



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

Auditing for Parliament

May 2024

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.

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Northern Territory
Auditor-General's Office
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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 May 2024

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 2023 to 30 April 2024 that have not been previously reported and I request that you table the report in the Legislative Assembly.

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

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 the following specific programs:

- NT Implementation Plan for Closing the Gap
- Aboriginal Economic Participation Framework
- Ship Lift Facility
- Tiger Brennan Drive and Berrimah Road Overpass.

The audits related to the Aboriginal Economic Participation Framework and the Ship Lift Facility required audit procedures to be undertaken at more than one agency.

The report also presents the findings from audits of two information technology systems (GrantsNT and Motor Vehicle Registry System) that were undertaken to assess whether access to those systems and controls over data maintained within those systems were adequate.

Findings from audits of the Government Accounting System and the Personnel Information and Payroll System are also presented in this report.

Analysis of State Square Car Park Fringe Benefits Tax identified instances of free parking being provided to Northern Territory government employees which led to my Office undertaking further reviews of the calculation and reporting of Fringe Benefits Tax at four agencies. Findings from these reviews are included 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 13 separate audits and other tasks completed during the period 1 November 2023 to 30 April 2024. This report summarises the results of the following types of audits and legislated tasks conducted during the period:

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

Included in this report are the results of financial statements audits for one entity with a financial year ended 31 December 2022 and three entities for the financial year ended 30 June 2023. These audits were completed between 1 November 2023 and 30 April 2024.

Four performance management system audits were completed during the period:

- NT Implementation Plan for Closing the Gap
- Aboriginal Economic Participation Framework
- Ship Lift Facility
- Tiger Brennan Drive and Berrimah Road Overpass.

Of these, the audit related to the Aboriginal Economic Participation Framework involved audit procedures being undertaken at the Department of the Chief Minister and Cabinet and the Department of Industry, Tourism and Trade.

The audit of the Ship Lift Facility required the involvement of the Department of the Chief Minister and Cabinet and the Department of Infrastructure, Planning and Logistics. As explained in the related *Limitation of Scope* section in this report, evidence to support key decisions made surrounding the Project was not provided for audit scrutiny. As evidence to support these key decisions was not provided for audit scrutiny, I was unable to assess and conclude that the performance management systems in place at the Agencies are adequate or have been effectively designed and implemented to enable management to assess whether the Project is being delivered efficiently, effectively and with economy.

A review was conducted to test the internal control structure at the Department of Corporate and Digital Development and Data Centre Services, relating to the GrantsNT System. A similar review was undertaken to assess the effectiveness of controls in relation to the information technology controls supporting the interface of information between the Motor Vehicle Registry System (MOVERS) and other NT Government systems. The results of these two reviews are presented in this report.

Summary of this report cont...

An analysis was undertaken relating to approximately 200 car parks that were allocated for NTG parking without payment for the use of those car parks by NTG agencies or employees using the parks. The analysis identified underreporting of Fringe Benefits Tax relating to some of the car parking bays provided to employees at no charge.

Audits relating to the Government Accounting System and the Personnel Information and Payroll System identified some agencies that had not responded to the Department of Corporate and Digital Development's request for confirmation of access rights to the two systems. This presents a risk of unauthorised access to key across-government systems. The results have been presented in this report.

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

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

A number of audits scheduled to be commenced and completed prior to 30 June 2024 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

Erratum – Infrastructure Program Development, Budgeting and Reporting

On page 120 of my November 2023 Report to the Legislative Assembly, the content related to the audit of the Infrastructure Program Development, Budgeting and Reporting included an incorrect graph reported as “Figure 5: General government sector capital works – revoted works”. The correct Figure 5, and related narrative (which is unchanged), is provided below:

Table 3: General government sector capital works - estimated expenditure

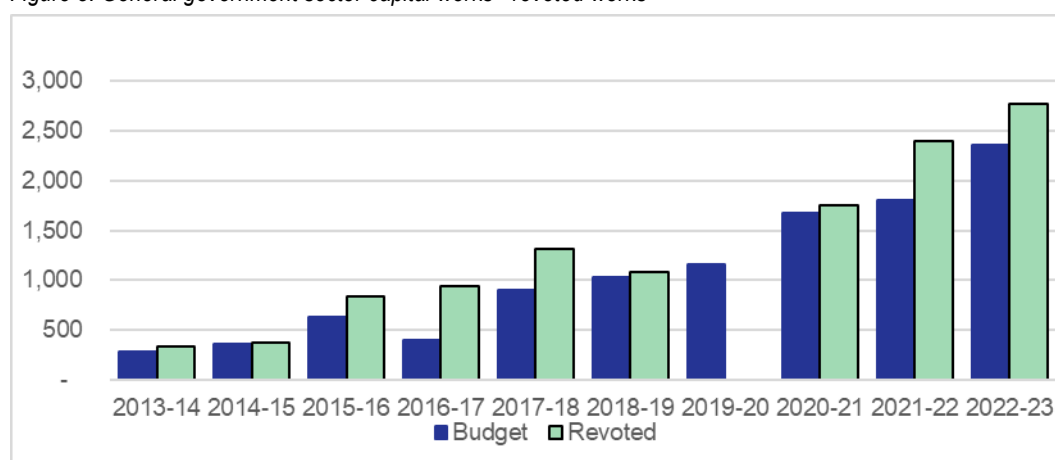
	Revote in A	Minor new works B	Major new works C	Total capital works D (A+B+C=D) (E+F=D)	Cash E	Revote out F
	\$ million					
2021-22 Revised	2,049	68	1,063	3,180	778	2,402
2022-23 Budget	2,402	84	794	3,280	922	2,358

Source: 2022-23 BP4 – Table 2

The ‘Revote’ figure for 2021-22 of \$2,402 million is the approved unspent project funding that was rolled from the 2021-22 budget to the 2022-23 budget. The ‘Cash’ balance is what is expected to be spent that financial year, in 2022-23 this is \$922 million. The 2022-23 budget paper was published in May 2022 at which time, the actual ‘Revote’ figure for 2022-23 was unknown so an estimate was used.

The revoted works have increased from \$280 million in 2013-14, where revoted works represented 33% of the total program; to \$2,768 million in 2022-23 (revised figure published in 2023-24 BP4). The 2022-23 revoted works represent 73% of the total program.

Figure 5: General government sector capital works - revoted works



Erratum – Infrastructure Program Development, Budgeting and Reporting cont....

Agency representatives advised that, over time, the program balance has increased as well as the cash balance. The key factors for the increase in revoted works include:

- An increased number of infrastructure projects
- An increased number of large value projects which take longer to complete
- Projects being combined as a program of works with a funding commitment over multiple financial years
- Delays in completing the program due to shortages of skilled labour.

Batchelor Institute of Indigenous Tertiary Education

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

Background

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

Scope and objectives

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of the Institute for the year ended 31 December 2022.

Disclaimer of opinion

The audit of the Institute for the year ended 31 December 2022 resulted in a disclaimer of opinion, which was issued on 27 November 2023 and is presented below.

Section 46 of the *Batchelor Institute of Indigenous Tertiary Education Act 1999* requires the Auditor-General to audit the financial statement of the Batchelor Institute of Indigenous Tertiary Education ("the Institute") and report on the statement to the Minister.

The financial report comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Chief Executive Officer.

I do not express an opinion on the accompanying financial report of the Institute. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

Basis for disclaimer of opinion

As described in my audit opinion, the following matters influenced my decision to disclaim.

My audit report for the year ended 31 December 2021 contained a disclaimer of opinion as a result of the significant deficiencies in the Institute's entity level control environment, including its governance policies and practices, risk assessment and management, monitoring processes, internal controls over the financial reporting process, general information technology controls and an absence of controls over student records maintained in the student management application. I was therefore unable to form an opinion on the accuracy of the comparative financial information for the year ended 31 December 2021, as presented in the financial statements for the year ended 31 December 2022, or quantify the impact, if any, that any misstatement in comparative balances may have had on the statement of comprehensive income for the year ended 31 December 2022.

Batchelor Institute of Indigenous Tertiary Education cont....

My audit of the financial statements for the year ended 31 December 2022 confirmed that these deficiencies had not been addressed during the financial year ended 31 December 2022. The internal control and process weaknesses are pervasive and not confined to specific elements, account balances or items within the financial statements. As a result, I was unable to place reliance on the implementation and effectiveness of controls during the period. My audit was conducted using a fully substantive approach to test reported balances. I was unable to obtain sufficient appropriate substantive audit evidence in relation to the following financial statement line items in the statement of financial position and statement of changes in equity statement as at 31 December 2022 and the statement of comprehensive income for the year ended 31 December 2022:

- The student records data maintained in the Institute's system could not be used to substantiate the calculation and payment of student related funding as determined by the Australian and Northern Territory government funding bodies. As a result, I was unable to confirm the completeness and accuracy of *Australian Government grants* and *Northern Territory Government financial assistance* reported in the statement of comprehensive income. Any material change to the value of *Australian Government grants* and *Northern Territory Government financial assistance* will impact the balances reported in the statement of financial position for *Receivables and contract assets* and *Contract and other liabilities*.
- I was unable to obtain sufficient appropriate audit evidence to support the balance of *Other revenue and income* as reported in the statement of comprehensive income. Any material change to the value of *Other revenue and income* will impact the balances reported in the statement of financial position for *Receivables and contract assets* and *Unearned revenue*.
- I was unable to obtain sufficient appropriate audit evidence to support the balance of *Employee related expenses* as reported in the statement of comprehensive income. Any material change to the value of *Employee related expenses* will impact the balance reported in the statement of financial position for *Provisions* (for employee benefits).
- Property, plant and equipment was last revalued in the financial year ended 31 December 2017. Price escalation and global impacts on supply indicate that the values attributed to *Property, plant and equipment* within the statement of financial position are likely to be materially misstated as at 31 December 2022. Any material change to the value of *Property, plant and equipment* will impact the *Property, plant and equipment revaluation surplus reserve* within the statement of changes in equity and statement of financial position and *Depreciation* within the statement of comprehensive income.

These limitations and restrictions to my audit, as described above, are both material and pervasive and, as a result, I was unable to obtain sufficient appropriate audit evidence to enable me to express an audit opinion on the financial statements taken as a whole.

Batchelor Institute of Indigenous Tertiary Education cent...

Audit observations

Performance overview

The Institute reported a surplus of \$1.5 million (2021: \$0.8 million), an improvement of approximately \$0.7 million when compared to the prior year.

An increase in revenue of \$0.3 million was influenced by an increase of \$1.9 million in Australian Government grants and a decrease of \$1.6 million in Northern Territory Government grants.

Expenditure decreased by \$0.4 million with decreases of \$1.3 million in employee related expenses partly offset by an increase of \$0.7 million in other expenses (such as travel, fuel and freight) and an increase of \$0.2 million in repairs and maintenance.

The Institute's net asset position increased from \$31.5 million at 31 December 2021 to \$33.0 million at 31 December 2022. Significant changes affecting the balance sheet include:

- An increase in cash and deposits of \$2.1 million.
- An increase in receivables of \$1.5 million.
- A decrease in property, plant and equipment of \$1.1 million caused by offsetting movements with additions of \$0.9 million and \$2.0 million in depreciation expenditure.
- An increase in trade and other payables of \$0.6 million.
- An increase of \$0.8 million in contract liabilities at the end of the year.

Overall cash position

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

The cash forecast indicates that, for the 2023 financial year, the Institute is expected be in a cash surplus each month and therefore has the ability to pay debts as and when they fall due for at least 12 months from the date of signing the 31 December 2022 financial statements. I note that the net cash provided by operating activities during the 2022 financial year, as reported in the cash flow statement, was \$3.1 million (2021: \$2.5 million). Notwithstanding the healthy cash position, those charged with governance should continue to closely monitor cash balances and maintain tight controls in relation to operating expenditure.

The going concern basis of preparation has been appropriately disclosed in the financial statements including the economic dependency in respect to ongoing funding from the Australian and Northern Territory governments which is expected in the future, however, is only committed each year.

Batchelor Institute of Indigenous Tertiary Education cont...

Financial performance for the year

	2022	2021
	\$'000	\$'000
Revenue from continuing operations		
Australian Government financial assistance	15,080	13,209
Northern Territory Government financial assistance	11,453	13,091
Other revenue	7,834	7,736
Total revenue from continuing operations	34,367	34,036
Less expenses from continuing operations		
Employee expenses	(19,409)	(20,733)
Depreciation and amortisation	(2,020)	(2,139)
Other expenses	(11,429)	(10,407)
Total expenses from continuing operations	(32,858)	(33,279)
Surplus	1,509	757

Batchelor Institute of Indigenous Tertiary Education cont...

Financial position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	10,313	8,293
Receivables and other current assets	4,916	3,647
Less current liabilities	(9,167)	(8,380)
Working capital	6,062	3,560
Add non-current assets	27,494	28,561
Less non-current liabilities	(516)	(590)
Net assets	33,040	31,531
Represented by:		
Reserves	30,814	30,814
Retained surplus/(accumulated deficit)	2,226	717
Equity	33,040	31,531

Batchelor Institute of Indigenous Tertiary Education cont...

The Batchelor Institute of Indigenous Tertiary Education has commented:

When the Institute received the Disclaimer of Opinion for the 2021 Financial Statement from the Auditor-General in February 2023, we realized that we would most likely receive a Disclaimer of Opinion for the 2022 Financial Statements. This was because the procedures and controls mentioned in the Disclaimer that were lacking for the Institute in the 2021 Financial Year, would also be found lacking in the 2022 Financial Year. As it was then 2023, we could not go back into 2022 and improve this situation.

What we have done throughout 2023 is develop and implement these control mechanisms.

We are looking forward to the Auditor-General's Audit Report for our 2023 Financial Statement and will use this as an evaluation tool to ensure we are heading in the right direction.

Desert Knowledge Australia

Audit findings and analysis of the financial statements for the year ended 30 June 2023

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 2023.

Audit opinion

The audit of Desert Knowledge Australia for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 22 November 2023.

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

I draw attention to Note 16 to the financial statements which describes the contingencies existing relating to obligations arising from agreements with Desert Knowledge Research Institute. My opinion is not modified with respect to that matter.

Audit observations

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

Performance overview

Desert Knowledge Australia reported a deficit of \$2.8 million compared to the prior year's surplus of \$2.3 million. Analysis of the significant items contributing to the deficit is presented below.

Total revenue of \$2.2 million (2022: \$5.8 million) decreased by \$3.6 million from the prior year with the decrease attributable to a decline in grant revenue of \$3.6 million. Australian Accounting Standard AASB 1058 *Income of Not-for-Profit Entities* requires revenue to be recognised upon receipt when there are insufficiently specific performance obligations that would enable the revenue to be recognised as the expenditure associated with performance obligations is incurred. Desert Knowledge Australia has correctly applied this accounting standard resulting in grant funding being recognised in the prior year notwithstanding the related expenditure will be incurred in subsequent years. This has resulted in the significant fluctuation between grant revenue for the 2023 and 2022 financial years with only \$1.5 million recorded as grant revenue in the 2023 financial year.

Desert Knowledge Australia cont...

When compared to 2022, total expenses have increased by \$1.5 million (2023: \$5.0 million 2022: \$3.5 million) predominantly due to:

- An increase in consultancy expenditure of \$1.3 million from \$1.0 million in the comparative year to \$2.3 million in the reporting year. The increase in consultancy expenditure is primarily due to consultants hired to support the delivery of the Alice Springs Future Grid Project.
- An increase in employee expenses of \$0.2 million to \$1.3 million (2021: \$1.1 million) due to increased staff costs incurred for delivery of the Alice Springs Future Grid Project.

As at 30 June 2023, the net asset position of DKA was \$12.0 million (2022: \$14.8 million).

Desert Knowledge Australia cont...

Financial performance for the year

	2023	2022
	\$'000	\$'000
Income		
Grants – Government	1,518	5,146
Rent received	61	107
Interest revenue	24	4
Solar Centre revenue	101	96
Other	520	424
Total income	2,224	5,777
Expenditure		
Employee expenses	(1,306)	(1,117)
Depreciation and amortisation	(478)	(489)
Board costs	(51)	(46)
Consultants	(2,337)	(1,024)
Media/marketing/advertising	(50)	(37)
Travel	(59)	(21)
Desert Knowledge Precinct	(217)	(289)
Solar Centre maintenance	(88)	(90)
Other	(410)	(374)
Total expenditure	(4,996)	(3,487)
(Deficit)/Surplus	(2,772)	2,290

Desert Knowledge Australia cont...

Financial position at year end

	2023	2022
	\$'000	\$'000
Cash and cash equivalents	2,542	4,823
Receivables and other current assets	799	679
Less current liabilities	(1,466)	(1,334)
Working capital	1,875	4,168
Add non-current assets	10,106	10,584
Less non-current liabilities	-	-
Net assets	11,981	14,752
Represented by:		
Retained earnings	4,172	6,943
Capital	7,809	7,809
Equity	11,981	14,752

Desert Knowledge Australia cont...

Desert Knowledge Australia has commented:

I would like to note that the balance of \$551,434 shown in note 16 of DKA's 2022/23 audited financial statements as a contingency at 30 June 2023, due to the agency agreement between DKA and Desert Knowledge Research Institute Limited, was paid by DKRI to DKA in November 23 following the receipt of funds, as expected, from ARENA.

Nitmiluk (Katherine Gorge) National Park Board

Audit findings and analysis of the financial statements for the year ended 30 June 2023

Background

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

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of Nitmiluk (Katherine Gorge) National Park Board for the year ended 30 June 2023.

Audit opinion

The audit of the Nitmiluk (Katherine Gorge) National Park Board for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 8 December 2023.

Audit observations

Performance overview

Total income of \$1.37 million (2022: \$1.24 million) increased from the prior year by \$131 thousand. The most significant movements are in income from boat tours and camping fees, with balances increasing from the prior year by \$91 thousand and \$46 thousand respectively. The increase in income from boat tours was caused by a significantly higher number of boat tours in July, August, September and November 2022. The increase in camping fees is due to the online booking system, which raised awareness of the parks. The online booking system was implemented in March 2022 and only impacted the last four months of the 2022 financial year but was in place for the entire 2023 financial year.

Total expenses of \$1.37 million (2022: \$1.24 million) also increased by \$131 thousand and reflects increased payments to both Traditional Owners and the Department of Environment, Parks and Water Security. The movement in expense is equivalent to the movement in revenue as, after payment of all operational expenses, all remaining revenue is distributed.

Total receivables of \$735 thousand (2022: \$725 thousand) remained stable compared to the prior year and are matched by payables to Traditional Owners and the Department of Environment, Parks and Water Security.

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

Financial performance for the year

	2023	2022
	\$'000	\$'000
Income		
Park income	1,270	1,136
Other revenue	100	103
Total income	1,370	1,239
Expenditure		
Payments to Traditional Owners	(790)	(691)
Payments to the Department of Environment, Parks and Water Security	(480)	(445)
Operational costs	(100)	(103)
Total expenditure	(1,370)	(1,239)
Surplus	-	-

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

Financial position at year end

	2023	2022
	\$'000	\$'000
Cash and cash equivalents	-	-
Receivables and other current assets	735	725
Less current liabilities	(735)	(725)
Working capital	-	-
Add non-current assets	-	-
Less non-current liabilities	-	-
Net assets	-	-
Represented by:		
Accumulated funds	-	-
Capital	-	-
Equity	-	-

Northern Territory Police Supplementary Benefit Scheme

Audit findings and analysis of the financial statements for the year ended 30 June 2023

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 2023 there were 7 members (2022: 10) and 217 pensioners (2022: 215).

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 2023.

Audit opinion

The audit of the Northern Territory Police Supplementary Benefit Scheme for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 14 December 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 Northern Territory Police Supplementary Benefit Scheme increased by \$186 to a net asset position of \$844 (2022: negative \$658).

The largest balances within the statement of financial position as at 30 June 2023 are:

- Cash of \$36 thousand (2021: \$35 thousand);
- Investments of \$466 thousand (2021: \$647 thousand); offset by
- Accumulated contribution balances (liabilities) of \$504 thousand (2021: \$684 thousand).

The fair value of investments increased this year following upward movements in the capital markets. The net change in the fair value of investments for the year ended 30 June 2023 was a positive \$29 thousand (2022 loss \$102 thousand). Distributions from investments in 2023 were \$13 thousand, down from \$51 thousand in 2022. When combined, this reflects a \$93 thousand improvement in the return from investments.

Payments of accumulated contributions from the scheme to the Territory were \$229 thousand compared to \$685 thousand in the prior year. Accumulated contribution balances decreased by \$180 thousand to \$504 thousand for the year ended 30 June 2023 (2022: \$684 thousand). These decreases are recognised as reductions in expenses in the statement of comprehensive income.

Northern Territory Police Supplementary Benefit Scheme cont...

Abridged income statement for the year

	2023	2022
	\$'000	\$'000
Income		
Interest	1	-
Distribution from investments	13	51
Increase in net market value of investments	29	-
Member revenue	14	24
Total income	57	75
Expenditure		
Benefits expense		
Decrease in member liabilities	179	731
Payment of accumulated contributions to the Territory	(229)	(685)
Decrease in net market value of investments	-	(102)
Other expenses	(5)	(10)
Total expenditure	(55)	(66)
Revenue less expenses before income tax expense	2	9
Income tax benefit/(expense)	(2)	9
Change in net assets	-	18

Northern Territory Police Supplementary Benefit Scheme cont...

Financial position at year end

	2023	2022
	\$'000	\$'000
Cash and cash equivalents	36	35
Investments and other assets	475	657
Total assets	511	692
Less liabilities	(510)	(691)
Net assets	1	1

NT Implementation Plan for Closing the Gap

The Department of the Chief Minister and Cabinet Index

The report on this audit is structured as follows:

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Background

National Agreement on Closing the Gap

Closing the Gap is an agreement between the Coalition of Aboriginal and Torres Strait Islander Peak Organisations and all Australian governments and is referred to hereafter as the National Agreement. The National Agreement was signed in July 2020.

The National Agreement is built around four priority reform outcomes and 17 socioeconomic targets in areas including education; employment; health and well-being; justice; safety; housing; land and waters; and Aboriginal and Torres Strait Islander languages. The Priority Reforms Outcomes, as outlined in section 7 of the National Agreement, are presented below.

Figure 1: Closing the Gap objectives and targets

1. FORMAL PARTNERSHIPS AND SHARED DECISION-MAKING

Developing and strengthening structures to ensure the full involvement of Aboriginal and Torres Strait Islander peoples in shared decision making at the national, state and local or regional level and embedding their ownership, responsibility and expertise to close the gap.

Target: There will be formal partnership arrangements to support Closing the Gap in place between Aboriginal and Torres Strait Islander people and governments in place in each state and territory enshrining agreed joint decision-making roles and responsibilities and where Aboriginal and Torres Strait Islander people have chosen their own representatives.

