative support than those of higher value or risk	The expectations regarding frequency and detail of grant reporting required from recipients are based on the requirements of each grant and documented in the grant agreement.
5. **Collaboration and partnership** – effective collaboration, shared understanding of expectations and positive working relationships with grant recipients will increase the likelihood of a grant or grant program meeting its objectives	There is a dedicated grant manager for each grant. Grant managers meet with grant recipients on a regular basis. Meeting dates are documented in GrantsNT. Not all minutes of meetings are recorded in GrantsNT or the across-government records management system.
6. **Accountability and record keeping** – all those involved in the grant process are accountable and need to be able to justify the use of public resources. However, the funded organisation is accountable for the management and delivery of agreed outcomes	The grant agreements specify the required reporting of finance and performance information. Grant managers review the reporting and hold meetings with the recipient for further clarification.

Achievement of Grant Outcomes and Outputs cont…

Key Principle from section 4 of the Policy	Agency application
7. **Probity and transparency** – to promote transparency, grant program guidelines, including the criteria, assessment and other processes, should be made public where appropriate and depending on the contestability of the grants process. For probity, the processes undertaken in grant programs should be consistent with the grant program guidelines and other relevant policies	The Agency publishes a detailed listing of grants paid in the annual report. The listing of grants includes the grant name, recipient, purpose and amount paid. As most grants are issued directly to a recipient, the criteria, assessment and other processes, are not made public. There are no documented processes to easily demonstrate how the NTG Grant Framework is complied with.
8. **Sustainability** – management of grants and the allocation of resources should support sustainable outcomes and long-term goals, including building the capacity of service providers.	Based on a sample of grants tested, the objectives associated with the grant funding aligned to the Agency's strategic outcomes.

In order to understand how the Agency determines that grant funding (rather than procurement) will be provided for the delivery of a function or service, Agency personnel were asked whether there were established processes to assist management in determining:

1. When functions or activities will be undertaken within the Agency using internal resources or will be outsourced.
2. Whether outsourced functions or activities will be funded through the provision of a grant or procured as a service.
3. Whether a grant will be directly issued to a recipient or the Agency will release an open invitation to apply for grant funding.

There is NTG guidance to assist with identifying when a procurement is required to be used compared to a grant. A number of Agency representatives interviewed during this audit were not aware of the guidance.

There was no documentation to explain the above decisions. Agency representatives advised that grants are often rolled over from the prior period to the same recipient.

A majority of the Agency grants are directly allocated to a recipient with no competitive process undertaken during the application process. For the financial year 2021-22, 33 grants were paid totalling $43 million in payments. Of these 33 grants, six grants, with a combined value of $1.1 million, were awarded through a competitive process.

In some cases the service being provided under the grant is specialised with limited to no competitive market and consequently, approaching one service provider directly may be appropriate.

Achievement of Grant Outcomes and Outputs cont…

Achieving outcomes

As identified above, there is no whole of Agency guidance or processes documented for grants, with grant planning and management being the responsibility of each business unit.

The objective, performance measurements and reporting requirements are contained in individual grant agreements.

There is a dedicated grant manager for each grant. Grant managers meet with grant recipients on a regular basis. Agency personnel advised that the meetings and on-site visits give the Agency greater visibility of how the services are being provided and managed. Grant managers also liaise with other operational staff within the Agency that manage the services or functions provided by the grant recipient.

Each reporting date is monitored using GrantsNT. Reports are prepared by the recipient and record the recipient's performance against the key performance indicators and deliverables in the grant agreement. The performance documented in the reports is assessed by the grant manager and marked as 'meets requirements' if appropriate.

If an issue or concern is identified as it relates to delivery of the activity or function, the grant manager will discuss the matter with the recipient and document a record of the discussion together with a plan of action for resolution, as appropriate.

A further review of this process is documented in the Testing section below.

Performance assessments

There is currently no formal or documented process to assess the overall performance of a grant recipient.

Testing

The Northern Territory Auditor-General's Office selected eight current grants for testing.

Audit testing was not able to be completed for two of the selected grants due to the requested information not being provided by the nominated Agency representative.

For all of the grants tested, agreements were in place that identified the grant objective, reporting requirements, meeting requirements and payments. The agreements identified key performance indicators to measure the recipient's performance. Review of the key performance indicators and reporting received from the recipients identified that, for some grants:

- Key performance indicators or deliverables were not specific or measurable resulting in the assessment of compliance with the performance measures being subjective.
- Extensive reporting was provided however there was no documented assessment of how the performance measures have been met.
- It was difficult to determine whether each performance measure had been reported against when reviewing the grant recipients' reporting.

Achievement of Grant Outcomes and Outputs cont…

When one or more key performance indicators were not met, there was no further documentation on what follow up activities were performed; why the non-performance was accepted by the Agency; or if the non-compliance represented an isolated incident or continued non-compliance. Often the documentation was limited to the 'meets requirements' response in GrantsNT. Agency personnel advised GrantsNT does allow for further information to be obtained before the 'meets requirements' response being entered and the report being accepted.

For one grant, there were significant shortcomings identified in the quality of the service being provided. The grant manager first attempted to resolve this directly with the recipient however a formal letter was eventually issued to the recipient seeking resolution of the shortcomings. A plan is now in place and actions by the recipient to resolve the issues were ongoing at the time of the audit. Review of the standard performance reports did not identify any further documented communication regarding the non-performance during 2022.

One grant agreement is being consistently re-issued on a short term (six-month) basis providing no certainty of service delivery to the recipient or the Agency. The grant was established in 2020.

Within GrantsNT, two separate grants were incorrectly created under the same grant program in different business units.

Achievement of Grant Outcomes and Outputs cont…

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

The Department of the Attorney-General and Justice notes the findings and has established a working group to develop improved documentation, training for grants managers and to ensure robust systems are in place to continue to deliver grant programs that are delivered with regard to effectiveness, efficiency and economy.

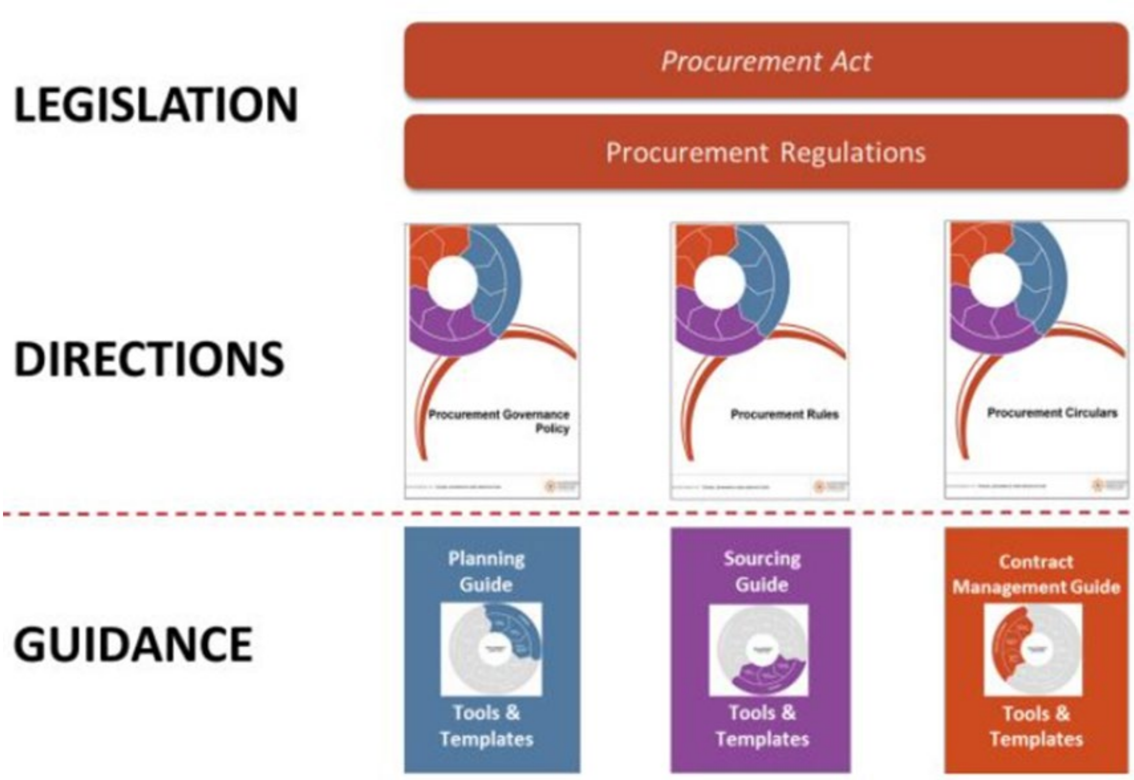
Achievement of Outsourcing Outcomes and Outputs

Department of Health

Background

The Northern Territory Government (NTG) Procurement Framework (the Framework) consists of legislation, directions and guidance.

Figure 1: NTG Procurement Framework



Source: NTG Procurement Framework.

The Legislation and Directions establish the mandatory requirements that all agencies must follow when undertaking procurement. The Directions comprise the Procurement Governance Policy, Procurement Rules and Procurement Circulars.

Guidance documentation (including lifecycle guides, tools and templates) provides additional information to agencies on recommended approaches that may be adopted when undertaking procurement. Agencies are not required to follow the Guidance documentation and may establish agency specific processes consistent with the Legislation and Directions.

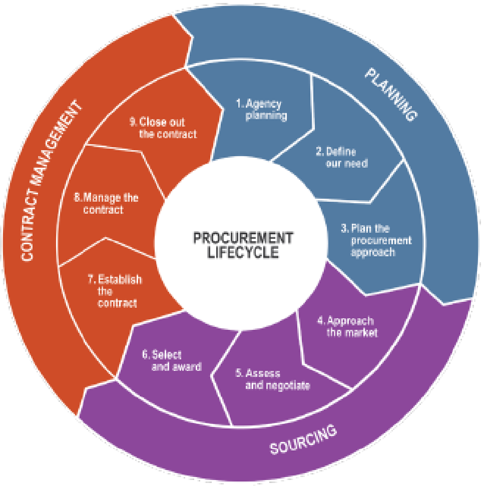
Unless an exemption is applied, NTG agencies are required to comply with the Framework. All government staff must follow the rules of procurement when buying goods and services.

Achievement of Outsourcing Outcomes and Outputs cont…

The guidance and rules outline the procurement life cycle including planning, sourcing and contract management.

Figure 2: NTG Procurement Lifecycle

- **Planning** – agency strategic procurement planning, defining specific procurement needs and planning specific procurement approaches.
- **Sourcing** – the process of inviting businesses and industry to submit offers, and the steps associated with assessing, negotiating and awarding contracts.
- **Contract Management** – systematically and effectively managing contract establishment, execution and closure, including a review of contractor performance and the recording of lessons learnt.



Source: NTG Procurement Governance Policy

The Planning stage includes the following activity:

Table 1: Procurement Lifecycle Stage Activities – Planning

Activity	Description
Define Our Need	Clearly and effectively articulate the desired supply requirements and associated outcomes.

Source: NTG Procurement Governance Policy

The Contract Management stage includes the following activities:

Table 2: Procurement Lifecycle Stage Activities – Contract Management

Activity	Description
Establish the Contract	Effectively commence the contract to facilitate successful contract execution.
Manage the Contract	Proactively manage the contract to ensure the successful achievement of contractual outcomes (i.e. delivery of required supplies).
Close Out the Contract	Ensure that all required supplies have been delivered and all contractual obligations are finalised for both parties. Undertake a review and develop learnings for future procurement activities.

Source: NTG Procurement Governance Policy

The Procurement Rules include rules specific to defining the scope and contract management.

NTG procurement activities are recorded in the Agencies Purchase Requisitions Online (APRO) system. APRO is used for the creation, processing and recording of procurement actions.

Achievement of Outsourcing Outcomes and Outputs cont…

Scope and objectives

The objective of the performance management system audit was to assess the performance management systems in place at the Department of Health (the Agency) that enable management to evaluate whether its objectives for public service activities outsourced under contract to non-government organisations are being delivered economically, efficiently and effectively.

In the context of this audit, outsourced activities refers to functions of the agency that are delivered through a contract with an external service provider, for example provision of ambulance services.

The audit assessed if the Agency's performance management systems apply the NTG Procurement Framework when evaluating whether the objectives of outsourced activities are being achieved by examining:

- The systems and processes in place to effectively manage outsourced activities in accordance with the NTG Procurement Framework.
- The processes in place at the Agency to effectively plan for the delivery of outsourced activities.
- The Agency's processes for ensuring the outcomes from outsourced activities are achieved.
- The Agency's use of contractor performance assessments.

The audit covered the period from 1 July 2021 to 30 June 2022.

Limitation of scope

Audit procedures in relation to the management of contracts for the provision of outsourced services were unable to be completed for four of the six contracts due to the requested information not being provided. As a result, audit procedures including further inquiries could not be undertaken.

Index

The report on this audit is structured as follows:

Achievement of Outsourcing Outcomes and Outputs cont…

Audit opinion

The objective of the performance management system audit was to assess the performance management systems in place at the Department of Health (the Agency) that enable management to evaluate whether its objectives for public service activities outsourced under contract to non-government organisations are being delivered economically, efficiently and effectively.

In my opinion, the Agency could implement improvements to the performance management systems in place as they relate to outsourced activities in order to demonstrate the Agency's objectives are being achieved economically, efficiently and effectively.

I draw attention to the limitation of scope paragraph on the previous page.

Recommendations

Opportunities to improve the systems and processes to manage outsourced activities are presented below.

Policy and processes

- Address non-compliance with mandated NTG policies and Agency procedures. Consider the root cause of non-compliance and what additional controls are needed to strengthen processes designed to manage contracts for outsourced services. To facilitate compliance:
  - Policies and procedures need to be documented and accessible.
  - Established processes need to be consistently implemented from the top down and applied by everyone in the Agency.
  - Update policies or procedures that become outdated and keep policies front of mind by referring to them often.
  - Reinforce policies and procedures with regular training or knowledge sharing sessions. The more familiar employees are with the requirements, the less likely they are to make mistakes.
  - Establish oversight and scrutiny of compliance with policies and procedures.
  - Take action to address non-compliance.
- Identify key areas where procurement contract management processes could benefit from the implementation of quality control measures, then design and implement appropriate measures. This will assist in ensuring documentation is maintained by contract managers to better demonstrate compliance with the contract management framework, policies and rules.

Contract management

- Ensure key performance indicators are developed using the specific, measurable, attainable, relevant and time-bound criteria. Implement periodic monitoring of the progress of contracts against the identified measures of success. Periodic monitoring against planned targets enables early identification where actions may be at greater risk of not meeting planned outcomes.
- Develop formal performance evaluations that assess, document and communicate contractor performance. This information should then be considered when re-issuing or sourcing future procurements.
- Document and maintain records supporting key decisions regarding contractors' performance.

Achievement of Outsourcing Outcomes and Outputs cont…

Procurement planning

- Develop and document a systematic approach towards preparation and monitoring of the objectives documented within the Agency Procurement Management Plan. A documented systematic approach can be useful in assisting with succession and handovers upon changes of personnel.
- Ensure employees are appropriately skilled and trained. Enhancements could include identifying minimum skill requirements and the development of internal knowledge sharing platforms, employee training plans and training registers.

Audit observations

'The primary role of the Department of Health is to work with the community and key service delivery partners to improve the health and wellbeing of Territorians and to deliver effective and efficient care in the right places and at the right time. In delivering its role, the Department of Health along with our partners face significant challenges.

Procurement, contracting and supply chain management are vital links in the delivery of patient care and enabling improved health and wellbeing for Territorians noting that around 25% of the costs of providing healthcare are procurement related.'(Department of Health Agency Procurement Management Plan 2022-23, 28 July 2022*)*

NT Health's plan for Tier 3, Tier 4 and Tier 5 procurement activities for 2022-25 includes 68 expiring contracts with a combined estimated value of approximately $458 million over the life of the proposed contracts. The 2022-23 financial year had 40 contract procurement activities planned with a combined estimated value of around $233 million.

Systems and processes

Procurements within the NTG are governed by the NTG Procurement Framework as outlined in the background. Procurement requirements vary depending on the value of the procurement:

- Tier 1 – less than $15,000
- Tier 2 – $15,000 to $99,999
- Tier 3 – $100,000 to $499,999
- Tier 4 –$500,000 to $4,999,999
- Tier 5 – $5,000,000 and above

Within the Agency, the Strategic Contracting Branch has a central role overseeing the implementation of the framework.

Dedicated contract managers are responsible for contract management. The utilisation of the 'Trax' system is recommended and the use of this system is mandated from 1 July 2023. Trax is a whole-of-government online contract management tool. Its purpose is to help contract managers to monitor, manage and close out contracts.

Procurement processes are decentralised within the Agency. Tier 1 and 2 procurements are managed within individual business units. Procurement processes for Tiers 3 to 5 are facilitated by Procurement Services within the Department of Corporate and Digital Development. The Strategic Contracting Branch, comprising six full time equivalent employees, manage large high risk contracts.

Achievement of Outsourcing Outcomes and Outputs cont…

A mandated annual value-for-Territory audit is performed to measure the Agency's compliance with selected aspects of the NTG Procurement framework.

NTG online training is available to all Northern Territory public sector employees to build procurement skills. Accredited training is also available and an NTG procurement capability framework has been developed. Agency staff undertaking procurement duties are encouraged to complete procurement training. The Agency does not have a documented approach to identify staff who may require procurement training in order to fulfil the responsibilities of their position. Staff are encouraged to rely on the risk-based matrix approach to determine if procurement training is relevant to them.

The Agency is implementing a Procurement Development Management system in 2023, with the intention that it will enforce compliance because the system will only permit activity that complies with the Agency's financial and procurement delegations and the procurement rules which will be embedded in the system.

Effective planning

The Agency prepared the mandated annual Agency Procurement Management Plan for 2021-22 in the required timeframe.

The Agency Procurement Management Plan is updated annually with input sought from stakeholders within the Agency that have a procurement need.

The objective of the plan is to:

- Identify significant procurement activity planned for the next five years.
- Consider ways to maximise local content and Aboriginal participation when undertaking procurement activities.
- Design industry engagement strategies, including consideration of opportunities to provide industry briefings.
- Report on performance against planned procurement activities, including significant departures from the Agency Procurement Management Plan of previous years.
- Report on procurement related complaints for the preceding 12 months.
- Design internal audit and assurance programs.
- Identify procurement related training, organisational learning and development opportunities.

The processes to manage and assess the objectives identified in the Agency Procurement Management Plan are manually performed on an ad hoc basis.

Currently there is no single source of information that can identify all the procurements or active contracts for the Agency.

Achieving outcomes

The Agency reviews the contractual outcomes on an ad hoc manual basis. The Agency does not have a documented approach for identifying risks and early warning signs at the individual contract level. Inconsistencies in approach result in contract managers evaluating contract outcomes subjectively rather than applying a methodical approach.

Achievement of Outsourcing Outcomes and Outputs cont…

Performance evaluations

Although the Agency has prescribed management plan documents for outsourced activities, formal program evaluations are not performed by all contract managers. Of a sample of six contracts for outsourced services selected for testing, there were four where contract managers rely on informal evaluation techniques to assess contractors' performance. No supporting documentation was provided to demonstrate these informal contractor performance evaluations.

The key performance indicators (KPIs) within contracts were not specific or measurable. Agency representatives advised that the KPIs are currently under review.

Testing

In response to an audit request for a listing of contracts for outsourced services pertaining to services for the 2021-22 financial year, the Agency provided six separate listings which included duplicated contracts. Due to the wide range of contracts for outsourced services across the Agency, each with its own unique internal processes, six contracts were selected for audit testing.

Detailed testing of the six selected contracts for outsourced services for compliance with the procurement rules and the minimum requirements of the contract management stage of the NTG Procurement Lifecycle identified the following instances of non-compliance:

- Contract management plans were not provided for four of six contracts for outsourced services.
- Internal discussions and decisions which describe the systems, processes and resources assigned to manage the contracts were not recorded for two of six contracts for outsourced services.
- The requirement for an industry participation plan was applicable to one of six contracts for outsourced services. There was no industry participation plan provided.
- Contractor performance reports were not provided for three of six contracts for outsourced services.
- Supporting documents were not provided to evidence that the performance feedback was provided to the contractor for two of six contracts for outsourced services.

Contract management processes vary widely across the Agency and inconsistencies were identified with the record keeping practices and the manner in which information is manually processed within the Agency. This may be as a result of insufficient knowledge held by the contract managers regarding contract management and procurement rules. The inconsistencies observed across the six samples demonstrated that contract managers do not follow the requirements for maintaining documentation as prescribed by the Agency.

Quality assurance checks were not performed to ensure that required documentation is maintained by contract managers.

Achievement of Outsourcing Outcomes and Outputs cont…

Table 3: Summary of observations for compliance with Procurement Rules relevant to contracts for outsourced services

Rule	Description	Description
Rule 29. Contract Variations		
9.2	Prior to commencing project specific sourcing activities, the agency must undertake appropriate planning, including:	
9.2 a)	Clearly defining the scope	1 exception
9.2 b)	Estimating the value of the procurement, inclusive of all applicable taxes	no exceptions
9.2 c)	Setting appropriate assessment criteria	no exceptions
Rule 26. Contract Management Planning		
26.1	Contract Management Plans commensurate with the value and risk of a contract.	4 exceptions
26.2	Processes and resources assigned to adequately manage the agency's contracts	2 exceptions
26.3	Personnel who have a role in contract management have the necessary skills and training	no exceptions
Rule 27. Industry Participation Plan		
27.1	Industry Participation Plans	1 exception
27.2	Monitor the contractor's performance against the Industry Participation Plan	1 exception
Rule 28. Performance Reporting		
28.1	Complete contractor performance reports	3 exceptions
28.2	Report on the contractor's performance against local benefit commitments	2 exceptions
28.3	The contractor must be provided with performance feedback and given the opportunity to respond	2 exceptions
28.4	Retain performance reports	3 exceptions
28.5	Provide Contractor Accreditation Limited with performance reports every 12 months and at the completion of each contract	no exceptions
Rule 29. Contract Variations		
29.1	Contract variations must only be made with the approval of the delegate	no exceptions
29.2	Contract variations should only be made where the variations do not change the scope of the original contract	no exceptions

Source: NTAGO developed

Achievement of Outsourcing Outcomes and Outputs cont…

The Department of Health has commented:

Department of Health welcomes the finding and recommendations from the audit and has made several changes and improvements to bolster contract management. For example:

1. Strategic Contracting have a list of all of DoH's period contracts, these range from simple supply contracts for routinely purchased goods through to complex contracts for services.
2. Strategic Contracting have a list of all staff that manage or administer those contracts. It should be noted that these contracts include many which are standing contracts for the routine supply of good and medical consumables and that these contracts are generally low risk contracts.
3. Strategic Contracting will provide direct communications to the staff who manage or administer those contracts around their responsibilities to actively manage the contract and record these activities and especially in regard to performance of each contract.
4. Strategic Contracting will provide appropriate training and support to contract manager to enable them to manage their contracts properly.
5. DoH will mandate all contracts to be entered into Trax as of 1 July 2023.
6. DoH has appointed a Procurement Compliance and Training Officer (PCTO) in the strategic procurement team to review contract management compliance periodically in line with a contract compliance review plan.

