Northern Territory
Auditor-General's Office

Auditing for Parliament

February 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

https://ago.nt.gov.au

Contact Details

Northern Territory Auditor-General's Office

Level 9
22 Mitchell Street
Darwin, Northern Territory 0800

GPO Box 4594
Darwin, Northern Territory 0801

+61 8 8999 7155

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

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

ISSN 1323-7128

February 2023 Report to the Legislative Assembly

Contents

Northern Territory
Auditor-General's Office
Auditing for Parliament

GPO Box 4594
DARWIN NT 0801

(08) 8999 7155
https://ago.nt.gov.au

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

13 February 2023

Dear Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits, reviews and assessments completed during the period 1 November 2022 to 27 January 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 four financial statements audits completed during the period, the most significant of which related to the Treasurer's Annual Financial Statements. The findings from one end of year review, which contributed to the audit of the Treasurer's Annual Financial Statements, and was not reported upon in my November 2022 Report to the Legislative Assembly is included in this report.

Four performance management system audits were completed during the period and my observations from those audits are included within this report. These performance management systems audits were designed to test the adequacy of performance management systems within agencies as they related to specific programs or projects relating to the:

- Darwin City Deal;
- Local Jobs Fund;
- Modular Housing; and
- Youth Justice Facility.

The report also presents the findings from the post implementation review of the project undertaken to replace the across-government identity and access management systems.

During the period, an analysis of Flex time records at selected agencies was undertaken within my Office with findings reported to the relevant Accountable Officers. These findings are summarised in this report.

Yours sincerely,

Julie Crisp
Auditor-General for the Northern Territory

Auditor-General's Overview

Summary of this report

This report outlines the results of 11 separate audits and other tasks completed during the period 1 November 2022 to 27 January 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;
- Performance management systems audits;
- Information technology reviews; and
- Data analysis.

Significantly, this report provides commentary in relation to the audit of the Treasurer's Annual Financial Statements (TAFS). Delays in the finalisation of the TAFS prevented inclusion of the content in my November 2022 Report to the Legislative Assembly.

Section 15 of the *Fiscal Integrity and Transparency Act 2001* requires that the Treasurer must publicly release and table a final fiscal results report for each financial year no later than 4 months after the end of the financial year. Section 15 of the *Fiscal Integrity and Transparency Act 2001* has not been complied with. Whilst the TAFS were largely complete prior to 31 October 2022 and most of the audit work also completed by that time, late adjustments as a result of material errors in the valuation of remote housing assets impacted the finalisation of the financial statements and the conclusion of the audit.

Australian Accounting Standards require reporting entities to estimate the value of assets recorded within the financial statements using relevant assumptions and asset data. Inaccurate data and erroneous assumptions can result in material financial misstatements. The misstatement of reported asset values was not limited to remote housing or the year ended 30 June 2022. Comparative information for the year ended 30 June 2021 required restatement to reflect the correction of material errors, each relating to the misstatement of asset values. A number of errors resulted from more than one agency accounting for the same asset, duplication of assets or the failure to recognise assets. This highlights the need for more robust accounting for assets and indicates further guidance is needed. It also emphasises that the recognition and valuation of assets presents a higher than normal audit risk which will influence the 2022-23 and 2023-24 audit programs.

This report presents the results from the end of year review at the Department of Territory Families, Housing and Communities. The results from end of year reviews for all other NTG agencies were reported in my November 2022 report. These reviews are undertaken in accordance with section 13 of the *Audit Act 1995* and provide assurance over financial data consolidated into the TAFS.

The majority of the content in this report constitutes the audit observations and recommendations from 4 performance management systems audits designed to test the adequacy of performance management systems within agencies related to the:

- Darwin City Deal;
- Local Jobs Fund;
- Modular Housing; and
- Youth Justice Facility.

Auditor-General's Overview cont…

These 4 initiatives involve considerable financial expenditure by the Northern Territory Government and significant levels of financial and non-financial risk.

Also included are the results of audits of financial statements for 3 entities with a financial year ended 30 June 2022 where the audits were completed between 1 November 2022 and 27 January 2023.

During the period, a post-implementation review of the projects initiated to replace the across-government identity and access management systems 'ePASS' and 'HPSM'. The review found that the projects had been delivered successfully and achieved the intended outcomes.

An analysis was undertaken of Flex time records for selected employees during the period 1 July 2021 to 30 June 2022 inclusive, based on the report '*HR007 Leave'* sourced from BusinessObjects (BOXI-HR) on 5 July 2022. Opportunities to improve both the management of Flex time and the associated record-keeping were identified through this analysis.

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

The *Audit Act 1995* provides a legislative requirement for the Auditor-General to report to the Legislative Assembly on at least an annual basis. This is the third report provided for tabling within the Legislative Assembly for the year ending 30 June 2023, the last report was tabled during November 2022.

A small number of audits scheduled to be commenced and completed in the period 1 July 2022 to 31 December 2022 are still to be completed. The outcomes of these audits (listed in Appendix 4: Status of Audit Activity) will be presented in a future report to the Legislative Assembly.

Reports on the Results of Audits, Reviews and Assessments

Cobourg Peninsula Sanctuary and Marine Park Board

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

Background

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

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Cobourg Peninsula Sanctuary and Marine Park Board for the year ended 30 June 2022.

Audit opinion

The audit of the Cobourg Peninsula Sanctuary and Marine Park Board for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 21 December 2022.

Audit observations

Key findings

Governance practices within the Board require improvement

The Board met only once in the financial year ended 30 June 2022 and once in the financial year ended 30 June 2021. This may not be sufficient to demonstrate that the Board has effectively discharged its duties as prescribed by the *Cobourg Peninsula Aboriginal Land, Sanctuary and Marine Park Act 1981*.

Processes to identify and disclose related party transactions can be enhanced

Related party declaration of interest forms were pre-populated by personnel from the Department of Environment, Parks and Water Security. This may have an unintended impact whereby the individual signing the form gives limited consideration to the questions intended to assist in identifying conflicts of interest.

Related party disclosure declarations were received from 6 Board members and were provided for audit. There were 3 Board members who had not provided completed Related Party Disclosures – Declaration Forms by the date the financial statements were signed by the Board.

Cobourg Peninsula Sanctuary and Marine Park Board cont…

Performance overview

Total income of $332 thousand (2021: $467 thousand) decreased from the prior year by $135 thousand being a decrease of $111 thousand in park income and a decrease of $24 thousand attributable to goods and services received free of charge.

Total expenses of $344 thousand (2021: $383 thousand) decreased by $39 thousand. The lower income and related expenditure was a result of the park being closed for camping for part of the 2021-22 year for cultural reasons.

The overall result was a deficit of $12 thousand (2021: profit of $84 thousand).

Cobourg Peninsula Sanctuary and Marine Park Board cont…

Financial performance for the year

	2022	2021
	$'000	**$'000**
Income		
Park income	207	318
Other revenue	125	149
Total income	**332**	**467**
Expenditure		
Payments to Traditional Owners	(189)	(183)
Operational costs	(155)	(200)
Total expenditure	**(344)**	**(383)**
Surplus/(deficit)	**(12)**	**84**

Cobourg Peninsula Sanctuary and Marine Park Board cont…

Financial position at year end

	2022	2021
	$'000	$'000
Cash and cash equivalents	364	320
Receivables and other current assets	96	111
Less current liabilities	(118)	(77)
Working capital	**342**	**354**
Add non-current assets	-	-
Less non-current liabilities	-	-
Net assets	**342**	**354**
Represented by:		
Accumulated funds	342	354
Equity	**342**	**354**

Desert Knowledge Australia

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

Background

Desert Knowledge Australia was established under the *Desert Knowledge Australia Act 2003* (the Act), which came into effect on 18 September 2003. Desert Knowledge Australia is a body corporate that has been declared by its enabling Act to be excluded from the provisions of the Commonwealth *Corporations Act 2001*. The objectives of Desert Knowledge Australia are centred on a range of activities intended to promote economic and social development in desert and arid land areas.

Desert Knowledge Australia is managed by a Board, the members of which hold office in accordance with the provisions of the Act.

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 Desert Knowledge Australia for the year ended 30 June 2022.

Audit opinion

The audit of Desert Knowledge Australia for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 10 November 2022.

Audit observations

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

Performance overview

Desert Knowledge Australia (DKA) reported a surplus of $2.3 million consistent with the prior year's surplus of $2.6 million. Analysis of the significant items contributing to the surplus is presented below.

- Total revenue of $5.8 million (2021: $6.0 million) decreased by $0.2 million from the prior year. Key factors contributing to this decrease were:
  - During the 2010 financial year, CSIRO funded and managed an extension to the Desert Knowledge Business and Innovation Centre (owned by DKA) valued at $3.3 million. The extension was recognised as an asset by DKA together with a corresponding liability for rent received in advance. During the 2021 financial year, an agreement to surrender the lease was signed by DKA and CSIRO resulting in the remaining rent received in advance of $2.0 million being recognised as revenue in the 2021 financial year. There was no equivalent revenue received in the 2022 financial year.
  - Grant revenue of $5.1 million increased by $2.0 million from the prior year. The increase predominantly relates to the grant received from the Commonwealth Department of Industry, Science, Energy and Resources of $1.6 million.

Desert Knowledge Australia cont…

- Total expenses of $3.5 million (2021: $3.3 million) increased from the prior year by $0.2 million. The most significant movements in expenditure from the prior year were:
  - An increase in consultancy expenditure of $0.1 million from $0.9 million in the prior year to $1.0 million in the reporting year. The increase in consultancy expenditure is due to consultants hired to assist with the delivery of the Intyalheme program.
  - An increase in other expenses of $0.1 million from $0.3 million to $0.4 million, which relates to office expenses and information/technology costs.
  - A decrease in employee expenses of $0.2 million to $1.1 million (2021: $1.3 million) due to there being less full time equivalent employees when compared to the prior year. Separation payments totalling $0.2 million were made to 4 employees who left during the year ended 30 June 2022.

As at 30 June 2022, the net asset position of DKA was $14.8 million (2021: $12.5 million).

Desert Knowledge Australia cont…

Financial performance for the year

	2022	2021
	$'000	**$'000**
Income		
Grants – Government	5,146	3,107
Government subsidies	-	100
Rent received	107	210
Interest revenue	4	7
Solar Centre revenue	96	109
Gain on lease surrender	-	2,045
Other	424	379
Total income	**5,777**	**5,957**
Expenditure		
Employee expenses	(1,117)	(1,335)
Depreciation and amortisation	(489)	(505)
Reversal of impairment expense	-	38
Board costs	(46)	(22)
Consultants	(1,024)	(856)
Media/marketing/advertising	(37)	(12)
Travel	(21)	(20)
Desert Knowledge Precinct	(289)	(292)
Solar Centre maintenance	(90)	(68)
Other	(374)	(251)
Total expenditure	**(3,487)**	**(3,323)**
Surplus	**2,290**	**2,634**

Desert Knowledge Australia cont…

Financial position at year end

	2022	2021
	$'000	**$'000**
Cash and cash equivalents	4,823	3,755
Receivables and other current assets	679	552
Less current liabilities	(1,334)	(2,902)
Working capital	**4,168**	**1,405**
Add non-current assets	10,584	11,073
Less non-current liabilities	-	(16)
Net assets	**14,752**	**12,462**
Represented by:		
Retained earnings	6,943	4,653
Capital	7,809	7,809
Equity	**14,752**	**12,462**

Northern Territory Police Supplementary Benefit Scheme

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

Background

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

Eligibility for membership of the CSS ceased from 1 January 1988 and membership of the scheme is declining steadily. At 30 June 2021 there were 9 members (2021: 15) and 215 pensioners (2021: 214).

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

A member qualifies for a supplementary benefit if:

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

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

The supplementary benefit is paid as a lifetime indexed pension, which commences when the CSS employer-financed pension commences. Alternatively, a pension may be commuted to a lump sum equal to 10 times the annual amount of a pension. Where a person ceases membership and is not entitled to a supplementary benefit, an amount equal to the member's contributions plus earnings is paid.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Northern Territory Police Supplementary Benefit Scheme for the year ended 30 June 2022.

Audit opinion

The audit of the Northern Territory Police Supplementary Benefit Scheme for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 23 January 2023.

Northern Territory Police Supplementary Benefit Scheme cont…

Audit observations

The audit did not identify any material weaknesses in controls.

Performance overview

Net assets of the Scheme increased by $18 thousand from a net liability in the prior year to a net asset position of $1 thousand (2021: negative $17 thousand).

The largest balances within the statement of financial position as at 30 June 2022 are:

- Cash of $35 thousand (2021: $32 thousand);
- Investments of $647 thousand (2021: $1.4 million); offset by
- Accumulated contribution balances (liabilities) of $684 thousand (2021: $1.4 million).

The fair value of investments decreased this year due to downward movements in global and domestic capital markets. The net change in the fair value of investments for the year ended 30 June 2022 was negative $102 thousand. The 2021 financial year experienced a net increase in fair value of investments of $175 thousand, thus the cumulative change between years was a deterioration of $277 thousand.

Payments of accumulated contributions from the Scheme to the Territory were $685 thousand compared to $544 thousand in the prior year. Accumulated contribution balances decreased by $731 thousand for the year ended 30 June 2022 (2021: $242 thousand). These decreases are recognised as reductions in expenses in the Scheme’s income statement.

Northern Territory Police Supplementary Benefit Scheme cont…

Abridged income statement for the year

	2022	2021
	$'000	**$'000**
Income		
Interest	-	-
Distribution from investments	51	98
Increase in net market value of investments	-	175
Member revenue	24	29
Total income	**75**	**302**
Expenditure		
Benefits expense		
Decrease in member liabilities	731	242
Payment of accumulated contributions to the Territory	(685)	(544)
Decrease in net market value of investments	(102)	-
Other expenses	(10)	(5)
Total expenditure	**(66)**	**(307)**
Revenue less expenses before income tax expense	**9**	**(5)**
Income tax benefit/(expense)	9	(25)
Change in net assets	**18**	**(30)**

Northern Territory Police Supplementary Benefit Scheme cont…

Financial position at year end

	2022	2021
	$'000	$'000
Cash and cash equivalents	35	32
Investments and other assets	657	1,383
Total assets	**692**	**1,415**
Less liabilities	(691)	(1,432)
Net assets	**1**	**(17)**
Vested benefits		
Member financed	684	1,415
Employer financed	71,800	91,200
Total vested benefits	**72,484**	**92,615**
Net assets as a percentage of vested benefits	**0.00%**	**(0.02%)**

Treasurer's Annual Financial Statements

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

Background

This report outlines the results of the audit of the Treasurer's Annual Financial Statements (TAFS) for the year ended 30 June 2022. The TAFS form part of the Treasurer's Annual Financial Report (TAFR).

The Northern Territory Government's Budget and the TAFS are prepared based on the reporting standards of the Australian Bureau of Statistics Government Finance Statistics (GFS) accrual based Uniform Presentation Framework. This financial reporting framework is promulgated by the *Fiscal Integrity and Transparency Act 2001* which requires the Northern Territory Government (NTG) to report on a basis consistent with external reporting standards.

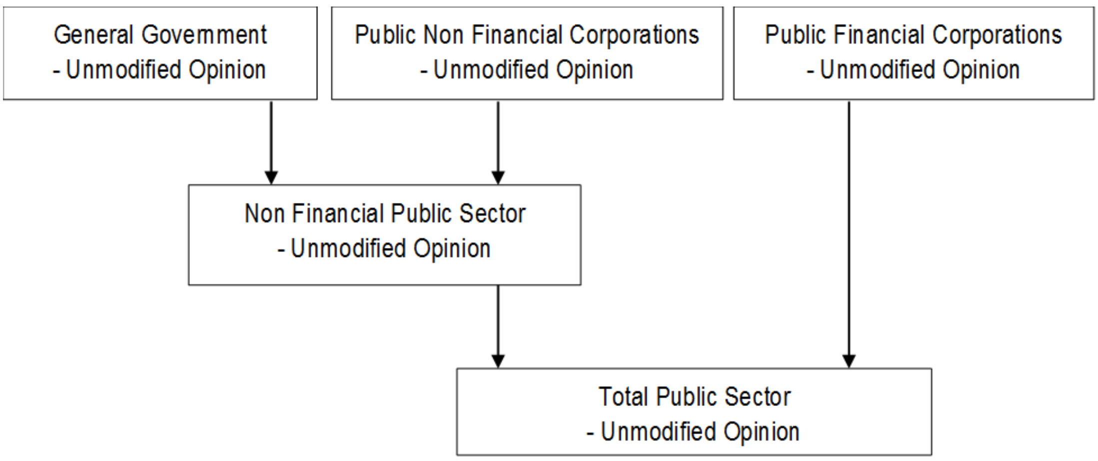
The TAFR provides information about the financial performance, financial position and cash flows of the NTG with the principal objectives of providing informative, comprehensive and clear information on financial outcomes. The members of the Legislative Assembly represent the Northern Territory community in scrutinising this performance information and have the opportunity to directly question the Government about its financial stewardship and management.

The Legislative Assembly, through the *Financial Management Act 1995* and the *Fiscal Integrity and Transparency Act 2001*, requires the Treasurer to account for the Government's stewardship of the financial resources made available to it each year through the budget allocations in accordance with the *Appropriation Act*. Section 9 of the *Financial Management Act 1995* sets out broad areas to be reported upon yet allows the Treasurer discretion in how those matters will be reported.

Reporting by sectors and by whole of government (Total Public Sector)

A key aspect of the GFS is the identification of different sectors, recognising that territory and state government operations cover a wide range of activities. Three sectors (which are then consolidated into 2 additional sectors) of government activity are reported as demonstrated by the following diagram.

Figure 1: TAFS Composition



Treasurer's Annual Financial Statements cont…

Table 1 outlines the key reporting elements of the NTG.

Table 1: NTG reporting entity

General Government Sector	Public Non Financial Corporations Sector	Public Financial Corporations Sector
Includes:	*Comprises:*	*Comprises:*
All government departments; other administrative units such as NT Police, Fire and Emergency Services and the Office of the Independent Commissioner Against Corruption; and other entities that provide services that are mainly non-market in nature, for the collective consumption by other agencies or by the community. This sector also includes the results of the Motor Accidents (Compensation) Commission.	Power and Water Corporation and its subsidiary Indigenous Essential Services Pty Ltd; Power Retail Corporation (trading as Jacana Energy); Power Generation Corporation (trading as Territory Generation); and Land Development Corporation.	Northern Territory Treasury Corporation

In summary, the 3 sectors and their consolidated sectors are defined as:

General Government Sector – all budget dependent agencies providing services free of charge or at prices below their cost of production or service cost. These agencies are mainly engaged in the delivery of goods and services outside the normal market mechanism for consumption by governments and the general public. Costs of production are mainly financed from public tax revenues. For this reason, this sector tends to be the focus of fiscal targets (deficit or surplus).

Public Non Financial Corporations Sector – trading enterprises mainly engaged in the production of goods and supply of services of a non-financial nature for sale in the market place at prices that aim to recover all or most of the costs involved in production or supply.

Non Financial Public Sector – the sector formed through a consolidation of the General Government Sector and the Public Non Financial Corporation Sector. This sector provides the focus for the determination of net debt.

Public Financial Corporations Sector – public enterprises mainly engaged in acquiring financial assets and incurring liabilities in the financial market on their own account.

Total Public Sector – comprises the consolidation of the Non Financial Public Sector and the Public Financial Corporations Sector and represents the '*whole of Territory financial statements*'.

Treasurer's Annual Financial Statements cont…

Entities not consolidated into any of the above sectors

The consolidated financial statements of the Total Public Sector comprise all agencies, Government Business Divisions, Government Owned Corporations and other entities controlled by the Northern Territory Government. The following entities are excluded from the consolidation:

- Charles Darwin University and its associated entities
- Menzies School of Health Research and its associated entities
- Northern Territory Land Corporation
- Northern Territory Conservation Land Corporation
- Cobourg Peninsula Sanctuary and Marine Park Board
- Nitmiluk (Katherine Gorge) National Park Board
- Northern Territory Grants Commission
- Northern Territory Police Supplementary Benefit Scheme
- Public Trustee Common Funds
- Local government entities.

These entities have not been consolidated into the TAFS on the basis that they are not controlled by the NTG or their net assets are not available to the NTG. The TAFS does however include the unfunded element of superannuation liabilities.

In addition, with the exception of payroll costs and land and buildings, the TAFS excludes revenues, costs, assets and liabilities of Territory schools.

The compilation of the TAFS is a complex process that is undertaken by the Department of Treasury and Finance. It requires the consolidation of the financial statements of each entity that is deemed to be controlled by the Northern Territory, with the General Government Sector and Public Non Financial Corporation Sector being consolidated to form the Non Financial Public Sector. The Non Financial Public Sector is then consolidated with the Public Financial Corporation Sector to form the Total Public Sector. During the consolidation process, all intra-entity balances for each sector are eliminated so that each set of financial statements only reflects the results of transactions with external parties or non-sector entities. In the case of the Total Public Sector, only transactions occurring with entities external to the Northern Territory Public Sector are presented.

Financial statements prepared in accordance with GFS requirements include measures of financial performance and position.

Net operating balance – a measure of financial performance calculated as the excess of revenues over expenses. The Net Operating Balance is a measure of the sustainability of a government.

Fiscal balance – a measure of financial performance sometimes referred to as Net Lending/Borrowing and calculated as the Net Operating Balance less the net acquisition of non-financial assets. It is a measure of the extent to which a government is either putting financial resources at the disposal of other sectors in the economy or utilising the financial resources generated by other sectors. A net lending (or fiscal surplus) balance indicates that a government is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit position) indicates that a government's level of investment is greater than its level of savings.

Treasurer's Annual Financial Statements cont…

Net worth – a measure of financial position calculated as total financial and non-financial assets less total liabilities and contributed capital. This measure includes non-current physical assets (land and fixed assets) and employee entitlements such as unfunded superannuation and employee leave balances. The change in net worth is the preferred measure for assessing the sustainability of fiscal activities.

Net financial worth – a measure of financial position calculated as total financial assets less total liabilities. This measure can be viewed as an alternative measure for assessing the sustainability of fiscal activities as it may be difficult to attach market values to some general government sector non-financial assets that form part of the calculation of Net Worth.

Net debt – a measure of financial position comprising certain financial liabilities less financial assets. Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, less the sum of cash and deposits, advances paid and investments, loans and placements.

Net financial liabilities – a measure that is broader than net debt as it includes significant liabilities, other than borrowings. Significant liabilities include accrued employee liabilities such as superannuation and long service leave entitlements. This measure is used only in the case of the General Government Sector.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the TAFS for the year ended 30 June 2022.

The purpose of an audit report on a financial report is to enhance the credibility of the financial information presented in relation to an entity's financial performance, financial position and cash flows and, where relevant, advise readers of matters of importance relating to the financial report. The audit report is structured to clearly define the financial report being audited, identify those responsible for preparing the financial report, explain the scope of the audit and present the auditor's opinion on the financial report.

The extent or scope of the audit

The first 2 paragraphs of my audit report detail my opinion and the elements of the TAFS upon which I am forming an opinion.

The audit report explains that the Treasurer is responsible for preparing and presenting the TAFS and the information it contains is in accordance with the requirements of the *Financial Management Act 1995* and the *Fiscal Integrity and Transparency Act 2001*. Section 9 of the *Financial Management Act 1995* allows the Treasurer to prescribe the form of the TAFS, including the accounting policies to be used, and these are detailed in the Reporting Framework.

The audit report also details the nature and extent of the audit work. I indicate that my audit was conducted in accordance with Australian Auditing Standards, which includes a requirement that I consider whether the TAFS complies with Australian Accounting Standards and other mandatory professional reporting requirements in Australia. The Auditing Standards applied provide professional guidance that is required to be followed to ensure the appropriateness and quality of the audit work and the reliability of the audit opinion.

Treasurer's Annual Financial Statements cont…

My audit report indicates that the audit procedures are performed to provide reasonable assurance as to whether the TAFS is free of material misstatement and is prepared from proper accounts and records and, in all material respects, is presented fairly. The audit provides a high, but not absolute, level of assurance. Absolute assurance in auditing is not attainable because of such factors as the use of judgements and estimates in the preparation of financial reports, the use of testing and sampling for gathering and evaluating evidence, the inherent limitations of systems of internal control and the fact that much of the evidence available to auditors is persuasive rather than conclusive in nature.

An audit is not designed to detect all errors in the vast number of transactions that make up a financial report, but the audit procedures are designed to ensure that the aggregate of any errors detected do not exceed a level above which the users of financial reports would have their judgement affected by that level of error.