NT Implementation Plan for Closing the Gap cont...

2. BUILDING THE COMMUNITY-CONTROLLED SECTOR

Building the formal Aboriginal and Torres Strait Islander community-controlled services sector to deliver Closing the Gap services and programs in agreed focus areas.

Target: Increase the amount of government funding for Aboriginal and Torres Strait Islander programs and services going through Aboriginal and Torres Strait Islander community-controlled organisations.

3. TRANSFORMING GOVERNMENT ORGANISATIONS

Ensuring all mainstream government agencies and institutions undertake systemic and structural transformation to contribute to Closing the Gap, improve accountability and respond to the needs of Aboriginal and Torres Strait Islander people.

Target: Decrease in the proportion of Aboriginal and Torres Strait Islander people who have experiences of racism.

4. SHARED ACCESS TO DATA AND INFORMATION AT A REGIONAL LEVEL

Ensuring Aboriginal and Torres Strait Islander people have access to, and the capability to use, locally relevant data and information to monitor the implementation of the priority reforms, the Closing the Gap targets and drive local priorities.

Target: Increase the number of regional data projects to support Aboriginal and Torres Strait Islander communities to make decisions about Closing the Gap and their development.

Source: National Agreement on Closing the Gap

Each priority area has output indicators and performance indicators to track success. Work to identify appropriate measures for the indicators has been undertaken, but measurement concepts have not been agreed. (<https://www.pc.gov.au/closing-the-gap-data/dashboard>, 27 July 2023)

The actions, including jurisdictional actions, expected for each priority reform area are explained in section 6 of the National Agreement.

In addition, there are 17 socioeconomic outcomes with targets.

Section 21 of the National Agreement states *‘The Parties agree to implement all activities under this Agreement in a way that takes full account of, promotes, and does not diminish in any way, the cultures of Aboriginal and Torres Strait Islander people. This commitment is part of the new way of working that Parties have agreed to under this Agreement. The Parties agree to demonstrate this commitment through their Implementation Plans.’*

Each State and Territory government is a party, including the Northern Territory Government (NTG) along with Coalition of peak organisations and Australian Local Government Association.

Parties to the National Agreement agreed that the Productivity Commission will undertake a comprehensive review of progress every three years. The review is to inform the ongoing implementation of the Agreement by highlighting areas of improvement and emphasising where additional effort is required to close the gap.

NT Implementation Plan for Closing the Gap cont...

Implementation Plan

Section 8B of the National Agreement states *'the Parties will each develop their own Implementation Plan(s) to support achievement of the National Agreement's objectives and outcomes.'*

The NT Implementation Plan is to set out how policies and programs are aligned to the National Agreement and what actions will be taken to achieve the Priority Reforms and outcomes, including information on funding and timeframes for actions.

The implementation plans are reviewed by the National Joint Council who can provide advice on how the parties can better work together to achieve shared outcomes.

The NTG, Aboriginal Peak Organisations NT and the Local Government Association of the NT developed the first NT Implementation Plan in 2021. The NT Implementation Plan stated *'The Northern Territory will take a phased approach to the implementation of Closing the Gap, in line with the timeframes set out in the National Agreement and reflecting the unique circumstances of the Territory.'*

This first Implementation Plan provides an initial response that is focussed on embedding the Priority Reforms. It is acknowledged that further work is required to address the socioeconomic targets of the National Agreement.

Over time, the Implementation Plan will be revised to reflect new challenges, priorities and opportunities.'

The NT Implementation Plan focussed on key actions to address the four priority reforms. Each action can be linked back to the Jurisdictional and Partnership clauses within section 6 of the National Agreement.

Everyone Together Aboriginal Affairs Strategy

In addition to the NT Implementation Plan, the NTG released the Everyone Together Aboriginal Affairs Strategy (Aboriginal Affairs Strategy) in March 2020.

The Aboriginal Affairs Strategy is a 10-year plan for the NTG to reshape how it works with Aboriginal Territorians to support community aspirations and achieve better outcomes. The strategy identified 67 measures and 21 primary initiatives, across 10 focus areas. The 10 focus areas are:

- | | |
|---|-----------------------|
| 1. Truth and healing | 6. Health |
| 2. Language and culture | 7. Education |
| 3. Land and sea | 8. Safety |
| 4. Children and families | 9. Justice |
| 5. Housing and essential infrastructure | 10. Jobs and economy. |

When the NT Implementation Plan was released in 2021, it confirmed that the Aboriginal Affairs Strategy will exist alongside the NT Implementation Plan. It committed that *'the Strategy's 67 measures will be mapped against the Closing the Gap targets, and where alignment occurs these measures will be adopted to address the Closing the Gap targets. Where gaps are identified, new measures/actions will be developed within the next 6-12 months.'*

NT Implementation Plan for Closing the Gap cont...

In May 2022, the updated strategy, Aboriginal Affairs Strategy V1.2, communicated that it and the Aboriginal Affairs Strategy complement each other. It made the commitment *'To ensure overall accountability and alignment, from 2022 onwards the Aboriginal Affairs Strategy progress report will be incorporated into the reporting process for the National Agreement on Closing the Gap. This will create a unified and comprehensive report on Aboriginal Affairs in the Northern Territory.'*

From 2022, reporting against the objectives of both the NT Implementation Plan and the Aboriginal Affairs Strategy has been released concurrently.

Two individual progress reports were released in 2022, one for the Aboriginal Affairs Strategy and one for the NT Implementation Plan. Despite both reports referring to the combined reporting that captures the progress of the NT Implementation Plan and the Aboriginal Affairs Strategy, each report only addresses the progress against its own actions.

Scope and objectives

The audit assessed the performance management systems in place at the Department of the Chief Minister and Cabinet ('DCMC' or 'the Agency') that enable management to assess whether the NT Implementation Plan for Closing the Gap (the NT Implementation Plan) will achieve the intended outcomes economically, efficiently and effectively.

When reviewing the performance management systems in place at DCMC, the audit considered:

- Program planning including defining clear outcomes, developing governance structures and mitigating risk;
- Program management;
- Financial management including robust budget and cost management;
- Management of the delivery of the program outcomes; and
- Efficiencies gained through alignment with the Everyone Together Aboriginal Affairs Strategy.

This audit covers the period from commencement of the program to June 2023. The audit was conducted during October and November 2023.

Audit opinion

The audit assessed the performance management systems in place at DCMC that enable management to assess whether the NT Implementation Plan will achieve the intended outcomes economically, efficiently and effectively.

In my opinion, the Agency could implement improvements to the performance management systems in place to demonstrate that the intended objectives of the NT Implementation Plan are being achieved economically, efficiently and effectively.

Of particular concern are the observations from the audit on the NTG's inability to both obtain meaningful data to monitor progress against a number of targets and report annual expenditure directly attributable to Aboriginal programs and services. As the program matures, it would not be unreasonable to expect transparency regarding the number and types of Aboriginal organisations that have been allocated funding for the purposes of Clause 118d of the National Agreement.

NT Implementation Plan for Closing the Gap cont...

Recommendations

Opportunities to improve the existing performance management systems are presented below.

Performance management

- Customise the current targets and indicators used to measure the success of the program, to better reflect the planned improvement for the Northern Territory.
- Review the key performance indicators to ensure that each indicator is specific, measurable, attainable and relevant and contains a timeframe for achievement (SMART).
- Develop interim targets that reflect the required time for actions to impact the targets and outcomes. By setting interim targets, there is a pathway to success that can be measured.

Governance and risk management

- Finalise the terms of reference for the NT Partnership Working Group as soon as possible.
- Design, document and implement a process to identify risks to achieving the outcomes and develop and document appropriate risk responses where risks are identified.

Program management

- Identify timeframes and resource requirements for all actions to support evidence-based decision-making.
- Taking into consideration available resources, prioritise individual actions and overall project outcomes.
- Ensure the lead entities identified in the NT Implementation Plan have the ability and capacity to deliver the actions by ensuring departures from the plan are identified early and corrective action is taken.
- Where extensions to timeframes are required, ensure documentary evidence is retained regarding the original timeframe for implementation, any extension of timeframes and the approval of any extensions.
- Implement processes to consistently collect status updates against each action and report these to management to increase the effectiveness of the current oversight roles.
- Perform a regular assessment of whether the actions have been implemented as intended.
- Implement processes to capture the full cost of delivering the requirements of the NT Implementation Plan and enable management to assess the extent to which the outcomes are being delivered economically and efficiently.

Reporting on Aboriginal programs and services

- Implement an annual process to identify and report annual expenditure on Aboriginal programs and services and subject the reported information to audit. This would enable financial analysis as well as analysis of performance information to inform actions taken to close the gap.
- To improve the robustness of the data collected, develop definitions and examples to ensure consistency in obtaining and reporting the data.

NT Implementation Plan for Closing the Gap cont...

Reporting

- Report on performance consistently over the life of the project against the established outcomes, key performance indicators and targets.

Program evaluations

- Consider the purpose and timing of each review that the Agency has currently committed to undertaking, to ensure they are all beneficial and that adequate resources are available to undertake and complete the reviews in a timely manner.
- Consider an overarching independent program evaluation at the project level to assess if the outcomes are being achieved economically, efficiently and effectively.

Maintain key documentation

- Prepare and retain copies of all agendas, minutes and papers to demonstrate work undertaken and decisions made.
- Develop and implement processes to ensure information is secure, complete and accurate and that regular back ups are undertaken and stored at key points in time.

Audit observations

The NT Implementation Plan

The NT Implementation Plan was developed in response to the National Agreement.

The National Agreement arose from a commitment from all Australian governments and Aboriginal and Torres Strait Islander representatives to undertake a new way of developing and implementing policies and programs that impact on the lives of Aboriginal and Torres Strait Islander people.

The National Agreement stems from the belief that when Aboriginal and Torres Strait Islander people have a genuine say in the design and delivery of services that affect them, better life outcomes are achieved. It recognises that structural change in the way governments work with Aboriginal and Torres Strait Islander people is needed to close the gap. (National Agreement on Closing The Gap, July 2020)

The National Agreement took effect on 27 July 2020 and will be an ongoing agreement until replaced by a future agreement. The National Agreement is a living document, which will be updated to reflect shared priorities, progress and feedback from Aboriginal and Torres Strait Islander people.

The objective of the NT Implementation Plan is to give effect to the commitments in the National Agreement at the Northern Territory level. The NT Implementation plan took effect on 23 August 2021 and will be an ongoing agreement in line with the National Agreement.

The NTG plans to take a phased approach to the implementation of Closing the Gap, in line with the timeframes set out in the National Agreement and reflecting the unique circumstances of the Territory. (Northern Territory Implementation Plan on Closing the Gap, August 2021)

The initial NT Implementation Plan focused on actions to address the four priority reform outcomes with the 17 socioeconomic targets to be included in the next version of the NT Implementation Plan.

The NT Implementation Plan includes only new actions, except those marked with a ‘*’ which indicates the action represents an existing initiative that has been reformed to align with Closing the Gap.

NT Implementation Plan for Closing the Gap cont...

Outcomes

The outcomes of the NT Implementation Plan mirror the outcomes of the National Agreement:

- **Shared decision-making:** Aboriginal Territorians are empowered to share decision-making authority with governments to accelerate policy and place-based progress on Closing the Gap through formal partnership arrangements. (priority reform 1)
- **Building the community-controlled sector:** there is a strong and sustainable Aboriginal community-controlled sector delivering high quality services to meet the needs of Aboriginal Territorians. (priority reform 2)
- **Improving mainstream institutions:** governments, their organisations and their institutions are accountable for Closing the Gap and are culturally safe and responsive to the needs of Aboriginal Territorians, including through the services they fund. (priority reform 3)
- **Aboriginal-led data:** Aboriginal Territorians have access to, and the capability to use, locally-relevant data and information to set and monitor the implementation efforts to close the gap, their priorities and drive their own development. (priority reform 4)
- **The socioeconomic outcomes:** deliver on the socioeconomic outcomes within Northern Territory based trajectories. (socioeconomic targets)

Each priority reform action has a target and indicators that were adopted directly from the National Agreement.

There is an opportunity to customise the targets and indicators to better reflect the planned improvement for the Northern Territory and ensure each target/indicator addresses the SMART criteria.

Two key performance targets, relating to the NT Implementation Plan, were added to DCMC's 2023-24 Budget Paper No.3.

Table 1: DCMC Budget Paper No.3 targets for the NT Implementation Plan

Key performance indicators	2023-24 Target
Number of Closing the Gap NT Implementation Plan actions completed	≥ 50%
Number of Territory public servants who have completed the Closing the Gap online training module	≥ 25%

Source: Budget Papers No.3 2023-24

As the targets were established for the 2023-24 financial year, there had been no associated public reporting at the time of this audit.

NT Implementation Plan for Closing the Gap cont...

Current status

There is oversight and reporting at the National and NTG level. My audit procedures were only directed at the NTG oversight and reporting mechanisms.

The 2022-23 Annual Report included the socioeconomic targets from the National Closing the Gap Plan. The report explained *‘There is limited data and analysis available for the Closing the Gap socioeconomic targets at this stage, with many of the targets only having baseline data available and relying on Census data collection in order to update. The Northern Territory is able to draw limited analysis of this data compilation, at this time.*

The following snapshot of how the NT is tracking is provided based on data collected and provided by the Productivity Commission Closing the Gap dashboard 1 and its Annual Data Compilation Report 2. The Productivity Commission provides an assessment of the data, where available, at the national and jurisdictional levels.’

The 2021-22 Annual Report reported on available data and assessed if the results were Improving, Worsening or No change. The Annual Report includes an analysis and further data for each target.

Table 2: 2021-22 Annual Report on targets for the NT Implementation Plan

Target	National	NT
1. Closing the Gap in Life expectancy within a generation, by 2031.	Not on track	Improving (males) Worsening (females)
2. By 2031, increase the proportion of Aboriginal and Torres Strait Islander babies with a healthy birthweight to 91 per cent.	On track	Improving
3. By 2025, increase the proportion of Aboriginal and Torres Strait Islander children enrolled in Year Before Fulltime Schooling early childhood education to 95 per cent.	On track	No change
4. By 2031, increase the proportion of Aboriginal and Torres Strait Islander children assessed as developmentally on track in all five domains of the Australian Early Development Census to 55 per cent.	Not on track	Worsening
5. By 2031, increase the proportion of Aboriginal and Torres Strait Islander people (age 20-24) attaining year 12 or equivalent qualification to 96 per cent.	No new data	No new data
6. By 2031, increase the proportion of Aboriginal and Torres Strait Islander people aged 25-34 years who have completed a tertiary qualification (Certificate III and above) to 70 per cent.	No new data	No new data
7. By 2031, increase the proportion of Aboriginal and Torres Strait Islander youth (15-24 years) who are in employment, education or training to 67 per cent.	No new data	No new data
8. By 2031, increase the proportion of Aboriginal and Torres Strait Islander people aged 25-64 who are employed to 62 per cent.	No new data	No new data

NT Implementation Plan for Closing the Gap cont...

Target	National	NT
9. By 2031, increase the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing to 88 per cent.	No new data	No new data
10. By 2031, reduce the rate of Aboriginal and Torres Strait Islander adults held in incarceration by at least 15 per cent.	Not on track	Worsening
11. By 2031, reduce the rate of Aboriginal and Torres Strait Islander young people (10-17 years) in detention by at least 30 per cent.	On track	No change
12. By 2031, reduce the rate of over-representation of Aboriginal and Torres Strait Islander children in out-of-home care by 45 per cent.	Not on track	Improving
13. A significant and sustained reduction in violence and abuse against Aboriginal and Torres Strait Islander women and children towards zero.	No new data	No new data
14. Significant and sustained reduction in suicide of Aboriginal and Torres Strait Islander people towards zero.	Not on track	Worsening (males) Improving (females)
15. a- By 2030, a 15 per cent increase in Australia's landmass subject to Aboriginal and Torres Strait Islander people's legal rights and interests.	On track	Improving
b- By 2030, a 15 per cent increase in areas covered by Aboriginal and Torres Strait Islander people's legal rights and interests in the sea.	Not on track	Improving
16. By 2031, there is a sustained increase in number and strength of Aboriginal and Torres Strait Islander languages being spoken.	No new data	No new data
17. By 2026, Aboriginal and Torres Strait Islander people have equal levels of digital inclusion.	No new data	No new data

Source: 2021-22 Annual Report - NT Implementation Plan

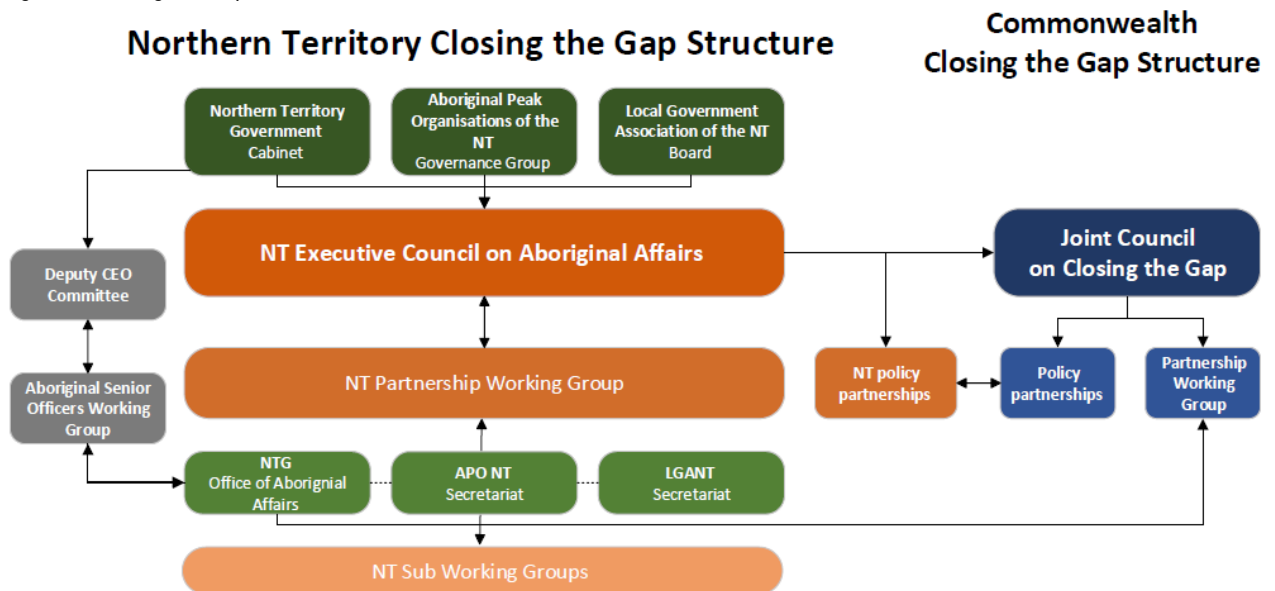
The 2021-22 Annual Report provided a detailed update on each action. It did not speak to the overarching target and indicators for the four priority reforms. For reference, the targets are presented earlier in this report in the section entitled Background.

NT Implementation Plan for Closing the Gap cont...

Governance

The NT governance structure was established to align with the National structure and includes a joint Council, Working Group and Policy Partnerships.

Figure 2: Closing the Gap Governance Structure 2023



Source: DCMC internal documentation

NT Executive Council on Aboriginal Affairs (NT Executive Council)

Representatives from the NTG Cabinet, Aboriginal Peak Organisations Northern Territory (APO NT) and Local Government Association of the Northern Territory (LGANT) make up the NT Executive Council. The terms of reference for the NT Executive Council were finalised in July 2022.

The NT Executive Council's purpose is to oversee the NT's co-ordination and implementation of the National Agreement, and to monitor the NT's performance against its targets and actions in the NT Implementation Plan.

The Council is co-chaired by the Minister for Aboriginal Affairs and an APO NT representative.

The NT Executive Council comprises the following 12 representatives:

- NT Minister for Aboriginal Affairs
- DCMC – two senior officials
- NTG – one additional senior official (CEO level) – on a rotating basis
- National Indigenous Affairs Agency – Deputy Secretary or senior official
- APO NT and other Aboriginal partners – six members (including Co-Chair)
- LGANT – Chair or CEO.

No remuneration is provided to members of the NT Executive Council, including non-government bodies.

The NT Executive Council is required to meet a minimum of twice a year with meetings to be scheduled around the National Joint Council meetings. The NT Executive Council met four times between 1 July 2022 and 30 June 2023.

NT Implementation Plan for Closing the Gap cont...

APO NT

APO NT is an alliance comprising the Aboriginal Medical Service Alliance Northern Territory (AMSANT), North Australian Aboriginal Justice Agency (NAAJA), Central Land Council, Northern Land Council, Tiwi Land Council, Anindilyakwa Land Council, Aboriginal Housing NT and the Northern Territory Indigenous Business Network. APO NT was formed as an alliance in October 2010 as a direct response to the NT Emergency Response (also known as the intervention).

APO NT's principal role is to advocate for Aboriginal people to be the leaders and decision-makers in their lives and provide a united Aboriginal voice to Government.

APO NT seeks a new way of working with the Northern Territory, Commonwealth and Local Governments that is based on shared decision-making around key priority reform areas.

APO NT is funded through a five-year grant agreement (\$300,000 per year). One of the requirements of the agreement is their participation in Closing the Gap partnership arrangements.

LGANT

LGANT has 16 members including four municipal councils, three shires and nine regional councils.

LGANT is recognised as the peak representative body for local government in the NT. LGANT provides leadership and services to councils, as well as representation to the NTG and other key stakeholders.

NT Closing the Gap Partnership Working Group (Working Group)

The Working Group will, under the direction of the NT Executive Council, implement the National Agreement in the Northern Territory. Other responsibilities include developing and agreeing a work plan for endorsement by the NT Executive Council.

Membership consists of the Co-Chairs and representatives from the following organisations:

- Three representatives from DCMC
- APO NT representatives including one member from each of APO NT, Central Land Council, Northern Land Council, Aboriginal Housing Northern Territory, AMSANT, NT Indigenous Business Network and NAAJA
- One representative from LGANT
- One representative from the Commonwealth Government.

Representatives may bring further observers and additional members can be nominated through the Co-Chairs as appropriate.

No remuneration is provided to members of the Working Group, including non-government bodies.

The Working Group has been meeting since September 2021. The terms of reference were in draft at the time of this audit (November 2023) despite being in draft from September 2021 and raised as requiring finalisation during meetings throughout the year.

The Working Group is required to meet every 6 weeks to progress priorities as identified by the NT Executive Council, the NT Implementation Plan and other governance mechanisms. The Working Group met ten times between 1 July 2022 and 30 June 2023.

Not all agendas and minutes of meetings were available for review as they have not been provided to the Office of Aboriginal Affairs. All meeting agenda and minutes provided to the Office of Aboriginal Affairs were provided for review.

NT Implementation Plan for Closing the Gap cont...