The PCTO will ensure all staff with a role in contract management are aware of the requirements for performance reporting, communicating performance to contractors and post close out reviews for lessons learned.

DoH will develop and document formal performance evaluation for contracts that assess, document and communicate each contractor's performance and ensure this information is considered when renewing or replacing contracts.

DoH will review Key Performance Indicators (KPIs) to ensure they are 'SMART' and periodically review contract performance against planned outcomes to ensure they remain on track.

DoH will ensure that records supporting key decisions being contemplated or made in relation to contractor performance are documented.

The root cause of non-compliance in contract management is a lack of understanding by some contract managers of the specific requirements and responsibilities of:

Procurement rules 26 to 28 requirements to develop a Contract Management Plan commensurate with risk and value, monitor and report and communicate in relation to contractor performance against SMART KPI's

Achievement of Outsourcing Outcomes and Outputs cont…

The Department of Health comments continued:

To address these deficiencies DoH have:

- Commenced implement the Procurement Development Management System to make complying automatic and procurement easy for procurement process workflows, (implementation has commenced).
- Mandate the use of Trax for contract management from 1 July 2023
- Appointed an experienced PCTO as of 1 July 2023

Program Evaluation Framework

Department of Education

Background

A plan for budget repair

In November 2018, the 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 Panel's report, *A plan for budget repair: Final Report* (the Final Report), was released. The Final Report included a detailed plan containing 76 recommendations.

The following recommendations were made in relation to evidence-based decision making:

5.5.1 Develop a whole of government program evaluation framework.

5.5.2 Update the Cabinet submission template to include program evaluation requirements.

5.5.3 Develop an annual schedule of evaluation of existing programs for approval by the Budget Review Subcommittee of Cabinet.

Program Evaluation Framework (the Framework)

The Framework was approved in June 2020 by the Department of Treasury and Finance. Under the Framework, evaluation activity is primarily the responsibility of individual agencies.

Agency evaluation activity is to be overseen, coordinated and supported by a central Program Evaluation Unit within the Department of Treasury and Finance. The Program Evaluation Unit is responsible for:

- Promoting the use of evaluation in government decision making.
- Leading the across-government 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 Northern Territory public sector.
- Preparing an annual whole of government summary of evaluations.
- Maintaining a database of completed evaluations and sharing findings to inform future policy and program design.

Individual line agencies are responsible for:

- Conducting or commissioning evaluations.
- Identifying evaluation priorities for the rolling schedule of evaluations (to be determined by the Budget Review Subcommittee of Cabinet).
- Incorporating lessons learned from previous evaluations into program and policy design.
- Including evaluation strategies as part of Cabinet submissions.
- Reporting to the Program Evaluation Unit on evaluations undertaken and managed.
- Upskilling relevant staff to build evaluation capability and capacity.
- Providing feedback on the evaluation toolkit.

Program Evaluation Framework cont…

During the annual budget development process, agencies are now required to complete a program master list template that aims to capture current Northern Territory Government (NTG) funded programs, including tier ranking, linkage to government priorities, previous evaluations and future planned evaluations. This information is used to update the whole of government evaluation schedule.

The 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 Framework includes a maturity assessment tool demonstrating characteristics of evaluative capacity at various maturity levels.

Table 1: Program evaluation maturity assessment tool

	Beginning maturity	Developing maturity	Embedded maturity	Leading maturity
Culture	Evaluation awareness is low and is as a response to identified problems.	Widespread awareness of the benefits of evaluation.	Evaluation perceived as an integral component of sound performance management.	Demonstrated commitment to continuous learning and improvement across government.
Capacity	Evaluation skills are limited. No formal evaluation procedures and structures are in place.	Targeted training and recruitment is used to develop staff skills. Formal evaluation policies and structures are in place.	General evaluation skills are widespread. Relevant staff have higher order skills and experience, which is leveraged by the agency. Evaluation systems, structures and procedures are robust, integrated and of proven effectiveness.	The government is recognised for its evaluation expertise and innovative procedures and systems.
Planning	Evaluation planning occurs for some programs, mainly after implementation. No, or very basic, evaluation strategy.	Programs have well defined objectives and performance indicators as a baseline for future evaluation. Evaluation activity is coordinated and an evaluation strategy is in place.	Evaluation planning is an integral component of policy development.	Evaluation plans are in place for most programs.
Strategy	Programs with identified problems are prioritised.	Large and high risk programs are prioritised.	Guidelines for prioritising and scaling evaluation activity are used.	Evaluations are prioritised and scaled to provide the most useful evidence for the least cost.
Conducting	Evaluation occurs but is infrequent and ad hoc.	Priority programs are evaluated.	Evaluation is widespread and conforms to this framework.	Evaluation is almost universal and best practice.
Using	Evaluation findings disseminated within the agency. Significant recommendations are implemented.	Evaluation findings routinely inform decision making and are often disseminated outside the agency.	Evaluation findings are widely disseminated and used to improve performance.	Findings are used to optimise service delivery and improve accountability and transparency.

Source: Northern Territory Government Program Evaluation Framework

Program Evaluation Framework cont…

Annual Program Evaluation Schedule

The NTG's 2021-22 Annual Program Evaluation Schedule was endorsed by the Budget Review Subcommittee of Cabinet in June 2021 with 56 programs scheduled for review in 2021-22.

Within the 2021-22 Annual Program Evaluation Schedule, the Department of Education was tasked with undertaking evaluation of five of the Agency's programs, as presented in the table below.

Table 2: Department of Education programs on the 2021-22 Annual Program Evaluation Schedule

Program Name	Tier
Families as First Teachers Program at urban and remote sites - targeted early learning programs (Indigenous Education Strategy sub program)	4 - Mandatory evaluation
Implementing the Back on Track program (DoE led initiative)	4 - Mandatory evaluation
Framework for Inclusion	3 - Evaluation expected
Early Childhood Education and Care - Expanding 3 Year old Preschool	3 - Evaluation expected
Remote Aboriginal Teacher Education Program	3 - Evaluation expected

Source: 2021-22 Annual Program Evaluation Schedule (not publicly available)

Programs are a *'set of activities managed together over a sustained period of time that aim to deliver an outcome for a client or client group.'* [1]

Scope and objectives

The objective of the performance management system audit was to assess the performance management systems in place at the Department of Education (the Agency) that enable management to evaluate whether its objectives, as intended to be realised through programs, are being delivered with regard to effectiveness, efficiency and economy.

The audit assessed if the Agency's performance management systems apply the NTG Program Evaluation Framework when evaluating whether the objectives of programs are being achieved.

The audit assessed the following aspects of the Agency's performance management systems:

- The systems and processes in place to effectively apply the NTG Program Evaluation Framework.
- The Agency's approach to planning program evaluations.
- The processes in place at the Agency to ensure the intended outcomes from programs are achieved.
- The Agency's use of program evaluations.
- Whether evaluation overviews are applied in accordance with the NTG Program Evaluation Framework.

The audit covered the period from 1 June 2020 to 30 June 2022.

[1] Section 1.1 of the Northern Territory Government (NTG) Program Evaluation Framework

Program Evaluation Framework cont…

Index

The report on this audit is structured as follows:

Audit opinion

The Framework provides criteria by which an agency can measure the maturity of its evaluative capacity. The four levels of maturity are: beginning; developing; embedded; and leading.[2]

In my opinion, the Agency is at the 'beginning maturity' phase of implementing the Framework. The audit identified opportunities for the Agency to strengthen the Agency's performance management systems as they relate to program evaluation.

Recommendations

Opportunities to improve the grant systems and processes are presented below.

Building capacity

- Implement processes to identify what training, tools and communication may be needed to build program evaluation capacity and awareness throughout the agency.
- Planning for program evaluation needs to occur at the time of planning the delivery of the program in order to clearly define the program's intended outcomes and establish processes to measure and manage progress against those outcomes. This process is dependent on the program evaluation capacity within the Agency. It would be useful to identify minimum skill requirements and develop internal knowledge sharing platforms and tools. Capacity building could be assisted by the re-establishment of the Community of Practice meetings and development of employee training plans and training registers. Opportunities for staff to undertake external training programs, recommended by the Program Evaluation Unit, could also be explored.

[2] Table 1: Program evaluation maturity assessment tool

Program Evaluation Framework cont…

- The publication of completed evaluations within the Agency, including development and communication of a lessons learned register, may assist in raising awareness of program evaluation and evaluative techniques across personnel involved in the delivery and management of programs.
- Continue development of the Enterprise Project Management Office (EPMO), which currently has a consulting role within the Agency, to enable it to fulfil its mandate as a *'strategic service and delivery partner for DoE Business divisions, branches and teams in facilitating the successful delivery of programs and projects. '*

Systems and processes

- Develop and document guidance on how the findings and recommendations from program evaluations will be used to inform future evidence-based program development or revised scoping or cessation of existing programs.
- Continue to expand documented internal procedures. Where formal internal processes are unclear or non-existent, the Agency risks inconsistent application or non-compliance with the Framework. The absence of an established process, intended to mitigate risks of the outcomes of a program not being achieved, may result in the ineffective use of Government funds.
- Identify inconsistencies between the Framework and available guidance, and provide relevant feedback to the Department of Treasury and Finance (DTF) as the owner of the Framework. As the NTG Evaluation Framework was developed in 2020, with the requirements relevant to the Agency being developed and clarified over the subsequent years, the Master List template now contains additional instructions regarding required information to be included, however these requirements are yet to be formally reflected in the Framework.

Data

- Work with DTF and the Department of Corporate and Digital Development (DCDD) to develop a centralised repository of all program data and reporting to enhance transparency and accountability for individual agencies and across government. Visibility of program management and evaluations across, and between, agencies would enable greater oversight and may increase the transparency and efficiency associated with preparing the annual Master List and Evaluation Schedule.
- Consider further development of the Project Portfolio Management tool to enable it to be used as a comprehensive centralised performance management system. This tool is currently used for reporting purposes as well as high-level program monitoring. Limitations of the tool include that it is not being used to capture financial information and not capable of capturing outcome based evaluations.
- Identify and define the required fields of the Master List. Guidance on the information to be recorded within each required field would need to be documented and made available to Agency personnel. Implement a process to review the information contained in the Master List for completeness and accuracy prior to its submission to DTF.

Program Evaluation Framework cont…

Audit observations

Systems and processes

The Agency's strategic plan currently identifies seven priorities it aims to achieve in order to meet its objectives. Each priority is aligned to several specific strategic actions resulting in the Agency running over 1,000 associated programs, with most being run as part of the Agency's 'business as usual' model. In order to implement the new Framework, responsibility was assigned to the existing Transformation and Adaptive Leadership team. In January 2020, the EPMO was also established, with the evaluation function then being transferred to the EPMO in June 2022.

The Transformation and Adaptive Leadership team was tasked with providing an oversight and compliance role while the EPMO was being established.

The EPMO's primary role now is to '*provide support and governance for the portfolio of projects/programs across the department. The EPMO maintains a strategic overview on all projects/programs to the department's senior management, including direct input, defining project standards and strategic reporting. The EPMO acts as an advisory member on all program/project boards to assist in project management best practice advice and assurance*'.

In May 2022, the *EPMO Handbook: EPMO Framework and Project Management Fundamentals* (the 'Handbook') was developed. The Handbook is intended to be a single resource to assist Agency staff with the management and execution of programs delivered by the Agency.

The individual program leads remain responsible for the initiation of the program evaluation process.

In order for the Transformation and Adaptive Leadership team and the EPMO to implement the Framework, a list of all programs run by the Agency was required to be identified and collated. This exercise initially took several months, with division heads and/or program leads being consulted to ensure the list was complete.

Historically, the management and reporting of programs administered by the Agency was performed using a spreadsheet. In June 2021, the Agency developed a web based system to provide a centralised platform to view programs. The 'Project Portfolio Management' (PPM) tool was launched to manage, track and report on all of the Agency's programs throughout their lifecycle. The data contained within the original manual spreadsheet was then transitioned into this system. The capital cost of the PPM tool is $190,850 (although the system does not yet meet all the Agency's requirements) with ongoing annual costs of $37,461 in 2021, $60,527 in 2022 and $45,989 for 2023 as at March 2023.

Programs are included in the PPM tool after a submission to the EPMO, with access being granted to the relevant program leads. Program leads are then able to update information in the PPM tool, however the data accuracy is still dependent upon the individual program lead's understanding of project management and program logic. Program logic is the method of designing a program, with relationships between resources, activities and outcomes in order to understand how the program will contribute to specified outcomes.

While centralising program management in the PPM tool is expected to lead to improved program data integrity, improvements to the system should be considered in order to capture financial elements and outcomes of programs.

Program Evaluation Framework cont…

Agency staff are offered training sessions on how to use the EPMO Handbook and the PPM tool. Community of Practice meetings were established in early 2021 and attended by Agency personnel involved with program management, in order to share knowledge and discuss lessons learnt. Community of Practice meetings have not occurred since December 2021.

Planning for program evaluations

Program evaluations should be considered as part of the program lifecycle, with the evaluation being developed during the initial phase of a program.

Agency personnel advised that many of the Agency's programs were already in progress when the Program Evaluation Framework came into existence. As a result, evaluation plans for these programs had not been prepared at the commencement of the program. In other instances, program outcomes and definitions are not clear, making it difficult to design and conduct an evaluation of the extent to which the program's outcomes have been achieved.

A rolling Program Evaluation Master List is prepared by the Agency each year in consultation with each division to ensure completeness. Within the Master List, programs are categorised within a four-tier structure, with the Framework providing guidance as to the characteristics of each tier. Agency staff commented that the limited guidance within the Framework to categorise programs under the tiers allows for ambiguity.

Tier 1 and 2 programs are evaluated at the Agency's discretion and are not included in the Master List due to the significant number of Tier 1 and 2 programs that the Agency undertakes.

Additional program evaluation guidance is provided by DTF within the Master List template, however this information is not reflected within the Framework.

From April 2022, DTF requested grant funded programs be included within the Master List. As grants are covered under the NTG Grant Policy, the Agency is still required to conduct periodic evaluations using the Framework.

The 2021-22 Program Evaluation Schedule indicated there were five evaluations required to commence in the 2021-22 financial year. A summary of the status of these evaluations at October 2022 is presented below.

Program Evaluation Framework cont…

Table 3: Current Status of 2021-22 scheduled program evaluations

Program name	Current status
Families as First Teachers Program at urban and remote sites - targeted early learning programs (Indigenous Education Strategy sub program)	Now due to commence in 2022-23.
Implementing the Back on Track program (Department of Education led initiative)	Evaluation conducted by the Department of Territory Families, Housing and Communities (DTFHC), with the program being updated within the 2022-23 Master List.
Framework for Inclusion	An evaluation had not commenced in 2021-22.
Early Childhood Education and Care - Expanding 3 Year old Preschool	Commencement of the evaluation delayed due to COVID-19 and is expected to now be conducted in 2022-23.
Remote Aboriginal Teacher Education Program	Evaluation commenced in 2021-22, with the evaluation report finalised in October 2022.

Source: NTAGO developed.

A review of the 2022-23 Master List identified two additional programs with 'last evaluated' dates recorded as being in the 2021-22 year. Neither of these programs were included in the 2021-22 Master List.

Agency personnel advised that one of these programs is led by another agency and will be evaluated by that agency. (DTF require 'other Agency dependant' programs to be included in the Master List of each affected agency.) The evaluation date for this program was incorrectly stated in the Master List. The field in the Master List *'Recent Evaluation Activity – When was it last evaluated'* for a second program commencing in 2021-22 reflects the date the evaluation commenced rather than the date the evaluation was completed.

Testing

The audit reviewed two programs recorded as having last been evaluated in 2021-22. Observations from the review of these two programs are provided below:

- The date inserted into the Master List field *'Recent Evaluation Activity – When was it last evaluated'* reflects the date the evaluation commenced rather than the date the evaluation was completed.
- As neither evaluation had been completed, the final evaluation report could not be reviewed.
- One program had not been recorded within the PPM tool, as the PPM is unable to capture outcome based evaluations.
- Although both programs appear to address the Framework's better practice principles, there is no retrospective monitoring to ensure compliance.
- External vendors are engaged to conduct the evaluations. As part of the procurement process, Agency staff appointed to the selection panel are also required to possess the relevant skills and knowledge to assess this criteria, in order to select an appropriate vendor to undertake the evaluation.

Program Evaluation Framework cont…

- The actual cost of one external evaluation was $82,048, however the procurement was estimated to be $60,800.
- Completed evaluation reports and learnings are not shared internally within the Agency.

Monitoring of intended outcomes

The EPMO is currently operating in a consulting role within the Agency. The objective is to build capacity within the Agency. The EPMO is currently unable to actively monitor the status of each program.

Program status reporting is extracted from the PPM tool and provided to the Information Management Committee on a monthly basis.

Where programs are identified as potentially not meeting their intended outcomes, Agency staff advised the program lead will attempt to identify the problem and propose solutions to the relevant Board or Committee. Stakeholders are informed when a solution is determined. Where a solution cannot be found, the program may be cancelled or re-scoped, however the Agency currently does not have documented procedures to provide guidance in such a situation.

Use of program evaluations

No evaluations were completed by the Agency in 2021-22 so it was not possible to assess how the Agency uses the results of the program evaluations.

Agency personnel advised that the draft evaluation reports are to be reviewed by the relevant program steering committee or program board. The process used by each group will vary, however the completed evaluation report and key recommendations are intended to be presented to enable appropriate actions to be taken or other stakeholders consulted.

Evaluation overviews

Evaluation overviews are mandatory for all new programs seeking additional funding of $1 million or more in a single year. These overviews are to be prepared as part of a submission seeking approval for the new program and must contain the following information in order to identify the key outcomes of the program:

- Consideration of previous evaluations as part of the new policy/program design to ensure continuous learning and improvement
- The outcomes the program aims to influence
- The key performance indicators against which the success of the program will be measured
- Data sources to monitor program effectiveness, including baseline data
- Sunset clauses
- Provision for evaluations as part of the initial funding request.

Although there are no Agency specific documented procedures specifying the evaluation overview process, the requirements within the NTG Evaluation Framework, Toolkit and Cabinet Handbook are currently being followed. The preparation for the evaluation overviews is conducted by the relevant division head once the need for additional funding is identified.

One evaluation overview had been prepared by the Agency in December 2021. This was prepared using the current template and appears to contain the required key summary information.

Program Evaluation Framework cont...

The PPM tool has the functionality to capture financial information but is not being used due to the way the Agency currently cost codes programs. Therefore it cannot be used to report upon financial aspects of the evaluation. In addition, the Budget and Resource Management division was unable to extract information from the current Agency systems to determine if any evaluation overviews had been submitted.

The current EPMO is in the process of establishing communication processes with the Agency Secretariat, so they are informed when an evaluation overview is to be prepared.

Program Evaluation Framework cont…

The Department of Education has commented:

The Department of Education is currently in the process of revisiting its procedures to enhance program evaluation practices and will ensure that the recommendations outlined in the report are effectively incorporated into this endeavour.

Territory Economic Reconstruction Commission (TERC) Implementation of Recommendations

Department of the Chief Minister and Cabinet

Background

A Green Paper on 'Operation Rebound' was delivered by the then Chief Minister in May 2020 in response to *'economic circumstances facing the Territory and to recover from the impacts of the global COVID-19 pandemic'*. Operation Rebound was described in the Green Paper as being *'all about: doing whatever it takes to recover, rebuild and rebound so the Territory economy is stronger in the future.'* It covers five key areas creating jobs, accelerating investment, developing industry, customer services and aftercare and enabling infrastructure.

The expected outcome of the Green Paper was to establish *'a series of Immediate Rebound Initiatives that harness our natural advantages and makes the most of opportunities emerging from this crisis'.*

The Green Paper was developed by the former Department of Trade, Business and Innovation (DTBI) with an across-government taskforce working group. The Green Paper identified 27 immediate initiatives and next steps including establishing the Commission, Team Territory and Team Rebound.

The Commission was formed as a dedicated taskforce to further develop the Operation Rebound Strategy. In July 2020, the Commission issued its First Report, presenting 15 recommendations as immediate priorities for the NTG.

The First Report aimed at *'providing advice across two streams of work:*

- *what must happen now to position the Territory for future investment leading to jobs and economic growth in the medium term, and importantly,*
- *the actions, priorities and projects that deliver immediate jobs and investment across the next 12-18 months.'*

The 15 recommendations (of which the first 14 recommendations are consistent with the recommendations in the Final Report) were allocated across agencies for delivery.

The NTG received the Final Report on 30 November 2020.

The Final Report included 62 recommendations and 135 proposed actions. The recommendations were organised into 22 key focus areas for the NTG under the following five focus areas:

1. Winning investment for the Territory requires a strong strategic approach.
2. Focus on the sectors that will drive growth.
3. Growth will occur in the regions, with Aboriginal people pursuing new opportunities.
4. Action the enablers that support investment.
5. Industry growth needs a skilled population.

All 62 recommendations were accepted by the government of the day without alteration on 1 December 2020. Team Rebound within the former DTBI was responsible for overseeing the implementation of the recommendations.

TERC Implementation of Recommendations cont…

Machinery of government changes

Following the machinery of government changes on 8 September 2020, Team Rebound was transferred from the former DTBI to the Department of the Chief Minister and Cabinet (DCMC) at the end of November 2020 allowing time for the completion of the Final Report.

The roles, responsibilities and function of Team Rebound remained unchanged as a result of the machinery of government changes.

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 Northern Territory Government (NTG) and monitored by DCMC to address the recommendations contained within the report entitled 'Territory Economic Reconstruction Commission – Final Report' (Final Report) authored by the Territory Economic Reconstruction Commission (the Commission).

The audit assessed the action taken during the period from the release of the Final Report to December 2021.

Index

The report on this audit is structured as follows:

TERC Implementation of Recommendations cont…

Audit opinion

DCMC has demonstrated the considerable amount of work undertaken and in progress to address the recommendations from the Final Report. There are systems in place to monitor and report upon the delivery of the responses to the recommendations. In my opinion, some opportunities exist to enhance the performance management systems and processes related to the actions taken to address the recommendations contained within the Final Report.