I explain in my audit report that judgements are made evaluating the reasonableness of significant accounting estimates included in the TAFS. Many of the significant amounts detailed in the TAFS, such as the valuation of certain assets, outstanding claims liabilities and the calculation of unfunded superannuation and other employee liabilities are based on estimates made by public sector entities. In order to determine whether misstatements exist in these estimates, a review is undertaken of the validity of the assumptions and the completeness of the data used in determining the estimates.

Impact of materiality and audit procedures on the audit opinion

The aggregate of all misstatements in a financial report is considered material if, in light of the surrounding circumstances, it is probable that the misstatements would change or influence the decision of a person who was relying on that financial report and who had reasonable knowledge of the Northern Territory public sector and its activities. Where I am unable to determine the impact, if any, on a user's decision making, however believe the impact on the financial report may be materially pervasive to the report, I am required to disclaim the opinion.

Australian Auditing Standards require that the audit work '*provides assurance*' that any financial misstatements aggregating to more than a predetermined level of materiality will be revealed in the audit opinion. Before commencing the audit, a judgement is made based on the NTG's total revenues, expenditures, assets and liabilities as to what dollar magnitude (materiality) of misstatements in the financial report would influence the decisions of users about the allocation of scarce resources or the discharge of accountability. The dollar amount is then used as a basis for determining the nature, extent and timing of the audit work required. Materiality also involves a qualitative aspect involving judgements as to the nature of any errors and whether any omissions or misstatements have the potential to adversely affect decisions of users.

In planning the audit, risk is accepted that the audit procedures may fail to detect whether the financial report is materially misstated. The pre-determined level of risk is accepted because of the judgements involved in determining the nature, timing and extent of audit procedures, evaluating the evidence obtained and also to enable the audit to be conducted cost effectively. In order to reduce this risk to an acceptable level, detailed audit procedures are performed. These procedures include, for example, understanding the business of government, obtaining an understanding of and evaluating the internal control structure and, where considered necessary, testing significant internal controls and samples of transactions and account balances, performing tests of the reasonableness of amounts and confirming year end balances with third parties.

Treasurer's Annual Financial Statements cont…

What the audit opinion does not provide

The audit opinion is not designed to consider whether the resources used by the NTG were applied efficiently, economically or effectively nor is my work designed to provide assurance that all the transactions of the NTG are in compliance with laws and regulations, except for those that impact on the information presented in the TAFS.

My audit of the Public Account assists considerably in forming a view on the TAFS however users of this report are reminded that I do not separately audit and form an opinion on the financial statements of individual agencies.

Audit opinion

The audit of the TAFS for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 14 November 2022.

The audit opinion, while unmodified, did include the following emphasis of matter paragraphs:

> Emphasis of matter – Restatement of comparative balances
>
> I draw attention to Note 1 (e) to the Financial Report, which states that the amounts reported in the previously issued financial statements for the year ended 30 June 2021 have been restated and disclosed as comparatives in the financial report. My opinion is not modified in respect of this matter.
>
> Emphasis of matter – Short-term salary increment rate
>
> I draw attention to Note 36 to the Financial Report, which states that, reflecting the Northern Territory Public Sector wages policy, a short-term salary increment rate of zero percent per annum has been applied to superannuation liabilities. My opinion is not modified in respect of this matter.

Audit observations

Non-compliance with the *Fiscal Integrity and Transparency Act 2001*

Section 15 of the *Fiscal Integrity and Transparency Act 2001* requires that the Treasurer must publicly release and table a final fiscal results report for each financial year no later than 4 months after the end of the financial year. If the Legislative Assembly is not sitting when a final fiscal results report is released, the report does not have to be tabled in the Legislative Assembly until it next sits (or as soon as practicable after then), even if that is after the expiry of 4 months after the end of the financial year. Accordingly, section 15 of the *Fiscal Integrity and Transparency Act 2001* has not been complied with.

Whilst the Treasurer's Annual Financial Statements were largely complete prior to 31 October and most of the audit work also completed, late adjustments as a result of material errors in the valuation of remote housing assets impacted the finalisation of the financial statements and the conclusion of the audit.

As disclosed in Note 49 to the Treasurer's Annual Financial Statements, comparative information for the year ended 30 June 2021 required restatement to reflect the correction of material errors, each relating to the misstatement of asset values. A number of errors resulted from more than one agency accounting for the same asset, duplication of assets or the failure to recognise assets. This highlights the need for more robust accounting for assets and indicates further guidance is needed.

Treasurer's Annual Financial Statements cont…

Performance overview

My comments and findings on the most recent audits I have conducted in relation to individual entities within the Total Public Sector are reported separately, either within this report or other reports to the Legislative Assembly. Accordingly, the comments that follow are largely confined to the General Government Sector, that being the sector that is funded largely through taxation and also the sector that is responsible for the provision of those services that the community commonly associates with the role of government.

Financial performance

The financial performance of the General Government Sector, as measured by the net operating balance, for the year ended 30 June 2022 was an improvement from the prior year. The net operating balance for the year ended 30 June 2022 was a deficit of $136.8 million. The deficit was $700.1 million lower than the restated deficit of $836.9 million reported for the year ended 30 June 2021.

Total revenues increased by $1,144.1 million when compared to the previous year.

The $211.1 million increase in taxation revenue mainly arises from an increase in stamp duty revenue of $162.4 million, reflecting higher housing values with increased residential market activity and several large commercial property transactions. Payroll related taxes increased by $36.5 million reflecting faster than anticipated economic recovery following the impact of COVID-19, combined with improved employment activity.

Current grants revenue increased by $767.7 million predominantly due to additional GST revenue of $583.9 million as a result of the significant improvement in the national GST pool following the impacts of COVID-19 together with an increase in the Territory's GST relativity. Other current grants revenue increased by $86.4 million reflecting increased funding in 2021-22 for Commonwealth Activity Based Funding relating to funding adjustments for 2020-21 actuals and the COVID-19 Public Health Response and natural disaster relief payments received from the Commonwealth.

Revenue from capital grants increased by $57.2 million primarily relating to increased Commonwealth funding in 2021-22 for repairs and maintenance on national highways and remote housing, and quality schools reform, combined with greater reimbursements under the grant agreement for COVID-19 quarantine arrangements for repatriated Australians.

Current grants specific purpose payments increased by $53.3 million largely due to a year-on-year increase in Quality Schools funding for non-government schools, combined with new additional funding for the non-government school Choice and Affordability Fund, and partially offset by a year-on-year decrease in Quality Schools funding for government schools.

Sales of goods and services increased by $25.8 million. The most significant increase (approximately $17.0 million) was related to insurance premiums and other recoveries recorded by the Motor Accidents (Compensation) Commission and fees from regulatory services which increased by $12.1 million when compared to the 2021 financial year.

Treasurer's Annual Financial Statements cont…

Dividend and income tax equivalent income represents increased returns from government controlled entities such as government business divisions and government owned corporations. The increase is mainly due to higher net profits recorded by the Public Non Financial Corporations with tax equivalents being $17.0 million higher than 2020-21 and dividend revenue increasing by $2.3 million from the prior year. Revenue received from Northern Territory Treasury Corporation also increased with dividend income and tax equivalents increasing from 2020-21 by $5.8 million and $2.5 million respectively. The improved profitability of the Northern Territory Treasury Corporation resulted from lower costs of external borrowings combined with growth in borrowings provided to Central Holding Authority (CHA) and government owned corporations.

Other revenue increased by $44.0 million including increases in royalty income of $66.7 million since 2020-21, mainly from mining royalties as a result of increased production and commodity prices ($65.4 million). The increase in royalty income was partially offset by a decrease in miscellaneous income of $16.5 million.

Total expenses were $444.0 million higher than the total (restated) expenditure for the prior year.

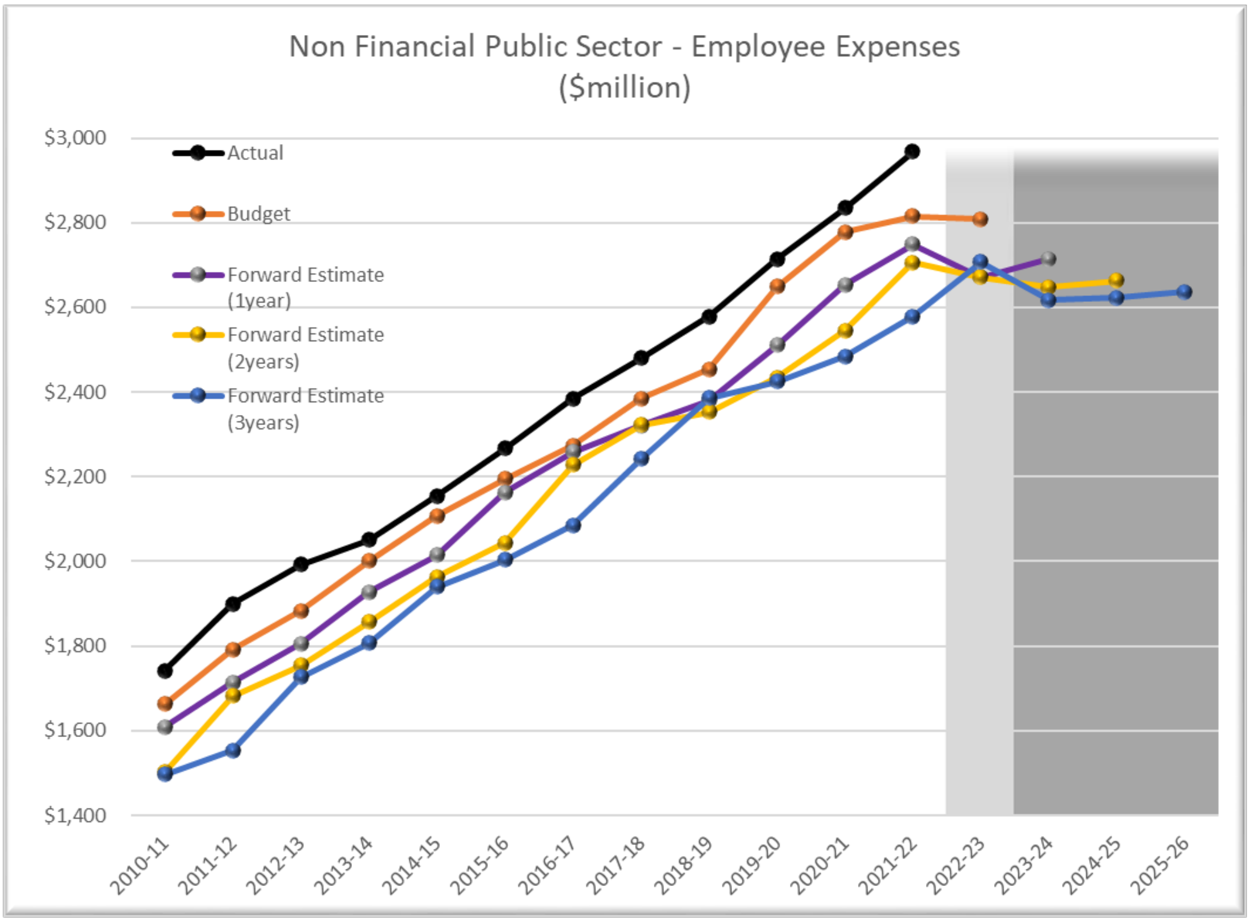
Employee expenses represent the largest expenditure category within the General Government Sector and the Total Public Sector. Employee expenses in the General Government Sector were $2,875.9 million for the year ended 30 June 2022, representing an increase from the 2020-21 year of $160.8 million, as a result of both increased employee numbers and additional overtime costs. Costs were driven upward by:

- increased Territory-funded resources in health and hospital services, community welfare and safety sectors to maintain the Territory's public health and community safety response to COVID-19; and
- resources brought on to deliver COVID-19 quarantine arrangements to repatriated Australians paid for by additional Commonwealth funding.

Treasurer's Annual Financial Statements cont…

Presented below is a summary of the Non Financial Public Sector actual, budget and estimated employee expenses from the Treasurer's Annual Financial Statements data for 2010-11 to 2021-22 and Budget Paper 2 (2022-23). Total Public Sector forward estimates are not available for analysis as the Total Public Sector includes the Northern Territory Treasury Corporation and previously included the Territory Insurance Office. The Territory Insurance Office was an off-budget entity, consequently budgets and forward estimates were not available.

Figure 2: Non Financial Public Sector – Employee Expenses ($'million)



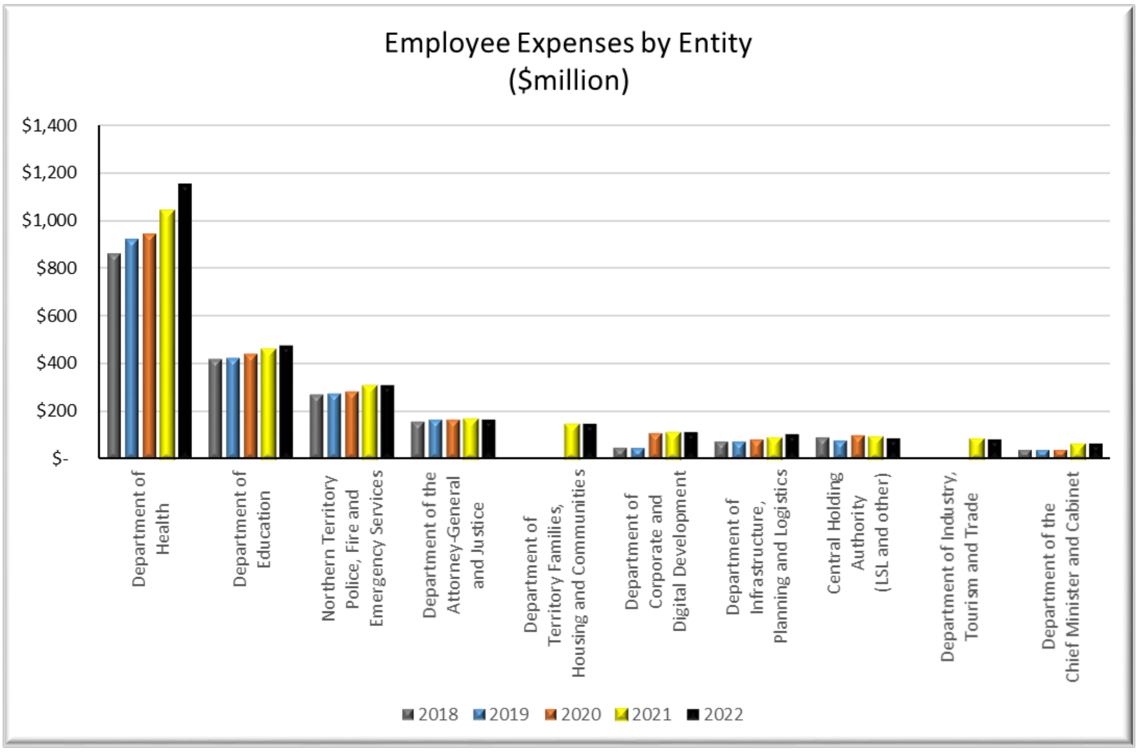
Source: Treasurer's Annual Financial Statements and Budget Paper 2 (2022-23)

The graph above shows the growth of employee expenses since the 2010-11 financial year with employee expenses almost doubling over the 11-year period. Of significance is the gap between actual employee expenses and budget. Actual employee expenditure has exceeded the budgeted expenditure and all forward estimates of employee expenditure for each of the years presented in the figure above.

Treasurer's Annual Financial Statements cont…

Figure 3: Employee expenses by entity presents a summary of the employee expenses by entity for the 10 entities with the highest employee expenses. This figure demonstrates the movement in employee expenditure within these entities over the past 5 reporting periods. The Department of Territory Families, Housing and Communities and the Department of Industry, Tourism and Trade were new agencies formed as a result of the machinery of government changes from the 2020-21 financial year. During the year ended 30 June 2022, the Top End Health Service, Central Australia Health Service and the Department of Health merged. The employee expenses for the 3 entities are reported within the Department of Health.

Figure 3: Employee expenses by entity



Source: NTAGO developed from Treasurer's Annual Financial Statements consolidation data

The recent announcements regarding future public sector wage escalations will significantly change the trajectory of the budget and forward estimates.

Related to employee expenditure are the government's liabilities for long service leave and superannuation defined benefit arrangements. Changes in economic assumptions applied to determine the liability for superannuation caused the increase in superannuation expenses from the prior year. These changes included the increase in imputed interest costs from the upward movement in the interest rate from 0.9% in 2021 to 1.49% in 2022. Movements in the value of the superannuation liability (which are recognised within superannuation expenses) are also caused by the value of exit and benefit payments for members who have exited during the year.

The results presented for the year ended 30 June 2022 reflect the application of government's wage freeze policy with future escalation of wages not being factored into the liabilities reported in the balance sheet. Announcements made subsequent to year end about the change in wages policy which reintroduces regular salary increments will result in increased financial obligations and a detrimental impact on fiscal balance and net worth.

Treasurer's Annual Financial Statements cont…

Depreciation and amortisation represents the annual charge recognised as the benefits from controlled assets are consumed. This distinction is important as these expenses are not met through the application of cash and will fluctuate in response to non-cash movements such as revaluation and impairment of fixed assets. Rates of depreciation and amortisation are established based on the estimated useful lives of the underlying assets and the estimated level of use required to meet demand, therefore there is limited ability to actively reduce these expenditure categories.

Other significant movements in expenses between the 2021-22 financial year and the comparative 2020-21 financial year included:

- Property management increased by $60.0 million, predominantly due to increased costs relating to the agreement for COVID-19 quarantine arrangements for repatriated Australians ($57 million).
- Medical and dental supplies increased by $27.7 million, largely influenced by increased purchases of COVID-19 related medical supplies and pharmaceuticals to support hospital and quarantine operations ($25.4 million).
- Motor accidents compensations and related payments increased by $20 million, reflecting higher claims expenses in 2021-22 than in 2020-21 and higher management fees paid to Allianz.
- Repairs and maintenance expenses which increased by $17.9 million, attributable to increased infrastructure-related consultancies and additional works following easing of COVID-19 restrictions ($17.7 million).

Current grants expenditure increased by $97.1 million since 2020-21 influenced by:

- Higher payments to non-government schools under the National Schools Reform agreement of $54.9 million when compared to 2020-21 as the Commonwealth prepaid a portion of the Territory's 2020-21 funding in 2019-20 to assist with the impacts of COVID-19.
- Accelerated payments for the Territory's contribution to the National Disability Insurance Scheme ($26.3 million) combined with an increase in the Northern Territory's quarterly contribution when compared to 2020-21 ($6.6 million).
- Increased business and industry grant payments ($15.8 million).
- These increases were partially offset by a lower than anticipated take up of Build Bonus grants ($5.7 million), First Home Owners grants ($1.4 million) and Homebuilder grants ($3.2 million).
- Lower than anticipated payments made to the Charles Darwin University under the User Choice and Provider Training programs ($6.0 million).

Current grants represent the third largest expense component. Stronger across-government monitoring of these arrangements will be necessary to ensure these grants are delivering agreed and optimal returns to the public.

Capital grants decreased by $65.6 million when compared to 2020-21.

There were significant decreases in capital grants paid to the private sector for COVID-19 Home Improvement Stimulus grants ($69.3 million); Business Improvement grants ($7.9 million); Immediate Works grants ($7.5 million); Business Security Program grants ($6 million); and Home Renovation grants ($6.0 million). Capital grant payments relating to the Darwin City Deal ($16.5 million) and Katherine Gallery Extension ($2.0 million) were also less than in the prior year.

Treasurer's Annual Financial Statements cont…

There were some capital grants that incurred additional expenditure when compared to the prior year. Increases in capital grant payments occurred for:

- Local government councils due to greater land servicing works and remote housing completed in 2021-22 when compared to 2020-21 ($16.6 million). These works relate to homelands for which the Territory does not control. Ownership of the completed works is transferred to the applicable local Aboriginal councils
- Various one-off capital grants paid in 2021-22, the most significant of which related to Homelands grants ($6.1 million) and the Arnhem Gallery Extension ($3.5 million).
- Additional capital grants expenditure was also incurred in 2021-22 for fibre optic upgrades ($7.9 million); mobile phone services to homelands ($2.9 million); Jabiru and Kakadu Futures ($2.1 million); and Arnhem Land fibre optic upgrade grants ($1.4 million).

Subsidies and personal benefit payments increased by $21.0 million, caused by increases in:

- Waivers of remote public housing rent ($26.4 million);
- Waivers of payroll tax to extend business hardship relief ($2.7 million); and
- Territory Operating Payments ($0.9 million) and Territory Availability Payments ($0.2 million) in 2021-22 for the operation of the Darwin Convention Centre;

offset to some extent by decreases in:

- One-off Small Business Survival payments ($6.3 million);
- Housing and utility subsidies paid for Jabiru and Kakadu Futures ($3.2 million); and
- Payments for the concessional loans program ($0.9 million).

Other economic flows – other economic income increased by $339.7 million, reflecting:

- An increase in re-measurement of superannuation liability by $367.9 million, as a result of changes in actuarial assumptions and in the 10-year bond rate used in valuing the Territory's superannuation liability. The revision is predominantly due to an increase in the discount rate from 1.49% in 2020-21 to 3.69% in 2021-22, partially offset by increases to the pension indexation for the Commonwealth Superannuation Scheme and, to a lesser extent, the NT Police Supplementary Benefits Scheme.
- A net increase of $46.5 million to the asset revaluation reserve relating to:
  - Higher values associated with urban land and dwellings ($48.0 million) and remote dwellings ($10.6 million) partially offset by decreased values of public buildings ($8.4 million); and
  - Increases in values of government school buildings and school land ($33.9 million); offset by
  - A net reduction in the value of infrastructure assets ($34.4 million).
- Other upward movements of $22.2 million since 2020-21 were caused by the realisation of reserves upon the disposal of public housing dwellings and public buildings ($15.2 million) and land ($6.7 million).
- Partially offsetting these increases was the net decrease of $96.9 million in the value of net assets of public non-financial sector entities, mainly the revaluation decrement on water and sewerage infrastructure assets.

Treasurer's Annual Financial Statements cont…

Financial position

Net financial worth improved by $66.8 million to negative $8,307.9 million when compared to the restated position at 30 June 2021. Despite the improvement, total liabilities exceeded financial assets.

Net financial liabilities decreased by $135.7 million and equity investments in other public sector entities decreased by $68.9 million.

Net debt increased by $813.5 million from $5,220.7 million to $6,034.2 million.

Total cash and deposits are $1.8 billion lower in 2021-22. High cash balances held by the Central Holding Authority in 2020-21 invested in short-term deposits and fixed interest investments ($635.0 million) resulted from the Northern Territory Treasury Corporation pre-funding part of the 2021-22 borrowing program in 2020-21.

Investments, loans and placements increased by $721.9 million compared to 2020-21, with the value of securities held by the Central Holding Authority being $814.4 million higher than the prior year although partially offset by a reduction of $48.7 million in investment securities held by the Motor Accidents (Compensation) Commission.

The Conditions of Service Reserve investments were lower by $92.5 million compared to 2020-21, being the net impact of increased income distributions ($55.0 million) and revaluation decrements ($148.0 million).

The overall increase in receivables results from:

- Higher mining and petroleum royalties due to increased production and higher commodity prices;
- An increase in income tax receivables from trading entities as a result of improved overall performance;
- Higher conveyancing taxes receivable in line with growth in residential property sale prices and market activity combined with several large commercial property transactions; and
- Higher other taxation revenue owing related to payroll, gambling and insurance taxes.

Provision for loss allowances were applied against the write off and waiver of remote public housing debt reducing the loss allowance by $56.6 million.

Investments in other public sector entities decreased by $69.0 million. The NTG withdrew equity of $30.0 million from Power and Water Corporation, the funds having previously been provided for the Undergrounding Power Project. Water and sewerage infrastructure held by Power and Water Corporation was revalued downward reducing the value of these assets by $108 million. These reductions in equity were partially offset by improved operating outcomes for the fiscal year in government owned corporations.

Investments in private sector entities funded through the Local Jobs Fund during the year amounted to $6.0 million and were written down to $3.0 million as at 30 June 2022.

The increase in property, plant and equipment included revaluation increments of $202.0 million of which $142.9 million related to the upward revaluation of remote and urban public housing dwellings, schools, public sector office accommodation and health centres.

The value of intangible assets increased by $58.7 million from the prior year, primarily attributable to funds spent on information technology projects relating to health, policing and justice.