NT sub working groups

Sub-committees may be established for specific purposes to progress the work of the NT Executive Council and/or the Working Group for a limited time.

The following three sub-committees have been established to focus on specific actions of the implementation plan:

- Partnership Review Working Group – established in April 2023.
- Maningrida Governance Project Steering Group – established in June 2023 with a workload expected to take one month.
- Local Decision Making policy review – being established at the time of this audit.

Office of Aboriginal Affairs

The Office of Aboriginal Affairs is a business unit within DCMC. It provides a secretariat function for the NT Executive Council and Working Group.

The Office of Aboriginal Affairs has roles to support Closing the Gap. The business plan outlines these responsibilities that broadly fit into:

- Across government coordination. This has a key focus on ensuring agencies embed Closing the Gap in the way they work.
- Partnership and engagement. This involves providing engagement and shared decision-making functions for Closing the Gap at the intergovernmental level and with external partners (Aboriginal organisations).
- Policy work. Involvement where commitments under the National Agreement require policy work, an example is establishing preferential policies for Aboriginal organisations.
- Accountability, data and reporting.
- Providing a secretariat role to the NT Executive Council.

The Office of Aboriginal Affairs has one full time staff member allocated to work on Closing the Gap initiatives and three full time equivalents working on both Closing the Gap and the Aboriginal Affairs policy for the NTG.

NT Policy Partnerships

The NT policy partnerships are groups that oversee a distinct policy area related to Closing the Gap. Examples are the NT Aboriginal Health Forum and the NT Justice Policy Partnership. The partnerships are a commitment under priority reform one of the National Agreement to drive community led outcomes. The partnerships have specific requirements (the strong partnership elements) under the National Agreement.

Risk and conflict of interest management

Within DCMC, there is internal monthly reporting to the Senior Leadership Board that includes the DCMC Executive Directors, three Deputy Chief Executive Officers and the Chief Executive Officer. The report includes identifying the aim of the initiative, key issues and key risks.

Risk management activities are carried out at the activity level. No other formal risk management activities have been undertaken on the project as a whole.

Conflicts of interest were not considered a specific risk and no additional activities have been undertaken.

NT Implementation Plan for Closing the Gap cont...

Program management

Planning

The NT intends to take a phased approach to the delivery of the NT Implementation Plan, aligned with the timeframes set out in the National Agreement and reflecting the unique circumstances of the Territory.

Figure 3: Closing the Gap timeline

2020	⇒ National Agreement signed
	⇒ Everyone Together NT Aboriginal Affairs Strategy
2021	⇒ National Annual Data Compilation Report July 2021
	⇒ NT Executive Council and Working Group established
	⇒ NT Implementation Plan
	⇒ Everyone Together Aboriginal Affairs Strategy V1.2
	⇒ Everyone Together Aboriginal Affairs Strategy Progress Report 2021
2022	⇒ National Annual Data Compilation Report July 2022
	⇒ NT Implementation Plan Annual Report 2021-22
	⇒ Everyone Together Aboriginal Affairs Strategy Progress Report 2022
2023	⇒ National Annual Data Compilation Report July 2023
	⇒ Review of the National Agreement on Closing the Gap Draft Report published
	⇒ NT Implementation Plan Annual Report 2022-23*
	⇒ Everyone Together Aboriginal Affairs Strategy Progress Report 2023*

Source: NTAGO Developed

* Not published at the time of the audit.

Each priority area has a series of actions. Each action has resources, timeframes, parties and a lead agency identified.

The initial NT Implementation Plan had a total of 56 actions. The timeframes for each action can be summarised as:

- 26 actions due to be completed by 2023
- 5 actions due to be completed after 2023
- 7 actions required to be undertaken annually
- 11 actions did not have a timeline
- 6 actions considered ongoing
- 1 action to be delivered 'as required'.

DCMC is the sole lead agency for 29 actions and shares lead agency responsibilities for a further 13 actions. Actions were also allocated to other lead agencies including other NTG agencies and non-government entities including APO NT, Aboriginal Housing NT and LGANT.

NT Implementation Plan for Closing the Gap cont...

Table 3: Lead Agencies for NT Implementation Plan Actions

Lead agency	Number of Actions
DCMC	29
DCMC and APO NT	9
LGANT	3
Department of Education and APO NT	2
Territory Families, Housing and Communities	2
DCMC and Department of Corporate and Digital Development	1
DCMC and Department of Industry, Tourism and Trade	1
DCMC and NT Police, Fire and Emergency Services	1
DCMC; Territory Families, Housing and Communities; NT Police, Fire and Emergency Services; and Department of the Attorney-General and Justice	1
Office of the Commissioner of Public Employment within DCMC	1
APO NT	1
Northern Territory Government and APO NT	1
Department of Education and APO NT	1
Territory Families, Housing and Communities and APO NT	1
Department of Corporate and Digital Development	1
Territory Families, Housing and Communities and Aboriginal Housing NT	1

Source: NT Implementation Plan 2021

Monitoring

A Work Plan was prepared by the Office of Aboriginal Affairs to track the actions from the NT Implementation Plan. The Work Plan is maintained in Microsoft Excel. While past versions can be accessed, there was no process established to ensure a backup of the file is maintained at set points in time.

The Work Plan for the NT Implementation Plan in July 2022 included 46 actions and 13 reporting requirements. Of the 46 actions, 21 were complete, 3 delayed and 22 were in progress.

The information included in the Work Plan did not enable all actions in the Work Plan to be matched to the NT Implementation Plan. Not all actions from the NT Implementation Plan were included in the Work Plan. The resources and timeframes attributable to actions were not included the Work Plan.

DCMC intends for the NT Implementation Plan to be revised to reflect new challenges, priorities and opportunities over time. The second NT Implementation Plan was scheduled to be developed by November 2022. Completion was delayed due to the time taken to gain agreement from the action owners and Working Group members.

The second NT Implementation Plan was endorsed by the Working Group in July 2023 and the Executive Council in September 2023 and was approved by Cabinet on 31 October 2023. It has now been circulated to partners for endorsement at the next meeting.

NT Implementation Plan for Closing the Gap cont...

A Work Plan for the second NT Implementation Plan was established in February 2023. At this time, timeframes were added to the Work Plan.

The second Work Plan identified 133 actions. Of these, 38 actions were carried over from the first NT Implementation Plan. As at October 2023, of the 38 actions:

- 17 were completed
- 3 were yet to commence
- 6 had commenced
- 12 were ongoing.

Of the 38 active tasks, all had a lead entity recorded. Only 2 tasks had a scheduled completion date recorded in the Work Plan.

Agency representatives advised that the October 2023 status of each action in the Work Plan did not reflect the actual status. Observations from the audit were that headings in the Work Plan were not correctly updated and a status update was only recorded for 46 of the 133 actions. Furthermore, the updates provided did not provide sufficient detail to understand the work undertaken to date and next steps required.

The Work Plan has not been used to its full potential with many actions not being updated regularly. The intent is that all actions will be updated for the Working Group meeting every 6 weeks.

Reporting

An Annual Report on the status of actions as at 30 June is scheduled to be published in November each year. The Annual Report is prepared by the Office of Aboriginal Affairs.

Processes are in place to collect and record the annual status of actions for external publication. Each Action Owner is responsible for providing the update in the template provided and obtaining approval from the Action Owner Entity.

In 2022, this process was managed via email. In 2023, the information was distributed and received through a central data collection site. The site identified the key contact, approver, due date for each action and the current status. This allowed outstanding status updates to be easily identified.

The NT Implementation Plan Annual Report 2021-22 was tabled in the NT Legislative Assembly in November 2022. The NT Executive Council reported the following summary of actions in the Implementation Plan 2021-22 Annual Report:

- 20 actions complete
- 24 actions ongoing (with work well underway to their completion).
- 10 actions commenced.
- 8 actions not commenced

It stated all outstanding actions will be included in the second NT Implementation Plan.

The 2022-23 Annual Report was being prepared at the time of this audit. At that time, DCMC intended to complete the report by November 2023.

NT Implementation Plan for Closing the Gap cont...

At the time of this audit, some activities from the first NT Implementation Plan had not been completed within the planned timeframes. Agency representatives attributed the delays in completion to three main reasons:

- Resource limitations. There is one staff member dedicated to Closing the Gap initiatives with the remaining resources shared between projects. Some positions have not been filled.
- Financial and employee resource allocations are impacting delivery, including delivery by non-government partners to the program.
- It is possible that more actions were planned than could be achieved.

DCMC representatives acknowledge that genuine partnership takes time and Closing the Gap requires the NTG to share decision-making with Aboriginal partner organisations. This process can often take extra time.

Financial management

Budgeted cost

There is estimation of the cost to deliver the actions in the NT Implementation Plan. Only 2 of the 56 actions in the NT Implementation Plan have identified the resources required for implementation with the others recording ‘\$TBD’ (to be determined).

Table 4: Actions from the NT Implementation Plan with resources identified

Action	Resource
JA2.1-2/b - Prioritisation of funding to Aboriginal Community Controlled Organisations (ACCO) to provide place-based community led Family Support services that support the prevention of Aboriginal children’s entry into out-of-home care and the return of Aboriginal children to their family.	\$36 million
PA2.1-2 - All jurisdictions have committed funding towards a funding pool and agreed on investment priorities to build the ACCO sector. The NT Closing the Gap Partnership Working Group will decide on the allocation of the NTG funding contribution in line with these investment priorities primarily to strengthen governance and support coordination of funding towards joined up and sustainable sectors in these areas.	NTG contribution is \$2 million over four years.

Source: NT Implementation Plan 2021

Updated resource requirements had not been documented at the time of this audit.

The Work Plan for the second NT Implementation Plan had been updated at the time of this audit to reflect the current estimated resource requirements. Of the 38 actions relating to the first NT Implementation Plan:

- 17 were completed and did not identify required resources
- 5 had received additional resources
- 10 were undertaken using existing resources
- 4 required additional resources to implement
- 2 had not identified required resources.

NT Implementation Plan for Closing the Gap cont...

Actual cost

Costs incurred to implement the actions in the NT Implementation Plan have not been collated or monitored at a project level. NTG agencies and non-government entities are tasked with delivering the actions and the associated costs are incurred by the action owners.

Within DCMC, not all costs associated with delivery of the NT Implementation Plan are being allocated to one cost code. As a result, the total cost to deliver the actions in the NT Implementation Plan to date is not known. Below is an analysis of costs captured by DCMC.

The costs associated with Closing the Gap were not captured to one specific code in 2021-22.

In 2022-23, Closing the Gap was allocated \$1 million in Budget Paper No.3. The funds were intended for:

- Procurement of a consultant to develop a whole-of-government cultural responsiveness framework.
- Recruitment of a senior project coordinator position, and engagement of an anthropologist and consultant to develop a community governance model for the Maningrida place-based partnership.
- Support for the Closing the Gap partnership structures.
- Communications and engagement (regional roadshow and conference stalls, merchandise, printing).

In 2022-23, \$81 thousand was recorded to the cost code for Closing the Gap, comprising salary (\$53 thousand) and administration costs (\$28 thousand). In 2022-23, the variance between the \$1 million budgeted for Closing the Gap and the actual expenditure of \$81 thousand has been attributed to project delays including:

- \$450 thousand in funding to outsource the development of a whole-of-government cultural responsiveness framework has been re-directed to employee costs within the Office of Aboriginal Affairs after two rounds of procurement were undertaken with no contract awarded.
- Funding to outsource the develop of a community governance model was delayed due to delays incurred with the consultant and anthropologist finalising their reports.
- Funding to outsource the design and development of the Closing the Gap communication and engagement approach has been delayed by the delayed finalisation of the second NT Implementation Plan.
- Employee costs for staff working part time on the project are captured under a different code.

NTG agencies and non-government entities are tasked with delivery of the actions within the NT Implementation Plan. No additional funding has been allocated to complete these actions outside of the two funding commitments documented in the NT Implementation Plan 2021 (\$36 million and \$2 million). The \$2 million is allocated over four years at \$500 thousand per annum.

The \$36 million presented in Table 4 is for a five-year agreement managed by the Department of Territory Families, Housing and Communities. The Department of Territory Families, Housing and Communities reported \$8.9 million was expended in 2022-23 and in \$5.7 million in 2021-22.

In 2021-22 and 2022-23, \$450 thousand was distributed in grants and \$50 thousand was allocated to the Aboriginal Leadership and Governance Forum. These costs were not recorded in the Closing the Gap cost code.

NT Implementation Plan for Closing the Gap cont...

Performance evaluation

Reviews by government parties

The National Agreement committed the government parties to review their partnership arrangements to assess how they meet the partnership elements. The current status of these reviews is presented in the table below.

Table 5: Status of reviews on partnership arrangements

Review	Status as at October 2023
By 2022, Government Parties will undertake a stocktake of partnership arrangements already in place within their own jurisdictions and provide a report to the Joint Council.	Complete.
By 2023, Government Parties will review and strengthen existing partnerships to meet the strong partnership elements, unless Aboriginal and Torres Strait Islander members of the partnership do not wish to include these elements.	A draft review is complete and is awaiting APO NT approval. Approval is not expected until 2024. Corresponding Action JA1.2-1.
Government Parties, by July 2022, agree to review and identify current spending on Aboriginal and Torres Strait Islander programs and services to identify reprioritisation opportunities to Aboriginal and Torres Strait Islander organisations, particularly to community-controlled organisations. Actions taken to implement the outcomes of these reviews will be included in Jurisdictional Implementation Plans and annual reports.	Complete. Corresponding action 2.3-1b.

Source: NTAGO developed

Productivity Commission

The National Agreement committed the Productivity Commission to undertake a review of progress every three years. This review will complement the Aboriginal and Torres Strait Islander-led review. It will provide an analysis of progress on Closing the Gap against the priority reforms, targets, indicators and trajectories, and examine the factors contributing to progress, including by drawing on evaluation and other evidence. It is intended that the Productivity Commission's findings will inform the ongoing implementation of the Agreements by highlighting areas of improvement and emphasising where additional effort is required.

The first review was undertaken in 2023. The 2023 report had been released in draft for comment at the time of this audit. The draft recommendations are:

- Appointing an organisation to lead data development under the Agreement.
- Designating a senior leader or leadership group to drive jurisdiction-wide change.
- Embedding responsibility for improving cultural capability and relationships with Aboriginal and Torres Strait Islander people into public sector employment requirements.
- Central agencies leading changes to Cabinet, Budget, funding and contracting processes.
- Including a statement on Closing the Gap in government agencies' annual reports.
- Publishing all the documents developed under the Agreement.

NT Implementation Plan for Closing the Gap cont...

Aboriginal and Torres Strait Islander led review

An independent Aboriginal and Torres Strait Islander led review will be carried out within twelve months of each independent review by the Productivity Commission. It is intended to be an opportunity to capture the lived experiences of Aboriginal and Torres Strait Islander people and communities in relation to the implementation of this Agreement.

As at the time of my audit this review was not due.

Partnership Agreement Health Check reports

The Partnership Agreement Health Check is performed annually to assess the health of the partnership between the Coalition of Peaks and Government Parties (the Partnership). The purpose is to consider the direction of movement of the Partnership against the agreed success indicators, which are broadly related to the principles of shared decision-making, equal participation and Aboriginal and Torres Strait Islander agency.

Reports from the 2020 and 2021 reviews have been released. Recommendations from the 2021 review related to:

- Understanding of the Partnership and applying its principles
- Refining the approach to Partnership activities and timelines
- Reviewing government resourcing strategies
- Strengthening whole-of-government approaches
- Data sharing, data sovereignty, evaluation, and accountability
- Relationship building and communication styles
- Processes to track and respond to grievances
- Strengthening Joint Council and Partnership Working Group meetings
- Strengthening the Health Check process

Planned reviews in the NT Implementation Plan

In addition to the above reviews, the NT Implementation Plan 2021 committed to a biennial review of the strategy. The process for this review is to be advised by the Executive Council. As at November 2023, the review was underway with initial policy work done. Delays were incurred due to APO NT not having available resources to complete the review. The parties agreed in July 2023 that the Office of Aboriginal Affairs will undertake the review rather than APO NT.

Representatives from the Office of Aboriginal Affairs advised that, in addition to the above review, actions within the NT Implementation Plan are a program themselves and will have individual reviews undertaken.

In 2023, a desktop evaluation of the Closing the Gap Impact Statement focused on its correct use and effectiveness in its current form. The Impact Statement requires agencies to demonstrate alignment with the Closing the Gap priority reforms and the 17 socioeconomic outcomes. The results found that the Impact Statement was being used reasonably well by agencies however the ability of agencies to explain the link between their policy and specific Closing the Gap outcomes together with demonstrable impacts varied across the sample group.

NT Implementation Plan for Closing the Gap cont...

Four recommendations from the desktop evaluation related to amending the Closing the Gap Cabinet Submission Handbook and the Cabinet Submission template; and requiring the Cabinet Submission Impact Statement to include information pertinent to specific priority reform targets.

Testing of actions

As part of this audit, 12 actions were selected for testing. DCMC was allocated as the lead agency for each of these 12 actions.

At the time of this audit, the most recently published report on progress was the 2021-22 Annual Report released in November 2022. The 2022-23 Annual Report had not been drafted and status updates were being collated at the time of the audit.

It was not possible to assess if the status of actions was consistent with established timeframes due to:

- The timeframes from the first NT Implementation Plan being out of date.
- The 2022-23 timeframes not having been set as the second NT Implementation Plan was not completed by November 2022 as planned.
- The 2022-23 status having not been determined by August 2023 as planned.
- Limited monitoring on the status of the actions, with limited detail regarding timeframes and status included in the Work Plan.

An updated status of each key action from the NT Implementation Plan as at October 2023 was requested as part of my audit. Audit commentary relating to the 12 selected actions is documented below.

JA1.1-1 The Northern Territory will prioritise the establishment of new partnerships through the following actions:

b. As a priority, establish an Aboriginal led NT Justice Policy Partnership, which will build on the recommendations of the national Justice Policy Partnership.

Resource	Parties	Timeframe	Lead Agency
\$TBD	APO NT and NTG	The Justice policy partnership will be established by end of October 2021, so that it can inform the NT's contribution to the national policy partnership on Justice.	TFHC DCDD AGD NTPFES

Audit commentary:

The Justice Policy Partnership was established as one of five policy partnerships under the National Agreement. On 16 April 2021, the National Joint Council on Closing the Gap agreed to accelerate the establishment of the Justice Policy Partnership. The Aboriginal and Torres Strait Islander Legal Service received funding to employ a Justice Policy Partnership Policy Officer to establish the jurisdictional Justice Policy Partnership. NAAJA employed a coordinator in August 2022 and the NT was the first jurisdiction to establish a state or territory focused Justice Policy Partnership.

The Aboriginal led NT Justice Policy Partnership was finalised in early 2023, over 15 months after the due date of October 2021. At the time of this audit in October 2023, the terms of reference for the NT Justice Policy Partnership were in draft. Since establishment, an induction has been held for members and the NT Justice Policy Partnership has met twice with the third meeting scheduled in November 2023.

NT Implementation Plan for Closing the Gap cont...

JA1.2-1 The Council will determine the terms of reference for the review, noting it will be an Aboriginal led review consistent with the National Agreement. The review of existing partnership arrangements will inform how to strengthen existing partnerships and advise whether new partnerships are required. The report will also be provided to Joint Council and made public on the OAA website.

Resource	Parties	Timeframe	Lead Agency
\$TBD	The Council	The Council to agree terms of reference for the review by end September 2021, as well as timeframes for undertaking the review and preparing the report to Joint Council and to be made public.	DCMC

Audit commentary:

The Terms of Reference for the review were approved by NT Executive Council on 19 July 2022, 10 months after the due date of September 2021.

JA1.2-2 The Council will take into account the Public Accounts Committee's Inquiry and report on the implementation and future of the Local Decision Making Framework. Following NT Executive Council consideration of the report, NT Government will work with APO NT to review Local Decision Making in line with the strong partnership elements in Priority Reform One and all other priority reform areas.

Resource	Parties	Timeframe	Lead Agency
\$TBD	The Council	By July 2022	DCMC

Audit commentary:

The Public Accounts Committee's inquiry was delayed due to COVID-19. The NTG provided a formal response to the inquiry in October 2023, after the final report was delivered in May 2023.

As at October 2023, the terms of reference and project plan for the Local Decision Making Framework were being drafted.

PA1.2-1 The NT Closing the Gap Partnership Working Group will identify potential sites for new place-based partnerships. Proposals will be presented to the Council for final decision, and proposal to Joint Council.

Resource	Parties	Timeframe	Lead Agency
\$TBD	The Council	By November 2021	DCMC

Audit commentary:

The NT Executive Committee nominated Maningrida as the NT's place-based partnership. Maningrida was selected as a place-based partnership in December 2021.

There was no written place-based partnership arrangement in place at the time of this audit. DCMC personnel advised that the first stage of establishing the place-based partnership has been to focus heavily on developing and implementing governance structures for the community.

NT Implementation Plan for Closing the Gap cont...

JA2.1-2 The Northern Territory will also support and strengthen the ACCO sector through the following actions:

d. Noting the review process and subject to consistency with the Priority Reforms and with the exception of transition of community-controlled health services, Local Decision Making will continue to be the vehicle used to hand back control of government services to Aboriginal organisations.

Resource	Parties	Timeframe	Lead Agency
\$TBD	NTG and APO NT	Ongoing	APO NT and DCMC

Audit commentary:

The Local Decision Making Policy provides the overarching policy for Local Decision Making. The steps for each community involve an initial agreement outlining their priorities and then the development of implementation plans.

There are currently 13 signed Local Decision Making agreements, and 28 agreements in various stages of development.

JA2.2-1 The NT Government will demonstrate actions to strengthen the community-controlled sector:

a. Actions will be outlined in annual Aboriginal Affairs Strategy and Closing the Gap reporting.

Resource	Parties	Timeframe	Lead Agency
\$TBD	NTG and APO NT	Annual Report to be finalised in August each year (to be tabled in NT Parliament soon after).	DCMC

Audit commentary:

The NT Implementation Plan and Aboriginal Affairs Strategy Annual Reports for 2021-22 were tabled in the NT Legislative Assembly in November 2022.

The NT Implementation Plan Annual Report for 2022-23 was being prepared at the time of the audit (November 2023). This is three months after the August deadline.

NT Implementation Plan for Closing the Gap cont...

JA2.2-1 The NT Government will demonstrate actions to strengthen the community controlled sector:

b. Where new funding initiatives are decided by government which are intended to service the broader population across socioeconomic outcome areas of the National Agreement, that a meaningful proportion is allocated to Aboriginal organisations with relevant expertise, particularly community-controlled organisations. A meaningful proportion is an amount which takes into account the number and capacity of Aboriginal organisations, particularly the existing community-controlled sectors and the service demands of Aboriginal people, including through the views of Aboriginal community-controlled peak organisations in the relevant jurisdiction.