Recommendations

Opportunities to improve the TERC program systems and processes are presented below.

Performance monitoring and reporting

- Continue reporting on performance consistently over the life of the project against the established outcomes, key performance indicators and targets.
- Enhance performance reporting by providing target and forecast data for all key performance indicators where possible. Reporting of the quantitative results against targets could be enhanced by the inclusion of narrative analysis explaining why a target has not been met and the risks associated with not meeting the target.
- Perform periodic monitoring of progress against the individual recommendation success measures. Analyse and report upon progress toward the outcome in addition to reporting the actions taken. Currently the actions taken to address individual recommendations are reported.

Performance evaluation

- Ensure the planned program evaluation is carried out at the recommendation level to assess if the actions taken address the planned actions; and to assess if the performance measures were achieved.
- To monitor success, perform an interim independent program evaluation at the project level to assess if the outcomes are being achieved efficiently, effectively and with economy. Where gaps are identified, follow up action needs to be identified, undertaken and monitored to ensure the recommendation is adequately addressed.

Progress monitoring and reporting

- Include traffic light reporting on the status of each recommendation in the published Progress Report.

Risk management

- Formally assess risks that may impact the progress and achievement of the implementation of recommendations and document the risk assessment.

Financial management

- Develop a process to capture project cost for all projects and perform an assessment of actual cost against outcomes and outputs as part of the program evaluation process.

TERC Implementation of Recommendations cont…

Use of probity auditor or probity advisor

- Determine if a probity auditor and/or advisor will be used and apply the terminology consistently in project documentation.
- Ensure the scope of work to be undertaken by the probity advisor together with the applicable criteria for evaluation and the level of assurance sought is clearly defined in the letter of engagement with the probity advisor and reiterated in the final opinion/report of the probity advisor to avoid confusion.

Glossary

Abbreviation	Name
AGD	Department of the Attorney-General and Justice
COVID-19	Coronavirus disease
Coord	Chief Executives Coordination Committee
DCDD	Department of Corporate and Digital Development
DCMC	Department of the Chief Minister and Cabinet
DEPWS	Department of Environment, Parks and Water Security
DIPL	Department of Infrastructure, Planning and Logistics
DITT	Department of Industry, Tourism and Trade
DoE	Department of Education
DTBI	Department of Trade Business and Innovation
Final Report	Territory Economic Reconstruction Commission – Final Report
HAPS	High Altitude Platform Station
JSC	Jobs Standing Committee
LDC	Land Development Corporation
NAIF	Northern Australia Infrastructure Facility
NT or the Territory	Northern Territory
NTG	Northern Territory Government
TERC or The Commission	Territory Economic Reconstruction Commission
TFHC	Department of Territory Families, Housing and Communities
Q	Quarter

TERC Implementation of Recommendations cont…

Audit observations

The project's success is based on the objective *'Achieving a $40 billion economy by the end of this decade'.* The following key activities outline the process to support achieving the objective:

Figure 1: TERC Timeline of Key Activities

Developing Recommendations	**May 2020**	Green Paper on Operation Rebound is released
	Jun 2020	The Commission, Team Territory and Team Rebound are formed
	Jul 2020	TERC First Report is published
	Sep 2020	Machinery of government change
	Nov 2020	Final Report is published
	Dec 2020	TERC concluded
Implementing Recommendations	**Dec 2020**	All 62 recommendations are accepted and allocated to agencies to implement.
	Feb 2021	Implementation plans are submitted and reviewed by Team Territory Co-Chairs.
	Mar 2021	Implementation plans are authorised by Cabinet and the Chief Minister.
	May 2021	Progress Report 1 is published.
	Aug 2021	Key performance measures approved
	Dec 2021	Progress Report 2 is published
	Dec 2021	Team Territory concluded
	Dec 2021	Team Rebound Implementation concluded, functions transferred to Investment Territory
	Mar 2022	Approach to measuring economic achievement is endorsed
Post Audited – Planned Activities	**May 2022**	Progress Report 3 is published
	2021-2022	Six month progress reports were for the first two years of implementation
	2022	Two year success point
	2025	Five year success point
	2030	Ten year success point

Source: Northern Territory Auditor-General's Office developed

Responsibility for implementation of the recommendations is distributed across many NTG agencies, however is monitored and reported upon as one project. Implementation is managed by Team Rebound from DCMC with oversight by the Jobs Standing Committee (JSC) of the Chief Executives Coordination Committee (Coord).

TERC Implementation of Recommendations cont…

Current status

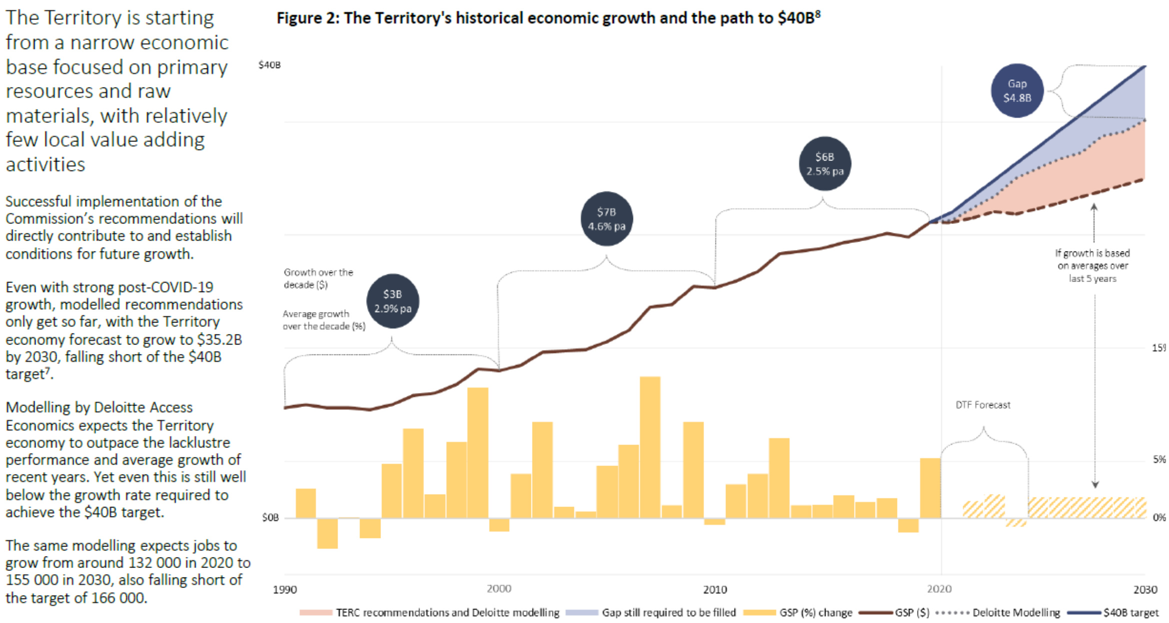
Performance

The Green Paper established an overall objective of *'Achieving a $40 billion economy by the end of this decade.'* The objective was carried forward to the First Report and the Final Report and remains the intended outcome. The Final Report outlines that, even before COVID-19, the transition from a major construction boom meant falling private investment, a shrinking population, increasing unemployment and weak growth in living standards.

The Final Report makes the observation that *'even with strong post-COVID-19 growth, modelled recommendations only get so far, with the Territory economy forecast to grow to $35.2 billion by 2030, falling short of the $40 billion target. The same modelling expects jobs to grow from around 132 000 in 2020 to 155 000 in 2030, also falling short of the target of 166 000.'*

To grow the economy to $40 billion by 2030 from 2020, the Final Report identifies that an average $1.4 billion per annum of additional economic output is required.

Figure 2: The Territory's historical economic growth and the path to $40 billion



Source: (Territory Economic Reconstruction Commission: Final Report, November 2020)

In the initial stages of implementation, monitoring and reporting focused on the progress and the actions taken or to be taken to implement the recommendations. Reporting on performance was first included in Progress Report 2 (December 2021).

To measure performance, three targets were established:

- Economic Growth: Reach $40 billion Gross State Product by 2030
- Jobs and Employment: Create 35,000 more jobs by 2030
- Population: Boost the Territory's population beyond 300,000 by 2030.

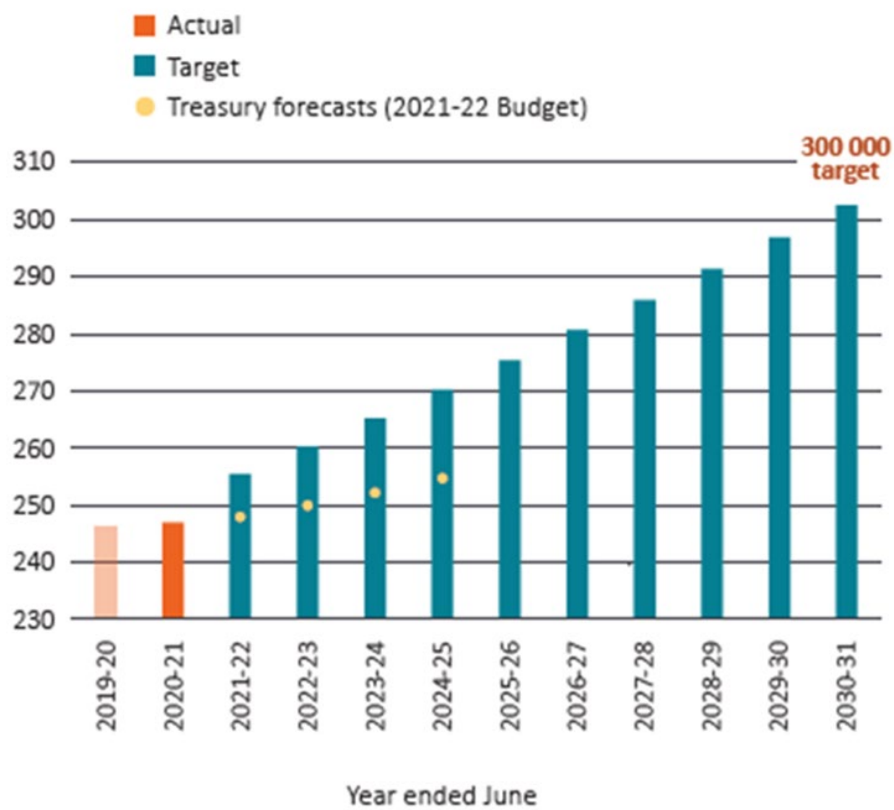
TERC Implementation of Recommendations cont…

The following economic data was determined to be relevant to assessing success:

- Housing vacancy rates
- New housing approvals
- Retail turnover
- Engineering work
- Land activation metrics
- Indigenous business numbers
- Tourist visitation
- Hotel occupancy

When reporting on the population target, the analysis included actual figures to date, future target figures up to 2030 and the NTG Treasury forecast figures for four years.

Figure 3: Tracking progress to a $40 billion economy by 2030, Population (Estimated Resident Population)



Source: The Territory's Economic Reconstruction Progress Report 2 (December 2021)

The preparation of Progress Reports will conclude at the two year point in 2022.

The $40 billion economy is a long term outcome that will require ongoing actions across the decade to achieve the objective. Ongoing and consistent reporting across the life of the program is critical. The staged checkpoints to measure the success of the actions over the decade are discussed later in this report.

Progress

The status of all 62 recommendations is monitored, with multiple action items relating to each recommendation.

The Final Report includes a staged approach to measuring the success of implementing the recommendations. Outcomes to measure success are established at the two year mark (November 2022), five year mark (November 2025) and ten year mark (November 2030).

TERC Implementation of Recommendations cont…

The Final Report included 62 recommendations and 135 proposed actions. The actions were updated by the responsible agencies to assist with implementation. As at December 2021, there were 400 actions being monitored across nine agencies.

Each action is allocated a completion date. Any changes to the date are recorded as a revised completion date. 119 actions had been allocated a revised completion date as at 31 December 2021.

As at 31 December 2021, 26 actions had not yet commenced, 179 were in progress and 149 were complete.

Table 1: Progress of Actions as at December 2021

Agency	to commence	in progress	on hold	overdue	complete	Total actions
DCMC	7	48	1	2	50	108
DCMC (DITT)		1		1	1	3
DCDD	3	15		1	8	27
DEPWS	2	26		8	29	65
DEPWS / DCMC		1		0	0	1
DEPWS / DITT				0	2	2
DIPL	1	11		1	10	23
DIPL / TFHC		4		2	0	6
DITT	13	66	2	27	45	153
DITT (AGD)				0	2	2
DITT (LDC)				0	1	1
DoE		7	1	0	1	9
TOTAL	**26**	**179**	**4**	**42**	**149**	**400**

Source: DCMC Internal Documentation

The reporting identified 42 actions that had not been completed by the original completion date. Of the 42 overdue actions, 22 did not have a revised completion date.

Table 2: Actions not complete within the original completion date as at December 2021

Revised completion date	# of actions
2021 Q3	3
2021 Q4	1
2022 Q2	8
2022 Q3	5
2022 Q4	3
No revised date recorded	22
Total	**42**

Source: DCMC Internal Documentation

When setting revised completion dates, Agency representatives advised the *'Lead Agencies assess the action's progress status and determine revised timelines. CM&C (Team Rebound) reviews the revised timelines.'*

TERC Implementation of Recommendations cont…

Governance

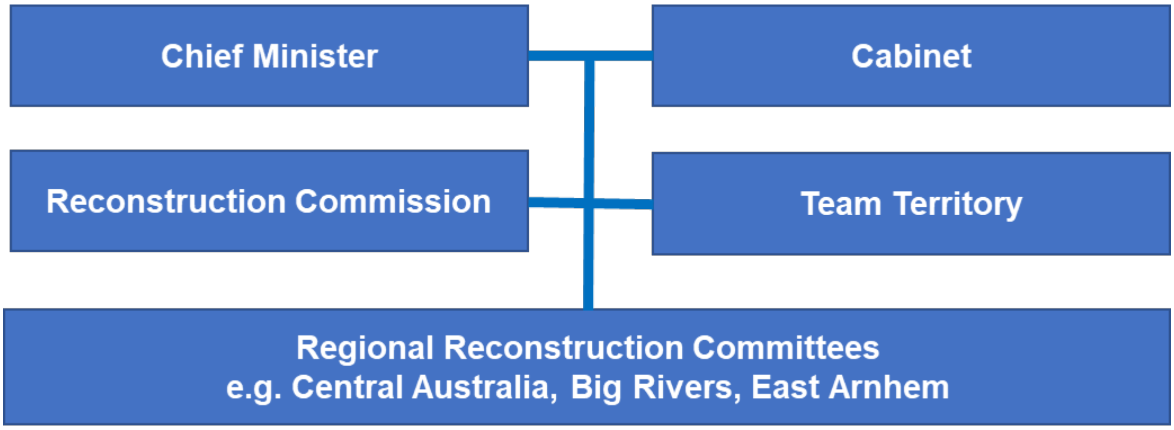
There were two governance structures based on the stage of the project. The first was in place for the development of the recommendations and the second supports implementation of the recommendations.

Development of the recommendations

Implementation of the Operation Rebound Strategy was led by the JSC of Coord and reported to the Coordination Committee and Cabinet.

The Commission was formed to further develop the Operation Rebound Strategy. Team Territory was established to support the Commission. The members of the Commission and Team Territory were selected by the then Chief Minister.

Figure 4: Governance Structure – Development of Recommendations



Source: DCMC Internal Documentation

The Commission's terms of reference required recommendations that included realistic projects that: are able to secure finance; have customers; and can deliver benefits to Territorians over a five-year horizon.

The Commission was formed for a six-month term from 1 June 2020 to 30 November 2020.

The members were offered remuneration of $44,000 for the six-month term with agreed travel expenses to be reimbursed. A majority of members of the Commission elected to forgo the remuneration offered, to demonstrate their strong level of commitment to the Commission's purpose. Remuneration was received by two members.

Team Territory was established as a key reference group of trusted experts.

Team Territory was formed for a period up to two years commencing June 2020.

The members were offered remuneration dependent on the role and existing consultancy agreement. A majority of members of Team Rebound elected to forgo the remuneration offered, to demonstrate their strong level of commitment.

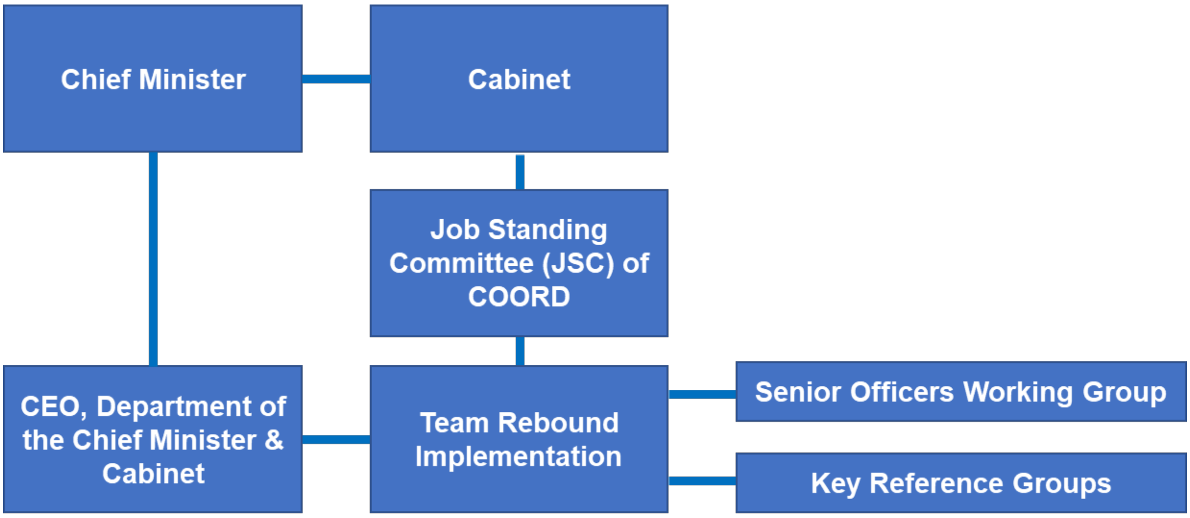
Team Rebound was established to provide project management and secretariat support to the Commission and Team Territory. Team Rebound reported directly to the Chief Minister, and was overseen by the JSC of Coord, then chaired by the CEO of the Department of Industry, Tourism and Trade (DITT) (formerly DTBI). Team Rebound constituted 14 temporary full time equivalent positions.

TERC Implementation of Recommendations cont…

Implementation of the recommendations

A reporting structure was established to manage and oversee the implementation of the 62 accepted recommendations.

Figure 5: Governance Structure - Implementation of Recommendations



Source: DCMC Internal Documentation

As the body responsible for oversight and decision making relating to the implementation of the recommendations, JSC of Coord has TERC implementation as a standing agenda item.

Team Rebound, within DCMC, was tasked with coordinating across-government monitoring and reporting on the implementation of the recommendations from the Final Report. When moving to the implementation stage, Team Rebound was scaled down to a team of six full time equivalent staff. At the time of my audit, the team no longer existed. The functions were transferred to Investment Territory within DCMC from early December 2021.

The initial term of the Team Territory co-chairs was set to expire on 8 February 2021 however, as a key industry reference group, its term was extended to 31 December 2021 with related costs to be absorbed within the existing DCMC budget. It maintained the existing 15 members with the co-chairs re-appointed. Their remuneration was aligned with the current remuneration structure of a Class C advisory and review statutory body. Most members have declined sitting fees.

Team Territory also reviewed and endorsed the progress reports prepared by Team Rebound.

Conflict of interest

A conflict of interest management framework was put in place to set out the responsibilities and processes for all members of the Commission and Team Territory, with requirements to declare and manage conflicts of interest.

Members of the Commission and Team Territory signed confidentiality and conflicts of interest deeds (the deeds). The deeds defined the terms ‘interest’ and ‘associates’, provided examples of conflicts of interest and asked questions designed to identify conflicts of interest.

Completed and signed deeds were received from all members of the Commission and Team Territory.

TERC Implementation of Recommendations cont…

A register of conflicts was maintained. At each meeting, members present were asked to advise any additional conflicts or active conflicts and the action taken to mitigate any identified risks. The mitigating action often proposed was that a member with a conflict would leave the room while discussion on the conflicted topic took place. The register of conflicts was updated as necessary.

Agency representatives advised that, prior to sending out meeting packs, the registers were checked to ensure information was withheld from members if a conflict existed. The process was managed, at the time, by a staff member in the former DTBI, an independent member from the government's in-house legal practice, (Solicitor for the Northern Territory) and an external probity advisor.

All new and existing staff on Team Rebound were required to complete a conflict of interest declaration in accordance with the Conflict of Interest Policy maintained at the time by DTBI.

Probity advisor

A probity advisor was engaged to *'provide advice and guidance to ensure that the management of conflicts of interest is able to withstand internal and external scrutiny, achieving both accountability and transparency. The community expects the Commission and Team Territory to operate ethically, displaying honesty, integrity, diligence, trust and respect when dealing with others.'*

The procurement of the probity advisor's services was undertaken in accordance with NTG procurement processes.

The probity advisor developed a Conflict of Interest Management Plan for the Commission and Team Territory.

The following inconsistencies were noted with the probity advisor's work:

- The probity advisor's tasks refer to an 'audit'. Probity advisory is different to probity audit.
- The probity advisor developed the conflict of interest documents. The independence of the probity advisor is diminished when they are assessing their own work.
- A final probity report was not issued, with only a draft copy discussed and agreed upon by the Agency.

Risk assessment

There was no formal risk assessment at a TERC project level to identify and assess risks to achievement of all the accepted recommendations (progress) and achievement of the outcomes (performance). Risks and opportunities were assessed as part of the Budget Cabinet process when additional funding was requested.

Program management

The then Chief Minister received the Final Report on 30 November 2020 and accepted all its recommendations the following day.

Success was planned to be measured at the conclusion of two, five and ten years as established within the Final Report. The implementation, reporting and monitoring activities established at the time of the audit focused on meeting the success measures relevant to the two year timeframe.

On 1 December 2020, the then Chief Minister allocated each recommendation to a lead agency and tasked the lead agency with developing implementation plans to achieve the two year success measures. Implementation plans detailing the actions required to reach the two year mark were due to be submitted on 1 February 2021.

TERC Implementation of Recommendations cont…

Team Rebound established a Senior Officers Working Group made up of the lead Senior Officers responsible for each implementation plan.

By 1 February 2021, all the implementation plans were submitted and reviewed by the Team Territory co-Chairs following which the implementation plans were authorised by the government of the day in March 2021.