Treasurer's Annual Financial Statements cont…

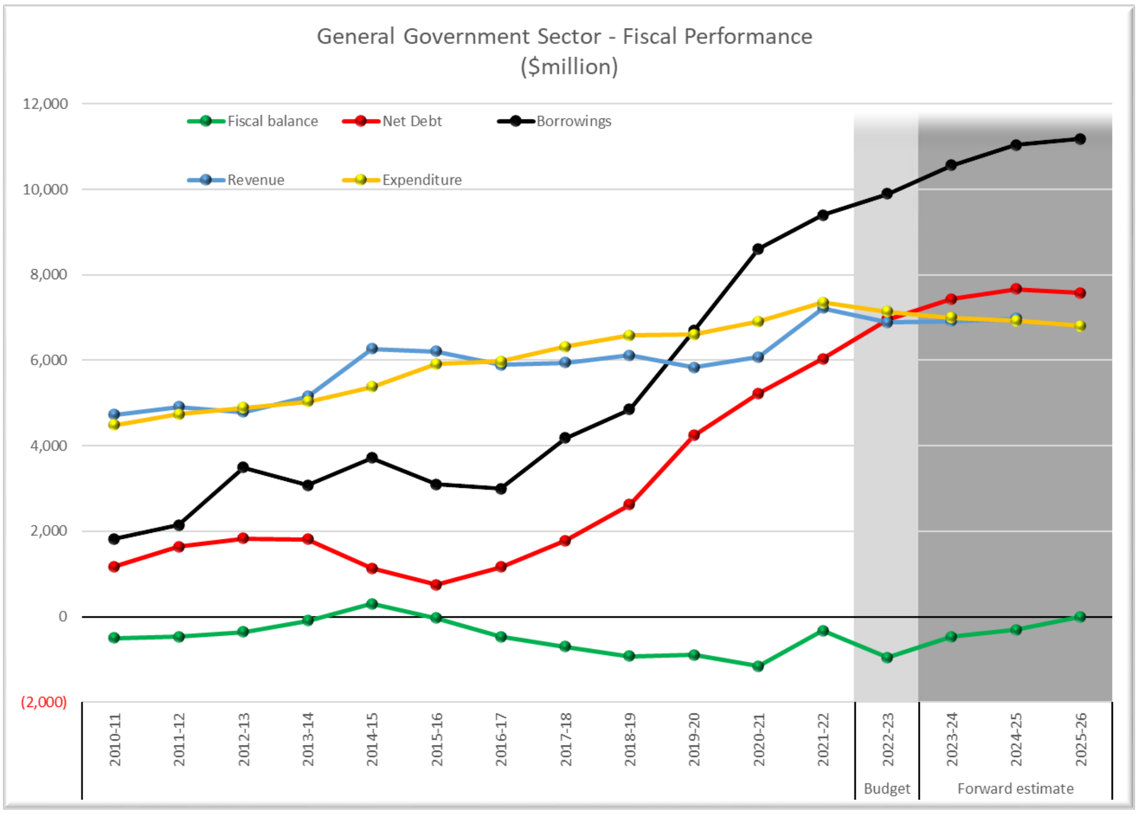
Net loans have increased since 2020-21 by $810.2 million in line with the Territory's borrowing requirements to fund infrastructure and operational expenditure.

As reported earlier, the downward movement in the superannuation liability between years is largely due to the change in economic assumptions in arriving at the liability for the year. The impacts of changes to wage policy announced subsequent to year end will be recognised in the 2022-23 financial year.

The decrease of $113.3 million in other liabilities is due to the decreased provision for outstanding claims decreasing due to actuarial valuation changes ($15.1 million) and claims payments ($51.8 million) in the Motor Accidents (Compensation) Commission. Unearned capital grants also decreased by a net $45.8 million due to the completion of works for various funded programs.

Depicted in the graph below are the movements in 5 key indicators of fiscal performance from the TAFS data for the financial years 2010-11 to 2021-22 and the forward estimates for the same 5 indicators from Budget Paper 2 2022-23 for the years 2022-23 to 2025-26.

Figure 4: Fiscal Performance from 2010-11 to 2024-26



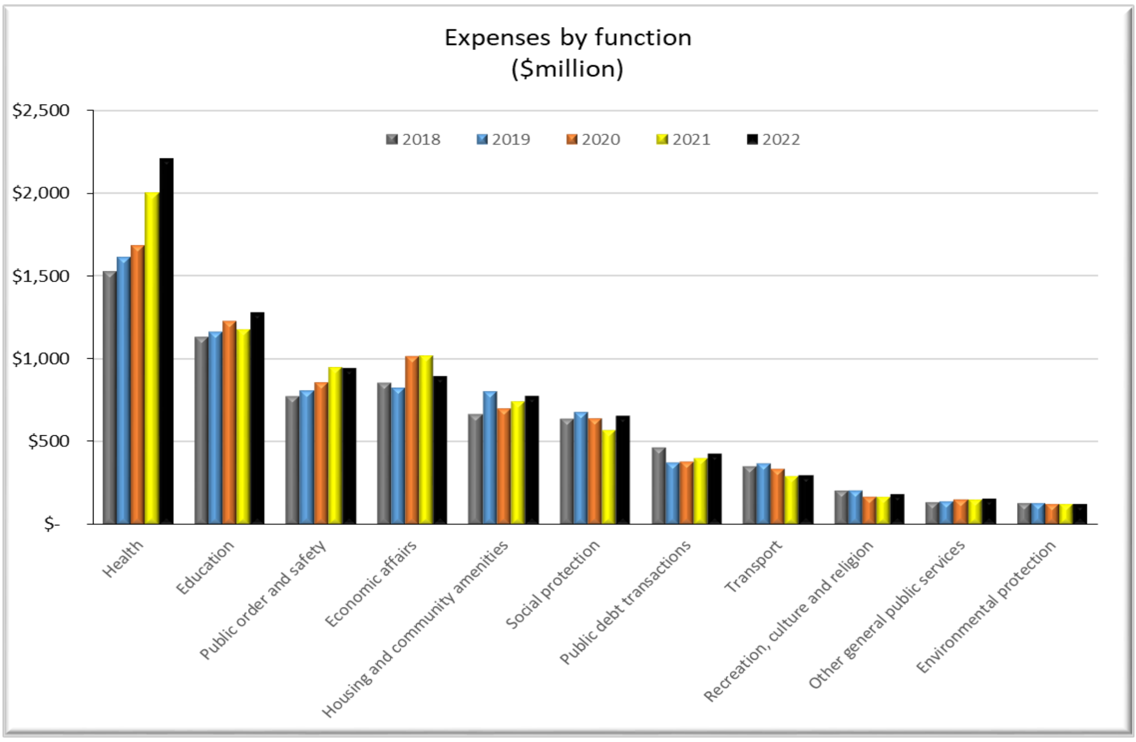
Source: Treasurer's Annual Financial Reports and Budget Paper 2 2021-22

The above graph demonstrates that maintaining fiscal restraint is critical to stay within the legislated debt ceiling of $15 billion established in the *Fiscal Integrity and Transparency Act 2001*. Effective scrutiny and management of personnel and administrative costs will involve active and collaborative engagement regarding shared service arrangements in order to recognise intended efficiencies and economies of scale, ensuring the nature and level of services are appropriate and that functions and positions are not duplicated.

Treasurer's Annual Financial Statements cont…

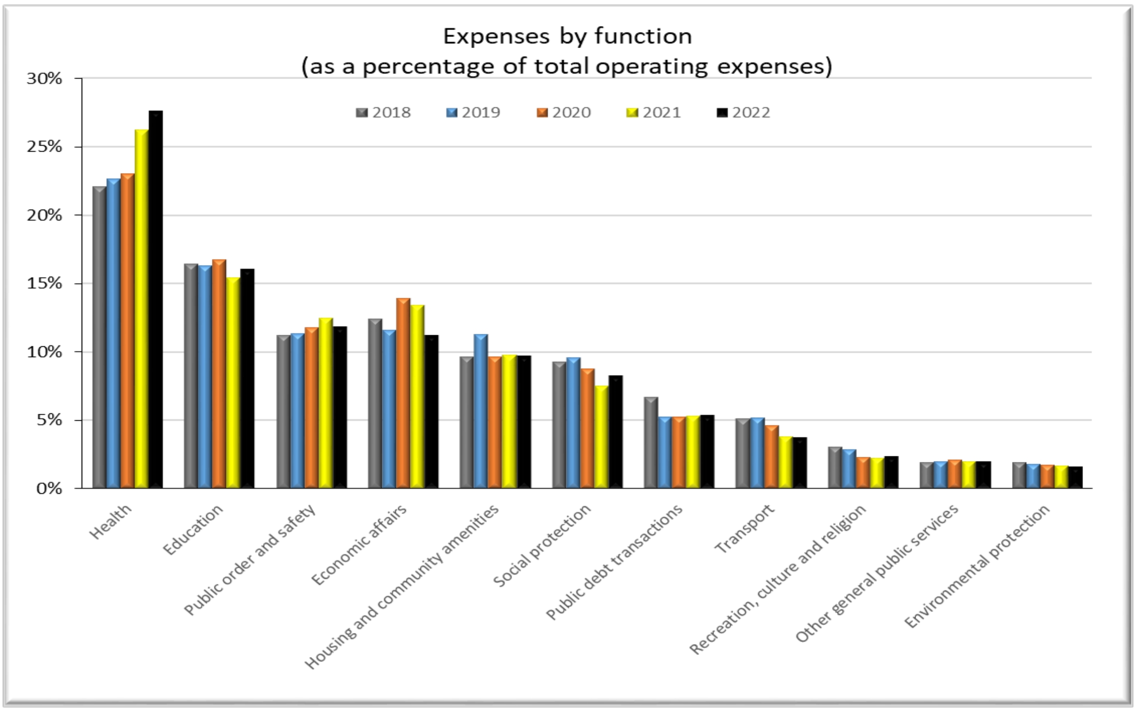
Figure 5 and Figure 6 present the total public sector expenses classified according to the Classifications of Functions of Government – Australia.

Figure 5: Total Public Sector expenses by function ($'million)



Source: Note 16 of the Treasurer's Annual Financial Statements

Figure 6: Total Public Sector expenses by function (as a percentage of total operating expenses)



Source: Note 16 of the Treasurer's Annual Financial Statements

Treasurer's Annual Financial Statements cont…

General Government Sector – components of financial performance

	2022	2021 Restated
	$'million	$'million
Taxation revenue	741.0	529.8
Grants – current	5,009.3	4,241.6
Grants – capital	318.5	261.3
Sales of goods and services	427.3	401.6
Interest income	137.2	126.6
Dividend and income tax equivalent income	66.5	38.8
Other revenue	515.7	471.7
Total revenue	**7,215.5**	**6,071.4**
Employee expenses	(2,875.9)	(2,715.1)
Superannuation expenses	(352.8)	(296.7)
Depreciation	(571.0)	(548.0)
Other expenses	(1,679.0)	(1,546.1)
Interest expenses	(350.4)	(331.8)
Other property expenses	(3.7)	(3.5)
Grants – current	(1,138.1)	(1,041.0)
Grants – capital	(165.5)	(231.2)
Subsidies and personal benefit payments	(215.9)	(194.8)
Total expenses	**(7,352.3)**	**(6,908.2)**
Net operating balance	**(136.8)**	**(836.9)**
Other economic flows	(237.7)	240.6
Operating result	**(374.4)**	**(596.3)**
Net operating balance	**(136.8)**	**(836.9)**
Less net acquisition of Non Financial assets	(194.3)	(317.7)
Fiscal balance	**(331.1)**	**(1,154.5)**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont…

General Government Sector – components of financial position

	Balance at 30 June 2022	Movement for 2021-22	Balance at 30 June 2021 Restated
	$'million	$'million	$'million
Cash and deposits	881.0	(1,753.7)	2,634.7
Advances paid	175.0	(22.1)	197.1
Investments, loans and placements	3,083.3	721.9	2,361.4
Deposits held	(531.3)	1,009.1	(1,540.4)
Advances received	(240.4)	25.6	(266.0)
Borrowing	(9,401.8)	(794.3)	(8,607.5)
Net debt	**(6,034.2)**	**(813.5)**	**(5,220.7)**
Other non-equity financial assets	742.3	124.8	617.5
Equity assets	2,345.4	(65.9)	2,411.3
Superannuation liabilities	(3,103.6)	769.1	(3,872.7)
Other employee entitlements and provisions	(829.5)	(22.1)	(807.4)
Other non-equity liabilities	(1,428.3)	74.4	(1,502.7)
Net financial worth	**(8,307.9)**	**66.8**	**(8,374.7)**
Less: Investments in other public sector entities	(2,342.4)	68.9	(2,411.3)
Net financial liabilities	**(10,650.3)**	**135.7**	**(10,786.0)**
Net carrying amounts of Non Financial assets	18,750.5	359.6	18,390.9
Equity investments in other public sector entities	2,342.4	(68.9)	2,411.3
Net worth	**10,442.6**	**426.4**	**10,016.2**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont…

General Government Sector – changes in equity

	Equity at 1 July	Comprehensive Result	Equity at 30 June
2021-22	**$'million**	**$'million**	**$'million**
Accumulated funds	**(277.7)**	**(374.4)**	**(652.1)**
Transfers from reserves	-	29.8	29.8
Other movements directly to equity	-	673.5	673.5
Total accumulated funds	**(277.7)**	**328.9**	**51.1**
Reserves			
Asset revaluation surplus	**8,566.8**	**138.9**	**8,705.7**
Investments in public sector entities revaluation surplus	1,709.0	(38.9)	1,670.1
Other reserves	18.0	(2.4)	15.7
Total reserves	**10,293.8**	**97.6**	**10,391.4**
Total equity at end of financial year	**10,016.1**	**426.4**	**10,442.5**
2020-21 restated			
Accumulated funds	**5.7**	**(596.3)**	**(590.6)**
Transfers from reserves	-	8.1	8.1
Other movements directly to equity	-	304.8	304.8
Total accumulated funds	**5.7**	**(283.4)**	**(277.7)**
Reserves			
Asset revaluation surplus	**8,477.4**	**89.4**	**8,566.8**
Investments in public sector entities revaluation surplus	1,651.1	57.9	1,709.0
Other reserves	17.1	0.9	18.0
Total reserves	**10,145.6**	**148.2**	**10,293.8**
Total equity at end of financial year	**10,151.3**	**(135.2)**	**10,016.1**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont…

Total Public Sector – components of financial performance

	2022	2021 Restated
	$'million	$'million
Taxation revenue	730.4	519.3
Grants – current	5,009.2	4,241.6
Grants – capital	318.4	261.5
Sales of goods and services	1,152.0	1,130.4
Interest income	137.4	127.1
Other	533.0	488.8
Total revenues	**7,880.4**	**6,768.6**
Employee expenses	(2,968.9)	(2,835.2)
Superannuation expenses	(367.2)	(310.9)
Depreciation	(787.4)	(761.0)
Other expenses	(2,183.4)	(2,089.3)
Interest expenses	(374.0)	(364.3)
Other property expenses	(3.7)	(3.5)
Grants – current	(1,072.7)	(981.1)
Grants – capital	(132.5)	(203.1)
Subsidies and personal benefit payments	(85.5)	(63.9)
Total expenses	**(7,975.4)**	**(7,612.3)**
Net operating balance	**(94.9)**	**(843.6)**
Other economic flows	(210.4)	235.4
Operating result	**(305.2)**	**(608.2)**
Net operating balance	**(94.9)**	**(843.6)**
Less net acquisition of Non Financial assets	(235.0)	(282.9)
Fiscal balance	**(329.9)**	**(1,126.5)**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont...

Total Public Sector – components of financial position

	Balance at 30 June 2022	Movement for 2021-22	Restated Balance at 30 June 2021
	$'million	**$'million**	**$'million**
Cash and deposits	881.6	(1,755.3)	2,636.9
Advances paid	175.0	(22.1)	197.1
Investments, loans and placements	3,083.3	721.9	2,361.4
Deposits held	(165.8)	(10.4)	(155.4)
Advances received	(200.7)	8.8	(209.5)
Borrowing	(11,292.1)	185.8	(11,477.9)
Net debt	**(7,518.7)**	**(871.3)**	**(6,647.4)**
Other non-equity financial assets	862.1	102.9	759.2
Equity assets	3.0	3.0	-
Superannuation liabilities	(3,103.6)	769.1	(3,872.7)
Other employee entitlements and provisions	(895.5)	(23.0)	(872.5)
Other non-equity liabilities	(1,653.7)	43.0	(1,696.7)
Net financial worth	**(12,306.4)**	**23.7**	**(12,330.1)**
Less: Investments in other public sector entities	-	-	-
Net financial liabilities	**(12,306.4)**	**23.7**	**(12,330.1)**
Net carrying amounts of Non Financial assets	22,748.9	402.6	22,346.3
Equity investments in other public sector entities	-	-	-
Net worth	**10,442.5**	**426.3**	**10,016.2**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont...

Total Public Sector – changes in equity

	Equity at 1 July	Comprehensive Result	Equity at 30 June
2021-22	**$'million**	**$'million**	**$'million**
Accumulated funds	**407.5**	**(305.2)**	**102.2**
Transfers from reserves	-	31.6	31.6
Other movements directly to equity	-	674.1	674.1
Total accumulated funds	**407.5**	**400.4**	**807.9**
Reserves			
Asset revaluation surplus	9,590.7	28.3	9,619.0
Other reserves	18.0	(2.4)	15.6
Total reserves	**9,608.7**	**25.9**	**9,634.6**
Total equity at end of financial year	**10,016.2**	**426.3**	**10,442.5**
2020-21 Restated			
Accumulated funds	**699.6**	**(608.2)**	**91.5**
Transfers from reserves	-	10.9	10.9
Other movements directly to equity	-	305.1	305.1
Total accumulated funds	**699.6**	**(292.2)**	**407.5**
Reserves			
Asset revaluation surplus	9,434.6	156.1	9,590.7
Other reserves	17.1	0.9	18.0
Total reserves	**9,451.7**	**157.0**	**9,608.7**
Total equity at end of financial year	**10,151.3**	**(135.1)**	**10,016.2**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont…

The Department of Treasury and Finance has commented:

The Department of Treasury and Finance (DTF) acknowledges that the public release of the 2021-22 Treasurer's Annual Financial Statements (TAFS) was delayed as a result of errors identified in the valuation of remote housing dwellings. As these errors related to the valuation of physical assets, they had no effect on the outcomes of the Territory's key fiscal aggregates: net operating balance; fiscal balance and net debt outcomes. The delay ensured that correct asset values were incorporated into the TAFS, prior to public release.

To mitigate further errors in the valuation of assets and delays to the finalisation of future TAFS, DTF is leading an asset management and valuation remediation project across government, to improve the accuracy, methodologies and processes for recording and valuing government assets. This project will inform changes to the Treasurer's Directions with an intended completion date of 30 June 2023

Darwin City Deal

Department of the Chief Minister and Cabinet

Background

A Memorandum of Understanding *'To Establish and Implement City Deals'* between the Commonwealth of Australia and the Northern Territory (the parties) confirmed the parties' intention to develop a City Deal for Darwin by December 2017. The objectives of the Darwin City Deal were to provide short, medium and longer term actions to generate economic growth, create jobs and improve the liveability and environmental outcomes.

The Darwin City Deal was signed on 16 November 2018. The Darwin City Deal is a 10-year plan between the Australian Government (AG), the Northern Territory Government (NTG) and City of Darwin (CoD). The deal also includes contributions from Charles Darwin University (CDU).

The Darwin City Deal planned to achieve 3 centrepiece initiatives (together with associated commitments):

- Deliver a new education and civic precinct;
- Revitalise Darwin's city centre; and
- Connect people and places.

Table 1: Darwin City Deal Initiative and Commitments Summary

Initiative	Commitment
Deliver a new education and civic precinct	Develop an iconic new education and civic precinct in the Darwin city centre.
Revitalise Darwin's city centre	Improve Darwin's liveability by cooling the city. Upgrade and revitalise State Square. Develop a new Art Gallery. Advance Darwin's digital capability. Promote Darwin as a great place for visitors.
Connect people and places	Support connectivity between Darwin's harbour foreshore and Waterfront. Deliver coordinated and integrated city-wide planning for Darwin's future. Connect to Larrakia culture. Deliver additional measures to support the local workforce.

Source: Darwin City Deal November 2018

The Implementation Plan, released on 13 November 2019, provided additional information on each commitment including defining sub-projects, milestones, financial information, project owner and performance measures.

The Implementation Plan presented a total financial commitment from the NTG of $207 million.

Darwin City Deal cont…

Table 2: Implementation Plan Sub-project Summary

Initiative	Commitment	Sub-Project	Owner
Deliver a new education and civic precinct	Develop an Education and Civic Precinct	Construction of new Education and Civic Precinct	CDU AG NTG
Revitalise Darwin's city centre	Promote Darwin as a great place to live, study and visit	Civic and State Square Masterplan including demolition of the Chan Building *	NTG
		Underground Carpark *	NTG
		State Square Art Gallery *	NTG
		City activation and promotion *	NTG
		Laneways and Small Streets *	NTG
	Improve Darwin's liveability by cooling the city	Darwin Living Lab	AG
		Heat mitigation trials	NTG
		Develop a tropical design guide	NTG
	Advance Darwin's digital capability	Digital Economy	NTG
		Switching on Darwin	CoD
Connect people and places	Planning, development and harbour foreshore connectivity	Re-development of Stokes Hill	AG NTG
		Future use of Frances Bay *	NTG
		Integrated city-wide planning	AG NTG CoD
		Council-led projects	CoD
	Connecting to Larrakia culture	Larrakia Hosts Program	NTG
		Support Indigenous Economic Development	AG
		Larrakia Cultural Centre	AG NTG
	Supporting local workforce	Indigenous Employment and Supplier Use Targets	AG NTG
		Trial skills recognition hub	NTG
		Designated Area Migration Agreement	AG NTG
		Relocate the Office of the Registrar of Indigenous Corporations	AG
		Career and Education Pathways	NTG

Source: Darwin City Deal November 2018 and Implementation Plan November 2019

** This audit focuses on the processes in place for these sub-projects.*

Darwin City Deal 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 the Chief Minister and Cabinet (DCMC) that enable management to assess whether the Darwin City Deal commitments are being delivered economically, efficiently and effectively and in a way that will assist DCMC to achieve its stated outcomes.

The audit assessed the performance management systems in place during the period from 16 November 2018 to 30 October 2021.

Limitations

The minutes of meetings of the Executive Group were not documented. As a consequence, I was unable to assess the role of the Executive Group as it contributes to the performance management systems relevant to the Darwin City Deal.

Information to support project costs was not provided in a timely manner during the audit. As a consequence, I was unable to determine and understand the differences between budgeted costs and actual costs and the extent to which the variances were managed as a result of the performance management systems relevant to the Darwin City Deal.

Index

The report on this audit is structured as follows:

Audit opinion

As a result of the limitations described above, I am unable to form a conclusion on these aspects of the performance management systems.

The audit found that many elements of a performance management system were in place at DCMC to enable management to assess whether the Darwin City Deal commitments are being delivered economically, efficiently and effectively and in a way that will assist DCMC to achieve its stated outcomes. The audit identified that DCMC could implement some improvements in order to demonstrate DCMC’s objectives, as they relate to the Darwin City Deal, are being achieved economically, efficiently and effectively.

Darwin City Deal cont…

Recommendations

Opportunities to improve the performance management systems and processes associated with the Darwin City Deal are presented below.

- Document the governance structure within the NTG associated with the Darwin City Deal, clearly outlining roles and responsibilities of each party tasked with elements of delivery of the Darwin City Deal projects.
- Ensure there is adequate and appropriate documentation of key decisions, including records of meetings of governance groups.
- Develop and document a project plan that demonstrates how the NTG commitments will be achieved.
- Perform and document a risk assessment at a whole of project level which addresses risks associated with the overall delivery of the Darwin City Deal. Regularly monitor and report against the risk assessment and any associated actions.
- Enhance monitoring and reporting through inclusion of:
  - All of the NTG commitments under the Darwin City Deal
  - The progress of work against all the agreed milestones including explanations for delays
  - Comparison of actual spending to budget including explanations for variances and documentation that evidences the date and authorisation of changes to original funding or milestones.
- Ensure the key performance indicators that the NTG is measured against are specific, measurable, attainable, relevant and contain a timeframe for achievement.
- Perform periodic monitoring against the identified key performance indicators to enable early identification where actions may be at greater risk of not meeting planned outcomes. Where such risks are identified, follow up action needs to be identified, undertaken and reported.
- Ensure processes are developed to gain assurance from lead agencies that they have achieved compliance with mandatory requirements of the NTG Financial Management and Accountability Framework during the delivery of their responsibilities relevant to the Darwin City Deal.

Darwin City Deal cont…

Audit observations

Governance structure

The key groups with oversight responsibility for the Darwin City Deal are the:

Implementation Board	Provides strategic oversight of delivery of all City Deal commitments and provides briefings to responsible Ministers about progress, emerging risks and opportunities as required. Reviews and endorses Annual Progress Report before it is sent to responsible Ministers for approval. Agrees membership and terms of reference for steering groups.
NTG Executive Group	Established to monitor progress of the NTG commitments and provide an escalation point for key matters arising from NTG Darwin City Deal matters. Any delays and reprioritisation of projects are considered by this group prior to being presented to the Implementation Board.
DCMC	The Territory Regional Growth division is the portfolio lead for the NTG's role in the Darwin City Deal, coordinating delivery across the NTG and managing the relationship back with the Commonwealth Government.
Steering Committees	Oversee the implementation of specific commitments, as required.