Resource	Parties	Timeframe	Lead Agency
\$TBD	NTG and APO NT	Annual Report to be finalised in August each year (to be tabled in NT Parliament soon after).	DCMC

Audit commentary:

This action is ongoing with several policies to support the allocation of funding initiatives to Aboriginal organisations completed and more policies still to be finalised. The Local Decision Making framework provides for the transition of services to community control based on the priorities of the community.

The updated NTG Procurement Policy provides for greater funding to ACCOs and Aboriginal Business Enterprise's. The Aboriginal Grants Policy is currently being developed to provide greater opportunity for ACCOs.

The action, which is taken directly from the National Agreement, is framed as an overarching goal, not tasked-based, making it difficult to assess if the action has been completed.

PA2.1-2 All jurisdictions have committed funding towards a funding pool, and agreed on investment priorities, to build the ACCO sector. The NT Closing the Gap Partnership Working Group will decide on the allocation of NT Government funding contribution in line with these investment priorities primarily to strengthen governance and support coordination of funding towards joined up and sustainable sectors in these areas.

Resource	Parties	Timeframe	Lead Agency
NTG contribution is \$2 million over four years. Further funding allocation from the Commonwealth and Northern Territory governments to be agreed as sector strengthening plans are developed.	APO NT and NTG	Ongoing	DCMC and APO NT

Audit commentary:

The NTG has committed \$500 thousand annually for four years (from 2021) to strengthen the ACCO sector. This is known as the 'virtual funding pool'. Allocations are chosen with Closing the Gap partners through the Working Group. In previous years, the distribution of grants has prioritised the following four sectors (early childhood care and development; housing; health; and disability) in line with sector strengthening plans. In 2021-22, \$500 thousand was distributed to 4 recipients and in 2022-23, a further \$500 thousand was distributed to 5 recipients.

NT Implementation Plan for Closing the Gap cont...

PA2.3-1 The NT will undertake the following additional actions under priority reform two:

b. The NT Government will review and identify current spending on Aboriginal programs and services to identify reprioritisation opportunities to Aboriginal organisations, particularly community-controlled organisations (Clause 113) in line with APO NT partnership principles. A report by region will be provided to Joint Council for consideration (Clause 114).

Resource	Parties	Timeframe	Lead Agency
\$TBD	The Council	By July 2022	DCMC

Audit commentary:

The NTG Aboriginal Expenditure Review 2021-22 report was finalised in May 2023.

The NTG Aboriginal Expenditure Review report was provided to National Joint Council as a requirement under Clause 113 of the National Agreement in June 2023, 11 months after the due date of July 2022.

The report identified NTG expenditure that *‘primarily impacts Aboriginal people’* which differs from the action of *‘spending on Aboriginal programs and services’*. The two definitions are not the same. There were no definitions or guidance to assist in consistent interpretation and application. As an example, there is no clarity on the approach to include or exclude expenditure attributed to a school in a remote community compared to a school in an urban area with Aboriginal and Torres Strait Islander students as part of their cohort.

The data captured in the report had extensive limitations. The report disclosed that *‘Due to the complexity of estimating Aboriginal expenditure, particularly for mainstream services, not all agencies were able to provide a breakdown of service delivery types and their committed budget.’* The breakdown by service delivery provider was not available for the departments of Education; Corporate and Digital Development; Health; and Territory Families, Housing and Communities, so excludes this data.

The report recommended:

- The NT Government to improve identification of funds that have a primary impact on Aboriginal Territorians as part of any future expenditure reporting.
- The NT Government to explore alternative approaches to the collection, recording and reporting of Aboriginal expenditure.

NT Implementation Plan for Closing the Gap cont...

PA2.3-1 The NT will undertake the following additional actions under priority reform two:

c. The NT Closing the Gap Annual Report will list the number and types of Aboriginal organisations that have been allocated funding for the purposes of Clause 118d of the National Agreement.

Resource	Parties	Timeframe	Lead Agency
\$TBD	The Council	Annually	DCMC

Audit commentary:

The NT Implementation Plan Annual Report for 2021-22 did not list the number and types of Aboriginal organisations that have been allocated funding. This action was marked as complete in the 2021-22 annual update but has not been completed.

DCMC personnel advised the nature of competitive funding restricted all states and territories from reporting the number and types of Aboriginal organisations that have been allocated funding and *'The Northern Territory Government Continues to fund Aboriginal Community-Controlled Organisations through a number of avenues. The NT Government is still working on providing a comprehensive number of ACCO's that are funded but given this large number it is all ACCO's identified cannot be listed as part of this annual report.'*

JA3.1 and JA3.2 -1 The NT Government commits to the following whole-of-government actions to implement systemic and structural transformation:

d. Additional support and resources for the Anti-Discrimination Commission to expand their presence and services in remote and regional locations.

Resource	Parties	Timeframe	Lead Agency
\$TBD	NTG	TBC	DCMC

Audit commentary:

No additional resourcing has been allocated to the Anti-Discrimination Commission.

JA3.5-1 The NT Government will, in consultation with Aboriginal community representatives, improve engagement with Aboriginal Territorians before, during and after emergencies:

d. Establish a similar arrangement to the Regional and Remote Taskforce that was stood up in response to the COVID-19 pandemic.

Resource	Parties	Timeframe	Lead Agency
\$TBD	The Council	TBC	DCMC

Audit commentary:

DCMC personnel advised *'The Regional and Remote Taskforce operated as a mechanism for sharing information on the COVID response... With an emergency response to COVID no longer required the group was stood down in 2021'*.

No activities have been undertaken to address this action.

NT Implementation Plan for Closing the Gap cont...

The Department of the Chief Minister and Cabinet has commented:

The Department of the Chief Minister and Cabinet acknowledges the findings of the audit and remains committed to a process of continuous improvement, working in partnership with the Aboriginal community controlled sector to enhance future Implementation Plans and to improve the collection and reporting of relevant data to track expenditure and progress.

Aboriginal Economic Participation Framework

Department of the Chief Minister and Cabinet

Department of Industry, Tourism and Trade

Index

The report on this audit is structured as follows:

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Background

The Aboriginal Economic Participation Framework 2022-32 (the AEP Framework) is designed to support Aboriginal employment and business opportunities through the awarding of Northern Territory Government (NTG) procurements and grants.

The AEP Framework explains that a Northern Territory Auditor-General's report in 2017 and an independent evaluation by a consultancy firm identified deficiencies in the performance, procedures and processes in place under the former Indigenous Employment Provisional Sum scheme. These reports informed the development of a draft Aboriginal Contracting Framework by the former Department of Trade, Business and Innovation in 2018-19.

In 2020, the Territory Economic Reconstruction Committee recommended the NTG finalise and implement the Aboriginal Contracting Framework.

A review in 2021 led to the Aboriginal Contracting Framework being re-branded as the AEP Framework and the scope expanding to more than contracting. The AEP Framework is designed as a whole-of-government approach which supports the NTG's commitments to bring Aboriginal Territorians to the forefront of economic development in the Northern Territory, as contained in the National Agreement on Closing the Gap and the Closing the Gap NT Implementation Plan, the Everyone Together Aboriginal Affairs Strategy and the Local Decision Making Framework.

The AEP Framework's vision statement is '*Opportunities for participation of Aboriginal Territorians in the Northern Territory economy are maximised.*' The four objectives underpinning the AEP Framework are:

1. Activate NTG procurement and grants to increase Aboriginal economic participation;
2. Secure private sector commitments to Aboriginal economic participation on NTG supported projects;
3. Strengthen Aboriginal business and community controlled organisations; and
4. Realise the potential of the Aboriginal workforce.

Aboriginal Economic Participation Framework cont...

Scope and objectives

The objective of this 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 Aboriginal Economic Participation Framework 2022-2032 (the AEP Framework) will achieve its intended outcomes economically, efficiently and effectively.

When undertaking the audit at DCMC, it became apparent that a number of mechanisms that support the delivery of the AEP Framework are being undertaken or supported by the Department of Industry, Tourism and Trade (DITT). In conjunction with the audit at DCMC, processes and procedures within DITT were also examined for three selected mechanisms. The three selected mechanisms were the Aboriginal Procurement Policy; the Aboriginal Business Register and the Evaluation and Review.

When reviewing the performance management systems in place at the Agencies, the audit assessed:

- program planning including defining clear outcomes, developing governance structures and mitigating risks;
- program management;
- financial management including robust budget and cost management;
- management of the delivery of the program outcomes; and
- efficiencies gained through alignment with the National Agreement on Closing the Gap and the Everyone Together Aboriginal Affairs Strategy.

The audit covered the period from commencement of the AEP Framework to June 2023.

Audit opinion

The audit assessed the performance management systems in place within the agencies that enable management to assess whether the AEP Framework will achieve the intended outcomes outlined in the AEP Framework economically, efficiently and effectively.

Many of the programs and initiatives presented in Tables 1 to 4 were being developed or were operational prior to the announcement of the National Agreement on Closing the Gap (2020) and the AEP Framework (2021). To that end, delivery of the programs and initiatives have become embedded as 'business as usual' across NTG agencies. The approaches to whole-of-government oversight and reporting have therefore been organic and retro-fitted rather than structured. As a consequence, there is not an overarching performance management system (including governance structures, reporting and monitoring), coordinated by a central agency, that provides a consistent approach to support NTG agencies in their delivery and management of the initiatives to Close the Gap or increase Aboriginal Economic Participation.

At the time of my audit, DCMC was unable to demonstrate that an adequate performance management system was in place to enable management to assess whether the NTG's objectives, as they relate to the AEP Framework, are being achieved economically, efficiently and effectively.

At the time of my audit, DITT was unable to demonstrate that an adequate performance management system was in place to enable management to assess whether the NTG's objectives, as they relate to the three selected AEP Framework mechanisms, are being achieved economically, efficiently and effectively.

Aboriginal Economic Participation Framework cont...

Recommendations

Opportunities to improve the performance management systems are presented below.

Governance

- Clearly define the AEP Framework's governance structure and responsibilities, including reporting responsibilities and communicate these arrangements to all relevant parties including other NTG agencies responsible for delivering specific mechanisms.
- Develop, document, and implement the governance structure and responsibilities necessary to achieve the objectives of the AEP Framework.

Monitoring performance

- Work to develop a monitoring framework and supporting tools in accordance with the NTG Program Evaluation Framework to measure and monitor progress towards the AEP Framework's objectives.
- Undertake program evaluations and implement agreed recommendations in a timely manner.
- Review key performance indicators to ensure that each indicator is specific, measurable, attainable and relevant and contains a timeframe for achievement (SMART). For those targets for which measurable information is not currently available, either develop mechanisms for obtaining the relevant information or find alternative measures that can be measured and reported against.

Risk management

- Further analyse the risk related to the development and implementation of the Aboriginal Grants Policy to understand the underlying factors contributing to the risk and the potential consequences if the risk materialises.
- Undertake a risk assessment to identify risks that may impact the achievement of the objectives of the AEP Framework and identify any actions necessary to mitigate the identified risks.

Records management

- Maintain comprehensive records of matters related to the AEP Framework to avoid rework by others; facilitate succession planning; support transparency and accountability; and enable the effectiveness of the AEP Framework to be monitored over time.

Progress management

- Provide a clear and common understanding of the standards and parameters measured to define success or failure. Implement regular production of a status report accompanied by traffic light reporting supported by clearly defined criteria and evidentiary quantitative data. Perform periodic assessments to determine whether the mechanisms are implemented and delivering as intended.
- Undertake an assessment of the resources and time that will be required to deliver the mechanisms to assist in determining where available resources are best allocated and aid the prioritisation of actions.
- Identify timeframes for all mechanisms to enable more effective progress and performance evaluation.

Aboriginal Economic Participation Framework cont...

Financial management

- Establish a process to capture project implementation and delivery costs for all projects and perform an assessment of actual costs, outcomes and outputs as part of the program evaluation process.

Aboriginal Economic Participation Framework

The AEP Framework includes mechanisms to achieve each objective and assigns responsibility for delivery of each mechanism to an NTG agency as demonstrated in Tables 1 to 4.

Table 1: Aboriginal Economic Participation Framework – Objective 1

1. Activate NTG procurement and grants to increase Aboriginal economic participation	
Mechanisms	Responsible agency
a) Buy Local Plan ¹ and the Value for Territory Assessment Framework ²	Department of Industry, Tourism and Trade (DITT)
b) Our Community. Our Future. Our Homes. ³	Department of Infrastructure, Planning and Logistics (DIPL)
c) A five year rolling Tender Forecast ⁴	DITT
d) Implement an Aboriginal Procurement Policy ⁵	DITT
e) Implement an Aboriginal Grants Policy ⁵	DCMC
f) Local Decision Making	DCMC
g) Utilise regional procurement sub-committees	All NTG agencies
h) Recording and reporting of progress under the AEP Framework.	DITT, DCMC, Department of Corporate and Digital Development (DCDD)

¹ [Buy Local Plan \(nt.gov.au\)](https://nt.gov.au/buy-local-plan)

² [Tendering with government | NT.GOV.AU](https://nt.gov.au/tendering-with-government)

³ [Aboriginal Business Enterprises | Our Community. Our Future. Our Homes.](https://nt.gov.au/our-community-our-future-our-homes)

⁴ [Tender forecast | NT.GOV.AU](https://nt.gov.au/tender-forecast)

⁵ [This is also an action committed under the Closing the Gap NT Implementation Plan](https://nt.gov.au/closing-the-gap)

Source: Aboriginal Economic Participation Framework 2022-2032

Table 2: Aboriginal Economic Participation Framework – Objective 2

2. Secure private sector commitments to Aboriginal economic participation on NTG supported projects	
Mechanisms	Responsible agency
a) Territory Benefit Plans: The Territory Benefit Policy ⁶	DITT

⁶ [Territory benefit policy and planning | Department of Industry, Tourism and Trade](https://nt.gov.au/territory-benefit-policy)

Source: Aboriginal Economic Participation Framework 2022-2032

Aboriginal Economic Participation Framework cont...

Table 3: Aboriginal Economic Participation Framework – Objective 3

3. Strengthen Aboriginal business and community controlled organisations	
Mechanisms	Responsible agency
a) The Aboriginal Procurement Policy and Aboriginal Grants Policy	DITT and DCMC
b) The Aboriginal Business Development Program ⁷	DITT
c) Small Business Champions ⁸	DITT
d) Implement an Aboriginal Business Register	DITT
e) Local Decision Making	DCMC
f) Improving access to project finance	DCMC
g) Evaluation and review	DITT

⁷ [Aboriginal Business Development Program | NT.GOV.AU](https://www.nt.gov.au/aboriginal-business-development-program/)

⁸ [Small business champions | NT.GOV.AU](https://www.nt.gov.au/small-business-champions/)

Source: Aboriginal Economic Participation Framework 2022-2032

Table 4: Aboriginal Economic Participation Framework – Objective 4

4. Realise the potential of the Aboriginal workforce	
Mechanisms	Responsible agency
a) The Aboriginal Workforce Grants Program ⁹	DITT
b) Aboriginal Responsive Skilling Grants ¹⁰	DITT
c) Workforce Training Coordinators	DITT
d) Aboriginal Employment and Career Development Strategy 2021-2025	Office of the Commissioner for Public Employment (OCPE)
e) Evaluation and review	DITT
f) Implement a coordinated approach to education and training for Aboriginal Territorians	DCMC, DITT, Department of Education (DoE) in collaboration with the education and training sectors and relevant Aboriginal organisations.

⁹ [Aboriginal workforce grants | NT.GOV.AU](https://www.nt.gov.au/aboriginal-workforce-grants/)

¹⁰ [Aboriginal Responsive Skilling Grants | NT.GOV.AU](https://www.nt.gov.au/aboriginal-responsive-skilling-grants/)

Source: Aboriginal Economic Participation Framework 2022-2032

Aboriginal Economic Participation Framework cont...

Key terms

Term	Definition
Aboriginal Business Enterprise (ABE)	<p>A business or community organisation that meets all of the following criteria:</p> <ul style="list-style-type: none"> ▪ 51% or more Aboriginal owned ▪ is operating as a business, including companies, incorporated associations, sole traders, partnerships, trusts and social enterprises or registered charities if they are operating as a business ▪ can demonstrate that the Aboriginal and Torres Strait Islander people are involved in the daily operation of the enterprise and have effective control at least equal to the degree of ownership ▪ is registered with a certifying authority as meeting the definition.
Aboriginal Community Controlled Organisation (ACCO)	<p>An Aboriginal and/or Torres Strait Islander people Community Controlled Organisation delivers services, including land and resource management, builds capability and empowers Aboriginal and Torres Strait Islander communities and people; and:</p> <ul style="list-style-type: none"> ▪ is incorporated under relevant legislation, and is registered and operates as a not-for-profit organisation ▪ is constituted and operated by members who are recognised in their community as Aboriginal or Torres Strait Islander people ▪ originates from, or has a material and ongoing connection to and/or with the community, or communities, in which the services are delivered ▪ is governed by a body constituted in the majority by Aboriginal or Torres Strait Islander people ▪ is independent from and is not controlled to any extent by any sphere of government (except to the extent that an organisation receives funding, and under a formal agreement is accountable to such governmental body for the receipt and expenditure of the funding).
Confirmation of Aboriginality	<p>The NT Government reserves the right to ask employers to verify the Aboriginality of its employees. The eligibility criteria for Aboriginal and/or Torres Strait Islander employees is:</p> <ul style="list-style-type: none"> ▪ being Aboriginal and/or Torres Strait Islander; and ▪ identifying as Aboriginal and/or Torres Strait Islander and being accepted as Aboriginal and/or Torres Strait Islander in the community in which the employee lives or formerly lived. <p>The proof required to satisfy this criterion is a Certificate of Aboriginality from a recognised Aboriginal organisation.</p>
Recognised Aboriginal organisation	<p>The NT Indigenous Business Network is recognised by the NT Government as the provider of advice on which organisations are recognised Aboriginal organisations for the purposes of providing a valid Certificate of Aboriginality.</p>

Source: Aboriginal Economic Participation Framework

Aboriginal Economic Participation Framework cont...

Audit observations specific to DCMC

Implementation of the AEP Framework

The AEP Framework was developed to meet the need for a whole-of-government approach to driving Aboriginal Economic Participation.

The delivery of the AEP Framework's mechanisms to achieve the objectives of the AEP Framework is the responsibility of the agencies outlined in Tables 1 to 4. The oversight and reporting of the AEP Framework progress is overseen by DCMC.

After consultation with various stakeholders, the AEP Framework received approval from the Minister for Aboriginal Affairs for public release on 7 April 2022.

In July 2022, responsibility for the implementation of the AEP Framework was transferred from DCMC's Strategic Aboriginal Policy team to DCMC's Regional Development team. This included the handover of documents including the spreadsheets used to calculate the AEP Framework's measures and the GrantsNT data spreadsheet. A subsequent document handover took place in December 2022.

Internal records evidenced a meeting between the Regional Development team and DITT to discuss the high-level action items assigned to DITT under the AEP Framework. A series of meetings and exchange of correspondence within DCMC, involving the Strategic Aboriginal Policy team, the Office of Aboriginal Affairs, and the Regional Development team, focused on deliberating and addressing the AEP Framework measures and analysing GrantsNT data from August 2022 to February 2023.

Representatives from the Strategic Aboriginal Policy team explained that, based on advice from the Department of Treasury and Finance, there was no requirement for an evaluation plan due to the program's funding falling below the threshold of \$1 million.

In the absence of a mandated evaluation plan for the AEP Framework (such as is required for larger initiatives in accordance with across-government Program Evaluation Framework), alternative monitoring and reporting mechanisms have not been established to assess and report on the effectiveness of the AEP Framework in meeting the four defined objectives. While funding thresholds may exempt the AEP Framework from across-government mandated program evaluation requirements, the impact and outcomes from initiatives such as the AEP Framework cannot be fully assessed without being measured and monitored.

There is an existing commitment to develop an independent mechanism for evaluating and reporting on the progress of NTG agencies and the effectiveness of actions under the AEP Framework at the 2-year and 5-year mark. As at October 2023, 18 months into the implementation of the AEP Framework, this process had not commenced.

Aboriginal Economic Participation Framework cont...

Performance

NTG agencies are required to set and report annually against agency specific targets for each of the AEP Framework measures. The first annual progress report was presented to the Minister for Aboriginal Affairs in October 2023.

Table 5: AEP Framework Performance Measures 2022-23

	Measure	Baseline 2019/20	Baseline 2020/21	2022/23
1	Number of Aboriginal people employed on NTG procurement contracts	NA	NA	NA
2	Number of Aboriginal people employed through NTG grants contracts	NA	NA	NA
3	Number of ACCOs contracted by NTG	130	136	34
3a	Number of NTG contracts awarded to ACCOs	530	469	66
3b	Proportion of NTG contracts awarded to ACCOs	12%	13%	1.63%
3c	Value of NTG contracts awarded to ACCOs	\$303.1 M	\$176.3 M	\$31.3 M
3d	Proportion of the value of NTG contracts awarded to ACCOs	12%	10%	1.63%
4	Number of ABEs contracted by NTG	157	154	162
4a	Number of NTG contracts awarded to ABEs	573	503	660
4b	Proportion of NTG contracts awarded to ABEs	13%	14%	16%
4c	Value of NTG contracts awarded to ABEs	\$327.3 M	\$187.5 M	\$225.5 M
4d	Proportion of the value of NTG contracts awarded to ABEs	13%	10%	12%
5	Number of post-school qualifications attained by Aboriginal employees on NTG contracts and Territory Benefit Plan	NA	NA	NA
6	Number of Territory Benefit Plans with commitments relating to Aboriginal employment and supply of goods and services by Aboriginal business	2	2	TBC

ACCO- Count specifically excludes ABE data.

ABE - Count includes ACCO data (see definition of ABE).

Tier 1 procurements are not included in the above reported measures.

NA - Not available

Source: Aboriginal Economic Participation Framework 2022-2032

NTG agencies use GrantsNT to manage and administer the NTG's grant programs. Quotations and Tenders Online is used to advertise and award procurement activities across the NTG.

Due to limitations in the data collected, Tier 1 procurements are not included in the above statistics.

Three performance measures continue to be reported as '*not available*' in 2022-23 as the NTG systems are currently unable to capture data relating to employment on government tenders or grants. These performance measures do not meet the SMART criteria (Specific, Measurable, Achievable, Relevant, and Time-bound) as they are not yet able to be measured.

Aboriginal Economic Participation Framework cont...

For the measures reported in the AEP Framework, there are inconsistencies between the way the baseline measures were calculated and how the 2022-23 measures were calculated. The differences were confirmed during a review intended to improve accuracy and recognition which identified that many ACCOs are both an ACCO and an ABE at the same time due to a change in the definition status of ACCOs. The Regional Development team has now established business rules to obtain data on the AEP Framework measures.