The implementation plans:

- Describe how the recommendation within each focus area will be achieved.
- Identify those recommendations that are already underway.
- Identify the priority actions that will be undertaken in the first two years including any progress underway.
- Provide timeframes for achieving the remaining recommendations.

The lead agencies are responsible for achieving the agreed deliverables in accordance with the approved implementation plans.

Managing changes

The Final Report included 135 proposed actions to address the 62 recommendations. The NTG implementation plan included 478 actions to address the 62 recommendations.

Prior to the preparation of the December 2021 progress report, agencies undertook a review of the 478 actions ahead of the one year public report (Progress Report 2). This process provided an opportunity for the implementation actions to be streamlined.

All the changes were considered and accepted by Team Rebound and recorded in the quarterly update. As part of this process:

- 99 actions were removed
- 21 actions were added
- 82 actions were amended.

Agency documentation recorded the main reason for removing actions was to consolidate a number of actions. Similarly new actions were identified as the result of splitting original actions into more granular steps.

Changes to the actions were endorsed in the November 2021 meeting of the JSC of Coord.

As at December 2021, there were 400 actions aligned to the 62 recommendations.

Managing implementation

Initially there was an expectation for recommendations to be implemented without additional funding. Additional funding has since been appropriated to address some recommendations as outlined later in this report.

In my March 2022 Report to the Legislative Assembly, I reported the results of my performance management systems audit related to the implementation of recommendations arising from the Plan for Budget Repair. I had been advised that five recommendations made as a result of the Plan for Budget Repair were transferred to the TERC project. The Agency representatives responsible for managing the implementation of the recommendations from the TERC were not aware of any documented communication relating to this transfer.

TERC Implementation of Recommendations cont…

Reporting

Team Rebound have a Master Spreadsheet that records the progress status of all 62 recommendations.

Quarterly Snapshot Status reports are prepared by the lead agencies and provided to Team Rebound who collate the contents into the Master Spreadsheet and prepare the report for endorsement by JSC of Coord.

The Quarterly Snapshot Status Reports include:

- A 12-month forecast that includes the planned actions, scheduled commencement date, scheduled completion date, quarterly progress update and progress status (in progress, yet to commence and completed).
- Changes for approval including actions proposed for deletion, new actions and modified actions.

The JSC of Coord reviews and endorses a progress report for public release every six months.

The progress report includes the implementation status of all 62 recommendations from the Final Report, in addition to remaining actions from recommendation 15 of the First Report. The report is publicly available on the NT Rebound website (www.ntrebound.nt.gov.au).

At the time of my audit two progress reports had been released, being Progress Report 1 in May 2021 and Progress Report 2 in December 2021.

Each public progress report details the status against each of the recommendations. The status represents a summary of actions taken to date. It can be difficult to identify from the reported content if the progress is consistent with the planned actions or not. Traffic light reporting could provide additional context for users. Traffic light reporting was included for internal reporting purposes.

Program evaluation

There is currently no independent program evaluation planned at the project or recommendation level. Performance measurement is an ongoing process that monitors and reports on the progress and performance of a project using pre-selected performance measures and targets. Program evaluation uses analysis to answer specific questions about how well a program is achieving its outcomes and what could be done differently to achieve better outcomes or a more timely result.

Budgeted cost

Initially, the costs expected to be incurred to implement the recommendations from the TERC were to be met within the existing agencies' budgets with any additional funding required to be sought through submissions to Budget Cabinet. Subsequently in 2022, a total of $72 million in additional funding had been allocated through the budget process to the implementation of recommendations from the Final Report.

Actual cost

Actual costs incurred to implement the TERC recommendations have not been collated or monitored at a project level. The costs were incurred across many agencies and absorbed within agencies' approved budgets.

TERC Implementation of Recommendations cont…

Developing the recommendations

DTBI estimated it would need additional budget of $5 million to fund the Commission and assist with the development of the report including identification of the recommendations. To fund the expenses, $5 million was re-allocated from the COVID-19 stimulus funding allocated to the Small Business Survival Fund. Approval was received in May 2020 to establish the Commission, establish Team Rebound and to prepare the recommendations.

Actual costs that could be easily identified include the remuneration for members of the Commission and Team Territory and employee costs for Team Rebound, totalling approximately $521,000 including:

- The cost of the Commission to deliver the First Report and the Final Report of $96,000 being $88,000 for remuneration and $8,000 for travel costs
- $29,000 in remuneration for Team Territory
- $300,000 for Team Rebound.

Implementing the recommendations

Actual costs associated with the implementation of the recommendations that could be identified include the remuneration for members of Team Territory and employee costs for Team Rebound approximating $2.4 million. This included:

- $67,000 in remuneration for Team Territory
- $2,300,000 for Team Rebound.

Testing implementation of the recommendations

The Northern Territory Auditor-General's Office selected a number of recommendations for testing where DCMC was allocated as the lead agency.

Each of the 22 focus areas of the TERC Final Report has an implementation plan with actions and measures for success identified by the lead agency. DCMC are the lead agency for six focus areas, including Winning Investment; Manufacturing; National Security and Defence; Space; Aboriginal Economic Development; and Regional Prioritisation.

When developing the implementation plan, Team Rebound provided a template and the following guidance:

- *'The practical and specific actions to implement the recommendation and achieve 2-year outputs. Include timelines, status of work already underway/progressed and identified funding (if required).'*
- *'Detail how government will measure achievement of implementation actions to deliver 2 year outputs.'*

The cost to implement the recommendation is not known as costs are not being tracked as a project.

Recommendation owners used the quarterly reporting to track the progress of the recommendation. At the time of the audit, progress reporting focused on the progress of the actions. There has been no reporting or monitoring against the measures of success.

TERC Implementation of Recommendations cont…

Progress updates against each recommendation are published every six months. The updates provided are general and do not specifically address the status of the actions and success measures.

At the time of the audit, the latest report on progress was Progress Report 2 (December 2021) and no program evaluations on the implementation of the individual recommendations had been planned.

My audit process selected a sample of key deliverables from the implementation plan and used the December 2021 progress update to verify the status of action taken. The audit did not extend to examining evidence to support the reported progress. DCMC have provided responses and documents to support the selected key deliverables as documented below.

Winning investment approach

'Winning investment for the Territory requires a strong strategic approach'.

The review to inform the December 2021 progress report resulted in no actions deleted, no new actions and one action re-worked. As at 31 December 2021, there were ten actions across two recommendations related to this focus area.

Table 3: Summary December 2021 Internal Reporting for Winning Investment approach

Status	# of actions
Not commenced	0
In progress	3
On hold	0
Overdue	0
Completed	7
Total	**10**

Source: DCMC Internal Documentation

Of the ten actions:

- Six were due to be completed in 2021 and four have a completion date of 'ongoing'
- Four were allocated a revised timeline
- Three are not complete, of which two have an adjusted completion date and one has a completion date as ongoing.

Key Audit Observations as at December 2021:

B1 Urgently implement an integrated investment delivery system focused on winning investment for the Territory

The Final Report recommended the NTG appoint one Commissioner as the single point of coordination for major private investment. On 6 April 2021, an NTG Media Release advised of the creation of two Commissioners, the Territory Investment Commissioner and Major Projects Commissioner.

TERC Implementation of Recommendations cont…

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

- Infrastructure Territory and the Infrastructure NT Commissioner at the Department of Infrastructure, Planning and Logistics
- Gas Taskforce Unit at DCMC
- Jobs and Economy Unit DCMC
- Territory Regional Growth Division DCMC
- Territory Regional Growth East Arnhem Unit DCMC
- Economic Policy Group at the Department of Treasury and Finance
- Strategy and Policy at DITT
- Agriculture, Fisheries and Biosecurity at DITT
- Mining and Energy at DITT.

B2 Facilitate active financial support for projects by working with Government and industry financing mechanisms to shape or expand their offering

At the time of the audit, two funding partners had been identified, the Northern Australia Infrastructure Facility and Export Finance Australia.

The Local Jobs Fund Policy was expanded to allow for greater and wider investment. This mainly included removing the referencing to targeted industries and opening the Fund to applications from all industries, increasing lending limits and allowing for investment in other venture capital funds.

Manufacturing

'Accelerating creation of advanced manufacturing businesses will create demand for jobs and transform the Territory's economy'.

The review to inform the December 2021 progress report resulted in three actions deleted, no new actions and three actions re-worked. As at 31 December 2021, there were 13 actions across three recommendations related to this focus area.

Table 4: Summary December 2021 Internal Reporting for Manufacturing

Status	# of actions
Not commenced	3
In progress	5
On hold	0
Overdue	1
Completed	4
Total	**13**

Of the 13 actions:

- Five were due to be completed in 2021 and two have a completion date of 'ongoing'
- Four have a revised timeline
- Four are not complete, four are in line with the adjusted completion date and one has a completion date as ongoing.

TERC Implementation of Recommendations cont…

Key audit observations as at December 2021:

M1 Complete the rapid master planning for low emissions petrochemicals manufacturing

Internal mapping of current industrial ecologies and hypothetical ecologies has been performed. The Gas Industry Reference Group was formed.

The Middle Arm Industrial Development Integrated Project Plan was developed by DIPL in September 2020.

At the time of the audit, the following actions were under development:

- Business case for the required enabling infrastructure
- Marketable prospectus to promote the investment opportunity, potentially leading to a call for expressions of interest.

M2 Complete the rapid master planning for emerging renewables-based hydrogen manufacturing

The Northern Territory Renewable Hydrogen Strategy and Northern Territory Renewable Hydrogen Master Plan - A framework for the future were published October 2021.

At the time of the audit, there was no specific hydrogen industry advisory group established.

M3 Develop manufacturing opportunities in key sectors to establish the capability in the Territory

Funds have been made available for feasibility studies to support new manufacturing opportunities in the agribusiness sector. The Agriculture Division within DITT has been tasked with the identification of opportunities and to develop strategies that provide direction and confidence for investment. At the time of the audit, initial discussions had been held with industry groups.

At the time of the audit, the following actions were under development:

- Commissioning a review on market value chains, to identify and assess relevant minerals-based processing opportunities
- Commissioning a review on prospective proponents' facilities within the Middle Arm Sustainable Development Precinct and provide insights into the marine and land based infrastructure requirements, power, water and feedstock demands and possible emissions to the environment over time
- Work on the business packages/value propositions.

TERC Implementation of Recommendations cont…

National Security and Defence

'The Territory can benefit from industries aligned with global trends and the Territory's strategic position'.

The review to inform the December 2021 progress report resulted in no deleted, new or re-worked actions. As at 31 December 2021 there are 18 actions across three recommendations related to this focus area.

Table 5: Summary December 2021 Internal Reporting for National Security and Defence

Status	# of actions
Not commenced	0
In progress	10
On hold	0
Overdue	0
Completed	8
Total	**18**

Of the 18 actions:

- Eleven were due to be completed in 2021 and seven have a completion date of 'ongoing'
- None have a revised timeline
- Ten are not complete, one of the ten is in line with the adjusted completion date and nine have a completion date as ongoing.

Key audit observations as at December 2021:

N1 Actively partner with the Australian Government and industry to deliver strategic infrastructure

A stakeholder map was developed in February 2021 by external consultants. At the time of the audit, the Work Plan was in progress.

N2 Partner with Territory businesses and industry associations to continue to improve capability and capacity to win national security and defence work

Agency representatives advised training delivered was impacted as a result of COVID-19 related lockdowns and restrictions. Plans are in place to provide future training.

The industry engagement plan was in development at the time of audit.

N3 Expand engagement with industry, policy leaders and national and defence agencies to position the Territory to support activities in the north and the region

DefenceNT sits within DCMC. It comprises three operational teams being: Strategy and Engagement; Defence Industry Development; and Veterans Engagement.

A Strategic Guidance document was developed.

TERC Implementation of Recommendations cont…

Space industry

'The Territory can benefit from industries aligned with global trends and the Territory's strategic position'.

The review to inform the December 2021 progress report resulted in eight actions deleted, no new actions and three actions re-worked. As at 31 December 2021 there are nine actions across four recommendations related to this focus area.

Table 6: Summary December 2021 Internal Reporting for the Space Industry

Status	# of actions
Not commenced	0
In progress	6
On hold	0
Overdue	0
Completed	3
Total	**9**

Of the nine actions:

- Four were due to be completed in 2021 and one has a revised completion date of 'ongoing'
- One has a revised timeline
- Six are not complete, one has an adjusted completion date and five have a completion date as ongoing.

Key audit observations as at December 2021:

SP1 Capitalise on Top End's competitive advantages for equatorial launch services

The NTG announced it is co-investing $5 million in Equatorial Launch Australia in October 2021.

NTG is engaging with companies in the space launch supply chain on the Arnhem Space Centre.

SP2 Capitalise on Central Australia's competitive advantages for stratospheric ballooning/high altitude pseudo-satellite (HAPS) launch and recovery

A study that gathers technical data and evidence of Central Australia's strategic advantage for stratospheric ballooning and HAPS launch and recovery was published in the Northern Territory Space Strategy for 2022-2026.

SP3 Support development of ground station precincts

The Northern Territory Space Strategy for 2022-2026 has been published.

SP4 Leverage space technology for Territory industries

NTG co-funded a 2-year program to demonstrate earth observation-driven solutions for businesses in the Territory's traditional industries (such as agribusiness).

There is now a $200,000 Earth Observation demonstrator program in partnership with Geoscience Australia. The program will provide up to four grants to support private sector companies to develop commercial applications derived from earth observation data that solve Territory business problems and/or enhance business performance and productivity.

Case studies were included in the Northern Territory Space Strategy.

TERC Implementation of Recommendations cont...

Aboriginal economic leadership

'Traditional ownership of the land and economic growth in the Territory can and must co-exist'.

The review to inform the December 2021 progress report resulted in no actions deleted, no new actions and one action re-worked. As at 31 December 2021, there were 30 actions across four recommendations in relation to this focus area.

Table 7: Summary December 2021 Internal Reporting for Aboriginal Economic Leadership

Status	# of actions
Not commenced	1
In progress	14
On hold	1
Overdue	1
Completed	13
Total	**30**

Of the 30 actions:

- Fifteen were due to be completed in 2021 and one has a revised completion date of 'ongoing'
- Three have a revised timeline
- Seventeen are not complete, 12 are in line with the completion date and two are past the original timeline with no new timeline established, three have a completion date as 'ongoing'.

Key audit observations as at December 2021:

AE1 Collaborate to build opportunities for Aboriginal-led economic development, including access to project finance

NTG identified four Indigenous specific funding bodies.

Indigenous organisations can access, subject to the merits of the investment opportunity, the full suite of financing options administered or monitored by Investment Territory (Investment Solutions), including the Local Jobs Fund, NAIF, Export Finance Australia and other private equity solutions.

The Aboriginal Contracting Framework is now the Aboriginal Economic Participation Framework. From 1 July 2022, the Aboriginal procurement policy is applied to government contracts valued at $15,000 or more.

AE2 Support Land Councils to facilitate and streamline land administration

Agency representatives advised that to provide support, an Aboriginal Economic Leadership Group was established in 2022. The group aims to identify and facilitate key land council projects and provide NTG advice on development and implementation of government policies/initiatives aimed at promoting Aboriginal economic development. Membership includes CEOs from the four land councils.

The development of similar memoranda of understanding with other land councils was delayed by COVID-19 movement restrictions.

The NTG Town Lands Native Title Policy was completed in July 2020.

TERC Implementation of Recommendations cont…

AE3 Continue to support the Treaty Process and self-determination

The Interim Report of the Northern Territory Treaty Commissioner was published in March 2020. A Consultation Program was carried out over 2020 and 2021. COVID-19 had an impact on the schedule with a number of planned consultations being cancelled as a result of COVID-19 travel restrictions.

The Northern Territory Treaty Commissioner's Towards Truth Telling report was published in February 2021. Agency representatives advised that the NTG is currently assessing the seven recommendations in the Treaty Commissioner's Towards Truth Telling to determine what support can be provided.

AE4 Implement the Aboriginal Contracting Framework for NTG procurement

From 1 July 2022, the Aboriginal procurement policy is applied to government contracts valued at $15,000 or more.

Regional prioritisation

'Growth in regions will come from a focus on existing strengths and emerging industries aligned with global demand trends'.

The review to inform the December 2021 progress report resulted in six actions deleted, no new actions and seven actions re-worked. As at 31 December 2021, there are 25 actions across two recommendations related to this focus area.

Table 8: Summary December 2021 Internal Reporting for Aboriginal Economic Leadership

Status	# of actions
Not commenced	0
In progress	9
On hold	0
Overdue	2
Completed	14
Total	**25**

Of the 25 actions:

- 22 were due to be completed in 2021 and two have a revised completion date of 'ongoing'
- Nine have a revised timeline
- Eleven are not complete, five have adjusted completion dates, two are past the original timeline with no new timeline and four have a completion date as ongoing.

Key audit observations as at December 2021:

R1 Strengthen the regional economic growth function of government to better drive economic development across regions

The NT Regional Development Framework was published in 2022 and an online portal is accessible on the DCMC website.

Support for the review of grant and funding opportunities across the three levels of government was provided.

TERC Implementation of Recommendations cont...

A Regional Prioritisation Steering Group was established.

NTG were working with Regional Development Australia Northern Territory to deliver positive outcomes to regional government, stakeholders, businesses and communities in the Territory.

R2 Develop or update regional economic growth plans as a pre-cursor to negotiating regional deals

Regional Reconstruction Committees were established with Big Rivers (August 2021), Central Australian (September 2020), Palmerston and Litchfield (Draft), Top End – Operation Rebound (undated), East Arnhem (May 2022), and Barkly Regional (Draft).

At the time of the audit, the following actions were under development:

- Regional Action Plans and Regional Economic Growth Plans
- Priority regional infrastructure
- Regional analysis.

The regional infrastructure and analysis is dependent on the Regional Economic Growth Plans.

Wages Policy and Lump Sum Payments

Selected Agencies

Background

Background

The Final Report

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.

On 16 April 2019, the Panel's report, *A plan for budget repair: Final Report* (the Final Report) was released. The Final Report included a detailed plan containing 76 recommendations.

Recommendation 5.3.7 was to:

'Develop a new wages policy based on a $1000 per annum wage increase, including a wage freeze for executives and parliamentarians.'

The following extract is from the Final Report in relation to recommendation 5.3.7:

Context from the Final Report – November 2018

'A gap between public and private sector wages has emerged in the Territory. Private businesses and non-government organisations are finding it difficult to compete with the more generous wages and entitlements offered in the NTPS, particularly in the current economic climate. Many of these entitlements date back to self-government in 1978 and would not exist under a contemporary remuneration structure.

NTPS enterprise agreements have a high level of complexity, with over 970 different allowances currently being paid to NTPS employees. This has significant downstream impacts on human resource and payroll efficiency and ICT system requirements.

The majority of NTPS enterprise agreements are locked in for the next three years. Nonetheless, restraining public sector wages growth could contribute significantly to budget repair over the medium term and lessen the need to reduce staff numbers. It would also ease the burden placed on Territory businesses to compete with the public sector's more generous wages and conditions.

The Territory Government should implement a new wages policy, expressed as a cap in dollar terms at $1000 per annum, including a wage freeze for executives and parliamentarians.

The new wages policy should be supported by a review of NTPS entitlements, with the aim of harmonisation and simplification to drive operational and processing efficiencies.

Importantly, the new wages policy should contain provisions preventing the payment of backpay or equivalent sign-on payments, which significantly reduce the incentive to expeditiously resolve enterprise agreement negotiations.'

The former Chief Minister released the Final Report together with the government's response to the recommendations contained in the Final Report. The government accepted 68 recommendations in full, four in principle and two in part (total of 74). Two were not accepted.

Wages Policy and Lump Sum Payments

The published Northern Territory Government (NTG) response to recommendation 5.3.7 is below.

A plan to fix the budget (NTG Initial Response) – April 2019

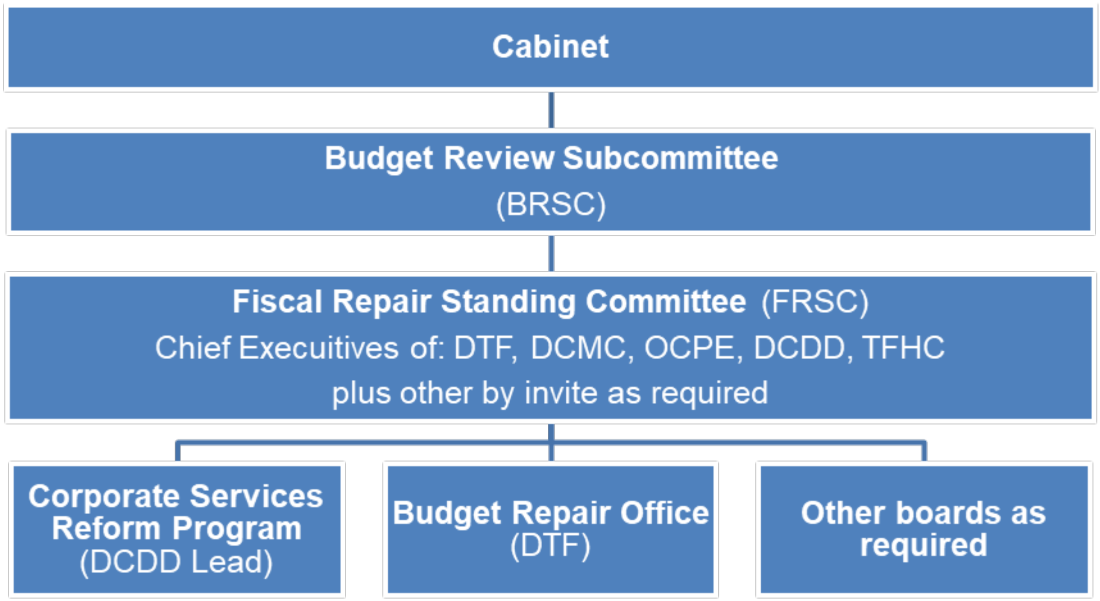
'Wage freeze for executives and parliamentarians is accepted. Immediately establish a working group with NTPS Unions to discuss and develop responses for implementation.'

Overarching plan

The governance structure for the implementation, monitoring and reporting of the Panel's recommendations was established in accordance with the governance structure proposed in the Final Report.

A chief executive level Fiscal Repair Standing Committee (FRSC) was established to provide strategic direction in implementing NTG's response to the recommendations. The FRSC reports to the Budget Review Subcommittee of Cabinet (BRSC).