Membership of the NTG Executive Group comprises Chief Executive Officers from relevant departments including DCMC and the Department of Infrastructure, Planning and Logistics (DIPL). DCMC staff advised that the group meets every 6 to 8 weeks.

There is no documented governance structure at the NTG level outlining responsible persons and their roles. Proceedings of meetings are not formally recorded, consequently, I was unable to verify key decisions made by the Executive Group, including changes in deliverables and priorities for sub-projects.

Project management

The Implementation Plan established in November 2019 sets out responsible parties for each Darwin City Deal sub-project as shown in Table 2.

There was no documented plan at the NTG level defining the agency and key contact responsible for each sub-project.

Risk assessment

Risk assessments were performed at the sub-project level by the responsible delivery agency. Key risks to the delivery of sub-projects and related mitigation strategies are communicated to the project steering committee.

There was no evidence of an overarching or across-government risk assessment at the whole of NTG level in connection with the overall delivery of the Darwin City Deal.

Darwin City Deal cont…

Reporting

Progress reporting

The Implementation Plan identifies milestones and next steps at the sub-project level.

The internal progress report does not present the status against the milestones as recorded in the Implementation Plan or spending against the funding as recorded in the Implementation Plan. As a result the actual performance against the Implementation Plan was not able to be easily assessed.

A '*Darwin City Deal Project Status Report*' is prepared by the AG, NTG and CoD for consideration at Implementation Board meetings. The report lists the lead entity, milestones and project status for each initiative.

Comparison of the Project Status Report to the Implementation Plan demonstrated that milestones and deadlines have changed over time. Existing reports did not easily identify the original milestones and timelines for implementation, any extensions to timelines or the party who had approved the extensions.

Performance reporting

The Implementation Plan identifies performance measures to enable monitoring of the success of the Darwin City Deal as a project and at the commitment level.

Table 3: Darwin City Deal Outcome Performance Measures

Outcome	Indicator
A revitalised and vibrant city centre that positions Darwin as an attractive place to live, work, study and visit.	Improved population growth rate measured through Australian Bureau of Statistics figures – in line with the NT population growth rate target of 1.4%. Improved community perceptions of amenity measured through the Darwin City Activation and Promotion Entity's ongoing engagement with the community.
A cooler and greener city that is a best-practice example of tropical urban living.	Reduction in heat island effects in target locations as heat mitigation and greening measures are implemented, measured through the Darwin Living Lab's monitoring and evaluation framework (delivered by Q4 2019). Progress towards cooling and greening initiatives delivered under the Darwin Living Lab reported on through the monitoring and evaluation plan at reporting intervals over the 10-year life of the Lab. 5000 tree plantings by December 2019.
A city that showcases and celebrates Larrakia culture and supports improved economic development outcomes for the Larrakia people.	Number of public engagements undertaken by Larrakia hosts. Progress towards development of a Larrakia Cultural Centre.

Darwin City Deal cont…

Outcome	Indicator
Darwin is an attractive place for visitors.	Increase in international and domestic visitor nights, measured through Tourism Research Australia figures. Increased cultural attendance and participation, measured through Australian Bureau of Statistics data on '*Attendance at Selected Cultural Venues and Events*'.

Source: Darwin City Deal Implementation Plan November 2019

A number of the key performance indicators could be expanded to include more specific and measurable targets against which achievement could be more effectively and accurately managed.

Reporting within the NTG includes commentary and analysis relating to the key performance indicators however there is no clear statement on the extent to which the performance measures have been achieved.

Review of internal progress reporting demonstrated that the reports focussed on the current milestones and status of the initiative however did not include reporting against performance measures to confirm the NTG was meeting its commitments.

Cost

The Implementation Plan identified the NTG's initial financial commitment to the Darwin City Deal was $207 million. The estimated costs in the Implementation Plan were determined by DCMC collating budget information from agencies that would be carrying out the projects. Where infrastructure development is required, the budget information was predominantly sourced from DIPL.

There is no single point of reference that identified the current NTG funding commitment for the Darwin City Deal projects however Agency representatives advised there have been no changes to NTG's funding commitment as documented in the Implementation Plan.

No reports were provided that demonstrate how costs are monitored at Darwin City Deal level or that easily identifies:

- Funding Commitments – funding committed through the Implementation Plan.
- Estimated Cost – the contract cost to deliver the infrastructure (including variations).
- Actual cost – actual payments made.

Agency representatives advised that actual costs against budget were managed at the sub-project level (identified in Table 2) through existing processes and procedures within each relevant lead agency. To verify this, information relating to processes, procedures and project costs was sought from lead agencies as part of the audit. Not all requested information was provided by one lead agency prior to the conclusion of the audit.

Table 4: Cost data for selected Darwin City Deal sub-projects summarises the funding committed, and actual costs by sub-project as reported in various publications. Information to explain and validate the differences between commitment and actual cost was not provided during the audit.

Darwin City Deal cont…

Table 4: Cost data for selected Darwin City Deal sub-projects

Sub-Project	NTG Funding Commitment	Actual Cost
Civic and State Square Masterplan including demolition of the Chan Building	$15 million	Chan Building Demolition $1.88 million Native landscape Garden $3 million
Underground Carpark	$23.265 million	$19.4 million
State Square Art Gallery	$47 million	Not yet constructed
City activation and promotion	$3.2 million	NA
Laneways and small streets	$3 million	NA
Future use of Frances Bay	$100 million	Not yet constructed

Source: Budget paper 4 2018-19, Budget paper 3 2019-20, Budget paper 4 2019-20, Budget paper 4 2020-21, Budget Paper 4 2021-22, Greater Darwin Fact sheet 2021-22

* Combined funding for the City Deals project for the redevelopment of State Square, connecting the waterfronts and activating laneways

Managing sub-projects

Each sub-project is managed by a lead agency. The status of the following sub-projects were selected for testing:

Table 5: Sub-projects selected for testing as at October 2021

Sub-Project	Lead Agency	Original Timeline	Status as at October 2021
Civic and State Square Masterplan including demolition of the Chan Building	DIPL	2020	In progress
Underground Carpark	DIPL	2019	Completed in 2020
State Square Art Gallery	TFHC*/DIPL	2022	In progress
City activation and promotion	DCMC	Ongoing activities	In progress
Laneways and small streets	DIPL	First stage - 2021	In progress
Future use of Frances Bay	DIPL	2023	Not commenced

Source: 2019 Darwin Implementation Plan, Project Status report 2021 and Annual progress reporting 2020

*Territory Families, Housing and Community Services

Information reported by the lead agencies is at a point in time based on the available information and assessments of what milestones are reasonably anticipated to be met by a particular time. DCMC representatives advised that, as the relevant milestones approach, situations can change, further matters may come to light and statutory/administrative processes affecting infrastructure projects can cause delays.

Procurement

DIPL outsources the management and construction of infrastructure projects to private sector construction firms. The Darwin City Deal's infrastructure sub-projects are being implemented using this process.

Darwin City Deal cont…

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

Of the 3 procurements tested as part of this audit, none were advertised as a future tender opportunity as required by Rule 10 of the Procurement Rules (1 July 2020).

For one sub-project, the management of the construction was outsourced through extending an existing contract. The original procurement was for a Tier 2 Procurement. As a Tier 2 Procurement, 3 quotes are required to be obtained. A Certificate of Exemption was issued to allow the lead agency to seek quotes from less than the required 3 local suppliers. The justification provided for the exemption was *'an urgent requirement for an experienced Senior Project Manager familiar with DIPL procurement and project management processes to replace a DIPL staff member who has been redeployed.'*

The original contract was issued on 18 August 2019 for $81 thousand with a completion date of 9 December 2019. Change orders were used to expand the original contract. A change order was first issued on 13 November 2019. At the time of the audit, 17 change orders were issued totalling $733 thousand with the last change order issued on 8 April 2022.

Table 6: Contract T19-1674

Value of original contract	$81 thousand
Value of contract with change orders	$815 thousand
Value recorded as paid	$813 thousand

Source: Detailed Report for T19-1674

The cost of work undertaken in relation to this contract (approximately $813 thousand) results in the contract becoming a Tier 4 procurement. Compliance with the mandatory requirements for a Tier 4 procurement would require the following additional criteria to be addressed:

- Project Specific Procurement Plan
- Local Benefit Commitment
- Future Tender Opportunities
- Public Tender compared to the one quote used
- Contractor Accreditation

Contract change orders are used to make changes to the original contract. A contract change order documents information such as the description of the required change, the additional value being contracted and the approver's name and signature. Audit requests for additional documentation to more fully substantiate the variations to the contract were made however the lead agency's representative advised no further documentation was able to be located.

Darwin City Deal cont…

The Department of the Chief Minister and Cabinet has commented:

The Department of the Chief Minister and Cabinet acknowledges the recommendations provided from the audit and consequently has implemented improvements.

Local Jobs Fund

Department of the Chief Minister and Cabinet

Background

In October 2018, the Northern Territory Government (NTG) announced the creation of a $91.5 million Local Jobs Fund (the Fund).

The total funding allocated to the Fund was $91.5 million, comprising $89 million to be offered through the Fund and $2.5 million to support administration including staffing and access to specialist advice.

On establishment, the Fund's application process was intended to run for 2 years or until it is fully committed, whichever is the shorter period. The products offered by the Fund will continue to require management beyond the closure of the Fund.

The planned financial allocations and investment terms for each product offered through the Fund are presented in Table 1.

Table 1: Product Breakdown

Product	Fund Amount	Minimum Investment	Maximum Investment	Investment Term
Loan Guarantees	$20 million	$100 000	$5 million	5 years
Business Concessional Loans	$20 million	$100 000	$3 million	3 years
Equity Co-Investment	$20 million	$100 000	$5 million	3-5 years
Priority Sector Collaborative Grants	$20 million	$1 million	$10 million	not applicable
Capital Grants for Transformational Economic Growth Projects	$9 million	$100 000	$1 million	

Source: Local Jobs Fund Risk Appetite Statement 2019

The Local Jobs Fund Policy Framework (April 2019) outlines that the principal outcome for the Fund was to '*bring forward the development of projects and growth of businesses that would otherwise not occur, or would occur at a much later date or with a reduced scope. In doing so, it aims to achieve the following outcomes:*

Transformational economic impact

The Fund is targeted at industry sectors and projects that have the capacity to:

- *increase the long term productive capacity of the Territory economy*
- *improve the Territory's trade balance and economic output*
- *create enduring employment opportunities for Territorians*
- *increase the standard of living.*

Local Jobs Fund cont…

<u>*Leveraging private sector investment*</u>

The Fund will leverage private sector investment in the Territory. This will occur:

- *Directly through the transactions undertaken by the Fund, which will leverage private sector financing and investment in new projects and businesses.*
- *Indirectly through increased investment by the private sector to support Projects facilitated by the Fund. For example, suppliers investing in new assets to provide services for new projects and businesses.'*

A performance management system audit on the Fund was undertaken through my Office in 2019. The audit was performed during the period from February 2019 to June 2019 and covered the period from December 2018 to April 2019.

The primary objective of the 2019 audit was to assess the systems and processes in place to support the establishment and management of products offered through the Local Jobs Fund.

The 2019 audit was conducted in the early stage of implementation the Fund. The final management letter reported *'At the time of my audit, a number of documents had been drafted to support the delivery of the products offered through the Local Jobs Fund however the systems and processes intended to manage the products offered through the Local Jobs Fund had not been fully designed or implemented. I acknowledge that no agreements or transactions had been entered into at the time of the audit fieldwork. I also acknowledge that a number of recommendations have been addressed between the completion of the audit fieldwork and the issue of this report to the Agency for comment.'*

The audit conclusion stated: *'There are systems, processes and procedures (including the documentation thereof) that require implementation to ensure the products offered through the Local Jobs Fund are managed consistently, effectively, efficiently and economically in order to realise the intended objectives of the Local Jobs Fund.'*

The findings were published in my November 2019 Report to the Legislative Assembly.

Scope and objectives

The objective of the performance management system audit was to assess the performance management systems in place at the Department of the Chief Minister and Cabinet (DCMC) that enable management to assess whether the objectives of the Local Jobs Fund (the Fund) are being delivered effectively, efficiently and with economy and in a way that will assist DCMC to achieve its stated outcomes. The stated objectives (outcomes) of the Fund are to:

- Create enduring employment opportunities for Territorians
- Increase the long term productive capacity of the Northern Territory economy
- Encourage private sector participation in the Northern Territory
- Receive a return on investment for the Northern Territory.

The audit assessed the performance management systems in place during the period from April 2019 to December 2021.

Local Jobs Fund cont…

Index

The report on this audit is structured as follows:

Audit opinion

At the time of the audit, there were systems and processes in place at DCMC to assist in the delivery of the Fund's products however the existing systems and processes do not enable the assessment of the extent to which the Fund's investments are achieving the Fund's objectives and outcomes effectively, efficiently and with regard to economy.

In my opinion, additional systems and process are required to enable DCMC to assess whether the objectives, as they pertain to the Fund, are being achieved.

Recommendations

Opportunities to improve the Fund's systems and processes are presented below.

- Undertake an independent performance evaluation of the Fund including determining the extent to which outcomes and outputs have been achieved to date. An independent performance evaluation can assess the costs associated with an initiative (project/program) and the benefits realised. Where a high level of resources is committed with limited achievement of outcomes, independent assessment may determine that the resources would have yielded greater benefit if invested elsewhere. Such an evaluation could be undertaken using the NTG's Program Evaluation Framework.
- Assess the effectiveness of the Fund's activities to achieve the desired outcomes. The current reporting in place focuses on the Fund's offerings (as an output). There is no reporting or monitoring on the Fund's achievement of the stated outcomes. Outcomes identify what an entity seeks to achieve and outputs identify the actions or items that contribute to achieving the outcome. Measuring outcomes enables assessment of the effectiveness of a project or course of action. As an example, if the planned outcome is to increase employment and the actual outcome is not achieved, it could be determined that the project is not successful.
- Consistent with the 2019 performance management system audit, document processes to address instances of non-compliance by funding recipients and non-performing arrangements. Where non-performance is identified, document the justification for any alternative action and the approval received for deviation from existing processes.

Local Jobs Fund cont…

- Due to the nature of the products offered and the complex accounting requirements relating to the recognition and subsequent measurement of financial instruments, it would be prudent to seek accounting advice when determining the initial and subsequent measurement and recognition of complex product offerings.
- Develop and approve a communication policy to assist in increasing transparency in relation to the grants application, assessment and approval process. Ensure significant changes to any program are clearly communicated to affected stakeholders to promote transparency, accountability and equity and minimise risks associated with perceptions of bias.
- Ensure required policies, processes and templates are available and current.
- Develop policies and processes to address risks relating to banking and investment services.
- Ensure all conflict of interest procedures are complete. Where conflicts are identified, ensure they are appropriately assessed, strategies to mitigate the risk are identified, the assessment is documented and mitigating actions are carried out.
- Consistent with the 2019 performance management system audit, develop procedures and processes to ensure information is secure, complete, accurate and able to be reconciled to the Government Accounting System where relevant.
- Work with the Department of Corporate and Digital Development to assess the advantages and disadvantages of expanding the GrantsNT functionality to enable all grants to be recorded and managed in GrantsNT.

Audit observations

Current status

Since the 2019 audit, key policies, processes and templates have been finalised. The finalised documents include the overarching:

- Policy Framework April 2019, updated in February 2021 and March 2022; and
- Investment Management Policy July 2021, updated in March 2022.

The first application to the Fund was received in May 2019 and the first offering was issued to a recipient in March 2020. This was prior to key policies, processes and templates being finalised.

As at 31 December 2021, 18 offerings had been approved across 12 recipients with the approved value totalling $33.9 million. Of the 18 offerings, 9 had received funding totalling $18.5 million.

As at December 2021, there were a further 4 applications under consideration seeking total funds of $34.0 million.

Local Jobs Fund cont…

Key changes to the Fund

Funding

The original funding allocated to the Fund in 2019 was $91.5 million.

In 2020, the Loan Guarantees (a product offered through the Fund) were removed as a product due to a $20 million reallocation of the Fund's budget to the Home Improvement Scheme. This reduced the total funds on offer from $91.5 million to $71.5 million. This was reflected in the February 2021 Policy Framework.

As part of the 2021-22 Budget, the government announced an additional injection of $120 million into the Fund. This increased the total investment in the operation of the Fund to $191.5 million. Of this, $12.5 million was allocated to administration of the Fund leaving $179.0 million available for offerings from the Fund.

Agency representatives responsible for managing the Fund advised that $7.5 million allocated to the Fund was committed for 2 projects that were not assessed using the Fund requirements and are not being monitored using the Fund's processes. As a consequence, the total funding available for offerings through the Fund has been reduced from $179.0 million to $171.5 million.

Table 2: Funding Changes for the Local Jobs Fund 2019 - 2021

	2019	2020 ($million)	2021
Administration	2.5	2.5	12.5
Funds used for other projects	-	-	7.5
Fund offerings	89.0	69.0	171.5
Total	**91.5**	**71.5**	**191.5**

Source: DCMC Documentation

Outcomes and products

The release of the LJF Policy Framework March 2022 involved changes to the outcomes and product range with the business industry restrictions limitation removed. The increased scope was applied with the increase in funding described above.

In March 2022, the outcomes of the Fund were updated to:

- Create enduring employment opportunities for Territorians
- Increase the long term productive capacity of the NT economy
- Encourage private sector participation in the NT
- Receive a return on investment.

The following key items were removed from the original outcomes statement:

- Improve the Territory's trade balance and economic output
- Increase the standard of living
- Provide a return of/on capital.

Local Jobs Fund cont...

The eligible business definition was expanded to include *'businesses that are raising money to support a business that:*

- *is present in the Territory,*
- *has high growth and job creation potential, and*
- *meets the approved risk appetite for the Fund.'*

The range of industries eligible to apply for funding was expanded with the removal of the eligible product requirements. Prior to the change, applicants for funding had to be from one of the following sectors:

- Growth or Developing Sector as defined in the Economic Development Framework
- A related service and supply sector
- Other sector in which the Territory has a comparative advantage.

Timing

In 2019, it was expected the Fund would operate until the earlier of 31 December 2020 or until funds allocated to the program were fully committed. All timelines have now been removed.

Products

There were significant changes to the products offered through the Fund. The LJF Policy Framework March 2022 reflected the removal of Infrastructure Grants and the expansion of Equity to include Convertible Notes, Simple Agreement for Future Equities, Keep It Simple Securities and variations thereof.

The funding amounts allocated to each product were removed and the transaction limits were expanded.

Table 3: Products Available and Conditions 2019

Product	Fund Amount	Investment Term	Transaction Limit
Loan Guarantees	$20 million	5 years	$100,000 - $5 million
Business Investment Concessional Loans	$20 million	3 years	$100,000 - $3 million
Equity Investments	$20 million	3-5 years	$100,000 - $5 million
Priority Sector Collaborative Grants	$20 million	not applicable	$1 million - $10 million
Infrastructure Grants for Transformational Economic Growth Projects	$9 million	not applicable	$100,000 - $1 million

Source: The LJF Policy Framework April 2019

Local Jobs Fund cont…

Table 4: Products Available and Conditions 2022

Product	Fund Amount	Investment Term	Transaction Limit
Loan Guarantees	not available		
Concessional Business Loans	none	7 years	$100,000 - $10 million
Equity and Equity-based securities such as - Convertible Notes - Simple Agreement for Future Equities - Keep It Simple Securities and variations thereof	none	12 years	$100,000 - $10 million
Priority Sector Collaborative Grants	none	not applicable	$100,000 Part A $1 million Part B
Infrastructure Grants for Transformational Economic Growth Projects	not available		

Source: The LJF Policy Framework March 2022

Governance

The Fund is being managed by DCMC and the table below presents the key positions and associated roles undertaken in establishing the Fund.

Table 5: Key Roles in establishing and managing the Fund

Entity	Role
Government	Approved the establishment of the Fund committing $91.5 million in funding in October 2018. In June 2021, the Government approved an additional funding contribution of $120 million, being $60 million in 2022 and $60 million in 2023.
Chief Minister / Treasurer	Responsible for developing the scope, product range, structure and investment mandate for the Fund.
Investment Committee	Provide advice and make recommendations to the NTG in relation to Fund Applications. It will not make decisions as to whether or not support will be granted to individual applicants, that decision was originally the responsibility of the Chief Executive Officer of the Department of Trade, Business and Innovation (DTBI) and is now the responsibility of the Chief Executive Officer of DCMC, the relevant Minister or Cabinet.
DCMC (and previously DTBI)	Responsible for establishing and managing the Fund.
Department of Treasury and Finance	Responsible for drafting Treasurer's Directions that support the Fund's products.

Source: www.jobsfund.nt.gov.au

Local Jobs Fund cont…

Regular reporting on the Fund's activities is reported by DCMC through the Jobs Standing Committee of Cabinet.

Members of the Investment Committee were selected by DCMC representatives based on the skills and experience DCMC representatives determined were required, being finance, legal and commerce. The Investment Committee's resumes, Terms of Reference and compensation was discussed and approved by the then Chief Executive Officer of DTBI and the Chief Minister. The Investment Committee comprises 4 individuals who are not NTG employees and have relevant and appropriate qualifications and experience.

An NT Remuneration Tribunal Determination establishes remuneration rates for Committee members ranging from $719 to $959 per day for the Chairperson and $405 to $719 per day for other members. In order to attract participation from appropriately experienced and qualified individuals, rates between $1,300 to $2,000 per day for the Chair and $1,000 to $1,500 per day for members of the Investment Committee were approved. The approved rates do not seem unreasonable.

The total cost paid to the Investment Committee to the end of the period under audit was $99 thousand.

In May 2021, the Committee members' terms were extended to June 2023. Approval for the extension was provided by DCMC's Chief Executive Officer in May 2021.

The Fund transferred from DTBI to DCMC in the September 2020 machinery of government change. At the time of this audit, the procedural documentation in place to support the operations of the Fund had not been updated to reflect the change of agency.

Within DCMC, the Investment Territory output group has responsibility for delivering and managing the products offered through the Fund. The key role of Investment Territory is to identify, promote and facilitate the delivery of strategic infrastructure projects and investment to achieve sustained economic development, diversity and productivity.

Application and assessment process

There is a documented application and assessment process.

The assessment process is such that a project manager and director review new applications, consider what due diligence is required and what expert input is necessary. Following completion of eligibility requirements, due diligence and consideration of expert input, an assessment memorandum is drafted which details the key risks, mitigation strategies and assessment criteria.

This assessment memorandum is then reviewed by the Senior Director with input from the Executive Director. The applications, along with the assessment memorandum are independently reviewed by the Investment Committee.

A written recommendation is received from the Investment Committee, and, together with the assessment memorandum, is submitted to Cabinet for approval. Management advised that there have been no instances, for projects above $1 million which require additional Ministerial or Cabinet approval, where the decision has been inconsistent with the recommendation of the Investment Committee members.

Local Jobs Fund cont...

Conflicts of interest

There are existing processes for Directors and designated officers to disclose conflicts of interest. All Agency employees are required to follow DCMC's conflict of interest policy and submit a statement upon becoming aware of a potential, perceived or actual conflict of interest and then provide annual updates.

Conflict of interest declarations were required to be completed for Agency staff working on the Fund. Conflict of interest declarations signed in 2021 identified 2 instances where an employee held shares in a business that had applied for and received funding from the Fund. Controls identified by management to mitigate risks associated with identified conflicts of interest included:

- Prohibiting the conflicted employee from trading shares in the business for the period that Investment Territory is working with the proponents; and
- Not permitting the conflicted employee to work on the proponent's file for the period up to and including any approvals.

One of the declarations was not completed as the '*agreed actions with the manager*' and the '*CE approval*' sections were not documented at the time of the declaration. These sections were subsequently completed in 2022.

DCMC does not have established policies and processes that address risks directly related to banking and investment services such as the risk of staff becoming aware of information, inadvertently or otherwise, which may influence their future investment decisions.

For the Investment Committee, processes are in place to identify, record and manage conflicts of interest.

Applicants are also required to declare conflicts of interest. The LJF Policy Framework March 2022 states *'Applicants are required to declare any potential or actual conflicts of interest during the Northern Territory Government's consideration of an Application or as soon as they become aware of potential or actual conflicts during any subsequent discussions.'*

Risk assessment

A Risk Appetite Statement was developed in February 2019 and updated in March 2022 in conjunction with the update to the Framework and expansion of the scope of products offered. It outlined the risk tolerance levels for the Fund as a whole.