The report did not include any analysis of whether the targets were meeting expectations or not and did not include any explanations for any variances.

Governance

The responsibility for the delivery of mechanisms of the AEP Framework lies with the agencies specified in Tables 1 to 4. Representatives of DCMC shared their view that the governance of the AEP Framework lies with each responsible agency. Notwithstanding this view, there is a need for whole-of-government oversight of the delivery of Aboriginal Economic Participation.

The governance structure and responsibilities have not been clearly defined and communicated to all relevant parties. This includes specifying roles, decision-making processes, accountability and reporting mechanisms for each responsible agency. Without a clear governance framework, there may be confusion about who is ultimately responsible for the success of the AEP Framework's objectives and it may be difficult for DCMC to assess and report upon progress.

DCMC has not conducted a formal risk assessment of the AEP Framework to identify, evaluate or mitigate potential risks associated with the AEP Framework including risks associated with conflicts of interest. DCMC management have determined that the risks associated with the AEP Framework are not sufficiently high to meet the threshold for inclusion in DCMC's risk register.

Given the magnitude of the issues identified under the former Indigenous Employment Provisional Sum scheme, there is an opportunity to identify and assess the risks associated with the AEP Framework at an NTG level and ensure strong appropriate measures are in place to manage and mitigate risks.

The Strategic Aboriginal Policy Business Plan 2023-24 identifies the following risk rating associated with the AEP Framework:

Table 6: Risks identified by DCMC relating to the AEP Framework

2023-24 Key Actions	Measure of success	Timeframe	Accountability	Risk
Aboriginal Economic Participation Framework: Aboriginal Grants Policy	Work with OAA [Office of Aboriginal Affairs] to finalise the Aboriginal Grants Policy to progress key actions and measures to meet agency specific targets.	2023-24	Executive Director / Director / Principal Policy Officer	Amber

Source: DCMC Internal Documentation

Aboriginal Economic Participation Framework cont...

Reporting

Progress under the AEP Framework is reported annually and incorporated into the Northern Territory's Closing the Gap and Aboriginal Affairs Strategy annual reporting. The NTG's commitments under the National Agreement on Closing the Gap include the establishment of an independent mechanism to evaluate and report on the progress of NTG agencies in delivering the actions under the AEP Framework at years 2 and 5 and the effectiveness of those actions.

Internal ad hoc reporting on the progress of the AEP Framework was prepared in October 2023, 18 months after the AEP Framework was released. This internal reporting included a Traffic Light Report with an accompanying progress statement for each mechanism and reporting against the targets. The Traffic Light Report identified the Overall Status of the Mechanism in the AEP Framework as either red, amber or green. Of the 27 mechanisms reported against in October 2023, 11 were rated as *'implemented and progressing well'* and 16 were rated as *'implementation underway'*.

As the Traffic Light Report was not developed for publication, there was no verification exercise performed by DCMC and the report did not include specific timeframes for delivery or identify the resourcing requirements to deliver each mechanism. Without a process for verification, there is a risk that the reporting is subjective and may not represent the actual progress or status.

Financial management

No budget or resourcing requirements were identified to implement the mechanisms.

For mechanisms that are the responsibility of DCMC, the costs of implementing the AEP Framework are expected to be absorbed within the existing agency budget without any additional funding being required. DCMC does not have a specific financial cost centre to allocate the costs associated with the AEP Framework.

Actual costs to implement the mechanisms have not been determined, collated or monitored at a project level or for each individual mechanism.

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

The full cost of delivering a program includes the cost of all resources (human and systems) used in the delivery of the mechanisms in addition to payments made to external parties.

Performance evaluation

As stated in the AEP Framework *'an independent mechanism will be established to evaluate and report on the progress of NTG agencies, including the effectiveness of actions under the AEP Framework at years 2 and 5.'*

The AEP Framework is due for evaluation next year. DCMC management have stated that this evaluation will be conducted in accordance with the Northern Territory Government Program Evaluation Framework, administered through the Department of Treasury and Finance.

Currently there is not an independent program evaluation mechanism in place, nor is there a formal performance management system established for the AEP Framework. The existing process involves annual reporting on the progress and performance of the AEP Framework, utilising the performance measures and targets as outlined within the AEP Framework itself.

Aboriginal Economic Participation Framework cont...

Efficiencies gained through alignment with the National Agreement on Closing the Gap and the Everyone Together Aboriginal Affairs Strategy

At the time of the audit, efficiencies gained through alignment with the National Agreement on Closing the Gap and the Everyone Together Aboriginal Affairs Strategy could not be identified.

Audit observations specific to DITT

Implementation of the AEP Framework

The mechanisms examined at DITT are detailed below along with the related objective and the description of the mechanism.

Table 7: The AEP Framework mechanisms examined at DITT:

Mechanisms	Related Objective	Description
Implement an Aboriginal Procurement Policy	Activate NTG procurement and grants to increase Aboriginal economic participation	The purpose of the Aboriginal Procurement Policy is to increase the proportion of Aboriginal businesses (and the proportion of funding) contracted through NT Government procurement. It will also include the development of an Aboriginal Business Register, to assist with business identification.
Implement an Aboriginal Business Register	Strengthen Aboriginal business and Aboriginal community-controlled organisations (ACCO)	To better understand the capability of Aboriginal businesses, an Aboriginal Business Register is required that extends beyond confirming Aboriginal ownership of businesses and integrates with other registers and accreditation bodies such as Contractor Accreditation Limited and the NT Industry Capability Network and provides intelligence on Aboriginal business intelligence in regions and communities.
Evaluation and Review	Strengthen Aboriginal business and community-controlled organisations	Evaluation and review of programs supporting Aboriginal businesses and develop new (or enhance existing) programs as required in collaboration with the Aboriginal business and ACCO sector.

Aboriginal Economic Participation Framework cont...

Aboriginal Procurement Policy

The Aboriginal Procurement Policy (APP) became effective from 1 July 2022. The purpose of the APP is to:

- Maximise opportunities for certified Aboriginal Business Enterprises and Aboriginal Territorians to participate in, benefit from and generate individual, organisational, community and Territory-wide economic, social, cultural and environmental value through NT Government procurement activities; and
- Build Aboriginal Business Enterprise capacity and capability through joint ventures and partnerships with other Territory enterprises with industry experience and expertise.

The purpose of the APP will be achieved by:

- Contributing to enabling a commensurate level of Aboriginal economic participation, including Aboriginal employment through supply chains, to that of the NT's Aboriginal population (30%);
- Enabling whole-of-government preferencing for Aboriginal economic participation in procurement activity to realise an increased number and value of NT Government contracts awarded to Aboriginal Business Enterprises;
- Enabling agencies to procure fit-for-purpose outcomes with the flexibility to match demand for Aboriginal Business Enterprises; and
- Introducing achievable and measurable procurement stretch-targets.

Source: *Aboriginal Procurement Policy* https://nt.gov.au/data/assets/pdf_file/0003/1109307/aboriginal-procurement-policy.pdf Accessed on 21 February 2024

A review of the targets in the APP was to commence on 1 January 2023 to inform new targets for 2023-24. The review was completed in June 2023. A review of the APP in its entirety was to commence on 1 July 2023. That review was in progress at the time of this audit.

Aboriginal Business Enterprise Register

In June 2021, DITT entered into a grant funding arrangement with the Northern Territory Indigenous Business Network Incorporated (NTIBN) to deliver the Aboriginal Business Enterprise Register (ABER) and corresponding Certification System for the Northern Territory by 30 April 2022. The funded objectives are to:

- Provide government and industry with a comprehensive, validated register of Territory Aboriginal businesses, ensuring genuine ABEs are awarded contracts; and
- Increase awareness around Territory ABEs.

The ABER delivered by NTIBN is named the "Blak Business Directory".

Performance

AEP Framework

The performance measures for the AEP Framework are detailed in Table 5 and are reported by DCMC. The performance measures relevant to the mechanisms examined at DITT are performance measures 1 to 4.

The results of performance measures 1 and 2 continue to be reported as 'not available' in 2022-23 because the NTG systems are currently unable to capture data relating to employment on government tenders or grants. These performance measures have not met the SMART criteria.

Aboriginal Economic Participation Framework cont...

Performance measures 3 to 4 are an aggregated value of grants provided and procurement contracts awarded. Users of the reported performance measures may find it easier to assess the effectiveness of the AEP Framework if the grant information and the procurement information were reported separately.

The reporting against the AEP Framework measures for 2022-23 did not include any analysis of whether the results (when compared to targets) were meeting expectations or not and did not include any explanations for any variances.

APP

The current APP has 2 targets established for the financial year 2022-23 based on previous years' data. The targets are:

- 5 per cent of the total number of NT Government contracts awarded to Aboriginal Business Enterprises; and
- 5 per cent of the annual total NT Government contract value awarded to Aboriginal Business Enterprises.

Future years' targets were to be identified after the first review of the APP. DITT conducted a desktop review in July 2023. The review constituted an analysis of data and concentrated on the progress against the 2022-23 targets and resetting targets for the 2023-24 financial year. The desktop review identified that the contract value target for 'all-of-government' was met for 2022-23 (5.4%) however the target for the number of contracts was not met (4.66%). The results of the review were presented to the Procurement Review Board and the 2023-24 targets remain unchanged from the 2022-23 targets. The desktop review did not outline what additional action, if any, is being undertaken to achieve the targets for 2023-24.

An external consultant was engaged in December 2023 to undertake a developmental evaluation of the first 18 months of the APP, as part of the broader initiative for a full evaluation of the APP, including the setting of longer-term targets. This evaluation is scheduled for completion in June 2024 and aims to inform policy direction and delivery over the three years 2024 to 2027.

ABER

The grant agreement within NTIBN required recording and reporting on the following key performance measures:

"Monthly and quarterly reporting on the following:

- *Number of entities that have signed up to (ABER) by category and classification.*
- *Statistics on (ABER) referral numbers and contracts amounts awarded.*
- *Website analytics – Number of visits and demographics."*

Other relevant clauses in the Grant Agreement specified the following types of reports required to be produced by the grant recipient: audited financial statements including income and expenditure statements, balance sheets and associated notes and other disclosures for the financial years 2022 and 2023 and another report to be determined. The details of what constituted 'another report' were not included in the Grant Agreement.

Related grant funding was issued to NTIBN under two funding arrangements. The funded deliverables included monthly and quarterly reporting of statistical information; coordination of networking events and information sessions; and conduct of an annual survey of members.

Aboriginal Economic Participation Framework cont...

Governance

The oversight and reporting of the AEP Framework progress is overseen by DCMC. DITT is responsible for the delivery of specific mechanisms of the AEP Framework. The assignment of roles, decision-making processes, and accountability mechanisms between the agencies responsible for implementing the AEP Framework is not clearly defined. There are no clear reporting mechanisms between the agencies which may impede the effective assessment and reporting of the NTG's progress in meeting the objectives of the AEP Framework.

DITT has not carried out a formal risk assessment relating to the activities and mechanisms for which DITT has responsibility for delivering including the APP, Aboriginal Business Register and other programs supporting Aboriginal businesses. This includes the assessment of potential risks associated with conflicts of interest.

There was no assessment of risks to service delivery prior to providing the grant to NTIBN.

Reporting

Reporting the progress of delivery of the mechanisms under the AEP Framework is the responsibility of DCMC. DITT provides information to DCMC when requested.

In early October 2023, DCMC contacted DITT to collect information regarding the progress of delivery of the mechanisms for which DITT is responsible. DITT provided information to DCMC and confirmed the overall status (categorised as either red, amber or green) and accompanying narrative documented in DCMC's Traffic Light Report.

APP

Monitoring against the APP target was reported to the Procurement Review Board in August and October 2023. Other reporting relating to the APP includes legislative briefs and ad hoc reporting.

A review of the APP in its entirety is currently in progress and is being conducted by an external party.

ABER

The development and implementation of the ABER was funded through grants provided to NTIBN. As a result, the management and reporting of the delivery of the ABER follows the Agency's grant management process.

The grants to NTIBN for the delivery of the ABER are recorded in the grants management system GrantsNT. Grant managers liaise with the recipient on a regular basis.

The objectives, performance measurements and reporting requirements are contained within the individual grant agreements.

Reporting dates and obligations are monitored using GrantsNT. Reports are prepared by the recipient and record the recipient's performance against the key performance indicators and deliverables in the grant agreement. The grant manager ensures compliance and reviews the reports provided. The performance documented in the reports is assessed by the grant manager and marked as 'meets requirements' if appropriate.

Aboriginal Economic Participation Framework cont...

Financial management

The costs of implementing the APP and the conduct of any evaluation and review processes are expected to be absorbed within the existing agency budget without any additional funding being required. Initial grant funding (inclusive of Goods and Services Tax) to NTIBN was \$440,000 followed by operational funding of \$308,000 in 2022-23.

DITT does not have a specific financial cost centre to allocate the costs associated with delivery of the mechanisms in the AEP Framework, consequently the actual costs to implement the mechanisms have not been determined, collated or monitored for each individual mechanism.

Performance evaluation

The results from evaluations and reviews are reported to senior executives as deemed appropriate by the Agency's business unit.

APP

An external consultant was engaged in December 2023 to undertake a developmental evaluation of the first 18 months of the APP to inform Policy direction and delivery over the next 3 years.

ABER

No evaluation has been undertaken or is planned to assess whether the ABER is meeting the objectives outlined in the AEP Framework. The objectives of the ABER are to:

- Provide government and industry with a comprehensive, validated register of Territory Aboriginal businesses, ensuring genuine ABEs are being awarded contracts; and
- Increase awareness around Territory ABEs.

Other reviews

The *Mid-Term Review of the Aboriginal Business Development Program* dated 27 January 2023 (the Report) was conducted by DITT. The Aboriginal Business Development Program (ABDP) assists Aboriginal people interested in starting or expanding an existing business in the Northern Territory (NT).

The ABDP can provide potential and existing Aboriginal businesses with an injection of capital to either help commence operations, purchase assets and/or receive professional advice/support to help their businesses grow.

The mid-term review was initiated to assess the effectiveness and alignment of the ABDP against its intended objectives. The mid-term review was conducted as a desktop review encompassing all relevant materials from the past five years.

The findings of the review resulted in the identification of 24 opportunities to mitigate ambiguity and enhance the clarity of parameters governing the ABDP and improve the efficacy of the ABDP.

At the time of this audit, DITT had progressed a number of the recommendations intended to improve the efficacy of the ABDP and anticipated the improved program would be open to applicants from mid-May 2024.

There has been no evaluation and review of programs supporting Aboriginal Employment.

Aboriginal Economic Participation Framework cont...

The Department of the Chief Minister and Cabinet has commented:

The Department of the Chief Minister and Cabinet (CM&C) acknowledges the audit findings on the Aboriginal Economic Participation Framework and is committed to working across the sector to put in place a robust performance management system for the Aboriginal Economic Participation Framework.

Ship Lift Facility

The Department of the Chief Minister and Cabinet The Department of Infrastructure, Planning and Logistics

Index

The report on this audit is structured as follows:

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Background

Since 2009, the Northern Territory Government (NTG) has been exploring the development of a Marine Industry Park. In 2015, the Government of the day announced that *'once at full capacity, it's estimated the Marine Industry Park will support up to 4,500 full time jobs and inject around \$3.5 billion into the Territory economy.'*¹

The Land Development Corporation (LDC) commenced planning for the Marine Industry Park in 2012 and released the Marine Industry Park master plan in 2015. The Marine Industry Park was intended to include a ship lift and supporting marine maintenance infrastructure. A ship lift is an essential piece of infrastructure to support the function of the Marine Industry Park, enabling repairs and maintenance to be undertaken on large vessels in dry dock.

As part of the planning phase, a pre-feasibility study was undertaken in 2012 and an economic assessment was undertaken in 2015. The pre-feasibility report presented key requirements for the development to ensure the success of the Marine Industry Park. The requirements included:

- Develop the Marine Maintenance precinct first, noting this should only go ahead when a Marine Maintenance private sector proponent is willing to cover the costs allocated to this precinct.
- Identify foundation customers.
- Not sell or lease (except on a short-term basis) land within the precinct, because of the opportunity costs involved.

¹ NTG Media Release, 4 December 2015

Ship Lift Facility cont...

In October 2015, the Ship Lift Facility was announced as a project. The Ship Lift Facility comprises the ship lift, wet berths, hard stand areas for ship repair and maintenance, transporter units and associated buildings (collectively referred to as the Ship Lift Facility).

As a major project, the control and management of the Ship Lift Facility was transferred from LDC to the Strategic Infrastructure and Projects business unit within the then Department of Trade, Business and Innovation (DTBI). Responsibility for delivery of the Ship Lift Facility was then moved to the Department of the Chief Minister and Cabinet (DCMC). At the time of this audit, responsibility for delivery of the Ship Lift Facility resided with Infrastructure NT at the Department of Infrastructure, Planning and Logistics (DIPL).

While the management of the construction of the Ship Lift Facility has been moved to DIPL, LDC continues to hold responsibility for the delivery of the Marine Industry Park in its entirety.

Following the receipt of the proceeds from the Port of Darwin lease transaction in late 2015, the Government of the day proposed that the Territory would contribute up to \$100 million from the proceeds to support the construction of the Ship Lift Facility.

In August 2016, the NTG announced the preferred proponent to lead the development, construction and operation of the Ship Lift Facility (the Project). It was intended that this approach would enable the Territory to benefit from private sector knowledge and capabilities to optimise development of the Project.

In August 2017, the NTG entered into a Project Development Agreement with the preferred proponent. The Project Development Agreement required the preferred proponent to develop an appropriate project design; develop a cost estimate of the Project; oversee the construction; and operate the Ship Lift Facility.

The Project involved three phases. The objectives of Phase One were to:

- Develop an appropriate project design;
- Develop a cost estimate of the Project; and
- Perform the appropriate site due diligence works.

Phase Two involved preparing a robust Project budget, reducing any potential risks and finalising the design, including undertaking and concluding environmental impact studies.

Phase Three represents the construction phase of the Project.

At the time the parties entered into the Project Development Agreement, the Ship Lift Facility and Marine Maintenance Park were expected to be commissioned and operational in April 2021.

Prior to 2018, no cost/benefit modelling had been performed to determine the impact or return on the \$100 million investment by the Territory.

In 2018, my Office undertook a performance management system audit on the systems and processes to manage the development of the Ship Lift Facility. At the time of the audit, the Project was in Phase One. The results from that audit were reported in the August 2018 Northern Territory Auditor-General's Report to the Legislative Assembly.

Scope and objectives

The objective of this performance management system audit was to assess the performance management systems in place at DCMC and DIPL (collectively referred to as the Agencies) that enable management to assess whether the Project is being delivered effectively, efficiently and with regard to economy.

Ship Lift Facility cont...

The audit assessed if the Agencies' performance management systems apply the Northern Territory Government (NTG) Procurement Framework and Treasurer's Direction Infrastructure.

When reviewing the performance management systems in place at the Agencies, the audit assessed the systems and processes in place to support:

- Effective project planning including defining clear outcomes, developing governance structures and mitigating risk;
- Effective, fair and transparent procurement including compliance with the NTG Procurement Framework;
- Effective project management including probity services and contract management;
- Effective financial management including robust budget and cost management; and
- The delivery of the Project and related outcomes.

The audit covered the period from the conclusion of the 2018 audit to 31 August 2023.

The team responsible for delivering the project includes personnel from both DIPL and DCMC. Collectively they have been referred to in this report as the Project Management Team.

Limitation of scope

During the audit, I was informed that key decisions affecting delivery of the Project were made at a Cabinet level and the Agencies were unable to provide evidence to demonstrate that each decision had been accurately and adequately informed by facts and evidence such that, on balance, each decision would achieve the most effective, efficient and economical outcome for the Territory.

Accordingly, and consistent with past practice, I submitted two requests to the Cabinet Office to sight information supporting the decisions. The requests were solely to sight the supporting documentation provided by the Agencies and not to sight evidence of deliberations, discussions and decisions within Cabinet. Both requests were declined. As evidence to support these key decisions was not provided for audit scrutiny, I was unable to assess and conclude that the performance management systems in place at the Agencies are adequate or have been effectively designed and implemented to enable management to assess whether the Project is being delivered efficiently, effectively and with economy.

There was no documented evidence-based analysis, modelling, risk assessments and/or cost and benefit analysis provided to support the decisions to:

- Terminate the Project Development Agreement
- Change the financing and construction approach regarding the Ship Lift Facility from being externally funded and constructed to being NTG financed and constructed
- Enter into a land transfer arrangement
- Enter into an operating agreement with a private sector operator
- Create and execute the Minimum Output Specifications
- Award the Head Agreement for the construction of the Ship Lift.

Ship Lift Facility cont...

Audit opinion

As detailed in the section of this report entitled *Limitation of scope*, evidence to support key decisions made surrounding the Project was not provided for audit scrutiny. As such I am unable to conclude that the Agencies have adequate systems and processes in place to support:

- Effective project planning including defining clear outcomes, developing governance structures and mitigating risk;
- Effective, fair and transparent procurement including compliance with the NTG Procurement Framework; and
- Effective financial management including robust budget and cost management.

Recommendations

Opportunities to improve the existing performance management systems are presented below as recommendations.

- Identify key documentation required for each project consistent with established better practice and develop and implement processes to record and retain the following information pertaining to each significant project:
 - Project's purpose/agency needs
 - Options, including non-infrastructure options, to achieve the purpose/needs
 - Rationale and evidence-base for the selected option
 - Prioritisation of the project
 - Specifications relevant to the project
 - Estimated costs and cost/benefit analysis
 - Business case (or equivalent) to source funding
 - Approvals.
- Design and implement processes to ensure information demonstrating evidence-based decision-making is documented, retained and, if necessary, captured in a format that can be provided for audit scrutiny.
- For large projects undertaken over an extended period of time, develop and implement a process which requires periodic re-evaluation of costs and scope, particularly when extensive time has passed between the original project analysis and commencement of the actual project or when there are significant economic changes during that time.
- Document the impact on project plans and risk assessments of any re-evaluation of, or changes to, project requirements with revisions to key documentation undertaken promptly. This may require additional processes to support version control.
- Align project planning, management and delivery with established better practice project management frameworks, such as the NT Project Development Framework to support efficient, effective and economical project delivery.
- Review both the Project risk register and the construction specific risk register to ensure both are complete, accurate and consistent and develop a process for escalating risks rated as high/extreme to the Project Sponsor and affected stakeholders.

Ship Lift Facility cont...

- Undertake an assessment of the cost/benefit analysis attributable to the development of the Marine Maintenance Precinct including the Ship Lift premised upon the maximum contribution by the Territory of \$215 million.
- Implement processes to record the full costs of the Project and regularly report to key decision-makers and stakeholders.
- Seek accounting advice from the Department of Treasury and Finance in relation to recognition of the costs and obligations associated with the Project and the contractual arrangements with the operator of the Ship Lift Facility including accounting for the fair value of exchanged land and leasing arrangements, the transfer of the constructed private marine facility assets and any resulting service concession arrangements to which the NTG is a party.