Figure 1: Governance structure for the implementation, monitoring and reporting of the Fiscal Strategy Panel's recommendations



Source: A Plan to fix the budget – Implementation Strategy (agency names have been updated to reflect post-Machinery of Government changes)

The Office of the Commissioner for Public Employment (OCPE) was the agency (at the time) responsible for delivering the response to recommendation 5.3.7. OCPE later became part of the Department of the Chief Minister and Cabinet in a machinery of government change.

The Budget Repair Office reports on the progress made across government in implementing the 74 reforms accepted in full, in part or in principle by the NTG. The latest status update as at December 2022 is publicly available from DTF's website. Recommendation 5.3.7 has a status of 'Complete' with the following accompanying narration:

'Three-year ECO wage freeze implemented in 2019. Working group with unions, the Minister and the Commissioner for Public Employment established.

Government approved a new wages policy as part of the 2020 Budget, including a four-year wage and allowance freeze with annual lump sum bonus payments of $1,000 ($4,000 over four years).

Wages Policy and Lump Sum Payments

A revised wages policy was approved in late-2021, including a four-year wage freeze with annual lump sum bonus payments of $4,000 in the first year and $2,000 in each of the subsequent three years ($10,000 over four years). The additional costs associated with the revised policy are funded through savings associated with cessation of NTPS employees that did not meet NTG COVID-19 vaccination requirements.

On 5 October 2022, in response to significant changes in the external economic environment, a new wages policy was approved based on 2% compounding annual pay increases.'

NTG enterprise bargaining

One of the key roles of the Northern Territory (NT) Commissioner for Public Employment is to determine the respective designations and other terms and conditions (including the remuneration) of employment for employees. The OCPE supports the Commissioner.

The NT Public Sector Enterprise Agreement is an agreement between the NT Commissioner for Public Employment and employees made under the *Fair Work Act 2009* (Commonwealth). It contains terms and conditions that apply to particular groups of employees.

As at June 2022, 12 enterprise agreements existed.

Table 1: Territory Government enterprise agreements existed in June 2022

	Commencement	Expiry
Medical Officers	2018	2021
Dental Officers	2018	2021
Nurses and Midwives	2018	2022
Aboriginal Health Practitioners	2018	2022
Teachers and Assistant Teachers	2017	2021
Northern Territory Public Sector	2021	2025
Fire and Rescue Service	2017	2021
Correctional Officers	2017	2021
Jacana Energy	2017	2021
Power and Water	2018	2021
Territory Generation	2018	2022
Frances Bay Marine Facility Port Service Workers	2018	2022

Source: Enterprise agreements in place at the time of the audit | Office of the Commissioner for Public Employment

The bargaining process was conducted in accordance with the requirements of the NTPS Bargaining Policy 2021-2024.

The Northern Territory Public Sector 2017-2021 Enterprise Agreement expired on 10 August 2021. Negotiations for a new NTPS 2021 - 2025 Enterprise Agreement (the NTPS Agreement) commenced on 5 March 2021.

Wages Policy and Lump Sum Payments

The progress of the negotiation was communicated through emails to affected NTG personnel and bulletins from the OCPE, available on the NTG website.

Figure 2: The NTPS Agreement timeline

Mar 2021	Negotiations for NTPS 2021 - 2025 Enterprise Agreement commenced
Aug 2021	Access period and voting for Enterprise Agreement including $4,000 over 4 years (not approved)
26 Oct 2021 to 12 Nov 2021	Offer updated to include a $10,000 bonus over 4 years
Nov 2021	Access period and voting for Enterprise Agreement including $10,000 over 4 years (approved)
8 Dec 2021 to 17 Dec 2021	*Determination No. 4 of 2021* released to enable employees to receive the $4,000 bonus
Jan 2022	Bonus paid in pay run on 20 January 2022
Mar 2022	The Fair Work Commission approved the NTPS 2021 - 2025 Enterprise Agreement

Source: General NT Public Sector Enterprise Agreement negotiations | Office of the Commissioner for Public Employment

On 20 August 2021, an initial offer was made to settle the NTPS Agreement negotiations. The offer included a $4,000 bonus over four years.

The negotiation process continued through to December 2021.

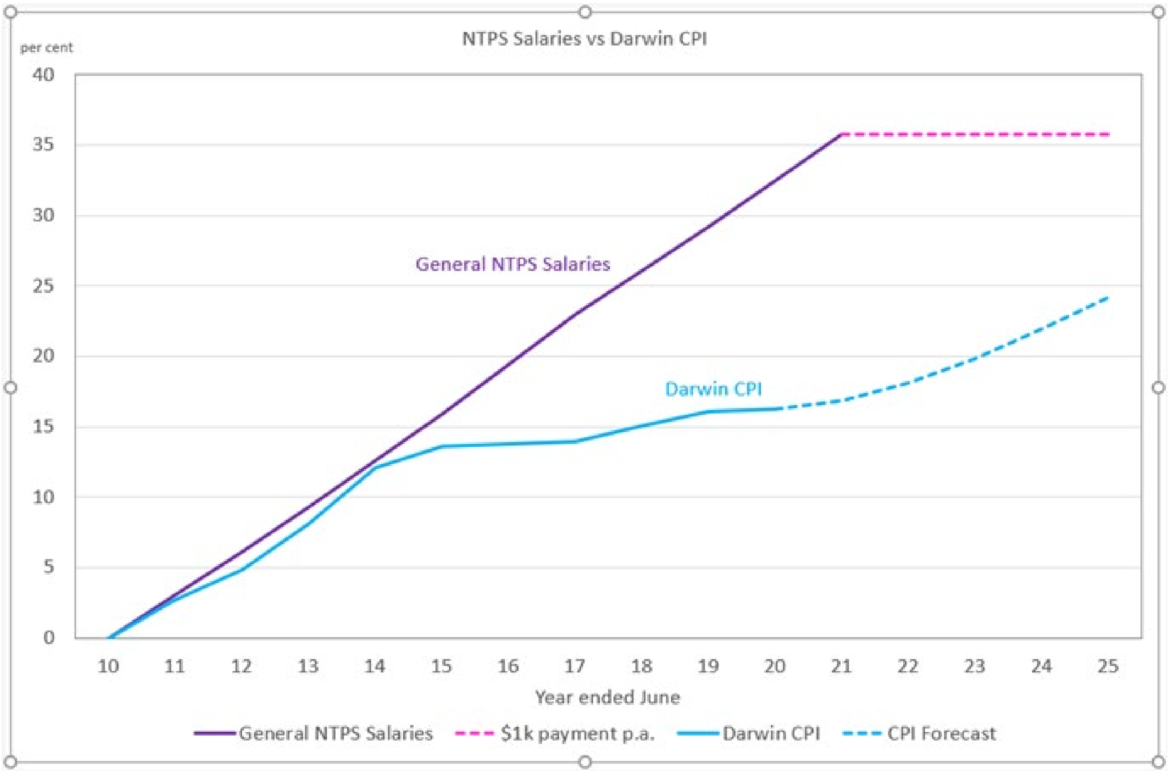
Bulletin 4 issued on 20 May 2021 included a section on NTPS salaries and CPI with the Commissioner stating:

'I have received feedback that the $1000 annual lump sum payment doesn't align with the Darwin CPI. The graph below shows the percentage increases to NTPS base salaries compared to the percentage increase to the Darwin CPI.

Since 2010 NTPS salaries have increased by 16.2 percentage points more than the cumulative increases in the CPI over the same period. The graph shows that NTPS salaries will be maintained for the next four years as well as employees receiving the proposed $4000 (plus superannuation) payment during this time.'

Wages Policy and Lump Sum Payments

Figure 3: NTPS Salaries vs Darwin CPI



Source: OCPE Bulletin 4 issued on 20 May 2021

In November 2021, the offer was updated to provide a bonus of $10,000 over four years being $4,000 upon acceptance of the offer and three payments of $2,000 in August 2022, 2023 and 2024.

An email from the former Chief Minister to all NTG employees stated:

'As you know, a small number of our colleagues made the decision not to get vaccinated. This is entirely their decision – but this means their employment will be terminated.

Overall, about 400 public servants are ending their employment. There are some frontline service roles that now need to be filled, but given the public service vaccination rate is so high, we are confident there will be no impact on service delivery as a result of unvaccinated employees leaving their positions.

The reduction in staffing numbers also means we now have more funds in the wages pool to share with you. It means we are now in a position to improve the wages policy from the 2020 Budget, without impacting the budget bottom line.'

In Bulletin 18 issued on 7 December 2021, the following information was communicated by the OCPE:

*'**$10,000 over Four Years – What's it Worth?***

My improved offer of a new NTPS General Enterprise Agreement is providing $10,000 over 4 years as follows:

- *$4,000 lump sum (gross) payment in January 2022; and*
- *$2,000 lump sum (gross) payment payable in August 2022, 2023 and 2024'*

Wages Policy and Lump Sum Payments

'More Money - More Superannuation

Employer superannuation guarantee (SG) is applicable to the lump sum payments (excluding defined benefit schemes). SG is currently 10%, and set to increase by 0.5% each year on 1 July, reaching 11.5% on 1 July 2024.

The $4,000 lump sum (gross) payment will provide $400 SG to your superannuation fund.

The three additional $2,000 lump sum (gross) payments will provide $660 SG to your superannuation fund based on the increased SGC rates over the next three years. This is a total of $1,060 SG over the term of the agreement, in addition to the $10,000 in lump sum (gross) payments.

Increment payments

In addition to the above payments, employees will still be eligible to annual increments, which entitle an employee to progress one pay point within the rates of pay scale for their classification.

Annual increment increases average approximately 2.71%.'

On 17 December 2021, the proposed NTPS Agreement was voted for approval through a ballot process.

Results of the ballot conducted by the NT Electoral Commission between 8 and 17 December 2021 were communicated with 3,775 eligible employees voting 'yes' and 2,803 voting 'no'. The OCPE advised:

'Whilst the Northern Territory Public Sector 2021 – 2025 Enterprise Agreement will not come into effect until we receive the formal approval from the Fair Work Commission (FWC), I will use my powers under the Public Sector Employment and Management Act 1993 to enable employees to receive the benefit of 3 days paid Christmas Closedown leave for this year and the $4000 lump sum will be paid on pay day of 20 January 2022. All other improvements will be effective 7 days after the FWC approval.'

Payment of the lump sum payment

Determination 4 of 2021 was issued on 22 December 2021 and provided for employees employed on 17 December 2021, who were eligible to vote on the NTPS Agreement, to be paid the lump sum payment prior to the NTPS Agreement being finalised.

Eligible employees under the NTPS Agreement were paid the initial $4,000 lump sum payment on 20 January 2022.

NTPS 2021 - 2025 Enterprise Agreement

The NTPS Agreement was approved on 31 March 2022 and came into effect on 7 April 2022 (7 days after Fair Work Commission approval).

Prior to this, an incorrect version of the NTPS Agreement was approved by the Fair Work Commission on 31 January 2022. This was superseded by the later agreement.

Wages Policy and Lump Sum Payments

Section 33 of the NTPS Agreement provides the following in relation to the annual lump sum bonus payment:

33. Annual lump sum payment

33.1 Eligible employees will receive a:

(a) $4000 lump sum payment as soon as practicable after this Agreement has been approved by the Fair Work Commission; and

(b) $2000 lump sum payment:

(i) on or after 10 August 2022;

(ii) on or after 10 August 2023; and

(iii) on or after 10 August 2024.

33.2 To be eligible for the lump sum payments, employees must be employed on the date that the payment is to be made in accordance with clause 33.1.

33.3 The lump sum payment is payable to employees who are on unpaid parental leave, unpaid personal leave or other leave without pay that is for a period of less than four weeks on the date the payment is to be made.

33.4 Part-time employees will be entitled to the full lump sum payment (i.e., not pro rata).

33.5 Casual employees will be eligible for the payment if, within three months prior to the payment date in clause 33.1, they have:

(a) been paid; or

(b) performed duty which is due to be paid after the date of payment in clause 33.1.

33.6 An employee engaged under multiple contracts of employment (consistent with section 38A of the PSEM Act) will only be eligible for a single lump sum payment on each occasion under clause 33.1, in relation to the performance of work under all contracts of employment.

33.7 An employee under Schedule 9 will receive the annual lump sum payment less an amount equal to the quantum of the annual salary increase payable at the employee's classification level in the same year as provided in Schedule 9.

33.8 The employer agrees that should there be a change to the Northern Territory Government's Wages Policy during the term of the Agreement that provides for additional benefits above those contained in the Agreement (such as an increase to salaries above the value of the lump sum) these will be passed on through a determination.

Executive contract officers

In addition to the 12 enterprise agreements, employees can be employed as executive contract officers (ECO). The Commissioner for Public Employment sets the terms and conditions for ECOs.

ECO terms and conditions of employment were set out in Determination 13 of 2011 for contracts entered into before 23 April 2019.

Wages Policy and Lump Sum Payments

After 23 April 2019, the relevant terms and conditions depend on whether the ECO:

- Agreed to vary the terms of their existing contract (issued in accordance with Determination 13 of 2011), prior to 22 August 2019, where their current contract was due to expire prior to the date approved for the pay rise under the NTPS Agreement in 2022, and they were offered a subsequent ECO contract of employment (under Determination 5 of 2019).

  These ECOs were placed on three year wage freeze provisions from 2019.

  These ECOs are entitled to the lump sum payments in line with the NTPS Agreement.
- Did not agree to vary the terms of their existing contract (issued in accordance with Determination 13 of 2011), prior to 22 August 2019. These ECOs were placed on four year wage freeze provisions from the commencement of their new contact (if renewed).

  These ECOs were placed on four year wage freeze provisions over varying dates.

  These ECOs were entitled to the last three lump sum payments from August 2022 in line with the NTPS Agreement (this excludes the initial $4,000 payment).

The wage freeze and lump sum payments were authorised through determinations issued by the OCPE.

Table 2: ECO lump sum payment terms and conditions summary

Condition	Wage freeze	Lump sum payments
Three year wage freeze provisions	Determination 5 of 2019, sets out terms and conditions for contracts entered into after 23 April 2019, which are subject to three year wage freeze provisions. Wage increase assurance provisions for ECOs subject to the three year wage freeze are set out in Determination 14 of 2019.	Determination 2 of 2022 (for three year ECO wage freeze provisions).
Four year wage freeze provisions	Determination 10 of 2019 sets out terms and conditions for ECOs subject to the four year wage freeze. Wage increase assurance provisions for ECOs subject to the four year wage freeze are set out in Determination 12 of 2019.	Determination 3 of 2022 (for four year ECO wage freeze provisions), provide for lump sum payments to ECOs.

Source: Executive contracts | Office of the Commissioner for Public Employment

Determination 4 of 2022 provides lump sum payment provisions for executive contract principals (ECPs) for three and four year wage freeze provisions, for ECPs employed under Determination 1027 of 2021.

Eligible ECO's were paid the initial $4,000 lump sum payment on 3 March 2022.

The NTG structure and entities under their own legislation

There are statutory entities, established under their own legislation, that have employees under the NTPS Agreement. As an example, Northern Territory Legal Aid Commission is part of the general government sector and has employees under the NTPS Agreement but is a non-budget sector entity.

Wages Policy and Lump Sum Payments

The entities included within the general government sector are agencies and other entities controlled by government mainly engaged in the production of goods and or services outside the normal market mechanism, where goods and services are provided free of charge or at nominal charges well below cost of production. This sector is generally funded by taxation revenues (directly or indirectly) and Commonwealth grants. A listing of general government sector entities is available in the Treasurer's Annual Financial Report.

Approved Territory-funded budgets apply to agencies and government business divisions funded by appropriation as reported within the NT Budget Paper No.3. Not all entities within the General Government Sector are included in the NT Budget Paper No.3. A listing of Territory-funded budgets entities is available in NT Budget Paper No. 3.

Scope and objectives

The audit assessed the performance management systems in place at OCPE within the Department of the Chief Minister and Cabinet (DCMC), the Department of Corporate and Digital Development (DCDD) and the Department of Treasury and Finance (DTF) that enable management to assess whether, and to what extent, the implementation of the new wages policy and lump sum payments will achieve the intended employee expenditure related outcomes as recommended in the Final Report.

The audit covered the period from November 2018 to 30 June 2022.

Index

The report on this audit is structured as follows:

Wages Policy and Lump Sum Payments

Audit opinion

In my opinion, the audit identified that the performance management systems require improvement in order to demonstrate the intended objectives from the new wages policy are being achieved economically, efficiently and effectively.

Recommendations

Opportunities to improve the performance management systems and processes as related to implementation of the new wages policy are presented below. The agency most appropriately placed to action the recommendation is identified in brackets at the end of the recommendation.

Budgeting

- Improve the budget process by tailoring the underlying methodology and calculations to reflect the nuances of new initiatives to allow for more accurate budget development. (DTF)

Processing payments and leave

- Continue to investigate and rectify potential overpayments of lump sum payments for the year ended 30 June 2022 and subsequent periods. Strengthen the review process to minimise similar errors from occurring in future payments. (DCDD)
- Perform a review of employees with multiple AGS within the payroll system to ensure that there are no further duplicate payments. For future lump sum payments, it would be prudent to undertake this review prior to payment. (DCDD)
- Investigate whether payroll processes can be improved further to ensure that employee terminations are processed in a timelier manner. (DCDD)
- Implement controls to ensure that employees are not able to claim more Christmas Closedown leave than they are entitled to. (DCDD)

Performance

- Assess the extent to which the new wages policy has achieved, or will achieve, the related objectives stated in the Final Report. This may include financial modelling to demonstrate the milestones that would need to be met to return the budget to surplus by 2028-29. (DTF)
- Implement monitoring processes to assess the financial impact of initiatives such as whether the termination of unvaccinated employees achieved forecast savings. A robust performance management system requires the monitoring of performance to assess whether the results of action taken actually reflect the objectives intended as a result of taking the action. (DTF)

Audit observations

The audit examined processes and actions undertaken by OCPE (within DCMC), DCDD and DTF to address the recommendations arising from Recommendation 5.3.7 and the implementation of the lump sum bonus payments.

Apart from the determinations issued by the Commissioner, there was no guidance provided to NTG agencies to assist in applying the new and varied conditions arising from the NTPS Agreement. There is evidence that the assumptions made across NTG agencies were inconsistent and applied differently at different times.

Wages Policy and Lump Sum Payments

The assumptions applied across NTG agencies were not comparable with:

- The forecasted cost and budget appropriation prepared by DTF, based on all agencies' Territory-funded budgets (including ECO's and employees under different agreements).
- Initial processing performed at DCDD only identifying employees under the NTPS Agreement, aligned to the authorisation dates, receiving the lump sum payment.
- Individual agencies' assumptions when managing their budgets.

Financial impact

Forecasted cost

Forecasted cost refers to the anticipated cost of the implementation of the policy. In 2021, DTF computed an estimation of the impact of the lump sum payments to the budget over the four-year period from 2021-22 to 2024-25.

DTF prepared a forecasted cost for the whole of government budget impact of different wages policy options using a parameters model that adjusts agencies' approved Territory funded budgets for expense type (employee, operational and grants) by different inflators or deflators. In past budgets, the NTG wages policy was based on percentage increases that compound in future years. Under the NTPS Agreement, a non-compounding lump sum payment is paid to employees that meet the eligibility criteria. To estimate the cost of the lump sum payments, DTF converted the lump sum payments into a percentage inflator to work within the functionality of existing systems and budget processes.

To develop the percentage inflator, DTF determined the average annual salary of a full-time equivalent (FTE) employee by dividing the 2020-21 total general government sector employee expense (less superannuation, payroll tax, allowances, overtime, and labour hire) by the average FTE as at the quarter ended December 2021. As a result of this exercise, DTF computed the average annual salary of an FTE employee to be approximately $100,000.

The period from which the number of employees was selected for the calculation (December 2021 quarter) did not align with the period used to source total employee expenses (year ended 30 June 2021) however, a recalculation performed as part of the audit identified that the use of June 2021 employee numbers did not result in a material difference to the average FTE employee cost.

The forecasted cost amounted to $211 million over the four-year period and was limited to employee expenses that are funded through output appropriation under all Northern Territory Government enterprise agreements. Employee expenses that are funded through other sources are not factored into DTF's parameters model and are borne by each agency. To the extent that external funding indexation is greater than the wages policy, the agency will have surplus funding capacity (and vice-versa).

The lump sum payments were compared to the average FTE salary to develop the budget inflator rate. A $4,000 lump sum payment against the average salary of $100,000 corresponds to +4% wage adjustment factor. This was applied to existing approved budgets.

Wages Policy and Lump Sum Payments

Budget adjustment

Budget adjustment refers to adjustments made to the budgets of NTG agencies.

Separately to the wages policy, the NTG determines efficiency dividends and savings measures. The NTG determined that the original $4,000 lump sum payments ($1,000 annually for four years) would be funded from within existing agency budgets. Following the change to the $10,000 lump sum payments ($4,000 in 2022, and $2,000 each for the subsequent three years), budget appropriation adjustments were determined resulting in the cost of the additional $6,000 ($10,000 less $4,000) not being absorbed by the agencies' existing budgets. The same parameters model was used by DTF in computing this additional budget appropriation. Refer to Table 3: Wage adjustment factor below.

Table 3: Wage adjustment factor

	2021-22	2022-23	2023-24	2024-25
Lump sum payments ($)	4,000	2,000	2,000	2,000
Less: $1,000 absorbed by agencies	(1,000)	(1,000)	(1,000)	(1,000)
Additional appropriation required	3,000	1,000	1,000	1,000
% of average FTE cost or the wage adjustment factors	3%	1%	1%	1%

Source: DTF documentation

The wage factors were applied to the existing approved budgets for employee expenditure for each agency. The same limitations identified in the forecasted cost were applied when calculating the budget adjustment.

The budget adjustment includes the amount of the lump sum plus other on-costs such as superannuation, payroll tax and fringe benefit tax. The budget adjustment did not take into account the impact of increasing rates of superannuation guarantee. DTF confirmed that agencies were directed to absorb the cost of increases in superannuation, hence, it is not factored in the budget calculations. Fringe benefit tax was budgeted for the lump sum payments despite the payments not being subject to fringe benefit tax, as confirmed in the new allowance request form processed by DCDD (refer to 'System and Process Requirements' section of this report).