The document identified product limits (funding caps) to ensure *'broad distribution of funds across products and diversification of project-specific risk'* and explained that the Fund will only invest where there is a reasonable expectation of full return of capital to enable the funds to be recycled into future businesses and projects.

Complaints register

The Fund is managed within DCMC and therefore any formal complaints with respect to the Fund are managed by DCMC. DCMC's website has a facility for complaints to be made however management advised there have been no formal complaints received to date.

Performance outcomes and targets

There are 2 performance aspects associated with the Fund. The first aspect considers the performance of the Fund against the expected outcomes associated with the Fund. The second aspect considers the performance of the individual projects against the criteria of the Fund.

Local Jobs Fund cont...

Fund performance

Outcomes were established in the LJF Policy Framework in April 2019 and updated in the LJF Policy Framework in March 2022.

During my 2019 audit, management advised that key performance indicators were being developed to assess the Fund's outcomes. At the time of this audit, there were no key performance indicators or targets established to monitor or assess the performance of the Fund.

The reporting enables oversight of the Fund's products however does not facilitate oversight of the performance of the Fund.

Project performance

Recipient reporting requirements are established in the agreements and recorded in the Smarty Grants system. Processes exist to receive, review, assess and report on each recipient's performance.

Recipient reporting assessments are provided to the Investment Committee, Investment Commissioner and Major Projects Commissioner.

There is no set minimum economic return established within the framework. The key requirement is to ensure that each investment brings a minimum of 5 full time equivalent (FTE) jobs to the Territory within 2 years. As a result, the expected employment return on investment varies significantly for each product with the highest investment being $229 thousand per budgeted job, the lowest investment is $30 thousand per budgeted job.

Review of the FTE jobs requirement identified:

- One recipient was measured based on indirect jobs when the requirement was for direct jobs.
- Grants issued did not have a requirement for a specified number of jobs.

Recipients are required to report the FTE associated with their funding agreement. There are some generally accepted exemptions to the stated requirement for 5 additional FTE jobs, however there has been no publically available information to communicate this.

Review of Microsoft Excel files used to monitor the Fund's offerings identified some errors within the files indicating that review of the recorded information could be improved.

Performance evaluation

There had been no performance evaluation undertaken at the time of the audit nor is there an evaluation of the success of the Fund planned. In December 2020, the NTG Program Evaluation Framework was released. The Program Evaluation Framework is applicable to the Fund and states:

- *'Territory Government agencies must use the framework and toolkit to help plan, commission and use evaluations.'*
- *'An evaluation overview is mandatory for all new programs seeking additional funding of $1 million or more in any single year (refer to the Cabinet handbook and submission templates).'*
- *'Unless otherwise directed by Cabinet, funding for new programs (or extensions of existing programs) that impact the Territory Government's operating balance by $1 million or more in any one year will be subject to an initial five year sunset clause. This ensures that ongoing funding for programs is informed by evaluation.'*

Local Jobs Fund cont...

Cost

Available funds for product offerings are monitored using a Microsoft Excel workbook that identifies funds paid and funds committed.

Operational costs and offerings paid were monitored against the budget in line with existing Agency processes. An annual budget is established for the Fund and costs are identified and coded to the related cost codes. Monthly reports are prepared that analyse actual costs compared to budgeted costs.

Table 6: Local Jobs Fund Actual Cost – up to December 2021

	2019	2020 ($million)	2021
Total Revenue	-	(0.1)	(0.1)
Total Expenditure	10.3	8.2	2.1
Administration	0.6	0.3	0.3
Fund offerings	9.7	7.9	1.8

Source: DCMC Documentation

Revenue earned comprises interest income. Administration costs include employee costs, legal expenses, consultants' fees and committee members' fees. As at 31 December 2021, actual expenditure was lower than budgeted expenditure due to expenditure on staffing, consultants, marketing, travel and legal services all being lower than budgeted.

System and processes

Managing the activities

DCMC developed an Investment Management Policy (July 2021) and templates to support contractual agreements. An updated Transaction and Investment Management Policy was approved in March 2022 in conjunction with the updated LJF Policy Framework and Risk Appetite Statement. The Investment Management Policy includes policies to address non-performing loans and recovery actions.

Systems

The use of GrantsNT for the management of grants is mandatory across the NTG, with effect from January 2019. DCMC uses a combination of Smarty Grants (an 'off the shelf' grants management system) and GrantsNT to monitor grants.

The application process for all the Fund's products is being managed using Smarty Grants.

Smarty Grants is used for the lodgement of formal applications. The system functionality allows reminder emails to be issued via the Smarty Grants system such as automatically sending an alert to DCMC and a proponent communicating their forthcoming reporting requirements.

The Queensland Rural and Industry Development Authority (QRIDA) is an external party contracted to assist with the management of the Fund's lending activities. The selection of QRIDA occurred through a competitive process undertaken in accordance with the NTG's Procurement Rules.

Local Jobs Fund cont...

Reporting requirements

The reporting requirements are stipulated in the signed contracts. Contracts are developed using established templates.

The required reporting by recipients is monitored using a Microsoft Excel workbook. Review of the workbook identified some errors indicating that review of the recorded information could be improved.

One breach has been identified to date where a recipient did not meet the interest cover covenant for the December 2021 quarter. No failure to comply letter was issued and the same breach was observed in subsequent quarterly reporting.

Status of responses to recommendations from the 2019 audit of the Fund

A performance management system audit of the Fund was undertaken in 2019. The findings were published in my November 2019 Report to the Legislative Assembly. The audit gave rise to 12 recommendations. Of the 12 recommendations, 9 have been satisfactorily addressed. Action taken against the remaining 3 recommendations is documented below.

Table 7: Current status from 2019 Audit Recommendations

Recommendation	2022 Audit Observations
2019 Recommendation 1. Implement a performance management system that enables DCMC to measure and assess whether, or to what extent, the NTG's objectives are being, or have been achieved.	Outcomes were set in the LJF Policy Framework April 2019 and updated in the LJF Policy Framework March 2022. No key performance indicators or targets were established to enable monitoring or assessment of the outcomes intended from the Fund.
2019 Recommendation 2. Develop a project plan for the Fund that identifies the scope, management and overall success criteria to fund stakeholders on the objective/s of the Fund and how the objectives/s will be achieved.	The project plan in the form of an assessment memo was provided however the plan did not identify a purpose/scope, timeframes, resourcing/system requirements, costing, or a risk assessment. The actions identified in the plan were limited and not monitored.
2019 Recommendation 7. Ensure identified risks and mitigating actions are documented and reassessed if significant changes affect delivery of projects supported by the products offered and ensure that a process exists to identify new and emerging risks.	Sighted the Risk Appetite Statement. At a project level it relies on due diligence based on the proponent's business case evidencing the proponent's financial capability and ability to achieve the Fund's objectives. The Assessment Memorandum for grants did not include a requirement to document the risk assessment of the project. The Assessment Memorandum for loans included identifying risk and mitigating actions.

Local Jobs Fund cont…

The Department of the Chief Minister and Cabinet has commented:

The Department of the Chief Minister and Cabinet acknowledges the recommendations provided from the audit.

Modular Housing

Selected Agencies

Background

Remote housing investment

Following a 2016 pre-election commitment, the Northern Territory Government (NTG) announced a 10 year, $1.1 billion remote housing investment in 2017. The investment was premised upon the principles of local decision making, engagement and planning with the emphasis on local participation in the delivery of the work, promoting local economic development to build and manage housing.

A key intended outcome from the program was to reduce the level of overcrowding in communities throughout the Territory.

The remote housing investment comprises 4 programs:

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

An additional NTG investment of $426 million over 8 years from 2016-17 was committed for preparing land servicing and infrastructure for the remote housing works. The Australian Government also committed $550 million over 5 years through the National Partnership Agreement for Remote Housing Northern Territory. The joint investment totals $2.1 billion over 10 years. The program focuses on:

- Reducing overcrowding and improving living conditions
- Local decision making and engagement with communities
- Developing Aboriginal Business Enterprises
- Sustainable local employment
- Economic development.

HomeBuild NT

The *Our Community Our Future Our Homes* website states that *'$500 million has been allocated over 2017-2018 to 2026-2027 to build new homes in remote communities under HomeBuild NT.*

Each community has different housing needs and there is no 'one size fits all' solution. We work with each community to identify their priorities for new housing. For example, some communities prioritise housing for elderly residents or people with a disability while others prioritise housing for extended family groups.

Through local decision making, communities can have input into decisions about the type of housing needed, when the program is delivered, where housing is built, and training and employment opportunities.

HomeBuild NT has a focus on innovative design and materials as part of its delivery.'

Modular Housing cont…

Public reporting is provided on the *'Our Community Our Future Our Homes'* website. The information presented below was published on the website in 2021.

Table 1: Financial – Actual

	Contracts awarded ($'million)	Total expenditure ($'million)
NTG	242.7	125.6
Australian Government	47.5	97.6
Total	**290.2**	**223.2**

Source: Our Community Our Future Our Homes website, 2021

Table 2: Homes – Actual

	Approved	Tender	Procurement	Construction	Complete
NTG	844	112	8	164	204
Australian Government	411	192	51	85	112
Total	**1,255**	**304**	**59**	**249**	**316**

Source: Our Community Our Future Our Homes website, 2021

Modular housing

In addition to the construction of block homes, modular homes are being used to meet the housing objectives associated with the HomeBuild NT Program. The modular homes are being built in Alice Springs and Darwin and delivered via road transport.

Scope and objectives

The objective of the performance management system audit was to assess the performance management systems in place at the Department of Infrastructure, Planning and Logistics (DIPL) and the Department of Territory Families, Housing and Communities (TFHC) (collectively 'the Agencies') that enable management to assess whether the HomeBuild NT program, with specific regard to the modular housing component ('the program') is being managed effectively, efficiently and with economy.

The audit assessed the performance management systems in place during the period from the commencement of the program to 31 December 2021. In substance, the audit findings in this management letter reflect information available to the time of the audit, conducted between March and June 2022.

Modular Housing cont…

Index

The report on this audit is structured as follows:

Audit opinion

The objective of the performance management system audit was to assess the performance management systems in place at the Agencies that enable management to assess whether the HomeBuild NT program is being managed effectively, efficiently and with economy.

In my opinion, the performance management systems generally are sufficient to enable management to assess whether the HomeBuild NT program is being managed effectively, efficiently and with economy. Some opportunities exist to enhance the performance management systems and processes.

Recommendations

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

- Implementation of processes and systems to identify and record the issues facing each regional area and location/site may help to mitigate the key person risk that currently exists as a result of strategic and operational knowledge being predominantly held by one individual. Consideration could be given to the present organisational structure to ensure that knowledge and experience is shared between other personnel within the Housing Program Office to minimise any succession planning risks associated with the program. This could involve the introduction of mitigating controls such as increased documentation of processes and work instructions, greater delegation of roles and responsibilities and training of personnel.
- The Remote Housing Program is not subject to any internal audits or program evaluations specfically designed to test the effectiveness of controls related to key risks associated with program delivery. Consideration could also be given to undertaking a formal program evaluation in accordance with the Northern Territory Government's recently introduced Program Evaluation Framework.

Modular Housing cont…

- Update overarching guidance and frameworks relating to the housing programs developed by the former Department of Local Government, Housing and Community Development which are still used in the delivery of the remote housing program to reflect the functions that have now transferred to DIPL and TFHC and take into consideration the allocation of responsibilities as captured in the joint agency memorandum dated 3 November 2020.
- Implement a more formal risk management framework for the program with assignment of responsibilities and time frames for specific risk mitigation strategies to spread and reduce the overall project risk and enable more timely action and follow up of outstanding risks.
- Ensure procurement related documentation is prepared and retained to demonstrate compliance with NTG procurement rules can be demonstrated.
- DIPL is investing in a program management system which will enable reporting at portfolio, program and project levels and will automate the reporting processes. To support the implementation of the system, provide communication to stakeholders about any changes to the format and content of existing reports. Quality assurance processes will need to be implemented to ensure the validity and accuracy of underlying data and the resulting reports.
- Consider enhancing the information reported publicly on the website by reporting upon the cost elements associated with the program such as preliminary costs, landscaping, construction costs. This opportunity for enhancement may not be pragmatic prior to the introduction of a comprehensive program management system.
- Delivery of the program has been delayed for various reasons. Since the inception of the program, global and national economic factors have put upward pressure on the prices of materials and the availability of resources, including labour. The costs of construction are continuing to rise due to resourcing, supply chain shortages and inflationary pressures. Increasing costs since the inception of the project in 2017 are likely to result in reduced delivery from the available funding. Given the target numbers of houses and bedrooms were determined by dividing the available funding by the estimated cost associated with the house/bedroom, recalculating those targets today would yield very different results. To accurately inform future stakeholder discussions and monitoring of program delivery, it would be prudent to develop an achievable and realistically costed forecast for completion of the remaining housing program together with explanations regarding influencing factors.

Modular Housing cont…

Audit observations

Remote housing program management plan

The program was initially under the control of the Department of Local Government, Housing and Community Development. The preparation of the Remote Housing Program Management Plan (the Plan) commenced in April 2017, 5 months after the announcement of the remote housing investment. The Plan took an additional 5 months to be finalised in September 2017 due to changes in Agency personnel.

Since the commencement of the program, successive Administrative Arrangements Orders reflecting ministerial portfolios and changes to agencies have been issued. Changes to agencies as a result of changed Administrative Arrangements Orders are referred to as 'machinery of government' changes. The most significant of the recent changes are described below.

In September 2020, Territory Families became TFHC and assumed the housing and tenancy management functions from the former Department of Housing, Local Government and Community Development and the sport and cultural (arts and museums) functions from the former Department of Tourism, Sport and Culture.

From 1 January 2021, the housing project team transferred from TFHC to DIPL. Overall project supervision remains with TFHC.

Within DIPL, the Housing Program Office structure includes:

- Executive
- Housing and Infrastructure – Delivery
- Program Planning and Delivery – Top End
- Program Planning and Delivery – East Arnhem
- Program Planning and Delivery – Big Rivers
- Program Planning and Delivery – Barkly/Alice Springs
- Land Servicing and Engineering
- Program Support and Stakeholder Relations

The Housing Program Office supports all housing, remote and urban, and has over 130 approved full time equivalent positions of which approximately 40 positions were unfilled at the time of my audit. This reflects the challenge of recruiting during the ongoing skills shortage being faced across the Northern Territory.

Discussions with key personnel within the Housing Program Office identified the concentration of corporate knowledge held by a limited number of individuals. In recognition of the risks associated from over-reliance on key individuals, DIPL has commenced restructuring the roles and responsibilities of all personnel within the Housing Program Office. Observations during the audit identified that effective and efficient program delivery is heavily reliant on the strategic and operational knowledge held by the General Manager of the Housing Program Office. This dependency risk identifies a need for the introduction of mitigating controls such as increased documentation of processes and work instructions, greater delegation of roles and responsibilities and training of personnel.

Modular Housing cont…

With the transfer of the Housing Program Office to DIPL, there may be further opportunities to integrate the activities of the Housing Program Office within DIPL. As an example, at the time of my audit, DIPL's internal audit program did not include any internal audit activity specifically directed to auditing the delivery of remote housing at a program level. Audits scheduled in the 2021-22 and 2022-23 internal audit plans do include audits which may involve testing aspects of the remote housing program (such as Value for Territory and contract management). Given the significance of the program to remote Territorians and the financial commitment to delivering the program, the inclusion of the housing program in the internal audit program would provide assurance to stakeholders that the program is being delivered and is also actively seeking opportunities to continuously improve the efficacy of program delivery.

Representatives from the Housing Program Office advised that there is an intention to undertake a number of program evaluations in relation to housing delivery. There has been no evaluation scoped or scheduled to date however a staff member has been tasked with determining an appropriate program evaluation strategy.

The Plan

The plan was originally designed as part of the NTG's Capital Works allocation and is regularly updated, at least annually, as part of the budget preparation process.

The methodology used was largely designed around the capacity to reduce overcrowding on a location-by-location basis. Selection of communities to participate in the programs was based on:

- An Estimated Resident Population 2014 Australian Bureau of Statistics model, using the *Canadian National Occupancy Standard* and data from the Territory's existing Tenancy Management System
- An average of:
  - Need (bedrooms) – room required as a percentage of the population, that is, a higher percentage means a higher level of need
  - People per bedroom – population divided by a total number of remote community housing dwellings (assuming an average of 3 bedrooms per dwelling from Canadian National Occupancy Standard)
  - Required bedrooms as a ratio of remote community housing stock – the higher the index the greater level of need is assumed
  - Overcrowded dwellings as a ratio of remote community housing dwellings – the lower the index, a greater level of need is assumed
- Community ranking – communities were ranked and filtered to remove known constraints to additional housing development
- Any community without long-term lease arrangements was given lower priority.
- Any community identified by Power and Water Corporation (PWC) as having water sources at extreme risk were also given lower priority, but above those without longer term lease arrangements

Modular Housing cont…

- Suitability of lots for Remote Housing initiatives
  - Homebuild NT type housing
    - Suitable land available for immediate construction
    - Leased lots that may require further investigation or minor issues to be resolved
  - Room to Breathe – identify all remote community housing dwellings that meet the Room to Breathe criteria
  - Community infrastructure – confirm infrastructure availability within the Agencies and PWC
  - Community engagement – to liaise with local communities to gain a better understanding of individual community and regional area needs and their commitment to the initiatives proposed.

Delivery of the Remote Housing Program is facilitated through the application of a number of interconnected plans and frameworks:

- *National Partnership for Remote Housing NT 2021-2022 Capital Works Plan*
- *2021-2022 Proposed Capital Works Delivery Schedule*
- *Our Community Our Future Our Homes – Aboriginal Employment and Business Enterprise Development Framework September 2019**
- *Our Community Our Future Our Homes – Capital Works Program Design Guidelines October 2019***
- *Our Community Our Future Our Homes – Procurement Framework August 2019***
- *Our Community Our Future Our Homes – Local Decision Making Framework August 2020***
- *Our Community Our Future Our Homes – Reporting Framework October 2020***

* The NTG released the Aboriginal Economic Participation Framework in June 2022. When updating the September 2019 framework document, it would be appropriate for any amendments to take into consideration the Aboriginal Economic Participation Framework.

** These documents are comprehensive and are currently used in the delivery of the remote housing program. They were developed between 2019 and 2020 by the former Department of Local Government, Housing and Community Development. To remain relevant and useful, the documents require updating to reflect the functions that have now transferred to DIPL and TFHC and take into consideration the allocation of responsibilities as captured in the joint agency memorandum (between DIPL and TFHC) dated 3 November 2020.

Modular Housing cont…

Amending the Plan

The information is regularly updated as part of the Plan and has helped to determine project priorities which may change depending on several factors such as:

- Weather conditions and changes in suitability of sites
- Logistical difficulties such as getting sufficient building materials or modular units on site
- Transport logistics and the cost of transporting modular housing to remote sites
- Availability of suitable construction personnel in remote locations
- Co-ordination of logistics with external providers such as PWC
- The suitability of each type of structure for each location
- The cost of construction and whether it is more efficient to use block/brick housing, modular housing or a Room to Breathe solution noting some solutions may be more effective and enable a quicker response to the overcrowding need in each location.

In practice, this means that the delineation of the project between Homebuild NT and Room to Breathe is not as clear cut as originally envisaged.

In order to progress the HomeBuild NT program and meet expected spending commitments, especially those related to the National Partnership agreement with the Australian Government, the NTG has explored a range of housing products available in addition to traditional block homes constructed on site. The program allows service providers to offer alternatives to traditional block homes. One alternative offered by the market to meet the NTG public housing demand is the construction of modular housing. The original concept was referred to as prefabricated housing, but the Agencies prefer to refer to the project as modular housing due to the perception of prefabricated housing being more associated with flat pack or container type housing which has a connotation of being of lower quality or a shorter effective useful life.

The use of modular housing enables:

- Construction of homes to continue during the wet season in the far north of the Northern Territory by building components of housing that are then transported to site for assembly
- Construction of elevated and semi-elevated homes in areas that are prone to flood inundations to mitigate the risk of ground-level block homes becoming flooded
- Reduced need for water for use in onsite construction (as example for use in batching plants) in water-stressed communities
- Preparatory site-works and infrastructure to be completed onsite in advance of the construction of the modular homes
- Aboriginal employment opportunities both on community and in the major urban centres where the housing components are built.

The design of the modular homes during the process is intended to ensure the modular homes are of equivalent quality to other permanent types of housing including housing products which would be offered as part of the Government Employee Housing program.

Modular Housing cont…

Consistent with the expectations of block homes, the design and construction of the modular homes must:

- Provide for a useful life of each building of at least 30 years;
- Meet the requirements of the capital works guidelines and relevant building legislation;
- Be fit-for-purpose for the intended occupants (taking into consideration aspects such as accessibility);
- Align with the designs agreed through local decision making and remote housing specifications Design Guidelines Remote Community Housing; and
- Meet quality assurance requirements and be issued with a certificate of occupancy prior to being handed over to tenants.

Australian Government funding

Because a significant proportion of the Homebuild NT program is being funded by the Australian Government, regular reporting is required via a Joint Steering Committee (JSC) which meets on a quarterly basis. Consideration of aspects relating to the operation of the JSC is out of the scope of this audit, however elements relating to reporting processes were considered to demonstrate that a performance management system, as it relates to modular housing, was in existence.

Under the National Partnership for Remote Housing Northern Territory, the Terms of Reference documents the membership of the JSC as including 2 Federal Government representatives, 3 NTG representatives and the Chief Executive Officer and/or one other nominated senior representative from each Land Council.

The funds committed by the Australian Government did not specify the exact number of dwellings or bedrooms to be constructed but did set a commitment of total funding which was to be expended by the initial closing date of the agreement with the NT government, that being 30 June 2023. The number of dwellings/bedrooms were developed as the program progressed to provide an indication of how much could actually be constructed within the funding parameters. The agreement with the Australian Government was signed on 31 March 2019.

Contributing factors to the delayed delivery of the program were:

- The need to extract data on overcrowding using the implementation of the Canadian overcrowding model as a starting point;
- Identifying the right participants in the local decision making framework;
- Availability of interpreters;
- The tendering process for suitable builders and the engagement of contractors;
- Identification of appropriate housing sites within communities;
- Travel restrictions to remote communities as a result of policy decisions to address the COVID-19 pandemic; and
- COVID-19 impacts on skills and labour availability and the materials supply chain.

Modular Housing cont…

Due to the delays in commencing the program, the NTG is negotiating to extend the program to 30 June 2024 in order to meet the funding commitments initially proposed by the Australian Government. Negotiated terms will also be required to take into account the increased cost of construction since the project was originally designed. Based on current internal projections, capital budget allocations and construction plans, the project team forecasts completing 1,950 bedrooms which could be attributable to the Australian Government by June 2023. There is no established process to directly attribute a house/bedroom to a specific funding source. As at 30 June 2022, agency data showed 1,229 total new bedrooms had been completed over the life of the program.

Delivery of the Plan

Overall control of the project is heavily reliant on the project management and co-ordination skills of the General Manager Housing Program Office. This role is a pivotal one, involving liaison with the various steering committees, agency executives, construction supervisors, and regional area directors.

The success of the program is dependent on many critical success factors including:

- The reliability and currency of the overcrowding model;
- Ensuring that there is current, up to date, reliable and regular reporting of construction progress and projections;
- Ensuring the contractor projections and construction schedules and reporting of actual progress is accurate;
- Quality of the building by subcontractors meeting pre-set standards and being regularly monitored;
- The joint steering committees remaining effective with open and honest channels of communication to all stakeholders;
- The project team working effectively together;
- The individual communities continuing to support the program including providing timely feedback on issues facing their individual communities; and
- The program remaining flexible enough to be able to change the nature of construction to meet individual community needs and varying weather or any necessary changes in underlying infrastructure such as PWC specifications.

Governance structure

The *Our Community Our Future Our Homes – Reporting Framework October 2020* applies to the Remote Housing Investment Package and also applies to activities under the National Partnership for Remote Housing (between the NT and Australian Governments).

Following the decision to transfer the Housing Program Office to DIPL, a memorandum was developed and agreed between DIPL and TFHC which identified the roles and responsibilities that could be attributed to each agency in relation to Urban and Remote Public Housing Infrastructure. At the time of audit fieldwork, the TFHC/DIPL Partnering Agreement was being finalised.

In considering the appropriate allocation of roles and responsibilities, it was agreed that there would be no changes to the governance structures that existed prior to the transfer of the Remote Housing Office. The JSC continues to have strategic oversight over delivery of the NTG's remote housing program.

Modular Housing cont…

In addition to the JSC, there is also an operational committee which meets fortnightly and a departmental head/ executives group which meets monthly, both of whom have an oversight role and can influence program delivery.