Audit observations

Project planning

Market analysis

In 2018, DTBI commissioned a market, financial and economic analysis of the proposed facility. The resultant report was finalised in February 2019. The analysis was based on a Ship Lift Facility using the following assumptions:

- 2 site locations considered (proposed site and an unspecified alternative site)
- Prices charged by the Ship Lift Facility would be in line with those charged by the Australian Marine Complex at Henderson
- The Ship Lift Facility would have:
 - a lifting capability of 4,000 tonnes
 - dimensions of 85 metres x 24 metres x 6 metres draught
 - 2 wet berths
 - hardstand areas.

The report concluded that a Ship Lift Facility with the above design parameters would be too small to accommodate intended stakeholders as it contained too little wet-berth space. The report proposed an increased capacity including:

- 2 additional wet berths adjacent to the ship lift
- 5,500 tonnes lifting capability
- 120 metres x 24 metres x 8.5 metres draught.

Three scenarios had been presented (reflecting a range of low, base and high scenarios) within the report. The report assumed that an NTG contribution of \$100 million would be needed for the Ship Lift Facility to be economical in any of the three scenarios proposed in the report.

The report cited limitations on the use of the report including the results for all three scenarios, acknowledging the considerable uncertainty inherent in the market for the services of the SLAMI [Ship Lift and Marine Industries] facilities and significant uncertainty regarding costs.

At the time of audit fieldwork, no subsequent market analysis had been conducted.

Ship Lift Facility cont...

Project plan

Members of the Project Management Team advised that the Project Development Agreement to design, construct and operate the Ship Lift Facility was terminated by the NTG in 2018. The NTG remained interested in using the site proposed by the preferred proponent, and negotiations relating to use of the site continued. There was no evidence provided to demonstrate appropriate due diligence procedures or a cost/benefit analysis had been performed over the site selection.

An overarching Ship Lift Project Plan (the Plan) was developed by DTBI in June 2020, with an updated version being released the following year by DCMC. This version has not been updated since 2021 to reflect revised deliverable dates, including changes to the Project Phases and timeframes.

The Plan provides a high-level overview of the project's scope, predicted outcomes, key performance indicators, expected timeframes, perceived risks, and governance arrangements. The Plan also prescribes the four key project aspects, being:

1. Establishing access pricing legislation for the Ship Lift Facility (regulated by the Utilities Commission).
2. Contract management obligations under the land transfer arrangement and operating agreement.
3. Regulatory approvals – environmental (NT Environmental Impact Statement), development and other approvals.
4. Procurement of design and construction contractor and other separate work packages (e.g., ship lift technology and self-propelled modular transporters).

The focus of this audit was on the fourth key aspect relating to '*Procurement of design and construction contractor and other separate work packages*'.

A Procurement Plan – Construction Contractor, was developed by DTBI in July 2020, detailing the scope, procurement stages, generic risk assessments and assessment panel requirements. The staged method of procurement is discussed in greater detail within the section of this report entitled *Procurement process*.

By 2023, it was intended that the Ship Lift Facility, when constructed, would be capable of lifting vessels up to 5,500 tonnes, enabling vessels in the defence, energy, pearling, fishing and coastal cruising industries to be serviced in Darwin.

The Ship Lift Facility is now to be a government funded, owned and constructed asset. A new agreement was entered into for the operation of the Ship Lift Facility. No evidence was provided to demonstrate the rationale or impacts of the change in approach.

Ship Lift Facility cont...

Key milestones that have been observed since the conduct of the 2018 audit include:

- The operator of the Ship Lift Facility has been engaged (July 2020)
- The Pricing and Access Legislation has been drafted (May 2021) yet is still to be finalised
- A direct design consultancy contract was executed (February 2023)
- The contract for construction of the Ship Lift Facility has been executed (September 2023).

A summary of key milestones is presented at the conclusion of this report.

With the awarding of the design and construction contracts, the Ship Lift is currently in the design stage with the anticipated commission and operation of the Ship Lift Facility, now revised from April 2021 to sometime in the 2025-26 financial year, with components of the Ship Lift Facility being expected to be completed by the end of 2025.

Project management policies and framework

The revised NTG Project Development Framework was effective from October 2019 and the Treasurer's Direction Infrastructure from July 2021. These documents provide guidance to support effective project management including specifying minimum requirements and approvals. Neither were considered by the Project Management Team, on the basis that the Project was already underway before these came into effect. There was no framework in place to support structured and systemic planning and management of the Project.

Project outcomes and minimum output specifications

During the lifecycle of the Project, the overall project outcome has remained consistent, being the delivery of an operational 'common user' ship lift and marine industries facility for NTG at East Arm.

The Project scope changed in 2019, after the market analysis, with the required vessel lifting capacity increased.

In summary, the Project, as it currently stands, is intended to deliver the following desired outputs:

- A ship lift that is 26 metres wide, 103 metres long, with a vessel lifting capability of 5,500 tonnes.
- Wet berths to allow vessels to undertake in-water maintenance.
- Hard stand area for ship repair and maintenance works.
- Self-propelled modular transporter (SPMT) units that transport vessels around the Ship Lift Facility once they are out of the water.
- An administration building, SPMT shed and blast and paint facility.
- East Arm utilities upgrades to support the ship lift and broader marine industry park development.

As a large portion of the Ship Lift Facility is to be constructed on land currently controlled by a private party, a land transfer arrangement was entered into in July 2020 to facilitate a land exchange between the private party and the NTG.

Ship Lift Facility cont...

To secure this land for the Ship Lift Facility, a 'land exchange' was agreed upon. In exchange for four land parcels transferred from a private party, the NTG is required to:

1. Transfer 15.1ha of land and sea to the private party. This overwater area includes the access to the Ship Lift Facility.
2. Lease a further land parcel from the private party at a nominal value, in order to construct a private marine facility, adjacent to the Ship Lift Facility, to be owned by the private party.

A cost/benefit analysis of this exchange had not been undertaken and values of the individual land packages had not been determined at the time of this audit. As at 31 August 2023 (the conclusion of the period within the audit scope), accounting advice had not been sought on the appropriate financial recognition and measurement of the arrangements.

In June 2021, Minimum Output Specifications were established detailing the Preliminary Works and Developed Design of both the Ship Lift and new private facilities. The Minimum Output Specifications acknowledge changes to the initial conceptual design may occur where alternatives promote innovation, flexibility and efficiency. Where such design changes are negotiated and approved, they are recorded within the Design Register maintained by DIPL.

At the time of the audit fieldwork, the Ship Lift Facility Design was being developed, prior to construction commencing. A summary of the new facility composition and asset ownership is provided in Table 1 below followed by a diagram depicting the concept design and layout as reported in the executive summary of the draft environmental impact statement prepared by the Northern Territory Environment Protection Authority.

Table 1: Infrastructure components

NTG Assets	Private Assets
Access channel and dredged manoeuvring areas	Hardstand areas
Ship lift	Wet berths
Self-propelled modular transport system (SPMT) vessel transfer system	Site service and utilities
Vessel transfer area (with SPMT pavements)	Security assets
Hardstand areas	
Wet berths	
Wharf assets	
Vessel wash bay	
Site services and utilities	
Security assets	
Ancillary facilities	
▪ Ship lift control room	
▪ SPMT garage	
▪ Blasting and painting facility	
▪ Ablution facilities	

Source: NTAGO prepared based on information in existence at June 2021

Ship Lift Facility cont...

Figure 1: Concept Design and Layout



Source: Northern Territory Environment Protection Authority

Accessed 19 April 2024: https://ntepa.nt.gov.au/__data/assets/pdf_file/0007/1069135/Executive-Summary.pdf

Ship Lift Facility cont...

Roles and responsibilities

The Project is currently being managed by the Ship Lift Project Management Team, with the design and construction phase being delivered by DIPL, due to the construction expertise within DIPL. The Project Sponsor is the Chief Executive Officer of DCMC, with DCMC effectively responsible for all non-construction related elements of the Project.

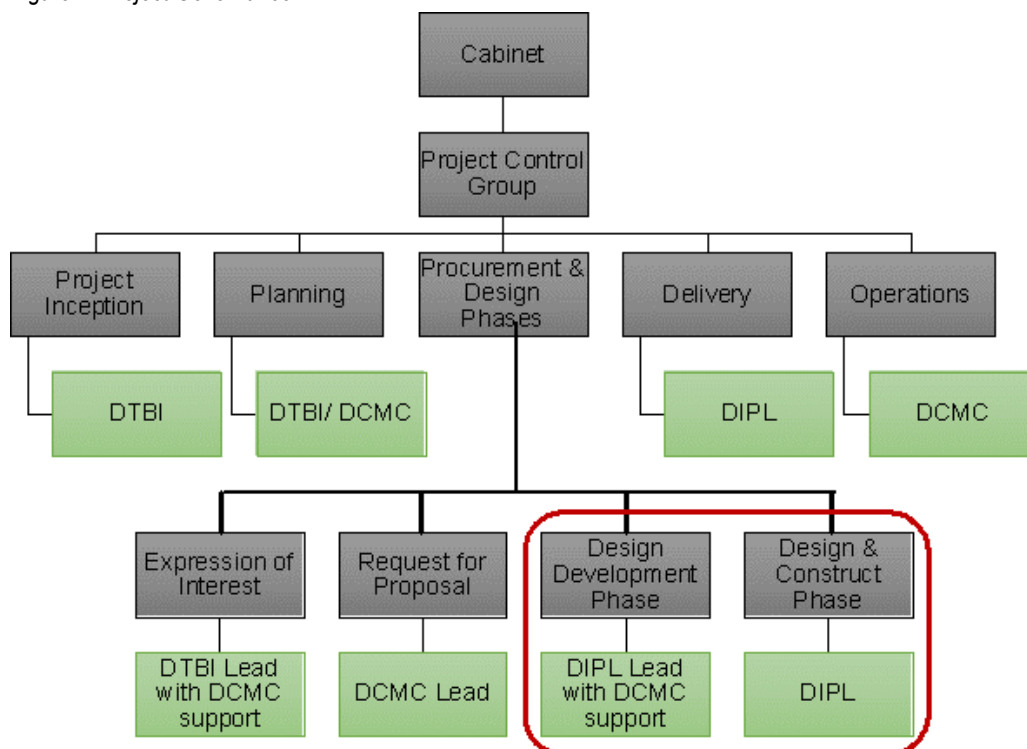
A 'Darwin Ship Lift Project Delivery Group Terms of Reference' was drafted in February 2022 by the DIPL Project Delivery Group. This document:

- Clarified the roles and responsibilities of both Agencies
- Clarified the scope of the Project Management Team and its membership
- Included an updated project governance structure for the design and construction phase
- Prescribed reporting obligations.

Although currently in use as a live document, a finalised, endorsed copy was unable to be provided for audit scrutiny.

The current governance structure is detailed below in Figure 2. Figure 2 also demonstrates the agency with responsibility (highlighted in green) for delivering key phases and elements of the Project.

Figure 2: Project Governance



Source: Draft Darwin Ship Lift Project Delivery Group Terms of Reference (February 2022)

DTBI and DCMC were responsible for coordinating the initial Expression of Interest and Request for Proposals for the design and development of the Project. The Project Management Team (PMT) (demonstrated within the red boundary in Figure 2) was established in 2022 by DIPL to oversee the Design Development and Design and Construct Phases of the Project, make Project related decisions, and escalate issues to the Project Control Group. The PMT meets at a minimum, monthly or on a 'as needs' basis. Its members include personnel from DIPL and DCMC.

Ship Lift Facility cont...

Risk assessments

During the project planning phase, key risks were identified during the Expression of Interest, Request for Proposals and Request for Detailed Design stages. In addition, risk workshops were conducted by an external consulting firm in August 2020, to identify risks and establish mitigation strategies.

In September 2020, the identified risks were collated into a Risk and Issues Register and mitigation strategies were established for each risk. At this date, a total of 82 risks were identified, with nine risks having been closed and 14 being deemed as high after mitigation. Two risks were rated as extreme and had no identified mitigating strategies. This overall risk register has not been updated since establishment and it is understood to no longer be actively monitored.

Upon the transfer of the design and construction phase to DIPL, a new risk register was developed in 2022, specifically relating to the design and construction phase of the Project. This register is updated on an 'as needs basis'.

Of the 37 open risks listed in the register, three remain listed as very high after the application of mitigation strategies. Agency staff advised these risks are actively monitored and reported upon during monthly meetings.

Procurement process

A staged approach

An engineering firm was engaged in July 2020 to provide information on the Project and potential approaches to procurement. The options presented expressly excluded models involving private sector funding and asset ownership, on the basis that the NTG intended to fund its own asset and separately appoint an operator.

The procurement was a 'design and construct' procurement for a managing construction contractor to undertake the final design and approval and construction phase of the Ship Lift Facility.

The NTG proceeded with a staged procurement strategy, as follows:

- Stage 1 – Expression of Interest
- Stage 2 – Request for Proposals
- Stage 3 – Request for Detailed Design

Throughout each of the three stages, an assessment panel of three to four members was utilised, supported by external advisors providing legal, engineering and probity expertise.

During the third stage, 'the Request for Detailed Design', Clough BMD joint venture was announced as the preferred participant in July 2022.

A financial due diligence report was produced in June 2022 by an external legal firm providing advisory services to the procurement assessment panel identified a probable failure risk of less than 1% in the near term. In December 2022, Clough Projects Australia Pty Ltd (Clough) was placed in Voluntary Administration.

Ship Lift Facility cont...

To maintain progress of the Project, the Agency awarded a design consultancy contract to Wallbridge Gilbert Aztec Pty Ltd (WGAWA), the design consultancy firm who had submitted an interim proposal accompanying the original proposal from the Clough BMD joint venture. The contract was awarded in February 2023 with a value of \$10.951 million.

An Italian construction company, WeBuild Group, acquired a 100% interest in Clough in February 2023. Final negotiations with the Clough BMD joint venture, resulted in a Head Construction Contract being awarded in September 2023 for \$420 million.

The three stages of the procurement process are summarised below.

Table 2: Procurement process summary

Stage	Lead Agency	Procurement	Timeframe	Outcome
1	DTBI	Expression of Interest	11 August 2020 to 13 November 2020	20 respondents, of which 5 were recommended.
2	DCMC	Request for Proposals	31 March 2021 to 25 November 2021	4 respondents of which 2 were recommended.
3	DIPL	Request for Detailed Design / Design and Development	6 December 2021 to 8 September 2023	Final negotiations continued with the preferred participant, Clough BMD joint venture, from July 2022. A separate direct contract was entered into with Wallbridge Gilbert Aztec in February 2023 for design. Head Construction contract awarded to Clough BMD joint venture in September 2023.

Source: NTAGO Developed

Procurement exemptions

Procurement within the NTG is governed by the NTG Procurement Framework. The procurement for the design and construction, using the above 3-stage approach, is not a procurement approach that is regularly used by the NTG.

Under Section 5(1) of the *Procurement Act 1995* (the Act), the Minister may provide an exemption to an Agency from complying with a provision of the Act. This section provides:

‘The Minister may, in writing, exempt an accountable officer from the need to comply with a provision of this Act and, while the exemption remains in force, the accountable officer is not required to comply with the provision’.

From 2020, Ministerial exemptions have been provided to DTBI, DCMC and DIPL (as agency responsibilities changed) from the need to comply with section 11(2) of the Act in relation to the procurement activity associated with the design and construction of the Darwin Ship Lift Facility and the engagement of the operator of the Ship Lift Facility. The wording of the exemptions remained consistent throughout with each agency provided the exemption by their relevant Minister.

Ship Lift Facility cont...

Probity process

A probity advisor was engaged in March 2020 and a probity plan developed in July 2020. The probity advisor issued a probity report in November 2020 relating to the Expression of Interest phase and a further report in July 2022 relating to the Request for Detailed Design phase activities. Neither report contained any adverse findings or significant recommendations.

Project management

Systems

As with all construction projects run by DIPL, the Asset Information System has been used for the monitoring of the Project and payments of contractors.

Due to the size of the Project, there are no existing NTG systems that will facilitate the effective contract management of the Design and Construction Agreement. The DIPL Project Management Team are in the process of trialling external project management software, however at the time of audit fieldwork, it has not been approved for use.

At the time of audit fieldwork, the Collaborative Construction Contract had been recently finalised, with a Contract Management Plan yet to be created.

Financial management

Financial implications

In 2018, the Ship Lift Facility was to be owned and constructed by an independent contractor. The contractor was to fund the Project directly with the NTG providing financial support to the value of \$100 million and assisting the contractor to apply for finance through the Commonwealth Northern Australian Infrastructure Facility (NAIF).

In August 2019, the NTG committed to pursue Commonwealth funding for the Ship Lift Facility as well as exploring other financing options. In 2019, the \$400 million project cost estimate did not include the cost of upgrades for headworks at East Arm required to support the development of the Marine Industry Park including the Ship Lift site.

A quantity surveyor's report prepared in August 2020 estimated total costs of construction of the Ship Lift Facility as ranging between \$383 million and \$478 million after risk adjustments. This estimate was based on the Project being completed within 36 months (by July 2023).

The Ship Lift Facility has now moved to a government owned and constructed asset. The project is currently budgeted to cost \$515 million, with the NTG contributing \$215 million and funding the remaining \$300 million through a loan from NAIF, secured in July 2020. At the time of audit fieldwork, no funds had been drawn down from the NAIF loan.

The NAIF website records that the \$300 million loan is to be repaid over 28 years. The NTG is responsible for repayment of the loan and associated costs.

Review of the investment proposal submitted to the NAIF identified some inaccuracies in the information provided however I was unable to determine the impact these inaccuracies may have had on those approving the investment proposal.

The final NAIF agreement was signed in 2020. At the time of signing the agreement, industry bodies anticipated construction of the Ship Lift Facility was to commence in 2021 and be operating from 2023.

Ship Lift Facility cont...

Capital costs

The current Design and Construction phase is being delivered by DIPL, with the costs for the project being captured in the Asset Information System. As at 31 August 2023, the actual design and construction costs incurred to date totalled \$19 million. This total does not include other Project related costs incurred to 31 August 2023.

There is no report provided that lists the full costs associated with the Project since its inception including the costs of engineering, probity, legal and modelling consultancies.

The NTG is responsible for the costs of any asset replacement and upgrade costs related to the Ship Lift Facility.

Future operational costs

The main operating costs associated with the Project will be:

- wages and salaries;
- maintenance and sustaining capital expenditure associated with onshore and offshore structures (e.g., general hardstand; site roads; transfer and heavy hardstand areas; utilities; washdown bay; workshops and offices; self-propelled modular transporter and ship lift) and dredging;
- interest charges associated with the NAIF debt facility;
- utilities costs including electricity, sewer, security, communications and water charges; and
- plant, equipment, general small tools, vehicles, ICT, consumables and fuel costs.

These costs will be apportioned between the NTG and outsourced operator in accordance with the operating agreement.

The approach to accounting for the contractual arrangements associated with the Ship Lift Facility is yet to be determined. The value of an asset is recognised only when *'it is probable that future economic benefits associated with the item will flow'*². As demonstrated earlier, a portion of the assets will be built on land owned by a private party. Agency staff confirmed that accounting advice is being sought from the Department of Treasury and Finance in relation to recognition of the asset now that the Head Contract with the final agreed details has been awarded (September 2023).

Revenue from the commercial operations

In June 2021, an operating agreement was entered into with the operator, as a direct procurement. As established above, procurement of the operations and maintenance services under this deed was exempted from complying with the requirements of the Act. There was no evidence to support the decision for the direct appointment.

The operating agreement is a 10-year renewable agreement. The operator has exclusive control of the Ship Lift Facility with all revenue generated to be retained by the operator. The 2019 Preliminary Market, Financial and Economic Analysis financial assessment projected between \$7 million and \$16 million in operational revenue in the first year of operation.

There has been no accounting advice sought in relation to accounting for any service concession arrangements arising from the operating agreement.

² AABS 116 Property, Plant and Equipment

Ship Lift Facility cont...

Project outcomes

Reporting

In accordance with the draft Terms of Reference, the Project Management Team is to meet monthly or as determined by the Infrastructure Commissioner and has the following responsibilities:

- Monitoring the project budget;
- The provision of ministerial briefings;
- Reporting on NAIF loan obligations; and
- Management of the land transfer arrangement.

Monthly status reports are to be produced however no evidence of regular reporting was provided in response to audit requests.

Regular stakeholder communications are emailed to stakeholders (as established in the Communication Plan for the Project) and posted on the Infrastructure NT website. Traditional Owner groups are included on the email list. The Project Management Team advised engagement with Traditional Owners is to occur once construction commences.

Evaluations

At the time of audit fieldwork, no evaluation plan or benefit realisation report had been prepared. It is anticipated by the Project Management Team that these reports will be prepared closer to the completion of the Project.

Ship Lift Facility cont...

Ship Lift Facility timeline

Pre 2015		⇒ Feasibility studies undertaken.
2015		⇒ The NTG announced commencement of the Project.
		⇒ The Ship Lift Facility was granted major project status.
2016		⇒ LDC opened the common user facility barge ramp.
		⇒ Preferred proponent selected for development of the ship lift.
		⇒ NTG selected preferred ship lift site.
2017		⇒ A Project Development Agreement to deliver the ship lift was announced.
2018	Dec	⇒ Project Development Agreement was terminated.
2019	May	⇒ Preliminary Market, Financial and Economic Analysis undertaken.
		⇒ Change to an NTG owned and operated facility on privately controlled site.
	Dec	⇒ The Northern Australia Infrastructure Facility approved a \$300 million loan to the NTG for construction of the ship lift.
2020	June	⇒ Overarching Project Plan developed.
	Jul	⇒ NTG entered a land transfer arrangement.
	Aug-Nov	⇒ Construction Procurement – 1st stage – Expression of interest advertised (August) and 5 respondents selected.
2021	Mar-Nov	⇒ Construction Procurement – 2nd stage – Shortlist advertised (March) and 2 respondents selected.
	Jun	⇒ NTG entered into an operating agreement.
		⇒ Minimum Output Specifications executed.
	Dec	⇒ Construction Procurement – 3rd stage – Detailed design.
2022	May	⇒ Clough directors sought safe harbour protection from claims against insolvency.
	Jul	⇒ Construction Procurement - Clough–BMD joint venture announced as preferred contractor for construction of the ship lift.
	Dec	⇒ Clough entered voluntary administration.
2023	Feb	⇒ WeBuild completed its acquisition of Clough.
		⇒ NTG entered into a Technical Design Agreement.
	Sept	⇒ Construction Procurement – NTG entered into a Head Agreement for the construction of the Ship Lift.
2025-26		⇒ Expected construction completion.

Source: NTAGO Developed

Ship Lift Facility cont...