Wages Policy and Lump Sum Payments

Table 4: Budget appropriation adjustments

	2021-22 $'000	2022-23 $'000	2023-24 $'000	2024-25 $'000	Total $'000
NTAGO	32	11	11	11	**65**
DCMC	1,773	564	558	554	**3,449**
DLA	621	206	206	208	**1,241**
NTEC	33	11	11	11	**66**
ICAC	161	47	42	42	**292**
Ombudsman's Office	75	24	24	23	**146**
DTF	503	168	167	163	**1,001**
NTPFES	10,023	3,229	3,219	3,206	**19,677**
AGD	5,327	1,758	1,744	1,735	**10,564**
DoH	21,748	7,257	7,452	7,518	**43,975**
DTFHC	3,688	1,210	1,207	1,205	**7,310**
DCDD	3,256	1,102	1,015	1,003	**6,376**
DEPWS	1,660	508	481	476	**3,125**
AAPA	98	33	28	27	**186**
DIPL	2,946	963	943	925	**5,777**
DoE	11,025	3,697	3,687	3,679	**22,088**
DITT	2,627	874	867	840	**5,208**
Total	**65,596**	**21,662**	**21,662**	**21,626**	**130,546**

Source: DTF documentation

Wages Policy and Lump Sum Payments

Actual cost

Actual cost refers to the cost incurred.

A report provided by DCDD indicated that the total amount paid out for the 2021-22 instalment of the lump sum payments (i.e. $4,000) amounted to $60.7 million excluding superannuation and payroll tax for the year ended 30 June 2022. The total cost was significantly lower than forecasted cost even with the inclusion of superannuation and payroll tax.

Table 5: Forecasted cost adjusted for superannuation and payroll tax

	2021-22 $'000	2022-23 $'000	2023-24 $'000	2024-25 $'000	Total $'000
Actual/projected lump sum payments*	60,744	30,372	30,372	30,372	151,860
Add: Superannuation (10.5%)**	6,378	3,189	3,189	3,189	15,945
Add: Payroll tax (5.5%)**	3,341	1,670	1,670	1,670	8,352
Total*	70,463	35,232	35,232	35,232	176,158
Forecasted Cost	86,359	41,627	41,627	41,627	211,240
Over / (Under)	**15,896**	**6,395**	**6,395**	**6,395**	**35,082**

Source: DTF documentation
** 2022-23 to 2024-25 are projected actual cost based on the 2021-22 payments.*
*** The superannuation and payroll costs included in this figure are estimated by the NTAGO.*

The budget prepared by DTF only accounts for the cost of NTG employees that are funded through output appropriation while the actual payments data from DCDD also includes the cost of externally-funded employees. Further, the actual lump sum bonus payments above do not include employees covered under other enterprise agreements which had not been updated during the period covered by this audit.

At an agency level, comparison between the total cost and forecasted cost presented positive and negative variances as the actual costs of lump sum payments were both higher and lower than the budget. Refer to Table 6.

For some agencies, such as the larger agencies, the variation between budget and actual cost could be due to employees covered by other enterprise agreements that had not been updated and/or their actual cost is funded through sources other than output appropriation. However variances were also noted for smaller agencies that are likely to have all employees covered by the NTPS Agreement and funded internally. These variances indicate limitations with the current budgeting process.

Wages Policy and Lump Sum Payments

Table 6: Comparison of forecasted cost, budgeted adjustment and actual cost

	Actual Payments $'000	Super* (10.5%) $'000	Payroll* tax (5.5%) $'000	Actual Cost* $'000	Forecasted Cost $'000	Over/ (Under) $'000	Budget Appropriation $'000	Over/ (Under) $'000
NTAGO	16	2	1	19	43	24	32	13
DCMC	2,056	216	113	2,385	2,344	(41)	1,773	(612)
DLA	156	16	9	181	810	629	621	440
NTEC	44	5	2	51	44	(7)	33	(18)
ICAC	124	13	7	144	193	49	161	17
Ombudsman's Office	72	8	4	84	99	15	75	(9)
DTF	528	55	29	612	652	40	503	(109)
NTPFES	1,896	199	104	2,199	12,964	10,765	10,023	7,824
AGD	4,028	423	222	4,672	7,027	2,355	5,327	655
DoH	21,283	2,235	1,171	24,688	28,909	4,221	21,748	(2,940)
DTFHC	6,428	675	354	7,456	4,774	(2,682)	3,688	(3,768)
DCDD	5,071	532	279	5,882	4,178	(1,704)	3,256	(2,626)
DEPWS	2,432	255	134	2,821	2,090	(731)	1,660	(1,161)
AAPA	140	15	8	162	114	(48)	98	(64)
DIPL	3,895	409	214	4,518	3,860	(658)	2,946	(1,572)
DoE	7,963	836	438	9,237	14,705	5,468	11,025	1,788
DITT	3,312	348	182	3,842	3,553	(289)	2,627	(1,215)
Legal Aid	476	50	26	552	0	(552)	0	(552)
Other**	824	87	45	956	0	(956)	0	(956)
Total	**60,744**	**6,378**	**3,341**	**70,463**	**86,359**	**15,896**	**65,596**	**(4,865)**

Source: DTF documentation
** The superannuation and payroll costs included in this figure are estimated by the NTAGO.*
*** The report reflects an employees allocated agency at the time of report was run (June 2022), not the agency that incurred the lump sum payment at the time the payment was made. As a result, some employees are not allocated to an NTG entity*

Wages Policy and Lump Sum Payments cont…

COVID-19 termination savings

The Budget Repair status update from December 2022 stated *'The additional costs associated with the revised policy are funded through savings associated with cessation of NTPS employees that did not meet NTG COVID-19 vaccination requirements'*.

DTF determined the number of employees without the required vaccination status as at 24 December 2021 (cut-off date) and derived the expected savings from the actual and possible terminations of these employees.

DTF applied the same assumptions as used to determine the budgeted cost of the lump sum payments (i.e. application of average FTE salary of $100,000 to the estimated FTE of employees without the required vaccination status) to calculate the COVID-19 termination savings. The expected saving was determined to be $202 million from 2021-22 to 2024-25. DTF confirmed that these savings arose from the reduction of budget appropriations for the termination of 562 employees across various agencies. Of the 562 employees, only 150 were confirmed to be terminated as at the cut-off date. There have been no subsequent reviews or monitoring activities at a whole of government level to determine if the estimated COVID-19 termination savings have been realised or are realisable.

System and process requirements

DCDD has representation on the NTPS Enterprise Agreement bargaining team. This enables timely consideration to be given to any system and processing requirements for new or proposed employee initiatives and entitlements. Various sub-groups (working groups) comprising representatives from OCPE, DCDD and agencies (if applicable) also exist to support enterprise agreement implementation. Any new entitlements or changes to entitlements follow DCDD's Employee Entitlement and Rule Change Process workflow.

The processing of the lump sum payments was set up to occur under an allowance code. As a new allowance code needed to be created, the request to create the new allowance proceeded through the Employee Entitlement and Rule Change Process. This process includes a new allowance request form being created by OCPE and sent through to the Commissioner of Superannuation and the DCDD Taxation Unit.

The allowance code contains the eligibility requirements stated in the enterprise agreement or the Determination as confirmed by OCPE. The eligibility requirements were also used by DCDD to establish the business rules and extract reports of employees due the lump sum payments. The business rules applied by DCCD were:

- Records only for those with classifications which fall under the General Enterprise Agreement
- Exclude staff under the following pay centres: 612 (Aboriginal Areas Protection Authority), 621 (NT Legal Aid Commission) and 800 (NT Electoral Commission). Employees under these agencies were checked manually for eligibility to the lump sum payment.
- Exclude where separation date was prior to 17 December 2021
- Exclude apprentices/cadets
- Exclude ministerial staff
- Exclude those on leave without pay (excluding personal and parental) for a period of four weeks or more on 17 December 2021

Wages Policy and Lump Sum Payments cont…

- Where staff have more than 1 contract, ensure payment is only due on one contract.

DCDD confirmed that the same business rules apply to all payment rounds except for the expected separation date. The following three Effective Employment dates were applied:

- Determination 4 of 2021 was issued on 22 December 2021 and provided for eligible employees employed on 17 December 2021 to receive the $4000 lump sum payment.
- Determination 7 of 2022 allowed eligible employees who have not received the advanced payment but are employed on 3 March 2022, to receive the $4000 lump sum payment.
- The finalisation of the Enterprise Agreement allowed eligible employees who have not received the advanced payment but are employed on 7 April 2022, to receive the $4000 lump sum payment.

A review of reports extracted and the processing of lump sum payments was undertaken by three separate work areas within DCDD. The DCDD workflow for the processing of the lump sum payments involved the actions below:

1. Eligibility parameters and payment date were confirmed by OCPE.
2. DCDD Data Services capture of data. The employee reports were extracted using the BOXI reporting system. The data in the employee reports was extracted from the Personnel Information and Payroll System which contains employee status details.
3. DCDD Human Resources Analytics application of eligibility rules, removal of duplicate AGS (employee numbers), consideration of leave types and classifications.
4. DCDD Payroll Services sampling/testing of data.
5. DCDD Across Government Systems processing of lump sum payments comprising creation and certification stages.
6. Following pay period clean up sweep (covering steps 1-5) to capture any commencements/contract extensions due for payment.

As part of the review process, DCDD personnel identified errors in payments made. Further errors or anomalies were identified through my audit and are presented in Table 8: Inconsistencies based on review of lump sum payments

Where employees outside of the NTPS Agreement have terms and conditions that mirror that agreement (such as the Northern Territory Legal Aid Commission and ministerial staff), respective employer approval was sought to authorise processing of the lump sum payments.

Analysis of lump sum payments

As at 30 June 2022, 15,073 employees had received their first $4,000 lump sum payment, totalling $60.27 million. This represents 4.5% of the nominal salaries of the employees paid ($1.34 billion).

Wages Policy and Lump Sum Payments cont…

Table 7: Lump sum payments paid by dates

Payment date	# of employees	$
20 January 2022	13,068	52,245,586
3 February 2022	155	619,421
17 February 2022	170	674,667
3 March 2022	1,122	4,482,667
17 March 2022	170	674,666
31 March 2022	18	68,067
14 April 2022	1	4,000
28 April 2022	365	1,464,000
12 May 2022	2	8,000
26 May 2022	2	7,463
9 June 2022	3	12,000
23 June 2022	2	8,000
Total	**15,078**	**60,268,537**

Source: DCDD documentation

The bonus was paid over multiple pay periods due to corrections, changes to eligibility rules and payments requiring further investigation to ensure they met the eligibility requirements prior to the payment being made. Key changes to eligibility rules include:

- Changes to the Effective Employment date
- Inclusion of Executive Contract Officers
- Inclusion of AAPA, NT Legal Aid and Police.

Review of the lump sum payment report as of 30 June 2022 provided by DCDD identified the following inconsistencies:

Table 8: Inconsistencies based on review of lump sum payments

Payment date	# of employees	$
Double payment - paid twice	15	60,000
Double payment - paid once	1	8,000
Paid and subsequently recovered	1	-
Paid to ineligible separated employees	8	32,000

Source: DCDD documentation

Double payment – paid twice

The double payments primarily relate to employees with two employee numbers (AGS numbers) in the payroll system. Out of the 15 instances, one instance was specifically due to the employee transitioning from a casual to a permanent role on 13 December 2021.

Wages Policy and Lump Sum Payments cont…

Double payment – paid once

This lump sum payment was processed manually by DCDD. The first payroll transaction record (PTR) created to pay the lump sum amount was incorrectly dated 20 April 2020 instead of 20 April 2021. A second PTR was processed to correct the date however it did not cancel the first incorrect PTR and payment was processed. The employee has been notified and an invoice has been raised for the overpayment.

Paid and subsequently recovered

The employee paid was employed under the NTPS General Enterprise Agreement as at 18 December 2021 with an EO2 classification based on the report provided by DCDD at the time. The lump sum payment was processed as the employee was eligible for the payment. Subsequently, DCDD received and actioned a delegate advice that the employee was not entitled to the lump sum payment. The payment has been fully recovered as at 30 June 2022.

Payments for terminated employees

Out of the eight instances, six were paid in error due to terminated employees still showing as active in the payroll system when the payments were being processed on 20 January 2022. The remaining two instances were due to incorrect processing.

Review of payments to terminated employees identified that some payments appearing in the report were 'redirected' which means that the transaction was stopped before payment was made. These redirected transactions still appear in the lump sum payment report but these are not able to be completely identified. Hence, the total payment of $60,268,537 may be overstated.

Timing of payments to ECOs and non-ECO employees

Table 9: Timing differences based on review of lump sum payments

Payment Date	# of employees	$
ECO paid after 3 March	1	4,000
Non-ECO employees paid after 20 January	1,628	6,494,951

Source: DCDD documentation

The ECO paid after 3 March 2022 was due to that ECO being missed for the 3 March 2022 processing. It was noted further that this ECO commenced 21 February 2022 which was beyond the cut-off date for ECO eligibility under OCPE's Determinations (7 February 2022). DCDD confirmed that the payment was processed in error and it has been recovered from the employee.

DCDD management confirmed that payments made to non-ECO employees after 20 January 2022 were due to employees requiring further investigation to ensure they met the eligibility requirements and eligible employees who commenced employment after 17 December 2021.

Christmas Closedown leave

In addition to the lump sum payments, employees covered by the NTPS 2021-2025 Enterprise Agreement were to be granted Christmas Closedown leave between 29 December 2021 and 31 December 2021 (3 days) in addition to the employees' entitlement for recreation leave. Employees who had filed for leave on these dates were to be re-credited the recreation leave. Employees on long service leave were also entitled to be re-credited the three days of long service leave. Employees who were required to work during the period 29 to 31 December 2021 were granted Christmas Closedown leave to be banked and used before 24 December 2022.

Wages Policy and Lump Sum Payments cont…

MyHR is the application used by all NTG employees to apply for leave. A new miscellaneous leave code was created in MyHR to process the Christmas Closedown leave. Similar to the lump sum payments, the request to create a new code proceeded through DCDD's Employee Entitlement and Rule Change Process workflow.

DCDD identified employees entitled to the Christmas Closedown leave based on other types of leave previously entered and approved to cover the closedown period. These periods of leave were re-credited to employees' leave balances through manual action by DCDD. The manual action was required due to the timing of the Christmas Closedown leave entitlement becoming available in line with the OCPE Determination 4 issued on 17 December 2021. After December 2021, employees apply for the Christmas Closedown leave via MyHR.

MyHR shows the Christmas Closedown leave code available for the employees' use. When an employee applies for the leave in MyHR, the request is sent to a delegate for approval. A pop-up message was developed in MyHR to inform both the employee (at the time of submitting the leave application) and the delegate (at the time of approval) which enterprise agreements include Christmas Closedown leave. It is noted that all employees who have MyHR leave access have visibility of the Christmas Closedown leave code, and as a result employees are able to use this leave even if they are not eligible. It is also possible that this leave type can be used multiple times by individual employees as, while there is a mechanism to check leave utilised, there is no readily accessible mechanism to check whether the employee has a remaining balance of leave or to prevent application.

Outcomes

The purpose of Budget Repair Recommendation 5.3.7 and the new wage policy was to reduce employee costs and improve the NTG budget position. There has been no assessment of whether, or to what extent, the new wage policy has contributed to this objective.

Observations from the audit are:

- The cost of introducing Christmas Closedown leave was not determined.
- The intention was for agencies to absorb $1,000 out of the $4,000 for each employee.
- The forecasted cost exceeded the actual cost for 2021-22 by $15 million.
- Six agencies received additional budget appropriation exceeding the actual payments for 2021- 22.
- The 2017-2021 NTPS Agreement provided for a 2.5% salary increase annually.
- As at 30 June 2022, 15,073 employees had received the 2021-22 $4,000 lump sum payments totalling $60.27 million. This represented 4.5% of the total nominal salaries.
- The actual Government General Sector employee cost for 2021-22 is $2,875 million, $161 million higher than the 2020-21 balance ($2,715 million) and $68 million higher than the budgeted employee cost for 2021-22 of $2,808 million.

Wages Policy and Lump Sum Payments cont…

The Department of Corporate and Digital Development has commented:

With regard to the recommendations in respect of processing payments and leave (page 95) established DCDD review and quality control measures are applied to processing of employee entitlements, including lump sums. During this process DCDD initiated redirection actions where available to avoid overpayments.

The quantum of either double payments or ineligible payments made equates to 0.08% with payments of $60 million occurring. Timely system enhancements were implemented by DCDD to support delegates in assessing eligibility Christmas Leave applications received, supporting employee and manager responsibilities to comply with agency delegations and employment conditions communicated by the employer (Commissioner Public Employment).

The Department of Treasury and Finance has commented:

The Department of Treasury and Finance notes the recommendations from the wages policy and lump sum payment review. The variance between the forecast and actual cost of the lump sum payment at the time of review was largely due to the timing of enterprise agreement negotiations. As only two agreements had been final issued at the time of audit, actual payments on the remaining enterprise agreements had not yet been made. The budget estimates appropriately assumed the full cost of the lump sum payments that will be paid upon finalisation of the enterprise agreements.

The Department of Treasury and Finance also notes that the inclusion of fringe benefit tax in the agency budget adjustments did not have a material impact on the whole of government forecasts and costs were completely offset through savings adjustments.

The Department of Treasury and Finance role is to provide strategic whole of government monitoring and reporting of Territory Government's financial performance. The Territory currently has a number of mechanisms to monitor employee expenditure outcomes including an explicit fiscal strategy objective and target to contain annual employee expense growth; and regular monitoring and reporting of agency compliance with employee expense budgets to the Budget Review Subcommittee of Cabinet. Budget Paper No. 2 Chapter 4 provides an annual update on Government's performance against its fiscal strategy objectives and targets.

Additionally, as published in the 2023-24 Budget, the Territory's fiscal balance is now projected to be in surplus from 2026-27, two years ahead of the 2028-29 target as per A plan for budget repair. Achievement of the Territory's fiscal strategy objectives and targets demonstrates the effectiveness of employee expense growth restraint measures.

Information Technology Reviews

Department of Corporate and Digital Development

Background

During the year I undertake a number of audits and reviews of financial recording and reporting information technology systems to support financial statement audits. These IT support audits and reviews are not separately reported in my reports to the Legislative Assembly as any issues that arise are reported within the financial statement component of my Legislative Assembly reports relating to that particular entity. I also undertake audits of significant information technology systems at the Department of Corporate and Digital Development (DCDD).

SerPro review deferred

SerPro (the replacement system for Promis at the Northern Territory Police, Fire and Emergency Services) is being delivered by the Department of Corporate and Digital Development on behalf of Northern Territory Police, Fire and Emergency Services and has an allocated budget of $45 million.

I previously identified that I would conduct an 'Implementation Progress Review' of SerPro in the six month period from 1 January 2023 to 30 June 2023 in the expectation that SerPro would be implemented prior to December 2022, however a review (initiated by DCDD) of the program readiness identified issues that needed to be addressed prior to SerPro being delivered.

Following the DCDD initiated review, the implementation date for SerPro has been delayed until the second half of 2023, thus the 'Implementation Progress Review', scheduled by my Office, was unable to be progressed.

APEX

APEX is the primary budgeting, consolidation and reporting system and supports the delivery of whole of government budgeting and financial reporting obligations (for example, budget papers, annual / quarterly financial reports). One of the financial reporting obligations (imposed by section 9 of the *Financial Management Act 1995*) is for the Treasurer to publicly release and table the audited Treasurer's Annual Financial Statement. I undertake an annual review of the APEX system to assess whether internal controls within DCDD and the APEX system provide reasonable assurance that the APEX system produces reliable system-generated reports.

A significant control within APEX is managing users accessing the system. DCDD undertakes a user access review for users on an annual basis. This review was performed on 10 January 2023, with the entities being asked to '*confirm that the current list is true and correct or advise which users no longer require APEX access.*'

Of the requests sent to 30 Northern Territory Government (NTG) entities to either confirm the validity of, and the need for, access to APEX or to notify amendment, 13 entities had not replied to the notification at the time of my review. The non-responses represented 6 (of 17) agencies, 2 (of 6) Government Business Divisions, 2 (of 3) Government Owned Corporations and 3 (of 4) other entities. Whilst not necessarily presenting an increased direct risk of compromise of NTG systems, failure to identify those users that no longer require APEX access demonstrates a culture of apathy which may be present in relation to access controls to other systems. It may be appropriate for DCDD to escalate this matter to the non-responding entities' Accountable Officer or Board.

Post Implementation Review CARE Project

Department of Corporate and Digital Development

Background

Subsequent to the 2016-17 Royal Commission into Child Protection and Youth Detention in the Northern Territory, and in recognition that the Territory's child protection system was projected to be operating on unsupported software by 2021 if no action was taken, a Territory Families Client Management Systems Alignment (CMSA) business case was approved in December 2017 for the Department of Territory Families, Housing and Communities (DTFHC).

This business case identified a "clear case for change", noting the need for access to timely, accurate and relevant data to make the best operational policy decisions to enable proactive, appropriate and informed case management of vulnerable children. The business case estimated a five-year program cost of approximately $56.2 million plus a risk based contingency of $8.2 million to be released through program governance if required, resulting in an overall budget envelope of $64.4 million.

Following the approval of funding in 2018, an extensive case management system procurement process was undertaken. After receiving 14 bids and reaching commercial negotiation with one vendor, it was not possible to reach acceptable terms which would enable the program to meet its objectives. Procurement was re-initiated, and ultimately resulted in the awarding of a contract in December 2020, enabling the program to move into delivery.

The CMSA program was constructed with two major elements delivered as projects, the first of which is in scope for this assessment:

- An integrated case management solution, known as CARE, for Child Protection, Youth Justice and Adoption functions within DTFHC. This was originally planned for delivery in two Functional Groups. Functional Group 1 comprises Child Protection, Adoptions, Mobile, Portals and Finance and was to be delivered by June 2022. The subsequent delivery of Functional Group 2 comprising Youth Justice was to occur in November 2022. CARE includes a data warehouse to support frontline operational reporting.
- A business intelligence capability, known as 360 View of the Child (360VOC), providing a read-only, secure and unified view of data from other Northern Territory Government (NTG) agencies dealing with children and their families, such as the Departments of Education and Health, and NT Police. This was originally planned for completion in November 2022.

The program was sponsored by the Chief Executive, Department of Corporate and Digital Development (DCDD), with the Chief Executive, DTFHC as the Program Customer. In addition, senior leaders from DTFHC were represented within relevant program governance forums, and DCDD Enterprise Project Services facilitated execution of program delivery.

CARE project activities closed at the end of June 2023, with certain follow-on tasks handed over to operational teams, and broader CMSA delivery activities (including 360VOC and finalisation of inter-agency data sharing agreements) ongoing.

Post Implementation Review CARE Project cont…

Scope and objectives

The objective of this review was to report on the post-deployment status of the CARE system, a key component of the CMSA program which was focused on designing and implementing a new client management system at DTFHC.

In relation to the CARE project, this review included assessment of:

a) Whether the CARE project met specified or defined objectives/ goals;

b) The processes in place at DCDD (the Agency) to evaluate user satisfaction of the CARE project;

c) The budgeted cost compared to actual cost of the CARE project; and

d) Whether the CARE project was completed within originally planned timeframes.