Risk management

A risk register directly associated with the delivery of remote housing was developed to facilitate strategic oversight by the JSC.

There is also a comprehensive operational risk register associated with the *Our Community Our Future Our Homes* program and a related operational risk report. The operational risk report addresses project risks at a high level but does not allocate responsibility for managing the risks to specific individuals or establish timeframes for implementation of specific strategies intended to mitigate identified risks.

DIPL has a risk appetite statement that was updated in 2022 and all areas of the agency had involvement in the update. There is guidance on the intranet to assist employees in identifying risks, controls and mitigating strategies. DIPL's risk management framework is yet to be updated to ensure it appropriately encompasses the activities of the Housing Program Office following machinery of government changes.

DIPL representatives advised there is currently a project underway to establish an overarching risk management framework for the Housing Program Office which is intended to form part of the broader Agency risk management framework. A risk register specific to the Housing Program Office is being developed.

Procurement of panel to deliver modular housing products

Monitoring of the progress of the program identified that delays both at the commencement of the remote housing program and as a result of the travel restrictions imposed through the government's response to COVID-19 presented significant risks to achievement of the program's targets within the timelines specified by the funding agreements.

In order to accelerate the delivery of housing, the NTG proceeded to market to seek proponents willing to offer alternate construction solutions to deliver the remote housing program. Observations related to the procurement process are listed below.

- The Procurement Activity Plan was not signed to demonstrate formal approval.
- The Future Tender Opportunity notification was released to the market on 25 March 2020.
- Request for Tender All Regions – Homebuild NT Panel Contract for Prefabricated Dwellings for a Period of 12 Months [T20-1257] was released 15 June 2020
- There was an addendum to the RFT issued providing an extension to RFT closure date to 27 July 2020 (originally scheduled to close on 13 July 2020)
- The estimated value of the period panel contract was $47 million and was premised on a projected program of works of 100 dwellings in the initial contract period (12 months). The cost estimate assumed an allocation of $470,000 per dwelling which allowed for the design, construction, transportation and installation of a single asset. The allocation of $470,000 was consistent with the average tenderer cost of 3 bed dwellings in the previously existing Panel Contract [T18-2514].
- Nine entities responded to the Request for Tender.

Modular Housing cont…

- The tender assessment team had 3 panel members. The design assessment team also had 3 panel members. There were 3 individuals appointed as advisors to the assessment teams. Conflict of interest forms for all individuals involved in the assessment were not provided in response to the audit request.
- Of the 9 responses received to the RFT, 1 response was deemed inadmissible, 3 entities were not shortlisted and 1 entity was not recommended. Four entities were recommended to be added to the period panel contract.
- The average cost per dwelling based on responses to the RFT was around $570,000.
- There was no probity advisor engaged in relation to the procurement.

Contracts were issued to 4 businesses comprising the modular housing panel on 21 January 2021. Subsequently one business withdrew from the modular housing panel. The costs of modular products are established using the contractors' tendered schedule of rates as maintained in the Asset Information System. Any variations to the agreed works order are based on notification and agreement of additional works. All variations are monitored to ensure there is no duplication of priced works.

As at 30 March 2022, 13 work orders had been issued for a total value of approximately $61 million. Claims for work completed as at 31 March 2022 totalled $22 million.

Management of contractor performance is undertaken using established processes within DIPL. The Contractor and Consultant Performance Scorecard process is mandated for all works contracts valued in excess of $100,000 and consultancy contracts valued in excess of $50,000. In relation to the modular housing contractors, contractor evaluation is undertaken by the Modular Contract team within the Housing Program Office. The scorecard is signed by the contractor and relevant superintendent or their representative.

The scorecard is used to assess project and contract management including the management of sub-contractors; time management and progress; quality of work; utilisation of systems; and local content. Evidence of contractor performance reports for modular housing contractors was provided. Any identified underperformance is managed through this process. Performance meetings are held regularly between DIPL and the panel contractors where all elements of the contract delivery are discussed. Minutes of the meetings are recorded and saved within the across-government records management system.

All completed homes, including modular homes, are required to be quality assessed by an accredited building certifier and issued with an Out of Building Control Area Permit to Occupy. This is not a Permit to Occupy issued under the *Northern Territory Building Act 1993* or a Statement of Compliance that the works are in accordance with the Building Code of Australia. The Out of Building Control Area Permit to Occupy places reliance on statutory declarations by the builder that the works were in accordance with the Building Permit issued for the works. Each builder's declaration is accompanied by a Section 40 Certificate of Compliance – Plumbing and Drainage issued by a licenced plumber and an Electrical safety – Certificate of compliance issued by NT WorkSafe. Each property must have a Manufacturer's Certification – Windows/Doors and similar certification in relation to waterproofing, termite management. The building certifier inspects the modular dwellings at the site of manufacture throughout the construction process.

There is no subsequent onsite inspection carried out by the certifier however representatives from DIPL conduct regular visits to the urban construction sites in addition to visiting the communities.

Modular Housing cont…

Performance reporting

The *Our Community Our Future Our Homes – Reporting Framework October 2020* clearly identifies the measures that are to be reported upon to demonstrate achievement of intended outcomes and the frequency of reporting relevant to each program. For each program, the framework identifies the criteria and required reporting data as demonstrated in the example below:

- Measurement (HomeBuild NT expenditure report: value of contracts awarded ($) to date)
- Scope (by community and program)
- Funding source (NTG or AG)
- Period reported (by current financial year and agreement period)
- Format (quantitative activity)
- Responsibility (TFHC governance and government relations)
- Data source (Assets System Nexus [ASNEX])
- Report to (website, JSC).

Information pertaining to the delivery of the remote housing program is contained within a number of NTG systems. Information is maintained in the:

- Tenancy Management System
- Assets System Nexus [ASNEX]
- Quotations and Tenders Online (QTOL)
- Agency Purchase Requisitions Online (APRO)
- Corporate Business Intelligence System (CBIS)

Reporting involves the collation of data from each of the above systems by a data analyst. Program cost information includes costs relating to construction; site service costs; driveways; yard works; preliminary costs and freight costs. Comprehensive reports are produced at a 'lot' level and include completed works and scheduled works.

The reports are then reviewed by two individuals prior to the information being released on a dashboard through a public website (ourfuture.nt.gov.au/accountability-and-reporting/program-progress#/room-to-breathe).

Reports are also prepared through similar collation processes to inform governance committees and ministers. The current reporting process is dependent on manual extraction and collation of data which presents an increased risk of error and inefficiencies in the reporting process. DIPL is investing in a program management system which will enable reporting at portfolio, program and project levels and will automate the reporting processes. DIPL representatives advised that a pilot has been approved for the Housing Program Office. The proposed program management system is an existing system and will not require significant customisation to be fit-for-purpose however it will need to draw the required information from existing NTG systems.

The reported numbers are not apportioned between block and non-block houses as the type of housing is not relevant to achievement of the objectives. Representatives from DIPL advised that no stakeholders have specifically requested such information to be reported on a regular basis.

Modular Housing cont…

The framework and the reporting represent better practice. Reporting on program progress could be enhanced by reporting upon the cost elements associated with the program such as preliminary costs, landscaping, construction etc. Whilst this data is currently maintained within existing information systems, the collation of such data for public reporting may require significant effort. This opportunity for enhancement may not be pragmatic prior to the introduction of a comprehensive program management system.

March 2022 progress against the Plan

Whilst the performance management system audit guidelines were designed to cover the period to 31 December 2021, the following tables provide information based on the information available during the audit on the public website accessed on 31 March 2022.

The data was extracted from systems within DIPL. The reported information was checked for consistency between copies of reports and the systems and formed the basis for assessing the reliability of data used to manage the project. The data includes financial data and statistics relevant to the allied aims of the program such as encouraging Aboriginal Enterprise Development and Aboriginal employment.

The following tables reflect the key data used internally to manage the project and report progress to the Joint Steering Committees and stakeholders.

Table 3: Project Financial Data

	Northern Territory Government			Australian Government		
	Program Budget	Contracts Awarded	Total Expenditure	Program Budget	Contracts Awarded	Total Expenditure
			($'million)			
Capital	900.0	378.8	202.9	375.0	118.1	143.5
Repairs and Maintenance	200.0	-	96.0	175.0	-	126.5
Total	**1,100.0**	**378.8**	**298.9**	**550.0**	**118.1**	**270.0**

Source: Our Community Our Future Our Homes website, March 2022

Table 4: Aboriginal Employment

	Proportion Aboriginal employment (headcount)	Proportion Aboriginal employment (FTE)
Financial year to date	46.0%	46.7%
Life of program	47.0%	44.1%

Source: Our Community Our Future Our Homes website, March 2022

Modular Housing cont…

Table 5: Aboriginal Employment

No of contracts awarded to ABE's	Proportion of contracts awarded to ABE's	Value of contracts awarded
64	49.2%	$195 million

Source: Our Community Our Future Our Homes website, March 2022

Table 6: Homes and Bedrooms

	Homes Approved	Homes Tender	Homes Procurement	Homes Construction	Homes Complete	Bedrooms Complete
Homebuild NT Project	1,255	143	340	397	356	1,087
Room to Breathe	1,086	121	357	292	838	24

Source: Our Community Our Future Our Homes website, March 2022

Table 7: Overcrowding

	Total Homes	Occupied Homes	Tenants	Overcrowded Home	Proportion Over crowded Home	Ave occupants per bedroom	Changes in total bedrooms
Baseline	4,640	4,227	20,910	2,458	58.1%	1.7	-
Current	4,994	4,527	21,648	2,488	55.0%	1.6	1,383

Source: Our Community Our Future Our Homes website, March 2022

This information is publicly reported.

Forecasts and projections

Key executives involved in the management of the project provided additional information as at 31 March 2022 in relation to the status of the project and projections. This information provides an insight on the status of the project compared to the internal targets and expectations of the project team. The information was sourced from the most recent information provided by subcontractors against their planned construction schedules. Key observations from this review were as follows:

- The forecast of approved bedrooms in the June 2021 plan was 810.
- For the HomeBuild NT program, the number of bedrooms forecast to be completed by 31 March 2022 was 646. There were 477 bedrooms actually completed at 31 March 2022. Therefore, the project was 169 bedrooms behind forecast at 31 March 2022.
- The revised forecast at 31 March 2022 shows an expectation of completion of 2,141 bedrooms by June 2023.
- The Contractual Commitments Report shows there are committed tenders issued for 1,925 bedrooms as of 30 April 2022, based on 620 dwellings. The expectations associated with existing commitments forecast a total of 1,491 bedrooms to be completed by June 2023.

Modular Housing cont…

- There are current tenders in progress for a further 777 bedrooms with an expectation that 281 of these will be completed by June 2023.
- Specific to the modular housing component, DIPL had committed to the construction of 146 dwellings as at 31 March 2022 (comprising 572 bedrooms). Of these, 182 bedrooms were expected to be completed by 30 June 2022 and, of the existing commitments, 548 bedrooms were forecast to be completed by June 2023.
- There have been 1,379 bedrooms completed to 31 March 2022 for the whole program (being Homebuild NT, Room to Breathe, Modular Housing and Government Employee Housing).
- The budgeted formula (estimate) used for the previous prefabricated housing project in 2018 assumed a value per house (remote) of $470,000. Information received from the market in 2020 suggested an average cost of around $570,000 per house. The Approved Capital Works Plan for 2021-2022 shows NTG projects were budgeted at a rounded value of $500,000 per 3-bedroom dwelling.
- At a more granular level, budgetary information is based on $170,000 per bedroom. Management have advised that, to date, this value has been very close to actual costs however, due to factors associated with COVID-19 and material supply issues, significant cost increases will reduce the number of bedrooms able to be constructed within the existing funding budgets.
- Of the expectation of total bedrooms to be completed by June 2023, the amount which could be allocated as attributable to Australian Government funding under the partnership arrangements is 1,950 which means that the program is expected to meet the established targets.
- Management have advised they are seeking to negotiate extensions to the completion time and the available funding with the Australian Government.

Delivery of the program has been delayed for various reasons. Since the inception of the program, global and national economic factors have put upward pressure on the prices of materials and the availability of resources, including labour. Given the target numbers of houses and bedrooms were determined by dividing the available funding by the estimated cost associated with the house/bedroom, recalculating those targets today would yield very different results. To accurately inform future stakeholder discussions and monitoring of program delivery, it would be prudent to develop an achievable and realistically costed forecast for completion of the remaining housing program together with explanations regarding influencing factors.

Modular Housing cont...

Related audits undertaken by the NT Auditor-General

Findings raised from prior audits of elements of the Remote Housing Investment undertaken by the Auditor-General, and action taken by existing and former agencies to address the findings were revisited during this audit. The delivery of the housing program has progressed such that some of the earlier recommendations are no longer relevant. A number have been assessed as addressed. Where the current audit has identified similar opportunities to enhance the performance management systems, these have been raised as recommendations in this report.

Audit observations from these earlier audits and the current audit have confirmed that the Agencies have continued to enhance performance management systems and strengthen controls as they relate to the delivery of remote housing.

Room to Breathe

A performance management system audit was undertaken on the Room to Breathe Program. The findings from the audit were included in the June 2020 Auditor-General's Report to the Legislative Assembly. The audit assessed the performance management systems in place during the period from the announcement of the program in November 2016 to 30 September 2019 and was undertaken at the former Department of Local Government, Housing and Community Development.

The audit concluded that *'the performance management systems within the Agency require strengthening in order to enable the Agency to assess whether its objectives are being achieved economically, efficiently and effectively and thus enable management to effectively deliver the program or take corrective action where necessary to ensure the program's objectives are realised.'*

$100 million Public Housing Stimulus

A performance management system audit was undertaken on the $100 million Public Housing Stimulus. The findings from the audit were included in the June 2020 Auditor-General's Report to the Legislative Assembly. The audit assessed the performance management systems in place during the period from commencement of the program to 30 January 2020 and was undertaken at the former Department of Local Government, Housing and Community Development.

The audit concluded that *'some opportunities exist to enhance performance management systems and processes'.*

Modular Housing cont…

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

The Department notes the complexities associated with this significant program, the recommendations contained within the report and confirms that both agencies will continue to work closely to ensure robust systems are in place to continue to deliver the program efficiently, effectively and with economy.

Youth Justice Facility

Selected Agencies

Background

Territory Families, Housing and Community (TFHC) provides support services across child protection, domestic and family violence, youth justice services, housing, homelessness, social inclusion, sport and active recreation and supports the Territory's arts, culture, heritage, libraries and archives.

TFHC operates 2 youth detention centres, the Don Dale Youth Detention Centre in Darwin and the Alice Springs Youth Detention Centre in Alice Springs.

'Young people are sentenced to youth detention by the Courts. On average there are about 25 young people in youth detention across the Northern Territory each day. This includes young men and women and those that are on remand or have been sentenced.

The Northern Territory Government has committed to build a new purpose-built Youth Justice Centre in Darwin, in line with the recommendations made by the Royal Commission into the Protection and Detention of Children in the NT.

Existing infrastructure at the Alice Springs Youth Detention Centre will also be redeveloped to better meet the needs of at risk young people, detention centre staff and visitors. Construction work will begin late July 2020.' (NTG Youth Justice Website: Detention Centres, 2021)

By 2021-22, the average number of young people in youth detention per day had increased to 51.

TFHC's 2018-19 and 2019-20 Annual Reports disclosed *'A site at Holtze was announced for the new Darwin Youth Justice Centre to deliver a secure rehabilitative youth justice program.'*

The delivery of the Northern Territory Government (NTG)'s Infrastructure Program and maintenance of the NTG's Infrastructure Portfolio is performed by the Department of Infrastructure, Planning and Logistics (DIPL). The NT Infrastructure Plan 2021 identifies the delivery of the Darwin Youth Justice Centre as a priority project, with a total estimated cost of $64 million.

Budget Paper 4 - The Infrastructure Program (Budget Paper 4) committed the following funds to the project over the past 3 financial years:

Financial Year	$000
Budget 2019-20 – Darwin and Alice Springs	70,000*
Budget 2020-21 – Darwin	54,780
Budget 2020-21 – Alice Springs	24,021
Budget 2021-22 – Darwin	43,280
Budget 2021-22 – Alice Springs	11,959

* Includes the decommissioning costs associated with the Darwin detention centre as part of stage 1

Budget Paper 4 reports the total approved program committed to a project. DIPL representatives explained this represents the remaining budget on a project for the life of the project.

The Darwin Youth Justice Centre Factsheet communicates that TFHC has consulted with young people in detention, Traditional Owners, Aboriginal stakeholder groups, legal services, local government and Youth Justice Officers in the development of the design for the Centre.

Youth Justice Facility cont…

An NTG Media Release, dated 16 July 2020, announced that the $55.1 million (GST inclusive) construction tender for the development of the new Darwin Youth Justice Centre had been awarded, creating 350 local jobs, including 50 Aboriginal employment opportunities and 22 apprentices. Construction was expected to commence in late July 2020 and finish in mid-2022.

Machinery of government changes

Since the Royal Commission, new Administrative Arrangements Orders reflecting ministerial portfolios and changes to agencies have been issued. Changes to agencies as a result of Administrative Arrangements Orders are referred to as machinery of government changes. The most relevant recent changes are described below.

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

Territory Families became TFHC and included the tenancy management functions from the former Department of Housing, Local Government and Community Development and the sport and cultural (arts and museums) functions from the former Department of Tourism, Sport and Culture. For the purpose of this report, Territory Families and the Department of Territory Families, Housing and Communities will both be referred to as TFHC.

Scope and objectives

The objective of the audit was to assess the performance management systems in place at TFHC and DIPL (collectively 'the Agencies') that enable management to assess whether the design and construction of the Darwin Youth Justice Centre is being undertaken effectively, efficiently and with economy.

The audit assessed the performance management systems in place during the period from the start of the design and construction of the Darwin Youth Justice Centre to 31 December 2021.

Index

The report on this audit is structured as follows:

Youth Justice Facility cont…

Audit opinion

The impacts of the machinery of government changes in 2020 resulted in TFHC obtaining control of records from multiple former agencies. These records are yet to be collated in a manner that enables easy identification and extraction. As such TFHC representatives were unable to provide assurance over the completeness of the information provided for audit purposes.

In my opinion, at the time of my audit, the Agencies were unable to demonstrate that an adequate performance management system is in place to ensure that the Agencies can assess whether the design and construction of the Darwin Youth Justice Centre is being undertaken effectively, efficiently and with economy.

Recommendations

Opportunities to improve the Darwin Youth Justice Centre systems and processes are presented below.

- Review current record keeping processes and determine what additional procedures need to be implemented to ensure that complete and accurate documentation is retained to support key decisions.
- Review current change management procedures to ensure revisions to original timeframes, budgets and scope are reflected in key documentation, such as the Project Plan, on a timely basis.
- Establish and apply Project Assurance and Evaluations Frameworks during the lifespan of the project to determine whether qualitative and quantitative outcomes have been attained or whether remedial actions and improvement opportunities can be implemented. Finalise the Outcomes Realisation Plan and the Lessons Learnt Register.
- Undertake a more robust consideration of the tender assessment criteria prior to going to market in order to ask only for information that is relevant and assessable and will be used in the tender evaluation.
- For future significant tenders, allow sufficient lead time to provide the procurement team adequate time to fulfil the mandatory requirements of the Procurement Rules, including the mandatory requirement to publish a notice of Future Tender Opportunity, in order to provide potential respondents sufficient time to prepare their responses and enter into discussions regarding possible sub-contracting arrangements where necessary.
- The full cost of delivering a project includes the cost of all directly attributable resources (human and systems) in addition to the funds actually distributed to the contractors on the project. Implement a process to capture project costs for all projects and perform an assessment of actual cost against outcomes and outputs as part of the program evaluation process.
- Where clearly defined implementation objectives are established in the NTG process of satisfying the Royal Commission recommendations, ensure progress reporting milestones draw a clear nexus to the specific objective.
- Adhere to the timeframes for reporting to key stakeholders as detailed in the Project Governance Framework. Develop and implement a robust communication strategy.
- Where a project is to be implemented by multiple Agencies, a service level agreement should be formally agreed to prior to the project's commencement that is consistent with the finalised project plan.

Youth Justice Facility cont…

Audit Observations

The Royal Commission and the NTG's response

Royal Commission and Board of Inquiry into the Protection and Detention of Children in the Northern Territory (the Royal Commission)

The Royal Commission was established on 1 August 2016 *'to enable the swift inquiry into the treatment of children detained in detention facilities and child protection in the Northern Territory.*

It was the job of the Royal Commission to uncover where the systems had failed and make recommendations on how to improve laws, policies and practices in the Northern Territory to provide a safer future for our children.' The Royal Commission delivered an interim report to the Commonwealth and Northern Territory Governments on 31 March 2017, with the final report tabled in the Australian Parliament on 17 November 2017.

Chapter 10 of the Final Report - Detention Facilities states '*The physical environment of a youth detention facility – the architecture, buildings, spaces, surroundings, furniture and ambience – greatly affects a child or young person's experience of detention and therefore their prospects of rehabilitation. The environment can affect the mindsets, perceptions and behaviours of the children and young people housed in a youth detention facility, and those of the adults who work there.'*

The following findings were noted in relation to the existing Northern Territory detention facilities:

- The youth detention centres used during the relevant period were not fit for accommodating, let alone rehabilitating, children and young people.
- The poor condition of youth detention centres created the potential for harm to be caused to children and young people. The inadequate facilities put children and young people's health, safety and wellbeing at serious risk, and played a part in incidents that occurred at youth detention centres.
- At different times and in different youth detention centres during the relevant period, the conditions under which children and young people were detained fell far short of acceptable standards under international instruments and Australian guidelines. Severe, prison-like and unhygienic conditions, and inadequate security due to poor infrastructure, caused children and young people to suffer punishment.
- The youth detention centres created difficult and unsafe working environments for staff.
- The relocation from the former Don Dale Youth Detention Centre in 2014 impacted negatively on the facilities available for delivery of education, vocational education and extra-curricular activities.

The following recommendations were made in relation to the detention facility:

- Recommendation 10.1 – *'The Northern Territory Government immediately close the High Security Unit or by whatever name it is known in the current Don Dale Youth Detention Centre.'*
- Recommendation 10.2 – '*The Northern Territory Government close the current Don Dale Youth Detention Centre (to be replaced with a new, purpose-built facility) and by 17 February 20183* [sic] *months after the date of this report, the Northern Territory Government report to the Children's Commissioner (or Commission for Children and Young People if that Commission has been established by that time) on the program for that closure.*'

Youth Justice Facility cont…

Pre-empting the findings of the Royal Commission, the NTG announced in December 2016 that it had allocated $22 million for new youth justice facilities to be built in Darwin and Alice Springs, being $15 million for the Darwin facility and $7 million for improvements to the Alice Springs facility.

Response to the Royal Commission

On receiving the findings and recommendations of the Royal Commission, the NTG established the Reform Management Office in 2017 to provide a whole-of-government approach to addressing the findings and implementing the recommendations.

In April 2018, the Reform Management Office published the NTG's formal implementation response to the Royal Commission, with the release of *Safe, Thriving and Connected: Generational Change for Children and Families 2018-2023* (STC Report).

Presented below is the NTG's response to the 'detention facility' recommendations.

Figure 1: Initiatives identified in response to the Royal Commission

INITIATIVE	DESCRIPTION	RECS	PHASE
Searches, Separation and Restraint	The Northern Territory introduced amendments to the *Youth Justice Act* to the Legislative Assembly on 21 March 2018. These amendments give effect to the Royal Commission recommendations regarding use of force, restraints and other mechanisms relevant to youth in detention. The Bill aims to: • safeguard the rights of children in detention by clearly defining and limiting the circumstances when applying the use of force and when using restraints; • prohibit the use of strip searches unless under certain circumstances and outlining the procedure to follow when authorised; and • prohibit certain actions and ensure that separation of a detainee only occurs under certain circumstances and subject to safeguards to ensure their wellbeing.	10.01 13.01 13.02 13.03 13.04 13.05 13.06 13.07 13.09 14.01	Phase 1
Youth Detention Infrastructure	The Northern Territory Government is investing $71.4 million over four years from 2017-18 to develop a new Youth Justice Facility in Darwin to close and replace the Don Dale Youth Detention Centre. The facilities and practices will be based on contemporary restorative approaches to youth justice and will be developed in consultation with young people, the community sector, and Aboriginal leaders. The Northern Territory Government will progress negotiations with Desert Knowledge Australia in relation to the design and funding approach for the Youth Justice Facility in Alice Springs. In the design of new facilities, the Northern Territory Government will investigate the potential use of fixed body scanners. While the new facilities are being designed and built, the Northern Territory will continue its program of Fix and Make Safe in the Don Dale and Alice Springs Centres to improve the security and amenities of the existing facilities as outlined below.	10.02 13.08 28.01 28.02	Phase 1 Phase 3

Source: Safe, Thriving and Connected: Generational Change for Children and Families 2018-2023

As the NTG response did not include details of each initiative listed, there was no clear correlation between Recommendation 10.01, to close the High Security Unit, and the initiative *Searches, Separation and Restraint*. TFHC staff advised the High Security Unit had been closed prior to the release of Royal Commission report.