The Department of Infrastructure, Planning and Logistics has commented:

The Project's management, procurement and governance processes are well established. Likewise, the Project's purpose and agency needs are well understood, as are options analysis, rationale and evidence in support of the selected option. Documentation evidencing these matters that was requested during the audit was provided where permitted, noting that commercial and Cabinet confidentiality attached to a number of those documents, as you would expect for a significant commercial infrastructure project. The Department acknowledges that this impacted the auditor's scope and subsequent findings.

Documentation including project specifications, approvals and records have been maintained by the Department in accordance with the project management principles, procurement and administrative requirements, but were not requested during the audit. In addition, regulatory approvals (e.g. NT Environment Protection Agency, Environment Protection and Biodiversity Conservation Agency and Development Approvals) are public information and are readily accessible on the regulators' websites in accordance with standard practice.

The Project's parameters have evolved as detailed design has progressed and consequently changes have and will occur through the project life cycle. The Department conducts regular reviews of costs, risks, designs, scope and evolution with a value for money, benefit and efficiency perspective. Documentation of the various reviews, estimates, draft plans and risks have and will continue to be re-evaluated through to, and beyond, the operational phases.

The Project has recently progressed to its delivery phase, with all significant procurement for specialised long lead items and land arrangements completed, with construction underway since April. The Department acknowledges the findings of the audit and remains dedicated to continuous improvements in services, programs and projects

The Department of the Chief Minister and Cabinet has commented:

The Department of the Chief Minister and Cabinet acknowledges the findings of the audit and remains dedicated to ongoing self-assessment and commitment to robust performance management practices.

Tiger Brennan Drive and Berrimah Road Overpass

The Department of Infrastructure, Planning and Logistics

Index

The report on this audit is structured as follows:

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Recommendations	89
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Governance structure	93
Assessment of risks and conflicts of interest	94

Background

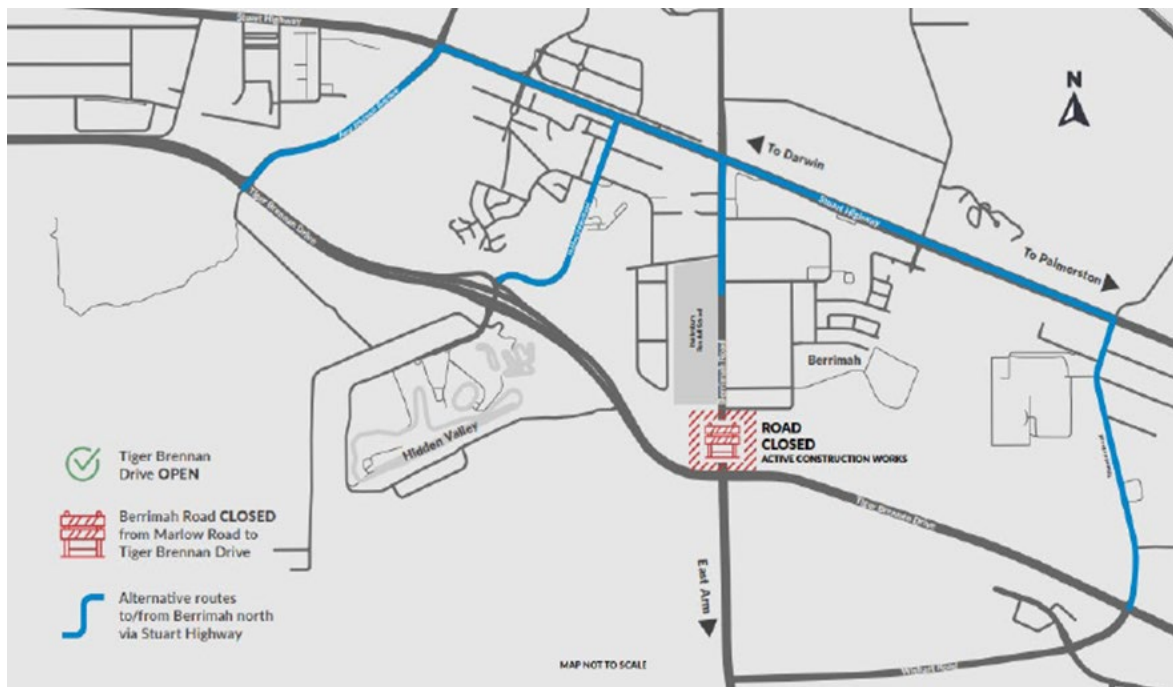
The NTG in partnership with the Australian Government is constructing a new Overpass at the intersection of Tiger Brennan Drive and Berrimah Road. The Overpass will separate the 20,000 vehicle movements per day along Tiger Brennan Drive from the 8,000 vehicle movements per day along Berrimah Road, many of them heavy vehicles moving to and from the East Arm Port.

The scope of the Project includes:

- Construction of an Overpass to separate the major flow of traffic on Tiger Brennan Drive from the traffic movements on Berrimah Road.
- Improvements to the Berrimah Road grade line so it will travel over Tiger Brennan Drive.
- On and off ramps from Tiger Brennan Drive to Berrimah Road.
- Earthworks, drainage works, pavement construction, asphalt works, line marking and road safety barriers.
- Construction of a new bridge.
- Street lighting, traffic signals, improved pedestrian, and cyclist accessibility.
- Landscaping and urban design.

Tiger Brennan Drive and Berrimah Road Overpass cont...

Figure 1: Tiger Brennan Drive and Berrimah Road Overpass - Map



Source: NTG Construction Snapshot 2023 Q1

Scope and objectives

The audit assessed the performance management systems in place at the Department of Infrastructure, Planning and Logistics (the Agency) that enable management to assess whether the Tiger Brennan Drive and Berrimah Road Overpass project (the Project) is being delivered effectively, efficiently and with regard to economy.

The audit assessed if the Agency's performance management systems apply the Northern Territory Project Development Framework (NTPDF), the Northern Territory Government (NTG) Procurement Framework and Treasurer's Direction Infrastructure.

When reviewing the performance management systems in place at the Agency, the audit assessed the systems and processes in place to support:

- Effective project planning including defining clear outcomes, developing governance structure, and mitigating risk;
- Effective, fair, and transparent procurement including compliance with the NTG Procurement Framework;
- Effective project management including probity services and contract management;
- Effective financial management including robust budget and cost management; and
- The delivery of the Project and achievement of the related outcomes.

This audit covered the period from commencement of the Project to 30 June 2023.

Tiger Brennan Drive and Berrimah Road Overpass cont...

Audit opinion

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 that enable management to assess whether the Tiger Brennan Drive and Berrimah Road Overpass project is being delivered effectively, efficiently and with regard to economy.

The audit identified that the Agency could implement improvements in order to demonstrate the Agency's objectives are being achieved economically, efficiently, and effectively.

Recommendations

Opportunities to improve the existing performance management systems are presented below.

- Develop strategic and detailed business cases for projects that meet the NTPDF threshold and consider whether the NTPDF should be updated to accept the use of an alternative project framework where that framework has requirements that are equally robust.
- Develop and retain formal performance evaluations that assess, document and communicate a contractor's performance on a timely basis. This information should then be considered when re-issuing or sourcing future procurements.
- Develop and maintain a project specific risk register to help ensure that all project risks have been considered and monitored and that mitigating controls are in place to address the risks.
- Require all tender assessment panel members, the delegate (the Accountable Officer delegated to authorise the procurement), and advisors to the panel, to declare any actual interest and any actual, potential, or perceived conflict of interest prior to their involvement in the procurement process and again when circumstances change.
- Advertise future tender opportunities for all projects that meet the criteria relevant to Procurement Rule 10.
- Develop and implement a formal project progress tracker documenting project progress and percentage of completion that enables real-time or periodical oversight of the progress of the Project against key milestones and demonstrates how close the Project is to best case/worst case timelines.
- Develop and maintain a reconciliation of total project expenditure to assist management evaluate the Contractor's performance and demonstrate how the Project is progressing against the 'Risk Adjusted Maximum Price' (RAMP).
- Develop and maintain a contract management plan that defines the key activities and responsibilities for managing the contract and provides:
 - a clear description of the deliverables and service levels to be provided by the contractor;
 - a clear description of the Agency's and Contractor's responsibilities; and
 - a point of reference for the management of the works, governance processes, key performance indicators, reporting tools and value/risk assessment.

Tiger Brennan Drive and Berrimah Road Overpass cont...

Audit observations

Current status

The vision for the project emerged during strategic land use and transport planning undertaken by the NT Government in the 1980s. This included a freeway standard corridor between the Darwin central business district and the Stuart Highway via Weddell including grade separated interchanges. A geotechnical review was conducted in 1999 which anticipated the construction of the Overpass however the budget available for the Tiger Brennan Drive extension was not sufficient to fund its construction.

The Project was identified as part of the Australian Government 2020 Road Safety Program. Under the Road Safety Program, a budget of \$47 million was approved with final construction required by June 2022.

The Project was designed and constructed through an Early Contractor Involvement model (ECI) that includes two key stages:

- Stage One - Preliminary design, site investigations, construction planning and cost estimating works.
- Stage Two - Completion of the detailed design and construction of the works.

On 20 August 2021, Sitzler Pty Ltd (the Contractor) was awarded the contract to undertake the design and construction of the Tiger Brennan Drive Overpass (the Overpass).

Completion of Stage One was confirmed on 19 September 2022.

As part of the Stage Two final design approval, the budget for the Project was increased to \$167.5 million. Included within the budget for the project is \$4.8 million for the upgrade of intersections on the existing road network impacted by the construction of the Overpass. The intersection upgrade works are not viewed as a separate project by the Agency as the works were required to facilitate the construction of the Overpass notwithstanding the intersections themselves are outside the Overpass site.

Agency personnel determined the upgrade of the intersections was necessary to provide additional capacity for the increased volume of traffic that would need to use these intersections when Berrimah Road would have to be closed in order to construct the Overpass works.

The alternative would have been to construct significant temporary detour roads that would have also needed to incur costs to be demolished and rehabilitated once the Project was completed. Management formed the view that, from a cost/benefit perspective, greater Value For Territory would be achieved by upgrading existing intersections and providing a longer term benefit to the road network. This position seems reasonable.

Stage Two works commenced on 7 October 2022.

Initial dates provided under the Road Safety Program funding submission to the Australian Government in December 2020 were for the project to commence by January 2021 and be completed by June 2022. These dates were provided to align with the then program funding guidelines and were provided prior to the assessment of options or engagement of contractors and designers. It was anticipated that the timelines would be revised once a final design was selected, and contracts awarded. Currently the nominated date for practical completion is 20 September 2024.

Tiger Brennan Drive and Berrimah Road Overpass cont...

Planning

The announcement of the Road Safety Program in 2020 provided a funding opportunity to deliver the grade separated Tiger Brennan Drive and Berrimah Road interchange. The objectives of the Project were to provide lifesaving road safety treatments on rural and regional roads and increase protection for vulnerable road users in urban/peri-urban areas.

The Project Proposal Report was submitted on 1 December 2020 and was initially approved for funding by the Australian Government on 23 December 2020, with responsibility then handed to the Agency for delivery in 2021. The NTG funding for the project was approved on 8 February 2021.

The Project is funded equally under a bilateral funding arrangement between the Northern Territory Government (NTG) and the Australian Government.

Figure 2: Planning activities timeline



Source: NTAGO developed

Tiger Brennan Drive and Berrimah Road Overpass cont...

The Northern Territory Project Development Framework (NTPDF) outlines requirements for the initiation and development of capital works projects within the NT Government. The Framework is a structured approach to project development, from determining the strategic need business case through to project development and evaluation of the government investment. As the Project's cost is greater than \$30 million, it qualifies under level 1 of the NTPDF which mandates the preparation of a project specific business case.

The Agency did not develop a strategic and detailed project business case, as required by the NTPDF. This is because the Road Safety Program guidelines outlined funding would be delivered on a 'use it or lose it' basis with construction activity required to take place between 1 January 2021 and 30 June 2022. The Road Safety Program was designed in 2020 by the Australian Government as a stimulus package to address the impacts experienced by COVID-19. The focus of the Road Safety Program was to roll out projects quickly so expenditure would flow through the economy as soon as possible and provide benefits for local companies, subcontractors and suppliers without the delays that can be experienced with large projects.

The Project was selected to be delivered using the Early Contractor Involvement (ECI) contract model.

The Early Contractor Involvement (ECI) contract model was selected for this project due to the conceptual nature of the existing design and the lack of a preliminary design and site investigation.

The ECI Contract is split into two stages as follows:

- Stage One of the ECI contract involved the development of a preliminary design, selection of an agreed layout and then production of the preliminary design, site investigations, construction planning and cost estimation works.
- Stage Two of the ECI contract comprises the detailed design and construction of the works.

As part of the tender processes, the contractor is required to nominate a designer they will work with to meet the requirements of Stage One. A 50% preliminary design was developed as part of Stage One.

Stage One required the delivery of a Stage Two Offer that included the following:

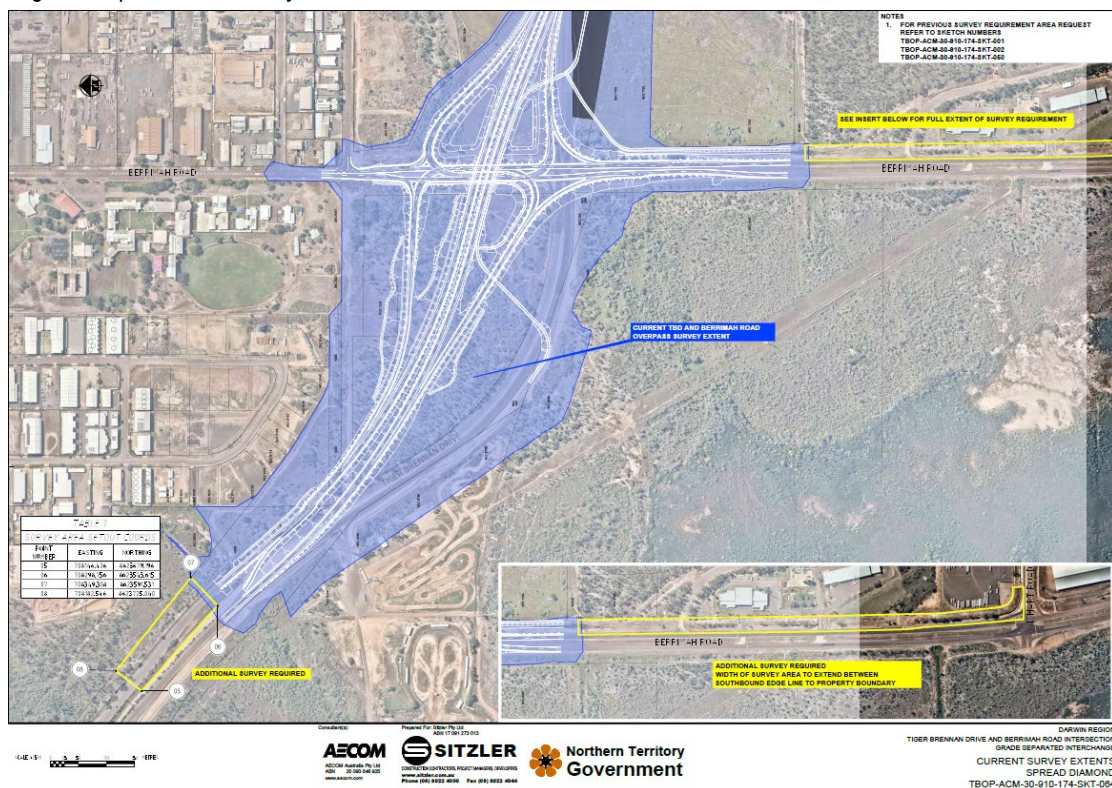
- The detailed planning and preliminary design report;
- Preliminary design drawings, design reports and assessments and technical specification (at approximately 50% level of design);
- Reports detailing the site investigation works undertaken during Stage One;
- A construction program with a proposed date for practical completion of 20 September 2024;
- Construction methodology and staging based on the approach to traffic management agreed with the Agency's representative including staged closures of Berrimah Road and the additional works required to upgrade intersection on the existing road network to manage the change in traffic conditions;
- A commercial framework document detailing the Contractor's entitlements to payment of reimbursable costs;
- A Risk Adjusted Maximum Price (RAMP); and
- An Amending Deed detailing changes to the general conditions of contract agreed during Stage One to assess designs and cost.

Tiger Brennan Drive and Berrimah Road Overpass cont...

A 25% Concept Design was submitted in November 2021, followed by a 50% Concept Design in April 2022. The design submissions were reviewed by appropriate personnel within the Agency. Consultants were engaged to undertake design reviews where additional expertise was required.

Initial planning identified many potential options for upgrading the intersection of Tiger Brennan Drive and Berrimah Road with a 13 option assessment process integrating the relevant financial, social, and environmental considerations into the decision. This approach was based on a multi-criteria analysis carried out in accordance with guidelines published by Infrastructure Australia and aimed to rank interchange options for overall performance through a systematic process of weighted and ranked scoring. With further design iterations and assessment, ultimately the recommendation was made to adopt the Spread Diamond layout for the Overpass (refer to below diagram).

Figure 3: Spread diamond layout



Source: Project approved design

Stage Two works were approved on 7 October 2022.

Governance structure

The ECI Contract includes a requirement for two governance teams to be created to provide management and oversight of the project. These teams meet on monthly basis. The two teams are:

- The Project Management Group which was established to monitor and advise on all aspects of the work under the Contract and is comprised of the key members from the Agency's and Contractor's project teams.
- The Project Leadership Group which is a senior management group which provides overall monitoring, guidance, and leadership on all aspects of the work under the contract. It is comprised of senior employees from the Agency and Contractor.

Tiger Brennan Drive and Berrimah Road Overpass cont...

There is no established process within the Agency to document internal meetings regarding contractor evaluation between the Project Management Group and the Project Leadership Group members.

Assessment of risks and conflicts of interest

Assessment of risks

As a high value project being undertaken through a construction approach that has been used infrequently in the Northern Territory, Agency personnel are aware of the increased risks associated with project cost and project delivery. The decision to adopt an ECI construction approach was intended to mitigate some of the significant risks associated with design and cost.

To further address the elevated contract risks, additional procedures were adopted, such as engaging a probity advisor, a financial auditor, a contract facilitator, and an independent estimator.

A probity advisor was engaged to provide guidance during the procurement process and to be present during all dealings with tenderers.

The contract facilitator provided advice on the ECI request for tender documentation recommending improvements that reflected current practices used in other jurisdictions with similar collaborative contracting models. The contract facilitator also facilitated the industry briefing and other workshops and interviews with tenderers to allow the Agency's personnel to interact with the prospective tenderers.

The role of the financial auditor was to review the proposed personnel rates provided by the preferred Tenderer and its designer for use during Stage One and evaluate actual costs to be incurred in accordance with the Contractor's payment requirements. The financial auditor also assessed other rates provided by the Contractor in its tender response to ensure they were:

- Aligned with industry rates;
- Consistent with the historic performance of work by the preferred tenderer on projects of similar nature size and scope; and
- Representative of Value For Territory.

During Stage Two, the financial auditor is tasked with assessing the Contractor's claims against the same three criteria and undertaking a number of financial audits. While there is no documented audit plan agreed between the Agency and the financial auditor, there was evidence that the audit testing approach had been discussed and agreed between the Agency and the financial auditor.

The independent estimator was used during Stage One to prepare independent cost estimates using the same design development documentation used by the Contractor when preparing the Contractor's costs estimates. The independent estimator assists the Agency to assess the Contractor's costs estimates and challenge the Contractor to justify or address the differences between the Contractor's costs and the independent estimates.

The development of the RAMP is intended to assist in improved management of financial risks associated with the Project.

These steps were put in place to minimise the risk that the procurement process would not result in a cost-effective deal for the Agency.

Tiger Brennan Drive and Berrimah Road Overpass cont...

Other procedures and tools implemented by the Agency to mitigate project risks included:

- Environmental risk assessment
- Assessing the status of certificates issued by the Aboriginal Areas Protection Authority
- Contractual requirements for the Contractor to:
 - Use appropriately qualified experts
 - Use appropriately experienced subcontractors
 - Have site inspections and works testing
 - Present traffic management plans and safety plans for approval by the Agency
 - Implement quality management systems relating to elements such as work, health and safety, environmental management, Aboriginal development, erosion and sediment controls, and traffic management
 - Achieve certification of critical aspects of the Project and works.

The development and implementation of the risk mitigation measures above are comprehensive. The Agency does not maintain a project specific risk register to aid in the monitoring, management and reporting of risks to the delivery of the project.

Conflicts of interest

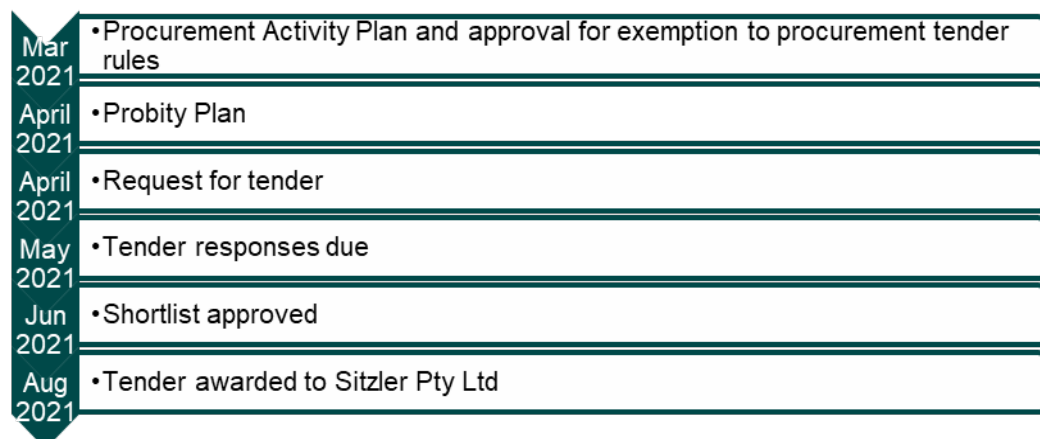
To address risks associated with unmanaged conflicts of interest, each member on the tender assessment panel completed a declaration of interests and confidentiality form. The Agency did not obtain declarations regarding conflicts of interest from the delegate and advisors such as the probity advisor and independent estimator.

Review of procurement information identified that some of the tender assessment panel members were named as project referees in tender responses. Those panel members had not updated their declarations to demonstrate how being a project referee did not present any conflict of interest.

Procurement

The procurement approach for Stage One of the ECI is demonstrated below.

Figure 3: Procurement timeline



Source: NTAGO developed

Tiger Brennan Drive and Berrimah Road Overpass cont...

Procurements within the NTG are governed by the NTG Procurement Framework.