In relation to the CARE system, this review included assessment of:

a) Management of the technical risks associated with the design and implementation of the CARE system such as security design, data conversion and system interfaces;

b) Whether the expected benefits of the CARE system were achieved; and

c) The extent of resolution of any outstanding issues relating to the CARE system.

The review findings are based on inspection of documentation and discussions with relevant personnel.

Opinion

Based on the assessment performed, the CARE project has either met or has adequate measures in place to satisfy its objectives. A benefits realisation plan has been defined and initial senior stakeholder feedback is favourable, however it is too early at this point in time to measure the realisation of benefits associated with the initiative.

Observations

This section of the report provides a summary of the key facts noted in relation to each of the in-scope assessment areas.

a) Whether the CARE project met specified or defined objectives/ goals

Twelve objectives were identified for the CARE project in support of overall program outcomes. These ranged from project process objectives (e.g. '*Ensure testing of CARE against the requirements specified and that issue and defect management and rectification is tracked and managed effectively*') through to output objectives (e.g. '*Replace the legacy computer systems with one new case management system configured to support child protection, youth justice and adoption service*'). Each of the objectives were associated with specific outcome definitions so that they could be more readily tracked.

Post Implementation Review CARE Project cont…

Of the 12 objectives:

- Nine have been fully met;
- One, relating to external user access, has been met through initial portal delivery with an approved staged release plan for introduction of extended capability 6-12 months following CARE go live; and
- Two are partially met at this stage as the reporting functionality that fully meets DTFHC's needs is not yet in place. These objectives are planned to be achieved through delivery of the agreed roadmap by October 2023, managed by Agency Business Systems – Human and Shared Services within DCDD.

b) The processes in place at the Agency to evaluate user satisfaction of the CARE project

At the outset of this review, management identified that the evaluation of user satisfaction within the project was agreed as being the responsibility of DTFHC as part of their business readiness activities. DTFHC's business readiness status was discussed with the DCDD project team fortnightly in order to provide transparency back to management at the Agency, and was also embedded within the criteria for approval for go live.

There was significant focus applied to developing training and other guidance material to support users in adopting project outputs successfully. While this will require continued proactive focus through the DTFHC change management team that has been appointed, the foundations delivered by the project have been positively recognised by stakeholders.

In addition, activities were performed and/or facilitated by management which complemented DTFHC's evaluations of user satisfaction. These included a comprehensive stakeholder and communications plan which enabled feedback loops between the project team and users, as well as the inclusion of selected end users within the user acceptance testing process before go live.

Following delivery of the project, the benefits realisation plan documents that user surveys will be deployed by DTFHC to enable measurement of a benefit category relating to user experience. This will provide ongoing visibility of satisfaction with specific outcomes of the project.

c) The budgeted cost compared to actual cost of the CARE project

The CMSA program was allocated funding of $64.4 million (including $8.2 million contingency funding) for delivery over a five-year period as part of the approved business case. Based on actual costs to date and forecasts from the Agency's finance team, program costs are forecast to be approximately $10 million less than the originally allocated funding at completion. As a result, the Agency has re-allocated $10 million in funding from the CMSA program to support other ICT programs that the Agency is tasked with creating for the NTG.

The CARE project is one of two key elements of CMSA, thus the budgeted cost of CARE represents a subset of the overall business case budget outlined above. Analysis performed as part of this review indicates that the CARE project component of the CMSA program was delivered on budget.

Post Implementation Review CARE Project cont…

d) Whether the CARE project was completed within originally planned timeframes

The CMSA business case envisioned delivery of a new case management system to replace the legacy Community Care Information System (CCIS) platform by December 2021 to avoid the software becoming unsupported due to reaching end-of-life. Subsequently, the NTG undertook to manage and support CCIS with the assistance of a local vendor, which extended the support life of CCIS. The December 2021 timeframe was therefore no longer a critical milestone for the program.

Following successful procurement of a solution in December 2020, the planned timeline for delivery of the CARE project included go live on 27 June 2022 for Functional Group 1 (Child Protection, Adoptions, Mobile, Portals and Finance), and 21 November 2022 for Functional Group 2 (Youth Justice).

In March 2022, these were re-baselined into a single release targeting go live on 24 March 2023. This allowed greater time to accommodate changes and fixes in the solution including changes to reflect established case management practices; incorporation of requirements of a new DTFHC framework impacting workflows and additional linkages between Child Protection and Youth Justice that were identified during delivery. This represented variances of nine and four months for Functional Group 1 and Functional Group 2 respectively. This also resulted in the CMSA program closure milestone being revised by three months to 30 June 2023.

This master program schedule variance was approved through the CMSA program's governance processes and delivery against these updated milestones was achieved.

There remain some outstanding items for resolution, including delivery of outstanding reporting functionality, products enhancements and defects (including relating to the payments module). There is a plan in place to support delivery of a roadmap of fixes and enhancements, including in-scope reporting deliverables, by September 2023. A high risk has been raised by the project team in relation to a concern that priority defects will not be fixed within the warranty period. This has been actively managed by the project team, and is planned to be transferred to Agency Business Systems – Human and Shared Services within the Agency to manage at project closure.

e) Management of technical risks associated with the design and implementation of the CARE system such as security design, data conversion and system interfaces

Management of technical risks associated with security design

CARE is a commercial-off-the-shelf platform hosted on NTG infrastructure. Risks identified as associated with the security of the system were managed at various stages of the project, including:

- Evaluation of security non-functional requirements through the procurement process, and traceability of these throughout delivery. Where these were not fully met by the vendor and/or their solution, treatment actions were undertaken by the project team.
- Development of key information security management system artefacts aligned with the ISO 27001 standard.

Post Implementation Review CARE Project cont…

- Evaluation of compliance of the security environment with the Australian Government Information Security Manual. Of 789 controls relevant for the classification level of the system, 613 were evaluated as applicable. Of these, the security environment relative to the CARE system was found to be fully compliant for 299 controls. For the remainder, risks were raised requiring the rectification, mitigation or other treatment for non-compliant controls to be effected through the project. Given the Information Security Manual is not a mandatory requirement for the NTG environment, a number of these risks had not been fully treated at the time of this review but have been reported to the Cyber Security Committee and continue to be tracked by management.
- Before go live, a detailed technical vulnerability test was performed by a specialist third party provider across the solution, along with an architecture security assessment. This identified 26 total findings, of which ten were rated as being of moderate risk, relating to the CARE web application solution and software development. Three of these have since been reported as closed, three have been formally accepted, and the remaining four have agreed remediation plans.
- A security continuous improvement plan has been developed for incorporation into the Agency testing schedules. This outlines an ongoing calendar of activities to validate continued effectiveness of controls.

Of the 14 information security deliverables in scope for the project, three were still in draft at the time of this review, over three months after system go live. These were the Information Security Incident Management Plan, Performance and Monitoring Plan, and Privacy Impact Assessment, which would typically be completed before deployment. An overarching information security incident plan is already in place for NTG systems which provides a general approach for managing CARE while the draft document (with specifically tailored procedures as required) is being finalised. In relation to the draft privacy impact assessment, the outstanding elements of the document primarily related to functionality planned to be activated for the system at a later date, so relevant risks have been identified and considered by management.

Management of technical risks relating to data conversion

Data for CARE required migration from multiple sources, primarily the legacy systems CCIS and Integrated Offender Management System (IOMS), along with inputs from other Microsoft Access database and Excel spreadsheets. There was also extensive data transformation required to enable restructuring of the case-centric legacy systems to the person-centric design of CARE.

Risks associated with data conversion were managed throughout the project, including the following activities:

- Consideration of an appropriate strategy for the scope of migration with selection of a targeted migration approach enabling focus on the most important data.
- Facilitation of a data quality monitoring and reporting framework to identify material data quality issues that required resolution.
- Execution of data conversion testing activities (including reconciliations) for each trial migration as well as the dry run and go live.

Post Implementation Review CARE Project cont…

- The cutover approach included continued use of legacy systems between the migration data load and go live. To ensure this interim data was loaded completely and accurately into CARE, the data migration exercise generated reports of what had changed since the final data load with this information used to plan a structured data entry process into CARE. This process involved a combination of automated migration of case notes and manual data entry.

Feedback gathered from the project team and program stakeholders was that there have been minimal data-related issues identified in the period following go live, indicating that data conversion risks had been managed effectively.

Management of technical risks relating to system interfaces

CMSA was established with the intent of integrating data from various sources into a single, comprehensive view of the child. As such, CARE needed to be implemented with the capability to share data with other NTG systems such as those used in the Department of Health, the Department of the Attorney-General and Justice, and NT Police, along with administration systems such as the Government Accounting System. Integrations with the health system (Acacia) and police system (SerPro) have been developed and will be activated when data access agreements are approved later in the CMSA program.

Risks associated with system interfaces were managed throughout the project, including the following activities:

- Integrations were largely designed and built in line with the NTG wide Enterprise Service Bus integration framework and platform. Using a proven, existing capability as the core solution for integrations assisted in reducing the risks relating to interfaces due to in-built functionality as well as documented standards which need to be applied.
- Interfaces were tested as part of end-to-end functionality testing, as well as through targeted test cases to confirm that data was processed successfully.
- Interfaces, including Application Programming Interfaces provided within the CARE product for publishing and consuming data, were included in the scope of the independent architecture assessment and vulnerability test performed prior to go live, which enabled identification and resolution of potential security vulnerabilities.

f) Whether the expected benefits of the CARE system were achieved

The CARE project has been live for only a short time, and is still in a stabilisation phase. Benefits have therefore not been evaluated to assess the level of benefits achieved.

This assessment confirmed that a benefits realisation plan had been drafted by the project team for ongoing use by benefit owners in DTFHC to track the benefits. The plan includes a process by which more detailed benefit profiles will be created to support the ongoing measurement of outcomes.

A Director-level role has been established in DTFHC which will facilitate ongoing optimisation of the CARE system, and is responsible for administration of the benefits realisation process.

Anecdotal feedback from DTFHC stakeholders as part of this assessment indicated high confidence that the solution will provide significant benefit as it stabilises and matures, and as familiarity with the system grows amongst staff. Staff reported receiving feedback that frontline staff are benefiting from enhanced visibility of information and broader system functionality.

Post Implementation Review CARE Project cont…

g) The extent of resolution of any outstanding issues relating to the CARE system

Issues identified following go live were actively managed through a period of extra support being provided to users, referred to as a 'hypercare' support period. Overall, 1,300 issues were logged, of which 79% were closed during that period. A large proportion of tickets raised (43%) related to training, and 9% were classified as 'bugs in the system'.

Resolution of defects by the vendor following go live was identified as a risk within the project's governance, and management has followed up through contract management along with other treatments.

Outstanding issues with the system following the hypercare support period have been formalised with a broader ongoing roadmap of system changes, which include a mix of system defects; delivery of remaining functionality (primarily reporting); and system enhancements identified by DTFHC. The system enhancements represent functionality outside of the original scope. Prioritisation has been agreed with DTFHC stakeholders, and feedback from these stakeholders has indicated that they are satisfied with proposed resolutions within the roadmap.

As part of project closure, the project team has also documented areas for improvement as well as positive experiences to take forward into future projects through a 'lessons learned' exercise.

Post Implementation Review CARE Project cont…

The Department of Territory Families, Housing and Communities has commented:

In respect to the Post Implementation Review - CARE Project, the Department acknowledges the outcomes of the review and has a benefits realisation plan to support evaluation of the expected outcomes of the CARE system.

Agency Compliance Audit

Selected Agencies

Background

The use of delegated legislation, such as Treasurer's Directions, devolves responsibility to Accountable Officers of agencies. That devolution has an accompanying requirement for accountability by Accountable Officers to their Ministers. Compliance audits are intended to assess how well that accountability is being discharged. The audits for this period concentrated on the extent to which agencies had complied with promulgated requirements with respect to:

- The maintenance of registers of financial interests, contingencies, guarantees and indemnities;
- Validation of accounts payable and claims for payment, including funds availability;
- Compliance with the *Procurement Act 1995*, Regulations made under that Act and Procurement Rules;
- The maintenance of registers of losses, and whether investigation, and reporting and recovery of losses accorded with the requirements of Treasurer's Directions;
- Ensuring that expenditure on official travel, telephones and hospitality was properly authorised, recorded and acquitted;
- The recording and accounting for trust monies;
- The legal and statutory arrangements governing the recovery of certain debts, the retention of financial management records, the granting of ex-gratia payments and the maintenance of Registers of Fees and Charges;
- The control of physical assets; and
- Budget management, including financial and performance reporting.

Audits were performed in each of the following agencies during the five months covered by this report:

- Aboriginal Areas Protection Authority;
- 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;
- Department of the Attorney-General and Justice;
- Department of the Chief Minister and Cabinet;
- Department of the Legislative Assembly;
- Department of Treasury and Finance;

Agency Compliance Audit cont…

- Northern Territory Electoral Commission;
- Northern Territory Police, Fire and Emergency Services;
- Office of the Independent Commissioner Against Corruption; and
- Ombudsman's Office.

Scope and objectives

Agency compliance audits are intended to ascertain the extent to which agencies' Accountable Officers have implemented and maintained procedures that assist in ensuring that the requirements set out in Acts of Parliament, and subordinate and delegated legislation, are adhered to.

Audit opinions

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

Department of the Attorney-General and Justice

I issued a qualified audit opinion to the Accountable Officer of the Department of the Attorney-General and Justice, specifically:

> My opinion has been formed on the basis of the matters outlined in this management letter. The criteria I used in forming my opinion were the control objectives identified by the Treasurer's Directions, the *Procurement Act 1995*, Regulations, Procurement Governance Policy and Procurement Rules. In my opinion, except for the matters described in the Basis for Qualified Opinion paragraph, in all material respects:
>
> - the controls within the system were suitably designed to achieve the control objectives identified in the in-scope Treasurer's Directions, *Procurement Act 1995*, Regulations, Procurement Governance Policy and Procurement Rules;
> - the controls operated effectively as designed throughout the period from 1 July 2022 to 31 December 2022.

Basis for qualified opinion at the Department of the Attorney-General and Justice

Significant weaknesses in internal control were identified during the Agency Compliance Audit.

The 'Deposits Held', 'Clearing Accounts' and 'Accountable Officer's Trust Accounts' had unreconciled differences as at 31 January 2023. Further, the Accountable Officers Trust Account Register provided did not agree to the trial balance. This matter has been reported each year since 2018.

As at January 2023, the Agency has 62 open items on the register of outstanding audit issues. Included in these items are issues raised from audits dating back to February 2020. Of the 62 open items, 17 items have due dates that have now passed. There is an increased risk that fraud and error may occur and be undetected due to the high volume of unresolved issues.

Agency Compliance Audit cont…

Key corporate governance documents are out of date or non-existent presenting risks that appropriate processes will not be followed or not be followed consistently leading to instances of fraud and/or error occurring and not being detected and resolved in a timely manner. This risk is exacerbated when known internal control weaknesses and deficiencies are not addressed in a timely manner.

Consequently, I was unable to obtain sufficient assurance that the control objectives identified by Treasurer's Directions, the *Procurement Act 1995*, Procurement Regulations, Procurement Governance Policy and Procurement Rules were achieved during the period from 1 July 2022 to 31 December 2022.

Audit observations

Whilst none of the exceptions identified in the audits were indicative of pervasive across-government weaknesses leading to material misstatements of the Treasurer's Annual Financial Statements, a number of controls weaknesses and issues were identified at many agencies during the agency compliance audits. These matters are presented below.

'Deposits held' and 'Accountable Officers Trust Accounts'

'*Deposits held*' and '*Accountable Officers Trust Accounts*' at the Department of the Attorney-General and Justice had unreconciled differences. Matters related to these accounts, and the management of Prisoners' Monies were previously reported to the Agency in management letters issued at the conclusion of agency compliance audits.

At another agency:

- The Agency's AOTA included several accounts that did not meet the definition of a 'trust account' in Treasurer's Direction Part 2, Section 2. These accounts represent:
  - Credit points issued to various community groups for their volunteer works.
  - Gift vouchers issued to clients who can apply them for services provided.
  - Net gains/losses from events that are produced internally.
  - Commission income and other fees earned.

  The incorrect classification of items (1) and (2) above were reported as minor matters during the 2020-21 and 2021-22 agency compliance audits, with the Agency responding that '*the treatment will be reviewed in line with the accounting standards and Treasurer Directions*'.
- Of a sample of three AOTA transactions reviewed, one instance was identified where there was a 48-day delay before the agency's share of the funds received for an event were recognised by the agency as income.

Unresolved reported audit matters

The Department of the Attorney-General and Justice has 62 open items on the register of outstanding audit issues as at January 2023. Included in these items are issues raised from audits dating back to February 2020. Of the 62 open items, 17 items have due dates that have now passed.

Agency Compliance Audit cont…

Corporate credit cards

At one agency:

- Corporate credit cards were used to pay for fuel.
- Of 5,695 payments at the agency, 1,730 transactions were not submitted within seven days and 232 were not verified by the financial verifier within seven days.

At another agency:

- 272 transactions were detailed as pending submission by card holders for more than six days from the date of appearing in Expense8.
- One transaction was dated 11 January 2021, aged 763 days.
- 11 card holders were identified with more than ten transactions pending submission.

Fraud control

The fraud control policies at one agency were dated 2016, with the last review date being set in 2018.

Internal audit

At one agency:

- The agency had completed very few of the internal audits scheduled to be conducted under the internal audit plan 2019-2022.
- The agency's Strategic Risk Register was last updated in 2021 and has not been reviewed on regular basis.
- The agency's current internal audit charter was last updated on 22 January 2021. A draft internal audit charter was reviewed on 22 June 2022, but was not finalised at the time of the audit field work in February 2023.

Travel expenditure and acquittal

From a sample of ten travel expenditure transactions at one agency:

- The movement requisition for two transactions was acquitted after the prescribed ten-day time frame.
- The actual cost incurred was not updated in acquitted requisitions for three transactions.
- The movement requisition was unable to be provided for one transaction.
- Evidence of a movement requisition acquittal was unable to be provided for one transaction.
- Documentation provided for Ministerial approval was unable to be provided for one transaction.
- Detail regarding the date of acquittal was not recorded on the movement requisition acquittal for one transaction.

Agency Compliance Audit cont…

At another agency:

- Of five travel expenditure transactions tested:
  - One instance of overseas travel was identified where the actual costs (excluding airfare) exceeded the estimated amount approved by the Minister, yet further approval was not obtained. Agency representatives advised that the Minister does not hold monetary delegation for the agency. The agency's current financial delegations do not provide clear guidance for the appropriate action required in situations such as this.
  - The invoice supporting one travel requisition did not contain goods and services tax (GST), however GST of 10% was incorrectly recognised in the ledger.
  - A delegate with insufficient authority approved one travel requisition.
  - Three travel requisitions were not acquitted within the required period of ten working days from the completion of the travel.
  - One instance of interstate travel was identified to be incorrectly classified as intra-state travel in the ledger.
- A review of outstanding travel acquittals on 9 February 2023 identified a total of 284 outstanding acquittals (dating back to March 2021) which had not been finalised within the prescribed ten working days timeframe. There were 38 staff members with multiple outstanding acquittals.

At a third agency:

- Review of the agency's TR10 - Travel Policy Compliance report for the period 1 July 2022 to 31 January 2023 identified that, from 2,653 travel events:
  - 707 were identified as 'Travel Acquitted Outside Policy'
  - 4 were identified as 'Travel Acquitted Before Arrival'
  - 2 were identified as 'Travel Acquitted Before Departure'
- Analysis of the 'Approve Date' when compared to the 'First Departure Date' identified that 1,003 travel events were approved after the first departure date with 98 of these being approved 30 or more days after the 'First Departure Date'.
- During testing of a sample of 23 official travel expenses, 11 instances (48%) were identified where travel expenses were not approved prior to travel.
- In six instances (17%), the official travel was not acquitted within the required ten working days with two acquittals being completed 141 and 412 days after travel.

At a fourth agency:

- The review of the agency's TR10 - Travel Policy Compliance report for the period 1 July 2022 to 31 January 2023 identified that, from 1,677 travel events:
  - 374 were identified as 'Travel Acquitted Outside Policy'
  - 2 were identified as 'Travel Acquitted Before Arrival'
  - 3 were identified as 'Travel Acquitted Before Departure'

Agency Compliance Audit cont…

- 52 travel events (with 'travel final arrival' dates prior to 15 January 2023) have no acquittal dates.
- Analysis of the 'Approve Date' when compared to the 'First Departure Date' identified that 282 travel events were approved after the first departure date with 14 of these being approved 30 or more days after the 'First Departure Date'.
- 14 acquittals were completed 30 or more days after travel with one being 333 days and three being more than 90 days.

Application of public funds for Order of Australia nominations

At one agency, a consultant was engaged and paid to prepare Order of Australia Nominations for the current and previous board members.

Expenditure

At one agency, three hospitality expenses, from a sample of five hospitality expenditure transactions, were recorded as entertainment expenditure.

At another agency, of a sample of five hospitality expenditure transactions tested:

- The required Fringe Benefit Tax declaration form was unable to be provided for one transaction.
- An approved hospitality expense approval form was unable to be provided for one transaction.
- One transaction was identified to be incorrectly classified as a hospitality expense. The Agency advised that the correct classification for the transaction was sponsorship expenditure. The delegate who approved this transaction did not have authority to approve sponsorship expenditure.

Corporate Services Handbook

At one agency, elements of the agency's Corporate Services Handbook require updating. As reported to the agency in 2022, several instances were identified where information contained in the agency's Corporate Services Handbook (CSH), approved in October 2021, was either inaccurate, outdated or absent. Management's response to this issue in the previous year was '*the CSH is reviewed quarterly and will be updated to align with these change requirements*'. At the date of the agency compliance audit, the CSH had not been reviewed quarterly nor had the previously advised deficiencies been addressed.

Internal policy documentation

At one agency, several internal policies were either not yet finalised, or had not been reviewed and updated. These matters were reported to the Accountable Officer as a result of the 2022 Agency Compliance Audit.

Accounting for fixed assets

Several errors were identified in one agency's accounting for fixed assets. Similar matters were reported as a result of findings from the Agency Compliance Audit conducted in 2022.

Agency Compliance Audit cont…

Bank reconciliations

At one agency, bank reconciliations for a number of accounts had not been completed for the months of December 2022 and January 2023.