Youth Justice Facility cont…

As illustrated in Figure 2, the STC Report established a phased approach to the implementation of the reforms in response to the Royal Commission.

Figure 2: A Phased Approach to Implementation

>>> Phase 1 | full delivery within 1 year

- Establish 3 new Child and Family Centres as coordination hubs (9 total)
- Establish pathways for families to access early support
- Improve youth detention operations
- Expand access to diversion and bail support
- Improve care and protection practice
- Enact priority legislative amendments
- Convene the Tripartite Forum
- Increase support to young people leaving care to access housing

>>> Phase 2 | full delivery within 3 years

- Establish 4 new Child and Family Centres as coordination hubs (13 total)
- Establish the Commission for Children and Young People
- Transform out-of-home care
- Strengthen focus on youth policing
- Introduce a Single Act for children
- Introduce Family Group Conferencing
- Establish NT and Australian Government joint planning mechanisms

>>> Phase 3 | full delivery within 5 years

- Establish 4 new Child and Family Centres as coordination hubs (17 total)
- Replace youth detention centres with youth justice training facilities
- Establish a Youth and Children's Court facility in Alice Springs
- Implement new integrated client information system for child protection and youth justice

Source: Safe, Thriving and Connected: Generational Change for Children and Families 2018-2023

In November 2018, the Reform Management Office released 2 implementation progress documents. The first provided details of the Royal Commission's recommendations that had been completed and the second was a progress report into the status of the remaining recommendations. The second report identified major milestones illustrated in a phased approach to reconcile to the details contained in the STC Report.

Youth Justice Facility cont…

As the scope of this audit focused on the performance management systems specifically regarding the design and construction of the Darwin Youth Justice Centre, the audit has not reviewed the alignment of all milestones with the phase objectives, only those specifically related to the Darwin Youth Justice Facility.

There were inconsistencies between the phased objectives within the STC report and the progress phase milestones within the Reform Management Office report, specifically:

1. The phase milestones identify '*finalise the design tender for the development of the Don Dale Youth Detention Centre*' as a phase 1 milestone, yet no phase 1 objective in the STC relates to the construction of any youth justice facility.
2. The phase 2 milestone of '*commence operation of the replacement of youth justice centre in Darwin*' does not align with any phase 2 objective in the STC.

The STC phase 3 objective of *'replace youth detention centres with youth justice training facilities'* has not been defined, with no clear distinction between a *'detention facility'* and a *'training facility'*. Agency staff had advised this is a naming convention issue, with the facilities having the same objective.

At the time of audit fieldwork, no further progress reports have been published by the Reform Management Office.

The New Youth Justice Centres Project Governance Framework identifies the reporting requirements of the Project. Under this reporting framework, progress updates are to be provided to the quarterly meetings of the Children and Families Tripartite Forum.

Planning

Figure 3: Youth Justice Centre Project Planning Summary

Figure 3: Youth Justice Centre Project Planning Summary

Nov 2017	•Royal Commission and Board of Inquiry into the Protection and Detention of Children in the Northern Territory – Findings and Recommendations released.
2017	•NTG Reform Management Office formed.
Aug 2018	•NTG formal response *Safe, Thriving and Connected: Generational Change for Children and Families 2018-2023* released.
Sep 2018	•New Youth Justice Centre Project Budget and Scope Options Analysis.
Sep 2019	•New Youth Justice Centre Project Plan for infrastructure and operations.
Apr 2019	•New Youth Justice Centre Design Brief.

Source: NTAGO developed

Youth Justice Facility cont…

The day-to-day operation of the current Don Dale Youth Detention Centre is the responsibility of TFHC's Youth Justice division.

DIPL is responsible for the management of the physical construction of the new Darwin Youth Justice Facility.

The Project to design then construct the new Darwin Youth Justice Facility is governed by the *Project Governance Framework* established between the 2 agencies, effective from February 2019.

The preliminary stages of the Project were initially scheduled to commence in March 2018 with planned construction to commence 12 months later in March 2019. Planned practical completion was anticipated in July 2020.

The actual process undertaken to procure the design team (subsequently awarded in December 2018), finalise the design brief, select the appropriate site and procure a construction contractor, took nearly 2 and a half years. The time taken was largely due to delays in selection of the site. Table 1 below illustrates the originally proposed timing and the actual or revised timeframe.

Table 1: Summary of original vs actual timeframes

Stage	Description	Original Schedule (Feb 2018)	Actual or revised timeframe
1	Announcement of sites and plan for replacement	February 2018	May 2019*
2	Consultation and brief development	March 2018	September 2018
3	Detailed Design Tender	June 2018	December 2018
4	Detailed Design Tender Complete	October 2018	April 2019
5	Construction Tender	December 2018	March 2020
6	Construction Tender awarded	February 2019	July 2020
7	Construction Commence	March 2019	August 2020
8	Practical Completion	July 2020	Est January 2023**

*Final site selection of Holtze after 2 previously proposed sites were rejected.

**Based on the April 2022 estimates by DIPL

Source: NTAGO developed

With several key agencies being involved with the Project, the '*New Youth Justice Centres – Project Plan*' was jointly developed by TFHC and DIPL in September 2019. A draft copy of the Project Plan was provided for the purposes of this audit however an approved copy of the Project Plan, including all relevant attachments, was unable to be located.

Although no documented revisions appear to have been made to the Project Plan since its initial development, significant changes in the delivery timeframe and Agency structures have been experienced and have not been reflected in the Plan.

Youth Justice Facility cont…

The Project Plan is intended to govern the design and delivery of all infrastructure and operational aspects of the construction of the Darwin Youth Justice Centre and Alice Springs Youth Detention Centre redevelopment. The targets and outcomes of these projects have been defined in section 1.2 – Strategic and Project Objectives of the Plan and cover the delivery of the infrastructure and the operational requirements. Section 1.2 clearly defines the strategic objectives, project objectives and targeted outcomes, as presented in Table 2.

Table 2: Strategic and Project Objectives

Section 1.2	Statements
1.2.1 Strategic Objectives	Provide a safe and secure environment for young people, staff and visitors in which the community has confidence.
	Provide secure accommodation that facilitates therapeutic, culturally appropriate models of care and multi-disciplinary service delivery to improve the well-being and reduce the likelihood of young people reoffending.
	Provide physical infrastructure that is secure, safe, flexible and accessible and place-based for different cohorts (gender, age, cultural background etc.).
1.2.2 Project Objectives	Deliver new safe and secure accommodation for up to 60 young people at any one time, in 2 locations.
	At least one new Centre is fully operational as soon as possible.
	The Centres achieve value for money within an agreed capital budget allocation and operational costs.
	To maintain continuity of operations and achieve a smooth operational transition for program delivery, service providers and staff.
	Therapeutic, culturally appropriate models of care are deliverable for all children in the Centres.
	The Centres are designed and constructed to maximise operational efficiencies.
1.2.3 Targeted Outcomes	Children and young people in detention (Young People) are able to access support and life skills that are age, need and culture appropriate.
	Young People are connected or reconnected to, and have positive relationships with, community and family.
	Young People are physically and mentally well.
	Young People have access to education and training to be job ready.
	Young People feel safe and secure.
	Re-offending rates are reduced.
	A high rate of staff retention is achieved.
	A high standard of staff safety, health and wellbeing is achieved.
	The community feels safe and secure.

Source: NTG New Youth Justice Centres Project Plan v1.0 (September 2019)

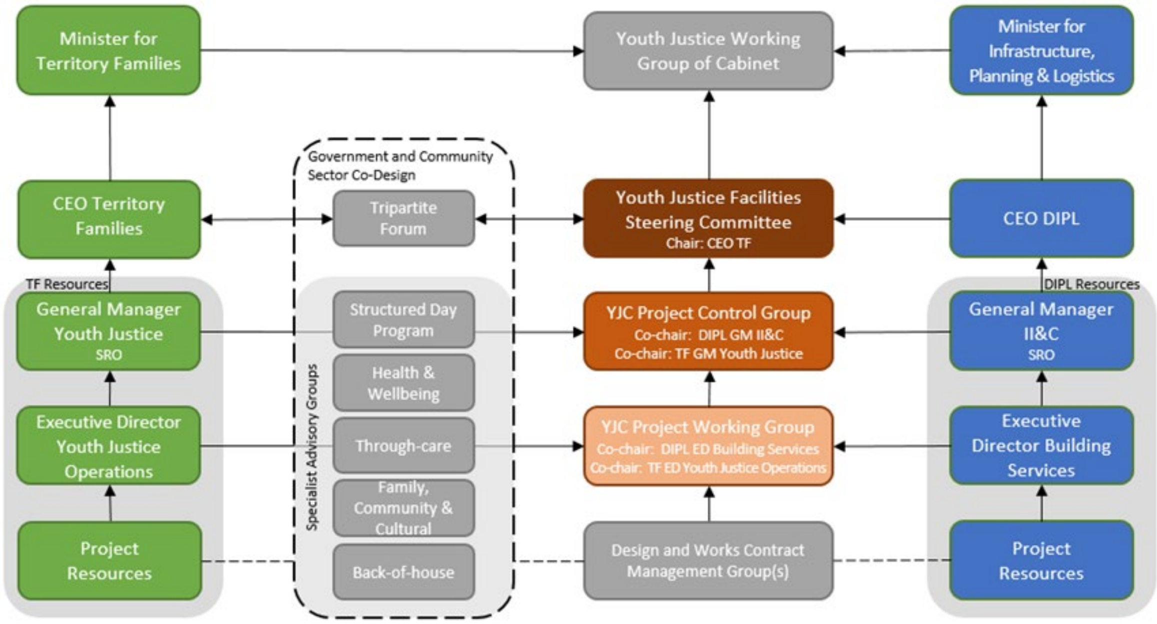
Youth Justice Facility cont…

The Project is being delivered in 4 phases, Phase 1 – Planning; Phase 2 – Definition; Phase 3 – Delivery; and Phase 4 – Operations. Initially, the Darwin Youth Justice Centre was anticipated to reach practical completion by July 2022. This initial timeframe has been revised, with DIPL now extending the completion date to January 2023.

Governance

The Project Governance Framework (see figure 4 below) details the governance structure responsible for the oversight of the project.

Figure 4: Project Governance Organisation Project Team approach



Source: Territory Families New Youth Justice Centres Project Governance Framework v1.5 (February 2019)

The Project Governance Framework requires the Youth Justice Facility Steering Committee (formally known as the Project Steering Group) to meet on a 'monthly basis or as required'. At the time of audit fieldwork, there was no evidence demonstrating meetings were held from June 2020 to December 2021.

The Steering Committee is a multi-agency forum that oversees the planning and delivery of the broader youth justice facilities infrastructure program and provides strategic support and direction to the General Manager Youth Justice (TFHC) and the General Manager Infrastructure, Investments and Contracts (DIPL) (collectively named the Senior Responsible Officers) for the Project.

The Senior Responsible Officers have responsibility to:

- Plan the benefits realisation process.
- Ensure resources are appropriately allocated to the Project.
- Develop the recurrent cost and resource requirements to operate the facility, including the development of funding submission(s) to government.
- Oversee the transition to operations of the new facility.
- Formally close the Project ensuring lessons learned are documented as part of the Project Evaluation Report.

Youth Justice Facility cont...

Cost

Figure 5: Youth Justice Centre Project Cost Summary

2016	•NTG announcement that it had allocated $22m for new youth justice facilities to be built in Darwin ($15m) and Alice Springs ($7m).
Apr 2018	•The NTG response (Safe, Thriving and Connecting) to the Royal Commission identified $71.4m over four years from 2017-18 to develop a Youth Justice Centre in Darwin.
Sep 2018	•New Youth Justice Centre Project Budget and Scope Options Analysis included estimated cost ranges from $70m to $106.3m for the Youth Justice Centres in Darwin and Alice Springs.
Sep 2019	•The 2019 Project Plan identified $70m for the design and delivery of all infrastructure and operations for the New Youth Justice Centre at Darwin ($60m) and Alice Springs Youth Detention Centre Redevelopment ($10m).

Source: NTAGO developed

The NTG have currently committed a total of $64 million to the project, an increase of $49 million from the initial $15 million commitment in December 2016.

In September 2018, TFHC produced the *New Youth Justice Centres Project Budget and Scope Options Analysis* (the Analysis). The Analysis evaluated the proposed budgeted costs for both the Darwin and Alice Springs new youth justice facilities.

There were 4 options evaluated on capital cost, qualitative score and risk rating. The estimated cost for the 4 shortlisted options ranged from $70 million to $106.3 million.

The 'Compromised Scope' option was recommended by the Steering Committee at an estimated cost of $90 million. This option returned the highest 'qualitative score', being the option's score against the strategic and project objectives, outcome framework and delivery of scope of services. This 'Compromised Scope' option exceeded the committed funding by $20 million.

An updated design and cost plan was presented to the Steering Committee in October 2019, reflecting an estimated cost for the Darwin facility of $71.7 million however the approved allocation remained at the existing $56.3 million (being the Darwin portion of the $70 million commitment).

This shortfall resulted in a scope rationalisation being undertaken by TFHC, with the following modifications:

- an overall reduction of footprint (resulting in a reduction from 30 beds to 28 beds)
- relocation of external facilities to a single location, closest to the access road
- change to the 'Community of Practice' building to single storey.

These reductions in scope and revised concept designs resulted in a reduction of the cost estimate down to $58.8 million.

Youth Justice Facility cont…

Documented approval of the final design option that is being actioned was not provided. If this is the final design being delivered, there are inconsistencies between the occupancy limits of this design and those of the documented 'project objectives' detailed in Table 2.

NTG Budget Paper 4 annually reports the total approved program budget allocation for a specific project. Figure 7 below presents the total committed funds for the Youth Justice Centre Project as presented each year in Budget Paper 4:

Figure 6: Funds Committed to the Youth Justice Centre Project in the NTG Budget

2018-19	•Youth Justice Training Centre - $70.0m
2019-20	•Deliver contemporary youth justice centres in greater Darwin and Alice Springs, and decommission the Darwin detention centre as part of stage 1 - $70.0m
2020-21	•New Darwin youth justice facility - $54.8m
2021-22	•New Darwin youth justice facility - $43.3m
2022-23	•New Darwin youth justice facility - $43.4m •Fitout new youth justice facility in Darwin - $4.8m

Source: NTAGO developed

DIPL is responsible for the management of both the design and construction elements of the Project. The design and construction cost are being tracked as a project with cost totalling $25 million (GST exclusive), including $10.2 million in variations recorded as at 31 December 2021.

Project resources, such as the costs for agency personnel on the TFHC and DIPL project teams have been clearly identified within the Project Plan, however these costs are not reported in the overall project costs, nor do they appear to be actively monitored. In addition, the future recurring operational and maintenance costs of the completed project are yet to be considered.

Design

Figure 7: Youth Justice Centre Project Design Summary

Sep 2018	•New Youth Justice Centre Project Budget and Scope Options Analysis
Sep 2019	•New Youth Justice Centre Design Brief

Source: NTAGO developed

Youth Justice Facility cont…

As a *'design then construct project'*, Phase 1 commenced in January 2018 with a consultant engaged to commence the process of developing the design principles and ultimately the client brief.

The design principles provide the overarching requirements of the Darwin Youth Justice Centre. The design of the facility needs to encompass not only the recommendations of the Royal Commission but also TFHC's *'Model of Care Framework'*, an internal guide based on 5 key pillars surrounding the youth justice programs. Based on the process described below, 16 principles were developed over a period of 18 months. This included the infrastructure response, in order to ensure this component aligned with the overarching strategic objectives and outcomes of the project, as detailed in Table 2 above.

1. Workshops with key stakeholders commenced in early 2018, covering 6 key topics:
   - health and wellbeing;
   - therapeutic and through-care;
   - education and training;
   - cultural and family connectedness;
   - safety and security; and
   - recreation and social needs.
2. Youth Justice staff workshops.
3. Site visits to other Australian Youth Justice Centres.
4. Additional stakeholder workshops to validate the draft design principles.

The design tender was subsequently awarded to a consultant in December 2018, who further refined the design principles to develop the function design brief, finalised in April 2019.

Land site

Figure 8: Youth Justice Centre Project Land Summary – Darwin

Jan/Feb 2018	•A review of four sites was performed. •Berrimah was announced as the selected site.
Aug 2018	•Pinelands was announced as the selected site.
Apr 2019	•An alternative site review was performed on eight sites against a set criteria.
May 2019	•Briefing Paper outlined the preferred Holtze site.
Jul 2020	•Holtze was announced as the selected site.

Source: NTAGO developed

Youth Justice Facility cont…

The *Darwin Youth Justice Centre Site Selection* publication outlines the '*Northern Territory Government identified and investigated seven potential sites for the development of a new youth justice centre in the Greater Darwin area.*

These sites included:

- *A greenfield site at Holtze (chosen)*
- *An area within the Holtze Prison site*
- *The former Gunn Point Prison farm site*
- *A site at Gunn Point Murrumujuk*
- *A site in Batchelor near the Batchelor Institute*
- *The Former Wickham Point Immigration Detention Centre Facility*
- *The southern portion of the current Don Dale site*

Each of the seven sites were identified through consideration of a range of criteria, including land tenure (ownership), land size and accessibility, proximity to services including emergency response, service availability (power and water), appropriateness for staff access, and existing usage and zoning.

Each site was assessed and their opportunities and risks considered.'

The criteria for assessing the appropriateness of the land site were established by NTG in order to determine its suitability for the construction of the new facility. These criteria included:

- Sufficient land to ensure facility development with appropriate amenity and space including outdoor connection and development of a playing field for sports and fitness.
- Designed with good access by professional service providers to support young people in custody with life skills training, health and wellbeing services and specialist rehabilitation programs.
- Purposely designed education and training facilities to support learners and providers to help young people to be job ready.
- Design requirements to support visitation by family to ensure young people are connected or reconnected to family, culture and community.
- Ensures young people feel safe and secure, in a location that is purposefully built for children, not adults.
- A reasonable location for Centre staff to access daily.
- Connectivity to existing infrastructure such as water, roads and sewerage.
- Reasonable response time and access for Police, Fire and Emergency Services.

In order for a suitable land site to be selected, DIPL's initial assessment focused on the infrastructure requirements (environmental, civil, power and water and entomology), with TFHC assessing the functionality aspects.

Once this process was completed, stakeholder consultation was undertaken during the continuation of the process to address any initially identified considerations.

Youth Justice Facility cont…

DIPL initially presented 4 sites for consideration. The first preferred site (30 Tivendale Road, Berrimah) was announced in February 2018, however was subsequently disregarded on the basis of planning scheme considerations, which included future residential planning with a new primary school nearby.

A second site (125 McFarland Road, Pinelands), also one of the initial 4 preferred options, was then announced 6 months later in August 2018. This site was subject to rezoning consent, which was subsequently declined in March 2019. Considerable public objection was received regarding this location.

In April 2019, an alternative site review was performed and an additional 7 sites were assessed. The final site (498 Taylor Road, Holtze), a 'greenfield' site, located adjacent to the current Darwin Correctional Centre, was selected as the approved location for the new Darwin Youth Justice Centre in July 2020.

The *Darwin Youth Justice Centre Site Selection – Question and Answers* publication provides the rationale behind the selection of the Holtze site. The factsheet advises *'The site is a discreet, non-residential location surrounded by dense vegetation which is a suitable for new Youth Justice Centre'.*

With reference to the design and location of a youth detention facility, the Royal Commission provided *'A youth detention facility should not look, feel or be designed like an adult prison, nor should it be located on the same site as or near an adult prison'.*

Landscaping design considerations were included to address the visual aspects of the site location and to obscure sight of the adult prison.

Notwithstanding the final selection of the land site process taking nearly 2.5 years to finalise, TFHC staff advised no additional design costs had been incurred due to the changes. This was also documented in the *Darwin Youth Justice Centre Site Selection – Question and Answers* document. The consultant identified that not having access to the site directly impacts their landscaping concept and the spatial arrangement of the buildings (as these are finalised during the 15% to 25% design phases) and had the potential to result in redrawing or a disruption in the target timeframe. The 15% concept design was submitted in October 2019.

Procurement

Once the land site section had been close to finalisation, and with technical drawings complete, the tender process for the construction commenced. The building contract for the Darwin Youth Justice Facility was advertised as a Request for Tender (RFT) consistent with the Tier 5 procurement requirements in the NTG Procurement Rules. Management advised that, due to time limitations, a Future Tender Opportunity was not lodged which represents non-compliance with the Procurement Rules.

DIPL's Infrastructure, Investment and Contracts division used the design documentation and the estimated cost (as determined by the Quantity Surveyor) to prepare the RFT. The RFT was initially advertised for a 4 week period, subsequently extended to 8 weeks (with amendments to the technical drawings being required) and a closure date in May 2020.

At the time of preparing the RFT, $55.7 million (GST inclusive) remained committed for the construction phase of the project.

Youth Justice Facility cont…

This financial commitment differed from the most recent quantity surveyor costing estimate. As a result, a scope reduction was sent to TFHC for consideration, to ensure the projected costs aligned with the funds committed. As DIPL did not receive a response from TFHC prior to the approval of the Tender documents, the tender proponents were required to quote on each component separately to enable the removal of components if the tendered prices exceeded the available funds.

The RFT tender assessment criteria detailed 7 criteria to be used to ensure the best value for Territory, being:

1. Past performance
2. Timelines
3. Capacity
4. Local content
5. Innovation
6. Scope specific criteria
7. Price.

This specific contract was assessed based on 5 of the 7 criteria with set allocated weightings, excluding the innovation and scope specific criteria.

Three tender responses were received and were evaluated against 5 criteria. All proponents were invited to the negotiation stage of the tender process to discuss tender clarifications, possible cost savings and scope changes pre and post contract award.

Review of the procurement documentation identified that the ultimate decision by the delegate was primarily influenced by a marginally lower tendered price and views about the strength of the Territory's construction industry.

Local job participation

The RTF, issued in March 2020, did not set any targets for local jobs or Aboriginal employment, however the tender required submission of an Indigenous Participation Plan with the successful tenderer required to lodge monthly Industry Participation Progress Report. The December 2021 Industry Participation Progress Report reported 234 employees on site during that month.

To verify the accuracy of the information contained with the Industry Participation Progress Report, DIPL's Contractor Compliance Unit had conducted 4 compliance audits, which included a review against the Industry Participation Plan and Indigenous Development Plan, noting no unresolved compliance breaches.

Youth Justice Facility cont…

Performance

The Project Plan includes a project assurance and evaluation requirement in order to assess if the delivery of the Darwin Youth Justice Centre was successful. This section of the Plan requires the completion of certain tasks during the Project lifecycle, namely:

1. Health Checks
2. Lessons Learned Register
3. Project Close-Out Report
4. Outcome Realisation Plan

The Plan identifies 4 health checks to be completed during the project lifecycle.

The first of 4 health checks, titled *The Health Check Review, New Youth Justice Centres Project Procurement and Delivery* was completed in April 2019 by external consultants.

This health check identified 10 recommendations, of which 6 were listed as critical, with the overall delivery confidence assessment stating '*Critical and urgent issues exist that require executive management attention*'. The reviewer concluded that the project may need re-baselining and/or the overall viability re-assessed.

At the time of audit fieldwork no further progress had been made on the outstanding items nor had any of the other health checks been conducted to ensure these recommendations had been addressed.

The development of the Outcomes Realisation Plan commenced in July 2021, however had not been completed at the time of audit fieldwork. There was no Lessons Learned Register at the time of the audit.

Youth Justice Facility cont…

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

The construction of the new Darwin facility is a complex and significant project being delivered jointly with the Department of Infrastructure Planning and Logistics (DIPL). The Department acknowledges the findings of the audit and will continue to work with DIPL to provide oversight and construction of the Darwin Youth Justice Facility through the joint Infrastructure Program Steering Committee and associated governance processes.

Post Implementation Review of HPSM/ePASS replacement

Department of Corporate and Digital Development

Background

Department of Corporate and Digital Development (DCDD) provide enterprise information and technology services and shared corporate services to support Northern Territory Government (NTG) agencies. DCDD operate a range of technology solutions to support these services including, historically:

- The ePASS system for identity management and access provision; and
- The Hewlett Packard Service Manager (HPSM) system for the management of information technology service delivery, asset management, software asset management, service catalogue management, and a corresponding information technology services portal for users.