Recognition of income

At one agency:

- Of a sample of five income transactions reviewed, the following exceptions were identified in relation to one income transaction:
  - An error exists in the calculation of commission and GST, resulting in the overstatement of income and understatement of GST received.
  - The sale commission income, being under $50,000, was not recognised on receipt as required by the agency's accounting policy for low value contracts.
  - One item was invoiced using the purchase price, instead of the sale price.
- The agency had elected to adopt the low value contract revenue recognition exemption, in accordance with clause 21 of Treasurer's Direction Income. Several instances were identified where this election was not consistently applied to all low value contracts, as required by clause 22 of the Treasurer's Direction. Specifically:
  - Commission income earned from art exhibition sales was not recognised as income upon receipt (as reported above).
  - The agency receives management fees from the landlord under the head leases of affordable and social housing at the conclusion of each month. The agency currently recognises the unearned revenue for the prepayment of these fees without assessing each individual contract to identify low value contracts for upfront revenue recognition.

Procurement

There are five fundamental principles that govern how NTG agencies use public money irrespective of the value or urgency of the transaction.

1. Value for Territory – Procurement expenditure that delivers procurement outcomes while meeting the NTG's economic, social, environmental and cultural objectives.
2. Ethical Behaviour and Fair Dealing – Procurement activities instil confidence in business, industry and the public as to the probity, accountability and efficacy of the NTG Procurement Framework.
3. Open and Effective Competition – Procurement activities foster a competitive and innovative business environment to drive opportunities for the Territory.
4. Enhancing the Capabilities of Territory Enterprises and Industries – Procurement activities support the growth, development, and sustainability of Territory enterprises and industries.
5. Environmental Protection – Procurement activities promote the protection of the environment through harm minimisation and sustainable practices.

Agency Compliance Audit cont…

When spending public money, an NTG agency's role goes beyond reporting accurate accounts of how they have used public funds. No matter the size or complexity of transactions, spending of public money requires:

- Accountability: Ensure public funds are used for the mandated role and the expected performance has been achieved. Aligning public spending to the agency objectives helps the public and Parliament to understand why money has been spent and what has been achieved.
- Transparency: Reasons for awarding funding should be clearly explained and well documented. Without clear records about reasons for decisions, decision-makers may not be able to provide sufficient confidence that they are acting impartially, are effectively managing public funds, and that project benefits will be delivered.
- Unbiased Approach: Applying a consistent procurement approach with clear criteria. Applicants should go through the same process and the criteria should be applied consistently across all applications.

Rather than being seen as an administrative burden, appropriate procurement processes and records help to support the quality of the decisions made and public's confidence in those decisions.

Procurement Rules (Section 5) describe the mandatory requirements that agencies must (should by exception) follow when undertaking procurement activities. Procurement Rules *Exceptions and Exemptions* (Rule 7 and Section 6) provides limited exceptions and exemptions from specific rule requirements that may be approved where their use is defensible.

The Agency must maintain appropriate records of procurement activities in accordance with NTG records management standards and guidelines for a period of at least three years after the contract award.

Audits undertaken through my Office have identified non-compliance based on a small sample of transactions.

Non-compliance with legislated procurement requirements.

At one agency, of a sample of 25 procurement related transactions tested:

- Seven Tier 1 transactions for which approval to invite quotes was unable to be provided.
- Two Tier 1 transactions for which evidence of one quotation being obtained was unable to be provided.
- Two Tier 2 transactions for which evidence of authority to invite quotations was unable to be provided.
- Two Tier 2 transactions for which evidence of minimum quotations obtained was unable to be provided.
- One Tier 2 transaction for which evidence of notification of outcome was unable to be provided.
- One Tier 2 transaction for which a conflict of interest declaration form was unable to be provided.

Agency Compliance Audit cont…

At another agency, of a sample of 25 procurement related transactions tested:

- Two Tier 1 transactions had not been paid in accordance with the 20 day payment policy.
- The approvals to obtain a quote for four Tier 1 transactions were unable to be provided.
- One Tier 1 transaction was identified where no evidence was able to be provided that a minimum of one quote was obtained nor approval for direct purchasing was received.
- The approval to accept a quote was unable to be provided for two Tier 1 transactions.
- Five transactions were identified to have a total value of more than $15,000 however were incorrectly procured as Tier 1 transactions. These procurements do not comply with the Tier 2 procurement requirements, specifically:
  - Agency Purchase Requisitions Online was not used;
  - A Procurement Specific Project Plan was not prepared;
  - Three quotes were not obtained;
  - A procurement assessment recommendation was not prepared;
  - The minimum assessment panel size of two was not met; and
  - The contract was not gazetted.
- The Procurement Specific Project Plans for two Tier 2 transactions were not endorsed by the Chief Financial Officer as required by the Agency's procurement delegations.
- Two Tier 2 transactions were identified where the approval for the alternative procurement method exemption was obtained from a delegate with insufficient authority.
- The conflict of interest form was not submitted by members of the assessment panel for one Tier 2 transaction. The agency advised that conflict of interest forms were not submitted as there was no conflict of interest. This is not consistent with the practice observed for other transactions where conflict of interest forms were submitted to declare no conflict of interest exists.
- The End User License Agreement of one Tier 2 transaction contained five indemnities, however the following requirements of Treasurer's Direction Guarantees and Indemnities had not been complied with:
  - An indemnity approval form was not prepared;
  - A risk assessment was not conducted;
  - Approval from the relevant delegate was not obtained; and
  - The indemnities were not recorded in the agency's Register of Contingent Liabilities, Guarantees and Indemnities.
- The notification of outcome was unable to be provided for one Tier 2 transaction.
- The approval for an addendum issued for one Tier 4 transaction was unable to be provided.

Agency Compliance Audit cont…

At a third agency:

- In three instances out of ten Tier 1 samples, there was no evidence that the requirement of obtaining at least one quotation was met (Procurement Rule 12.1). One out of the three instances had no documentary evidence to support the procurement.
- In three instances out of eight combined Tier 3 and 4 samples, there was no evidence of contract management plans in place (Procurement Rule 26.1). Further, in one instance there was no evidence that a performance report was completed for a Tier 3 procurement.

Procurement recommendations

I recommended management consider the root cause of non-compliance with mandated NTG policies and agency procedures. I further recommended management consider what additional processes are needed to strengthen procurement practices:

1. Policies and procedures need to be accessible and pragmatic.
2. Policies and procedures need to be implemented from the top down and applied consistently within the agency.
3. Policies and procedures need to be reviewed and updated regularly and kept front of mind by referring to them often.
4. Policies and procedures need to be reinforced with regular training or knowledge sharing sessions. The more familiar personnel are with the requirements, the less likely they will be to make mistakes.
5. Compliance with policies and procedures needs to be checked.
6. Action needs to be taken to address non-compliance where non-compliance is detected.

Prompt payment of invoices

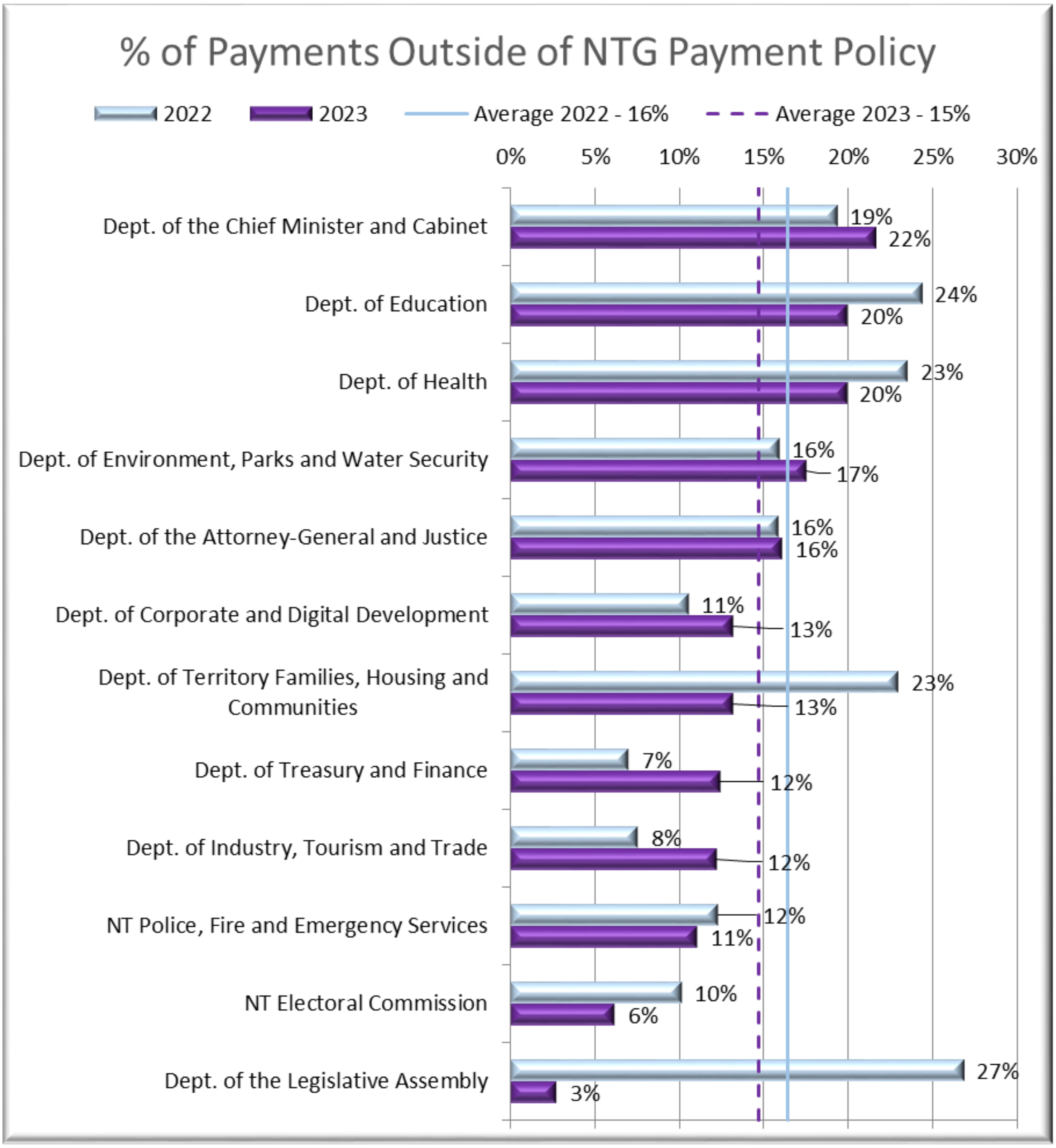
Many agencies could not demonstrate adherence to the NTG policy requiring undisputed invoices to be processed within the required 20 day (under $1 million) and 30 day (over $1 million) periods.

Where an Agency Compliance Audit identified that an agency had exceeded the specified payment days in 10% or more of the payments, the matter was reported to the Accountable Officer for their attention.

Whilst there are valid reasons why this measure cannot always be achieved, some agencies were reminded to revisit their internal payment processes in order to improve compliance levels. The percentage of payments processed outside of the Northern Territory Government’s Payment Policy for the period 1 July 2022 to 31 January 2023, where the percentage paid outside policy terms is 10% or over in 2022 or 2023, is presented in the following chart.

Agency Compliance Audit cont…

Figure 1: Percentage of payments outside the NTG Payment Policy



Source: Department of Corporate and Digital Development generated AP06 – Invoice Processing Report extracted on 1 February 2023

Agency Compliance Audit cont…

The Department of Education has commented:

The agency notes the improvement from 2022 to 2023 and will continue to work on reducing the number of payments exceeding 20 days.

The Department of Industry, Tourism and Trade has commented:

Two matters were raised that required attention:

- no evidence of preparer or reviewer signature on the bank reconciliation, which has been addressed moving forward and
- payment days exceeding the NTG mandated days, based on raw statistics, which was impacted by system delays.

The Department of Territory Families, Housing and Communities has commented:

In respect to the Agency Compliance Audit, the Department acknowledges and accepts the findings and has undertaken a number of actions to rectify the findings.

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

The Department of the Attorney-General and Justice acknowledges the audit findings. The Department of the Attorney-General and Justice has commenced action and implemented measures to address the issues identified in the report. Significant priority has been given to enhancing internal controls, accountability, oversight and risk management. A new governance structure is already being implemented to provide regular and transparent reporting to the executive leadership including areas of operational management, finance and investment, and performance and assurance.

The Department of Treasury and Finance has commented:

The Department of Treasury and Finance continues to review Treasurer's Directions to bring them to contemporary standards and resolve known compliance deficiencies across government. Reviews of Treasurer's Directions are prioritised in terms of risk to the Treasurer's Annual Financial Report, and to address material issues across government agencies, new government policy requirements and changes to Australian accounting standards. The audit findings from agency compliance audits included within this report provides valuable input into the Treasurer's Direction review project.

The Department of Treasury and Finance is currently reviewing the suite of Treasurer's Directions on cash management and non-financial assets, which will address a number of the identified compliance deficiencies across government.

Agency Compliance Audit cont…

Northern Territory Police, Fire and Emergency Services has commented:

NTPFES notes the findings of the Annual Compliance Review and has taken action where necessary

Salary Underpayments

Selected Agencies

An analytical review of salary payments made during the year ended 30 June 2022 highlighted some unusually large payments remitted to a particular cohort of employees.

The payments were subsequently quantified as being a total of $1.6 million back pay from 2003 for this cohort of employees. The back pay was in settlement of claims that these employees had been underpaid shift work, allowances and leave entitlements.

The settlement of unpaid wages and salaries to past and present employees occurred in May 2022. At that time, the superannuation applicable to the back pay was only paid up to the annual superannuation cap, consequently the underpaid employees did not receive all related superannuation entitlements. On 19 September 2022, the Commissioner of Superannuation issued an Administrative Instruction regarding payment of the outstanding superannuation to the employees.

The Department of Corporate and Digital Development (DCDD) confirmed that the payments represented back pay for the particular cohort of employees, that there were eight former employees and three current employees impacted by the underpayments and the underpayments had arisen across multiple financial years. During the financial year ended 30 June 2022, DCDD had paid superannuation up to the superannuation cap with the remainder to be paid at a future date.

DCDD was requested to provide all documentation relating to the identification of the error; calculation of the underpayment; approval for the settlement payment; the number of employees impacted; and advice as to the taxation and superannuation impacts including any possible interest payments. A representative of the Office of the Commissioner for Public Employment (OCPE) asserted that only the identified employees had been underpaid.

In relation to the delay in settling the final superannuation payments, the OCPE representative stated that '*This Office was not aware of the maximum contribution base cap until DCDD had processed the initial payments and the payroll system automatically applied the cap. The Administrative Instrument (copy previously provided) was signed by the Commissioner of Superannuation on 19 September 2022*'.

In order for me to obtain assurance that this matter had been fully and appropriately concluded, and there was a low risk of remaining financial liability to the Northern Territory Government, I requested that the Acting Chief Executive of DCDD and the Commissioner for Public Employment confirm that:

- All back pay, taxation liabilities and superannuation entitlements have now been paid in full to the relevant employees.
- Any reporting obligations that the Northern Territory Government may have to regulatory authorities as a result of this matter have been accurately and fully addressed.

I further requested advice of any action taken to ensure there are no further Northern Territory Government employees with similar working conditions, who may be at risk of having been incorrectly paid.

Salary Underpayments cont…

On 3 January 2023 I received the following confirmation (dated 23 December 2022) from the Acting Chief Executive of DCDD.

- *I can confirm that all back pay, tax liabilities and superannuation entitlements have been processed in full to all employees and their eligible superannuation funds.*
- *The Northern Territory Government has met all reporting obligations regarding payments made.*
- *The Employee Relations team in DCDD will be undertaking a full audit of all existing 'Group Variations' currently in place across the NTPS to ensure that the employees are 'better off overall' as a result of the variation. This exercise will identify whether there is any risk of further instances such as what had occurred at* [the agency]. *To date no further issues have been identified and I am informed the work will be completed by the end of January 2023.*

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 Statements.

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

Audit of the Treasurer’s Annual Financial Statements

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 Statements 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 statements is issued to the Treasurer. The Treasurer then tables the audited Treasurer’s Annual Financial Statements 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 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. 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

Australian Accounting Standard AASB 1053 *Application of Tiers of Australian Accounting Standards* applies to:

- Each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001*;
- General purpose financial statements of each reporting entity;
- Financial statements that are, or are held out to be, general purpose financial statements; and
- Financial statements of General Government Sectors (GGSs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The differential reporting framework consists of two Tiers of reporting requirements for preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards (incorporates International Financial Reporting Standards (IFRSs) and include requirements that are specific to Australian entities); and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. A Tier 2 entity is a '*reporting entity*' as defined in Statement of Accounting Concept (SAC) 1 *Definition of the Reporting Entity* that does not have 'public accountability' as defined in AASB 1053 and is not otherwise deemed to be a Tier 1 entity by AASB 1053.

Tier 1 reporting requirements apply to Australian Government, state, territory and local governments.

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:

h) 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

i) 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 Statements.

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 Statements.

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 Statements 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 28 January 2023 and 31 July 2023

Financial statements audits for the year ended 31 December 2021

	Date 2021 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 31 December 2021	Date of Audit report year ended 31 December 2020
Batchelor Institute of Indigenous Tertiary Education	25 July 2023	1 February 2023	30 July 2021

Not yet tabled – as at 31 July 2023

Financial statements audits for the year ended 30 June 2022

	Date 2022 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 30 June 2022	Date of Audit report year ended 30 June 2021
Nitmiluk (Katherine Gorge) National Park Board	9 May 2023	23 January 2023	23 March 2022

Financial statements audits for the year ended 31 December 2022

	Date 2022 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 31 December 2022	Date of Audit report year ended 31 December 2021
Bridging the Gap Foundation Limited	Not required	23 May 2023	31 March 2022
Charles Darwin University	Not yet tabled	28 June 2023	27 May 2022
Menzies School of Health Research	Not yet tabled	24 May 2023	19 May 2022

Not yet tabled – as at 31 July 2023
Not required – Financial statements are not required to be tabled

Appendix 3: Audit Opinions Issued cont…

Acquittals or other returns for the year ended 31 December 2022

	Deadline for submission of Audited Financial Statements	Date of Audit report year ended 31 December 2022	Date of Audit report year ended 31 December 2021
Charles Darwin University Higher Education Research Data Collection[1]	30 June 2023	22 June 2023	30 June 2022

(1) Not separately reported within this report

Appendix 4: Status of Audit Activity

Listed below is the status, as at 31 July 2023 of non-routine audits and reviews identified as not yet complete in Appendix 4 of my February 2023, Report to the Legislative Assembly:

Department of Education	
Program Evaluation Audit	Refer to page 53
Department of Health	
Outsourcing – Achievement of Outcomes/Outputs	Refer to page 43
Department of Infrastructure, Planning and Logistics	
Accounting for Assets on Leased Land	Not yet completed
Infrastructure Program Development and Reporting	Not yet completed
Department of the Attorney-General and Justice	
Grants – Achievement of Outcomes/Outputs	Refer to page 32
Department of the Chief Minister and Cabinet	
Implementation of the TERC Recommendations	Refer to page 64
Selected Agencies	
Wages Policy and Lump Sum Payment Implementation	Refer to page 86

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 my November 2022 Report to the Legislative Assembly as scheduled to be conducted during the 6 months to 30 June 2023:

Selected Agencies	
Asset Valuations	Not yet completed

Appendix 5: Proposed Audit Activity in the 6 Months Ending 31 December 2023

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

Department of Corporate and Digital Development

GrantsNT

MOVERS

Department of Infrastructure, Planning and Logistics

Tiger Brennan Drive and Berrimah Overpass

Department of the Chief Minister and Cabinet

Aboriginal Economic Participation Framework

National Agreement on Closing the Gap

Selected Agencies

Ship Lift Facility

Appendix 6: Abbreviations

360FOC	360 View of the Child
AAPA	Aboriginal Areas Protection Authority
AASB	Australian Accounting Standards Board
AGD	Department of the Attorney-General and Justice
AOTA	Accountable Officer's Trust Account
APRO	Agencies Purchase Requisitions Online
ASA	Australian Auditing Standard
BRSC	Budget Review Subcommittee of Cabinet
CCIS	Community Care Information System
CEO	Chief Executive Officer
CMSA	Client Management Systems Alignment
Coord	Chief Executives Coordination Committee
COVID-19	Coronavirus disease 2019 or SARA-CoV-2
CPI	Consumer Price Index
CSH	Corporate Services Handbook
DCDD	Department of Corporate and Digital Development
DCMC	Department of the Chief Minister and Cabinet
DEPWS	Department of Environment, Parks and Water Security
DIPL	Department of Infrastructure, Planning and Logistics
DITT	Department of Industry, Tourism and Trade
DLA	Department of the Legislative Assembly
DoE	Department of Education
DoH	Department of Health
DTBI	Department of Trade, Business and Innovation
DTF	Department of Treasury and Finance
DTFHC	Department of Territory Families, Housing and Communities
ECO	Executive Contract Officer
ECP	Executive Contract Principals
EPMO	Enterprise Project Management Office
FRSC	Fiscal Repair Standing Committee
FTE	Full-time equivalent
FWC	Fair Work Commission

Appendix 6: Abbreviations cont…

GST	Goods and Services Tax
HAPS	High Altitude Platform Station
HECS	Higher Education Contributions Scheme
HECS/HELP	Higher Education Contributions Scheme – Higher Education Loan Program
ICAC	Independent Commissioner Against Corruption
ICT	Information communications technology
IT	Information technology
IOMS	Integrated Offender Management System
JSC	Jobs Standing Committee
KPI	Key Performance Indicators
LDC	Land Development Corporation
NAIF	Northern Australia Infrastructure Facility
NT	Northern Territory
NTAGO	Northern Territory Auditor-General's Office
NTEC	Northern Territory Electoral Commission
NTG	Northern Territory Government
NTPFES	Northern Territory Police, Fire and Emergency Services
NTPS	Northern Territory Public Service
OCPE	Office of the Commissioner for Public Employment
PPM	Project Portfolio Management
PSEMA Act	*Public Sector Employment and Management Act 1993*
PTR	payroll transaction record
SAC	Statement of Accounting Concept
SG	Superannuation Guarantee
TERC	Territory Economic Reconstruction Commission
TFHC	Department of Territory Families, Housing and Communities
The Commission	Territory Economic Reconstruction Commission
VET	Vocational Education and Training
Q	Quarter

Appendix 7: Agencies not subject to audit relating to the year ended 30 June 2023

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

For activities relating to the financial year ended 30 June 2023 audits were, or are intended to be, conducted at all Agencies.

The annual financial statements of the Office of the Auditor-General are subject to independent audit in accordance with section 27 of the *Audit Act 1995*. The audit of the financial statements was completed in August 2023.

Contents by Entity