These 2 systems (ePASS and HPSM) systems were identified internally by DCDD stakeholders as approaching end-of-life, requiring formal initiatives to upgrade or replace with contemporary solutions.

A summary of key milestones for these activities is provided below:

Figure 1: ePASS and HPSM Key milestones

ePASS Replacement / Identity and Access Management (IAM Project) – 2016-2017

In 2016, DCDD endorsed a business case to implement a new identity management solution, to replace the existing ePASS system, with selection of a technical solution (One Identity Manager) and a system integrator occurring in early 2017. Due to ongoing delays and other issues with the proposed solution implementation, the implementation contract was terminated in April 2018, with the project being placed on hold while strategic and operational opportunities and priorities were identified.

Creation of the Service and Identity Management (SIM) Program – 2017-2019

Identifying synergies between the paused IAM Project and the upcoming project to replace the HPSM system, DCDD developed the ePASS Realignment Strategy, which provided a case for the amalgamation of the IAM Project and the HPSM replacement project, noting the opportunity to develop a single, centralised service catalogue and to leverage a common technology platform. This strategy was formally endorsed in August 2018, enabling the HPSM Replacement Program to undertake planning and procurement activities informed by ePASS requirements.

Post Implementation Review of HPSM/ePASS replacement cont…

The Service and Identity Management Program (SIM) Program was formally established in August 2019, consolidating the 2 work-streams into a single Program structure. Establishment of the SIM Program was followed by the formal procurement of the ServiceNow platform and the engagement of a system integrator to implement a replacement of the HPSM system.

At this time, revised business cases were endorsed confirming the combined approach, revised outcomes, and revised benefits across the combined program.

SIM Program Delivery – 2019-2021

The SIM Program initiated delivery activities in August 2019 upon the completion of procurement activities, with initial focus on the development and delivery of Service Management functionality within ServiceNow, and parallel scoping and design of Identity Management functionality.

During delivery, the SIM Program encountered issues with the ability of the system integrator to deliver required functionality across the Service Management and Identity Management scopes. The SIM Program leveraged the in-place governance structures to address these issues, resulting in the termination of the contract with the system integrator and establishment of alternate delivery partners.

The Service Management functionality was delivered in November 2020 with the legacy HPSM system being formally decommissioned at this time.

The Identity Management functionality was enabled in December 2021 as planned, meeting the outcomes established in the revised business case and allowing the ePASS system to be decommissioned.

Also in December 2021, the ServiceNow infrastructure went live to enable a single information technology services portal, enable the multi-service provider portal and enable further security controls.

Scope and Objective

The scope included a review of the following key risks and their related controls:

- The SIM Program failed to meet agreed objectives and goals, including the expected objectives and goals of the 2 combined projects;
- The implemented solution did not adequately address business and technical requirements;
- The SIM Program exceeded expected program costs, or ongoing operational costs;
- The SIM Program exceeded expected implementation and operationalisation timelines;
- The program did not achieve the expected benefits and/or is not on track to achieve agreed benefits;
- The implemented solution has introduced technical risks to NTG due to architecture, design or operations of the system, interfaces and data stores;
- The user experience related to SIM Program execution and use of the system is unknown;
- The SIM Program has closed with outstanding issues either passed to business as usual processes for resolution or held in an incomplete state; and
- Required data was not migrated into the system in a manner that supports accuracy and reliability within the new system.

Post Implementation Review of HPSM/ePASS replacement cont…

The objective of this review was to conduct a post implementation review of the SIM Program.

This review included an assessment of:

- The technical risks associated with the new 'NTGServices' (the 'One Identity' owned product called 'ServiceNow') such as security design, data conversion and system interfaces;
- Whether the SIM Program (and its predecessor projects) met specified or defined objectives;
- Whether the expected benefits were achieved;
- The processes in place at DCDD to evaluate user satisfaction;
- Budgeted cost compared to actual cost;
- Whether the project was completed within originally planned timeframes; and
- The extent of resolution of any outstanding issues.

The review was undertaken through review of documentation, limited testing and discussions with relevant personnel.

Review Opinion

Based on the scope of review and testing performed, the SIM Program has delivered against expectation, resulting in a reduced risk profile across DCDD, and general NTG operations.

Review Observations

No significant matters were identified during the course of this review.

Post Implementation Review of HPSM/ePASS replacement cont…

The Department of Corporate and Digital Development has commented:

The department notes the report and key findings that controls were in place to support the successful delivery and resultant benefits of the service and identity management program to replace HPSM/ePASS.

End of Year Review

Territory Families, Housing and Communities

Background

The purpose of conducting end of year reviews of the Public Account is to provide support to the audit of the Treasurer's Annual Financial Statements through reviewing the reasonableness of agencies' end of year financial data that is consolidated into the Treasurer's Annual Financial Statements by the Department of Treasury and Finance. The review methodology involves reviewing the reasonableness and effectiveness of agencies' end of financial year reporting and controls relevant to accounting processes and practices and reviewing material financial transactions that have occurred within the agencies.

Findings and observations from these reviews may also provide matters for Accountable Officers to consider when they are preparing their representations to their relevant Ministers.

The end of year review undertaken at the Department of Territory Families, Housing and Communities (TFHC) was completed during the 2 months covered by this report.

Scope and objectives

The objective of the end of year review was to review the adequacy of selected aspects of end of financial year reporting and controls over accounting and material financial transactions at each agency. The reviews are undertaken under section 13 of the *Audit Act 1995* in order to support the audit fieldwork and resultant independent audit opinion issued upon the Treasurer's Annual Financial Statements.

The review was not directed to auditing financial information contained within the agency's annual report. The review was designed to determine whether the financial information entered by each agency into the APEX system for the purpose of preparing the Treasurer's Annual Financial Statements for the year ended 30 June (effectively a trial balance) contained no material misstatements.

Observations

The observations arising from the end of year review for TFHC were not included in the November 2022 report as the review was not complete as at 31 October 2022.

The end of year review identified errors in the data and the model used to value remote housing assets resulting in material errors in the value of remote housing. The resolution of the errors delayed the completion of the review and resulted in material changes to the originally reported value of assets. The final value of remote housing assets was provided for inclusion in the TAFS on 31 October 2022. The Agency's published financial statements were not adjusted to reflect the accurate value of remote housing assets.

End of Year Review cont…

A number of findings were raised in relation to aspects of TFHC's accounting processes that require improvement as described below.

- A number of journals were posted after the date of closure of the general ledger indicating that the controls in place at TFHC to identify and process all required journals, could be improved.
- The revaluation of remote housing assets:
  - Has not been performed in accordance with the stated methodology and the Treasurer's Direction A2.4 Revaluation;
  - Was affected by formula errors; and
  - Included assets that were 'approved for demolition'.
- Deficiencies were identified in relation to accounting for fixed assets including:
  - The timely recording of asset transactions;
  - Incorrect useful lives being applied to assets;
  - Incorrectly classifying repairs and maintenance expenditure; and
  - Expenditure incorrectly classified as work in progress.
- Leases were not recorded in accordance with Australian Accounting Standard *AASB 16 Leases* at 30 June 2022 and the values attributed to lease liabilities were misstated.
- Processes for identifying and recording trade creditors and accrued expenses require improvement.
- The value of unearned income (liability) was misstated.
- The Agency has incorrectly classified account balances as Accountable Officer Trust Accounts.
- The Agency's policy for the provision for doubtful debts was not provided for review.

End of Year Review cont…

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

The Department acknowledges the errors identified in the valuation of remote housing dwellings resulted in a delay in finalising the agency's correct asset values for the 2021-22 financial year. The Department is participating in the asset management remediation project being led by the Department of Treasury and Finance to improve the accuracy, methodologies and processes for recording and valuing assets, and has implemented improved processes to avoid delays in finalising asset values in future years.

Flex time

Selected Agencies

Background

Flex time is governed by various Enterprise Agreements and, for agencies, the Northern Territory Public Sector (NTPS) Flex time Policy with the intent of the clauses in the various Agreements and the Policy being similar. The relevant Agreements for this assessment were the:

- NTPS 2017-2021 Enterprise Agreement;
- NTPS Teachers and Assistant Teachers' 2017-2021 Enterprise Agreement;
- 2018 – 2021 Power and Water Enterprise Agreement[1] (the PWC Agreement); and
- 2018 – 2022 Territory Generation[2] (the Territory Generation Agreement).

Summary of Flex time key points

Flex time enables employees to work their stated ordinary hours within the span of hours (6:00am to 6:00pm) in a flexible manner that suits their particular circumstances and that of their work unit. A formal Flex time arrangement should be detailed between the employee and management.

Timesheets or attendance records documenting hours worked towards the accrual of Flex time credits must be kept by the employee and submitted to the direct manager or supervisor on a fortnightly basis for approval.

The Flex time Policy (applicable to Northern Territory Government (NTG) agencies) specifies that an employee is able to have a maximum of 2 days in credit and a maximum of one day in debit. It further specifies that the maximum credit or debit is able to be carried forward for a maximum of 4 weeks. It is expected the debit or credit of flexible work hours, will be reconciled within the required timeframe, unless alternative arrangements have been discussed with, and approved by the manager. Where, due to operational requirements or employee commitments, credits or debits of Flex time are unable to be reconciled within the 4 week period, the employee and manager must have a discussion to plan a way to address their excess credit or debit balance, within the next 4 weeks.

The PWC Agreement and the Territory Generation Agreement both specify that a maximum of 5 days of Flex time credits may be 'banked' and that 'banked' Flex time credit must be used within 3 months from the date on which it was 'banked' or else it is forfeited.

Employees at Power and Water Corporation and Territory Generation may, with prior approval, accrue 5 days of Flex time credits for the purposes of obtaining an additional week of recreation leave per annum. Also, upon written request, the Chief Executive Officer may approve the banking of Flex time outside of the usual parameters.

---

[1] https://ocpe.nt.gov.au/__data/assets/pdf_file/0011/711929/power-water-enterprise-agreement-2018-2021-approved.pdf

[2] https://ocpe.nt.gov.au/__data/assets/pdf_file/0005/709997/approved-signed-2018-2022-territory-generation-enterprise-agreement.pdf

Flex time cont…

The NTPS Teachers and Assistant Teachers' 2017-2021 Enterprise Agreement[3], clause 18, outlines individual flexible working arrangements, however there are no guidelines within that agreement. For the purpose of this analysis, the policy applied to teachers is that set out in the general NTPS Flex time Policy[4]. The standard 'span of hours' per the Policy is 6:00am to 6:00pm.

Scope and objectives

The objective of this assessment was to examine Flex time (taken) by selected employees during the period 1 July 2021 to 30 June 2022 inclusive based on the report '*HR007 Leave'* sourced from BusinessObjects (BOXI-HR) on 5 July 2022.

Observations

The source for the assessment was the '*HR007 Leave*' report from BOXI-HR. BOXI-HR reflects the data from the human resource (HR) system that has been entered by the end of the previous day.

On 5 July 2022 the '*HR007 Leave*' report was obtained for all leave applied for or approved in the HR system between 1 July 2021 and 30 June 2022. The '*HR007 Leave*' report included all NTG entities and was reviewed so as to identify any instances where Flex time was identified as having recorded for the following classifications:

- Classroom Teacher
- Executive Contract Officer 1
- Executive Contract Officer 2
- Executive Contract Officer 3
- Power and Water – Professional Graduate
- Senior Administrative Officer 1x
- Senior Teacher 2
- Senior Teacher 4
- Territory Generation – Band 3 Professional.

Flex time was recorded for the above employee classifications at the following entities:

- 3 employees at the Department of Education
- 9 employees at the Department of Industry, Tourism and Trade
- 2 employees at the Department of Treasury and Finance
- 1 employee at Territory Generation
- 1 employee at Power and Water Corporation.

[3] https://ocpe.nt.gov.au/__data/assets/pdf_file/0004/243994/NTPS-Teachers-and-Assistant-Teachers-2017-2021-Enterprise-Agreement.pdf
[4] https://ocpe.nt.gov.au/__data/assets/pdf_file/0003/247872/NTPS-Flextime-Policy.pdf

Flex time cont…

The Accountable Officers of these entities were requested to confirm that the selected employees were eligible for Flex time and, if so, to provide:

- Copies of the formal agreement between the entity and the employee
- All Flex sheets between 1 July 2021 (or the commencement of the formal Flex time Agreement if subsequent to 1 July 2021) and 30 June 2022
- Details of the selected employee's debit balances and evidence of approval where the maximum credit was carried forward for more than 4 weeks (for the agencies) or 3 months (for Power and Water Corporation and Territory Generation).

Department of Education

The Department of Education was requested to provide timesheets for 3 employees. Timesheets were provided for 2 employees. Departmental staff advised that the third employee was a part-time employee and has never been on Flex time conditions whilst at the Agency. The myHR record identifies '*Flex Time (Taken)*' on 31 March 2022 thus indicating that the employee had taken Flex time.

The information submitted for the other 2 employees was reviewed and the following issues were identified:

1. The employee's name, division or designation was not identified on any of the timesheets provided.
2. There was no evidence of a written agreement varying the standard conditions of clause 18 of the Agreement or the general NTPS Flex time Policy.
3. The timesheets were not certified and there is no signed supervisor's report.
4. The dates on some of the timesheets were incorrect (for example the timesheet recorded the date as Thursday 19 September 2021 when 19 September 2021 was a Sunday).
5. Timesheets were missing.
6. Incorrect Flex time was carried forward.
7. Flex time carried forward exceeded the NTPS Flex time Policy.
8. Employees worked for in excess of 5 hours without taking a 30 minute break which is mandated by the general NTPS Flex time Policy.
9. Employees recorded time worked outside of the 'span of hours' (i.e. 6:00am to 6:00pm) allowed by the general NTPS Flex time Policy.
10. Timesheets claimed 8 hours and 10 minutes worked on public holidays thus incorrectly claiming 49 minutes Flex time on each of those days.
11. 23 full Flex time days were recorded in the timesheets with one day of Flex time recorded in myHR.

Whilst noting that there is no formal requirement to record Flex time in myHR, as noted above, there are occasions where the employees have recorded Flex time in myHR. The inconsistent use of Flex time (in myHR) to record days taken, and other times not, makes it unclear as to whether the days taken are appropriately recorded.

Flex time cont…

Department of Industry, Tourism and Trade;

The Department of Industry, Tourism and Trade identified that one employee had processed the leave as an incorrect class of leave and the leave should have been taken as Christmas Closedown Leave not Flex time.

For the remaining 8 employees at this agency, all were Executive Contract Officers (ECOs). The Accountable Officer directed those staff to take leave in recognition of significant additional hours by the individuals which was considerably in excess of the extra hours these roles already perform. The ECOs recorded the leave as Flex time when it was not necessary to record the leave as Flex time.

Department of Treasury and Finance;

In responding to my request, the Department of Treasury and Finance identified that the 2 ECOs that had utilised Flex time at that agency were employees to which Flex time provisions did not apply. The ECOs regularly work extended hours but are not entitled to any form of financial compensation such as overtime or leave such as Flex time or time off in lieu. In order to recognise these extended hours worked over many weekends and evenings, there is an informal arrangement for senior staff involved to take some time off after the need for the extended working hours has ceased – usually a half day. Any more than a day requires use of recreation leave. Non-executive staff in the work areas affected by extended working hours access either overtime or may take some time in lieu.

The 2 executives were endeavouring to set an example for their staff by entering leave in myHR, just as they had required of their staff, and were modelling the behaviour expected of others irrespective of level. In trying to do the right thing, they used what seemed an obvious leave code '*miscellaneous leave (flex)*' to record their absence resulting in a recording error.

Power Generation Corporation (Territory Generation)

Timesheets were provided for the single employee of Territory Generation who was selected as part of this analysis.

The formal agreement relating to the Flex time arrangement is via the Territory Generation Agreement and Attendance Records. No other documentation was provided to support Flex time arrangements outside of the standard arrangements provided by the Territory Generation Agreement.

The timesheets were reviewed and the following issues were identified:

1. The Flex time credit regularly exceeded the 5 days specified by clause 65.7 the Territory Generation Agreement without the approval of the Chief Executive Officer under clause 65.9 for the Flex time arrangement to be outside of the standard parameters therefore the Flex time credit was overstated as the Flex time should have been forfeited.

1. The banked Flex time was regularly not taken within 3 months from the date on which it was banked without the approval of the Chief Executive Officer therefore the Flex time credit was overstated as the Flex time should have been forfeited.

Flex time cont…

Power and Water Corporation

Timesheets were provided for the single employee of Power and Water Corporation who was selected as part of this analysis.

The formal agreement relating to the Flex time arrangement is via the PWC Agreement and attendance records. No other documentation was provided to support Flex time arrangements outside of the standard arrangements provided by the PWC Agreement.

The timesheets were reviewed and the following issues were identified:

1. The hours claimed as Flex time exceeded the standard span of hours specified by clause 70.3(a) of the PWC Agreement therefore the Flex time credit was overstated.
2. An insufficient meal break was identified on 29 June 2022 where the timesheet recorded the employee working from 13:00 hours to 22:00 hours with no break after 5 hours as required by clause 75.1 of the PWC Agreement.
3. The Flex time credit regularly exceeded the 5 days specified by clause 70.7 of the PWC Agreement without evidence of the approval of the Chief Executive Officer under clause 70.9 for the Flex time arrangement to be outside of the standard parameters therefore the Flex time credit was overstated as the Flex time should have been forfeited.
4. The Flex time banked was not taken within 3 months from the date on which it was banked (without evidence of the approval of the Chief Executive Officer to carry forward the credit) therefore the Flex time credit was overstated as the Flex time should have been forfeited.
5. An arithmetic issue was noted within one timesheet resulting in further overstatement of the Flex time credit.
6. The timesheets identify Flex time as being taken on 22 days (including 10 full days [450 minutes] and other periods between 15 and 150 minutes) however myHR only records Flex time as being taken on 23, 24, 29, 30 and 31 December and 5 January 2022.

Whilst recognising that there is no formal requirement to record Flex time in myHR, there are occasions where the employees have recorded Flex time in myHR. The inconsistent use of Flex time (in myHR) to record days taken, and other times not, makes it unclear as to whether the days taken are appropriately recorded.

In addition to the Flex time not always being recorded within myHR, comparing the '*HR007 Leave'* between 1 July 2021 and 30 June 2022 identified a number of other matters as explained below.

Public Holidays incorrectly recorded

Public holidays are recorded by a notation in the '*Approved Leave*' line of the timesheet. Generally there are no hours recorded on those days as no time was worked.

The public holidays of 27 December 2021, 28 December 2021, 3 January 2022 and 26 January 2022 had a standard day's working hours recorded when it appears that no time was worked on those days as they were public holidays.

Tuesday 26 April 2022 was recorded as having a standard day worked and also being a public holiday. 26 April 2022 was not a public holiday.

Flex time cont…

Leave not recorded in myHR

Date	Timesheet Record	myHR Record
Friday, 15 October 2021	Sick Leave	No leave recorded in myHR
Thursday, 2 December 2021	-	Miscellaneous Leave With Pay (By-Law 18)
Friday, 3 December 2021	Miscellaneous Leave	-
Friday, 22 April 2022	Flex time	Recreation Leave

Clause 85.7(e) of the PWC Agreement states that '*Notwithstanding clause 85.7(d), any absence immediately preceding or following an RDO, public holiday or weekend, will require medical evidence*'. There is no record of the Sick Leave in myHR for 15 October 2021. As 15 October 2021 was a Friday, it appears a medical certificate would be required for the sick leave.

In relation to the Miscellaneous Leave With Pay (By-Law 18), the dates are inconsistent when comparing the approved timesheet to myHR records.

Timesheet documentation

The employee's timesheet for the period:

- 9 December 2021 to 22 December 2021 was certified and approved on 17 August 2022.
- 16 December 2021 to 29 December 2021 was certified and approved on 22 December 2021.

Recommendations

I recommended that management ensure that:

- Written agreements varying the standard conditions of the relevant Enterprise Agreement, or the general NTPS Flex time Policy, are obtained and retained;
- Employee names and details are recorded on the timesheet;
- Timesheets are completed and certified by the employee and reviewed and signed by a supervisor in a timely manner;
- Arithmetical errors are identified and corrected when the timesheet is checked and signed by the supervisor;
- Sufficient meal breaks are taken by employees;
- The hours claimed as Flex time do not exceed the standard span of hours;
- Maximum carried forward credits and debits are maintained;
- Timesheets are reviewed for accuracy of recording public holidays and are agreed with myHR records for recreation leave, personal leave and other miscellaneous leave categories;
- Timesheets are not completed prior to the completion of the relevant working days recorded in that timesheet; and
- Flex time credits are not claimed when employees are on other forms of leave.

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

Background

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

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

Excluded from the definition are:

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

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

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

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

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

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

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

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

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

There have been no matters referred since my November 2022 Report to the Legislative Assembly.

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.

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 2 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 2 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 3 types of modified opinions, namely, a qualified opinion, an adverse opinion and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon:

a) the nature of the matter giving rise to the modification, that is, whether the financial report is materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and

b) the auditor's judgement about the pervasiveness of the effects or possible effects of the matter on the financial report.

Qualified Opinion

An auditor shall express a qualified opinion when:

a) the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial report; or

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

Adverse Opinion

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

Disclaimer of Opinion

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

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

Appendix 2: Guide to Using this Report cont…

Assurance Engagements Conducted by the Auditor-General

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

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

Statutory Financial Statements Audits

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

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

Financial Statements 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
Cobourg Peninsula Sanctuary and Marine Park Board	Not yet tabled	21 December 2022	30 May 2022
Common Funds of the Public Trustee[(1)]	Not yet tabled	19 December 2022	15 June 2022
Desert Knowledge Australia	29 November 2022	10 November 2022	19 October 2021
Northern Territory Police Supplementary Benefit Scheme	Not required	23 January 2023	21 January 2022
Treasurer's Annual Financial Statements	22 November 2022	14 November 2022	22 October 2021

Not yet tabled – as at 27 January 2023
Not required – Financial statements are not required to be tabled
[(1)] Not separately reported within this report

Acquittals or other returns for the year ended 30 June 2022

	Deadline for submission of Audited Financial Statements	Date of Audit report year ended 30 June 2022	Date of Audit report year ended 30 June 2021
National Land Transport Act 2014			
Black Spot Program[(1)]	31 December 2022	5 December 2022	14 December 2021
Infrastructure Investment Program[(1)]	31 December 2022	13 December 2022	14 December 2021

[(1)] Not separately reported within this report

Appendix 4: Status of Audit Activity

Listed below is the status, as at 27 January 2023, of non-routine audits and reviews identified as not yet complete in Appendix 4 of my November 2022 Report to the Legislative Assembly:

Department of Education	
Program Evaluation Audit	Not yet completed
Department of Health	
Outsourcing – Achievement of Outcomes/Outputs	Not yet completed
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	Not yet completed
Department of the Chief Minister and Cabinet	
Darwin City Deal	Refer to page 43
Implementation of the TERC Recommendations	Not yet completed
Local Jobs Fund	Refer to page 53
Selected Agencies	
Modular Housing	Refer to page 66
Wages Policy and Lump Sum Payment Implementation	Not yet completed
Youth Justice Facility	Refer to page 84

Appendix 5: Abbreviations

AASB	Australian Accounting Standards Board
AG	Australian Government
APRO	Agency Purchase Requisitions Online
ASNEX	Assets System Nexus
BOXI	BusinessObjects
CBIS	Corporate Business Intelligence System
CDU	Charles Darwin University
CHA	Central Holding Authority
CoD	City of Darwin
COVID-19	Coronavirus disease 2019 or SARA-CoV-2
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSS	Commonwealth Superannuation Scheme
DCMC	Department of the Chief Minister and Cabinet
DIPL	Department of Infrastructure, Planning and Logistics
DKA	Dessert Knowledge Australia
DTBI	former Department of Trade, Business and Innovation
DTF	Department of Treasury and Finance
ECO	Executive Contract Officer
ePASS	Electronic Portal Access Services
FTE	Full time equivalent
GFS	Government Finance Statistics
GST	Goods and services tax
HPSM	Hewlett Packard Service Manager
HR	Human Resources
ICT	Information communications technology
IAM	Identity and Access Management
IT	Information Technology
JSC	Joint Steering Committee
NT	Northern Territory
NTG	Northern Territory Government
NTPS	Northern Territory Public Sector
PWC	Power and Water Corporation

Appendix 5: Abbreviations cont…

STC Report	Safe, Thriving and Connected: Generational Change for Children and Families 2018-2023
RDO	Rostered Day Off
the Fund	Local Jobs Fund
LJF	Local Jobs Fund
TAFR	Treasurer's Annual Financial Report
TAFS	Treasurer's Annual Financial Statements
TFHC	Department of Territory Families, Housing and Communities
QRIDA	Queensland Rural and Industry Development Authority
QTOL	Quotations and Tenders Online

Contents by Entity