Procurement requirements vary depending on the value of the procurement:

- Tier 1: Less than \$15,000
- Tier 2: \$15,000 to < \$100,000
- Tier 3: \$100,000 to < \$500,000
- Tier 4: \$500,000 to < \$5,000,000
- Tier 5: \$5,000,000 and above.

The procurement for the design and construction of the Overpass falls under Tier 5. Prior to issuing the tender, the Agency prepared a Procurement Activity Plan that was approved by the Accountable Officer. Since the ECI contract is not a typical contract format utilised by the Agency, and it incorporates general contract conditions, a detailed memorandum was drafted to describe the process that would be implemented (including the use of the financial auditor, contract facilitator and independent estimator) to ensure the procurement would provide a Value For Territory outcome for the Agency.

The approved Procurement Activity Plan did not include final assessment criteria and weightings. These were provided when all tender documents were uploaded into the Agency Purchase Requisitions Online (APRO) system. The requirements of the Procurement Activity Plan and covering memorandum were reflected in the Request for Tender for T21-1103.

The Agency's procurement team reviewed and assessed all documents uploaded into APRO prior to the final tender documents being placed onto the publicly accessible portal called Quotations and Tenders Online. The Agency did not advertise a future tender opportunity prior to the release of the request for offer as required by Procurement Rule 10.

The Request for Tender was released to the market on 22 April 2021 and closed on 20 May 2021 with five responses received.

In accordance with the conditions of tendering clause 2.22.1 of the Request for Tender, all five tenders were subject to a detailed assessment on the non-price criteria listed below with accompanying weightings.

- | | |
|---------------------|-----|
| ▪ Past Performance | 15% |
| ▪ Local Development | 30% |
| ▪ Timeliness | 15% |
| ▪ Capacity | 15% |
| ▪ Scope Specific | 15% |

Based on the completed tender assessment including the results from the Value For Territory assessment, three tenderers were recommended to be shortlisted and invited to attend the interview workshop.

The interview workshop was the final non-price criteria with a weighting of 10%.

Following the interview workshops, the scores were added to the Value For Territory assessment and the preferred tenderer was selected.

Tiger Brennan Drive and Berrimah Road Overpass cont...

The preferred tenderer's price criteria submission was then assessed by the assessment panel and the financial auditor to confirm the submission:

- Included rates that aligned with industry rates;
- Provided for a margin that was consistent with the historic performance of work by the preferred tenderer on projects of similar nature size and scope; and
- Represented Value For Territory

The contract was awarded on 20 August 2021.

The probity advisor attended all key meetings including the mandatory industry briefing, the interactive meetings with the tenderers and conferences with the tender assessment panel to discuss the scoring of the tender assessment.

During Stage One, the project team needed to assess the construction methodology and in particular its impact on traffic on Tiger Brennan Drive and Berrimah Road. The Contractor and their designer undertook a comprehensive traffic impact assessment which identified the impact of the Berrimah Road closure on the existing road network intersections and recommended upgrade works where the performance of any intersection was reduced to an unacceptable level. The final negotiations on the RAMP incorporated agreed amounts for the intersection upgrade works at Amy Johnson Avenue and the Stuart Highway as the design was developed to 100% complete and the Contractor had received and was informed by quotations for the works from subcontractors.

One of the key prerequisites to enable the Contractor to submit its Stage Two Offer was for the Principal's Representative to confirm satisfaction with the Detailed Planning and Preliminary Design Report. The Principal's Representative provided this notice on 19 September 2022.

Project management

The NTG procurement governance policy prescribes the Procurement Governance Model where the Agency is required to proactively manage the contract to ensure the successful achievement of contractual outcomes.

As part of its contract management processes, the Agency requires the Contractor to provide monthly reports addressing key areas of the Project including overall project progress in comparison to the contract construction program and the reporting of actual results pertaining to safety, environmental and quality requirements, and financial status. Within the Agency, the monthly report is issued to the Project Management Group and Project Leadership Group members.

Inspection of the Contractor's monthly reports demonstrated the following information is included in progress updates to the Agency:

- Time and financial performance
- Safety, environment and quality management
- Industrial relations
- Local employment and training
- Project administration
- Design management
- Photographic records.

Tiger Brennan Drive and Berrimah Road Overpass cont...

All progress claims are reviewed and approved by the Project Director and payments are withheld if the Contractor is unable to produce sufficient and appropriate evidence to demonstrate that costs claimed are incurred and directly attributable to the Project. The financial auditor undertakes financial audits of the amounts claimed by the Contractor every three to four months.

All variations and provisional sum adjustments are assessed by the Project Director and recommendations presented to the Executive Director Civil Services for review and approval.

The Contractor is required to have a third-party accredited quality management system and implement a project specific quality management plan. The Contractor is required to ensure its subcontractors comply with the requirements of the Contractor's quality management systems plan.

Agency employees attend site inspections, review quality assurance documentation and conformance testing reports as well as inspect the works for any omission defects to be rectified by the Contractor.

The Agency engages independent and nationally accredited testing contractors to undertake conformance testing of the works for all earthworks, concrete works, and bituminous surfacing works.

Despite having a standard contractor performance scorecard template available within the Agency, it is not being used to measure the Contractor's performance.

There is no detailed real-time or periodical oversight of overall project percentage of completion, as the Agency has opted not to use independent experts to validate the percentage of completion of the Project based on the actual costs incurred compared to the RAMP.

Financial management

There was no agreed lump sum cost identified in the Contract for T21-1103. During Stage One, the Contractor and its designer were reimbursed on dayworks using agreed rates for their personnel. The Contractor was also reimbursed for early works using a mixture of dayworks, actual costs and subcontractor costs. Stage One works were completed as of 7 October 2022 and the total amount paid by the Agency to the Contractor for Stage One was \$10.1 million.

The Stage Two works comprise the actual construction sum and the contractor's fee in accordance with the contract awarded to the Contractor on 7 October 2022.

Stage Two does not include a lump sum or rates for the actual construction sum. The Contractor is paid for the actual costs incurred to undertake the construction work, including all on site overheads and the design, development, and documentation work. This arrangement is captured in the general conditions of contract terms under the RAMP, stipulating both gain sharing and pain sharing protocols. The Contractor is reimbursed for actual costs incurred, together with provisions for gain share or pain share depending on the final costs incurred by the Contractor.

The gain-sharing mechanism is activated if the Contractor delivers the Stage Two works beneath the RAMP threshold, while pain-sharing implications arise should the delivery costs exceed the RAMP. The Contractor is entitled to receive a gain share payment where the actual construction sum is less than the RAMP (as adjusted) less the Contractor's fee (as adjusted). The gain-share payment is capped. The pain share mechanism is activated where the actual construction sum is more than the RAMP (as adjusted) less half of the Contractor's fee (as adjusted). There is no cap.

Tiger Brennan Drive and Berrimah Road Overpass cont...

The \$127.4 million RAMP was approved based on the detailed design in Stage Two, of which \$4.8 million relates to the upgrade of intersections on the existing road network impacted by the Overpass works.

Australian Government funding of \$96 million for the Road Safety Program was brought onto the Infrastructure Program in 2020-21 and was published in Budget Paper 4.

In December 2020, the Australian Government approved \$47 million of this funding to deliver the project under Tranche 1 (comprising \$33.3 million from the Australian Government and \$13.7 million from the NTG). During the 2022-23 budget process, NTG approved the removal of the project from the Road Safety Program to become a standalone project. Revised funding of \$167.5 million was announced comprising \$85 million from the NTG and \$82.5 million from the Australian Government.

The Project's total estimated cost was determined during Stage One when undertaking Stage One works and preparing the RAMP as part of the Stage Two Offer.

Total actual expenditure on the Project at the time of this audit was \$70 million.

There is no reconciliation or periodic monitoring of total project expenditure, and no report of total project expenditure is readily available. The funding and expenditure presented in the above table was prepared by the Agency in response to a request during the audit process.

The Agency does not have a contract management plan specific to the Project.

Figure 4: Project funding and incurred expenditure as of 31 December 2023

Financial year	Approved funding	Funded by:		Actual Expenditure
		AG	NTG	
	\$'million	\$'million	\$'million	\$'million
2020-21	47.0	33.3	13.7	0.8
2021-22	-	-	-	4.6
2022-23	167.5	82.5	85	35.8
2023-24	-	-	-	28.8

Source: Budget Paper No. 4 & Instrument ZPT349044 (for the "approved funding" and "funded by").

Tiger Brennan Drive and Berrimah Road Overpass cont...

The Department of Infrastructure, Planning and Logistics has commented:

The Tiger Brennan Drive and Berrimah Road Overpass Project (the Project) is a large and complex project with the primary objective of providing improved road safety outcomes. The Project was initially identified and submitted in response to the Australian Government's request for submissions under the Road Safety Program.

In seeking funding and support for the project, the department prepared a submission to meet the Australian Government requirements at the quality and level required to effectively address the road safety selection criteria; as well as meet the timeframes set in response to Federal COVID-19 recovery efforts. This did include a detailed business case that was included in the Project Proposal Report submitted to the Australian Government.

The Conditions of Contract require a single Contractor Performance Report to be produced at the conclusion of the Project. As the Project has not been finalised, the Contractor Performance Report is not yet required under the Conditions of Contract. The department does however, regularly review Contractor performance throughout the delivery of the Project, including through monthly governance meetings and audits assessing conformance against the Conditions of Contract.

As noted by the Auditor-General, Agency personnel are aware of the increased risks associated with project cost and project delivery. In acknowledgment of these risks, the department implemented a number of strategies to appropriately and effectively identify, mitigate and manage the risks on the Project. These included bespoke Conditions of Contract relating to risk allocation, engagement of independent auditors, estimators and other technical experts, and project oversight and management through formal governance structures.

Despite a future tender opportunity not being advertised on Quotations and Tenders Online, industry was effectively informed of the Project well in advance to the tender being released to market. This was achieved through briefings and presentations provided to the Civil Contractor's Federation NT and inclusion of the Project in its procurement plan provided ahead of tender release on the department's website.

Monitoring and assessment of total project expenditure against the Risk Adjusted Maximum Price (RAMP) occurs regularly through the appropriate governance structures, including those both internal to the department and those stipulated within the ECI Contract. All project expenditure is captured within the Asset Information System, with reports then generated by the system to monitor project expenditure, particularly for the main ECI Contract. Given the complex nature of the Project, which is comprised of the main ECI Contract and a number of smaller contracts and consultancies, the department also developed a reconciliation sheet to better present the total Project expenditure and compare it to the available Project funding.

GrantsNT

Department of Corporate and Digital Development

Background

GrantsNT is the grants management system used by NT Government (NTG) agencies in publishing and managing grants offered to the public to support businesses, community organisations and individuals.

Scope and objectives

The objective of the review was to understand, risk assess, and test the internal control structure at the Department of Corporate and Digital Development (DCDD or the Agency) and Data Centre Services, with particular reference to the GrantsNT System.

In addition to obtaining and documenting an understanding of the design and implementation of information technology general controls, the review considered the following aspects relating to the GrantsNT application for the period 1 January 2023 to 1 September 2023:

- Information technology general computer controls including change management, information security, resilience and operations.
- Key application controls, including restriction of access to sensitive functions, workflow controls, data input controls and adequacy of reporting.
- The interface between GrantsNT and other NTG systems, with particular attention to any interface between GrantsNT and the Government Accounting System.
- The information and key performance indicators available from GrantsNT for management decision making.

Review Opinion

Based on the scope of testing performed, except for the identification of some opportunities to enhance the design or implementations of controls, key information technology controls tested in relation to GrantsNT have been designed and implemented effectively during the review period.

Observations

Information security

Key information security controls exist within the GrantsNT environment to protect information within the application, database and operating systems layer. Although the application is accessible via a web browser, internal administrative access is limited to those with access to the NTG network.

The application is supported by role-based security and privileged access is limited to a small number of support personnel. User identification and authentication controls have been implemented at all layers of the environment and user access management processes exist for the application, database and operating system.

Due to the limited number of support personnel for the application, excessive access rights for some privileged users allowed them to both perform IT administrative activities and critical business functions. Access rights of GrantsNT users are not fully reviewed on a periodic basis.

GrantsNT cont...

Change management

GrantsNT is an internally built system fully managed by DCDD.

A change management process exists which requires changes to be tested and approved before being rolled out to the production environment however, due to the limited number of support personnel for the application, access to develop and deploy changes to the production environment is not adequately segregated.

Motor Vehicle Registry System

Department of Corporate and Digital Development

Background

The Motor Vehicle Registry System (known as MOVERS) is described by Department of Corporate and Digital Development (DCDD) as the driver licencing and vehicle registration system for the Northern Territory. MOVERS was developed in-house and has been in operation since at least 1993.

MOVERS is an information technology system that electronically supports motor vehicle registration and driver licencing processes within the Motor Vehicle Registry (MVR) including:

- Issuing temporary licences;
- Issuing of vehicle serial numbers;
- Monitoring vehicle roadworthiness through vehicle inspections;
- Administration of defect notices and vehicle ratings;
- Assisting in the management of commercial vehicle licencing and operator accreditation; and
- Managing all aspects of number plate control, from plate order to plate change and plate movements throughout the NT.

MOVERS is an application running on a mainframe environment. Resource Access Control Facility (RACF) is security software used to provide access control and auditing functionality over the applications within the mainframe, one of which is MOVERS. The system administration of RACF is the responsibility of authorised personnel within Data Centre Services. The MOVERS System Administrator who is part of the MOVERS Support Team within DCDD is responsible for assigning the specific MOVERS access groups to MVR users.

Scope and objectives

The objective of this review was to assess the effectiveness of controls in relation to the information technology general computer controls and the key application controls over MOVERS to support the reliability of the information transferred through interface between MOVERS and other NT Government systems used for management decision making.

The review was undertaken at DCDD and examined the controls in place in November 2023.

Opinion

Based on the scope of review and testing performed of DCDD's information technology general computer controls and the key application controls over MOVERS, it is my opinion that the effectiveness of the controls over management of users' access can be strengthened.

Motor Vehicle Registry System cont...

Observations

DCDD have implemented a range of logical security controls over access to MOVERS that prevent and/or detect unauthorised access by both regular system users and privileged users (such as administrators) to the system. The review identified an opportunity for improving user access assignment and some weaknesses in recording of access approvals.

The process for reviewing the continued appropriateness of users' access to MOVERS is dependent on review by, and responses from, regional MVR centre managers. The review identified that confirmation of the appropriateness of user access is not always received from these managers on a timely basis, if at all.

Section 13 of the 'ICT Access Standard' requires agencies to limit system access to a level appropriate to perform the required duties of personnel. Review of the process for granting new user access and modifying users' access in MOVERS identified:

- User access is not granted based on defined position/role requirements. New user access is granted based on copying MOVERS access groups of an existing user that may have access rights acquired over time and are not required by the new user. Furthermore, the MOVERS access groups were created many years ago and have not been reviewed and updated to consider any changes in the MVR business and users' functions and responsibilities.
- User access requests and approvals are communicated and recorded via the "Movers Support" group mailbox which does not provide structured tracking, management, organisation and prioritisation of access requests. Testing of new and modified users identified three out of 10 selected new users and access change samples that did not have evidence of requests and approvals in the group mailbox.

The deficiencies in access controls observed during the review increase the risk that users may have excessive access rights due to the practice of assigning MOVERS access by copying existing user's access and outdated MOVERS access groups. This risk, if realised, may lead to unauthorised activities and inappropriate segregation of duties.

A lack of evidence of user access requests and approvals increases the risk of unauthorised creation or modification of user's access which is then not detected and rectified in a timely manner.

Government Accounting System

Department of Corporate and Digital Development

Background

The Government Accounting System (GAS) is a financial system with various modules including:

- General ledger
- Accounts payable
- Accounts receivable
- Fixed assets
- Purchase order
- Job cost.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable me to obtain reasonable assurance that there were satisfactory internal controls in respect of the GAS supporting the accounting functions provided to agencies (including the Department of Corporate and Digital Development), including whether:

- There was reasonable assurance that there were satisfactory internal controls in respect of the central maintenance of the Government Accounting System (GAS) and over the following financial services provided to agencies:
 - Ledger reconciliation
 - Financial reporting
 - Processing of Accounts Payable
 - Accounts receivable, including collection of public money and receipts to Operating Accounts
 - Advances and Official Bank accounts
 - Preparation of the NT Government Business Activity Statement for Goods and Services Tax (GST) collected and paid
 - Grants management.
- There was adequate and effective communication with agencies in respect of the functions performed for them.

Observations

A significant control within GAS is managing users' access to the system. DCDD undertakes a user access review twice a year. This latest review was performed on 10 October 2023, with Finance Managers/Chief Financial Officers being requested to *"run the 'GAS User Org Profile Security Report US02' located in your User Security folder in BOXI for your agency"*.

The email further requests that agency management advise DCDD of any changes required and stresses that *"**To comply with audit requirements, if no action is required please respond to this email indicating that you have checked the Security Report in respect of your Agency or Section and no action is required. **"*

Government Accounting System Controls cont...

Of a sample of 10 requests sent to agency management to either notify DCDD of any changes required or to confirm that no action is required, the following five agencies had not replied to the request at the time of my audit in March 2024:

- Department of Corporate and Digital Development
- Department of Education
- Department of Health
- Department of Industry, Tourism and Trade
- Department of Territory Families, Housing and Communities.

Whilst not necessarily presenting an increased direct risk of compromise of NTG systems, failure to identify those users that no longer require GAS access demonstrates a culture of apathy which may be present in relation to access controls to other systems.

Government Accounting System Controls cont...

The Department of Health has commented:

Regrettably, NT Health was unable to respond within the stipulated timeframes. A follow-up review was conducted, resulting in the removal of 7 users. NT Health is committed to improving response times and ensuring future responses are delivered in a timely manner.

Personnel Information and Payroll System

Department of Corporate and Digital Development

Background

The Personnel Information and Payroll System (PIPS) is the government's payroll processing data management system.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable me to obtain reasonable assurance that there were satisfactory internal controls in respect of the PIPS payroll and leave recording functions provided to agencies (including the Department of Corporate and Digital Development), including:

- Payroll and leave information held on PIPS was accurate and reliable;
- Procedures deterred and protected against fraud;
- There was a process for prompt identification of overpayments and a process for recovery; and
- There was adequate and effective communication with agencies in respect of the functions performed for them.

Observations

As noted with the GAS controls audit, a significant control within PIPS is managing users accessing the system. DCDD undertakes user access reviews for users twice a year, requesting agency management to either notify DCDD of any changes required or to confirm that no action was required.

Of a sample of 10 of the requests sent to agency management in September or October 2023 no response was provided by the Department of Health. NT Police also did not respond to the request, however, following my enquiry, it was identified that the email addresses that DCDD sent the NT Police request and reminders to have been inactive since 2018, thus NT Police had not received the request or the reminders.

As identified in the NT Police issue, a failure to respond may result from the request being sent to incorrect or redundant email addresses thus not allowing the validity of the user access to be considered by agency management as they were not aware of the request. To minimise the risk of incorrectly addressed emails remaining undetected, if DCDD has not received a response to the request (or reminders) I recommend that the matter be escalated to a known senior person within the agency.

Whilst not necessarily presenting an increased direct risk of compromise of NTG systems, failure to identify those users that no longer require PIPS access demonstrates a culture of apathy which may be present in relation to access controls to other systems.

Personnel Information and Payroll System cont...

The Department of Health has commented:

The lack of response was attributable to a misunderstanding around the requirement to respond in the event of no changes. NT Health confirms that no changes were identified at that time. NT Health will ensure that future responses are communicated effectively and in a timely manner.

State Square Car Park Fringe Benefits Tax

Selected Agencies

Background

On 1 July 2023 the ownership of the State Square Car Park (SSCP) transferred from the Department of Infrastructure, Planning and Logistics (DIPL) to the Darwin Waterfront Corporation (DWC). During negotiations relating to the transfer, DWC identified that approximately 200 car parks were allocated for NTG parking without payment for the use of those car parks by agencies or NTG employees.

It was later ascertained that, before the SSCP was developed, some NTG personnel had access to various car parks in the vicinity of the Legislative Assembly and Supreme Court buildings at no cost to the employees or their employing agencies. When SSCP became operational, those NTG employees gained access to the SSCP parking bays at no cost to themselves or their agency. At this time, the SSCP was owned by DIPL and managed by the City of Darwin.

Enquiries with DIPL resulted in the identification of the following 'free' car parks as at 6 September 2023:

Allocated as	Bays	Reg. Plates ¹
Department of the Legislative Assembly (DoLA)	51	87
Department of Territory Families, Housing and Communities (DTFHC)	5	-
Department of Industry, Tourism and Trade (DITT)	11	3
Department of the Chief Minister and Cabinet (DCMC)		
Department of the Chief Minister and Cabinet	23	18
Office of the Chief Minister	100	95
Office of the Leader of the Opposition	10	14
Department of the Attorney-General and Justice ²	90	-
Total	290	217

¹ Registration Plates specifically identified by DIPL

² Carparks set aside for Jurors; no further analysis undertaken

Scope and objectives

I conducted a desktop analysis (the analysis) to determine whether accurate calculation of Fringe Benefit Tax (FBT) had occurred for these employees.

The following agencies were requested to provide information to support the analysis:

- Department of the Legislative Assembly;
- Department of the Chief Minister and Cabinet;
- Department of Industry, Tourism and Trade; and
- Department of Territory Families, Housing and Communities.

State Square Car Park Fringe Benefits Tax cont...

I requested information relating to:

- NTG vehicles that are not personal vehicles or NTG owned vehicles that are home garaged [commonly referred to as pool vehicles] that utilise the SSCP; and
- personal vehicles or home garaged NT Government (NTG) vehicles (including Executive Contract Officers' vehicles) that utilise the SSCP at no charge to the employee.

The details required were:

1. The number of parking bays at the SSCP used by the agency for NTG vehicles that are not personal vehicles or NTG owned vehicles that are home garaged.
2. The cost of NTG parking at the SSCP (for vehicles that are not home garaged or personal vehicles) incurred by the agency each month.
3. The number of parking bays at the SSCP used by agency employees for private parking.
4. The cost of private parking at the SSCP incurred by the agency each month.
5. Description of how the agency:
 - identified private parking vehicles utilising parking bays at the SSCP
 - updated private parking authorisation (e.g. registration plate details) with the car park operator
 - monitored the eligibility for private parking. For example – if an employee left the NTG (or the agency) how did the agency ensure that free access to the SSCP ceased?
 - calculated, and reported, any reportable fringe benefit
 - calculated, and reported, the fringe benefit tax expense.

Results

Department of the Legislative Assembly

On 27 October 2023, management identified the following number of parking bays used by DoLA employees for private parking with the FBT expense for these parking bays being calculated by applying the statutory formula with the commercial parking valuation method.

1 Apr 2019 to 1 Mar 2020	1 Apr 2020 to 31 Mar 2021	1 Apr 2021 to 31 Mar 2022	1 Apr 2022 to 31 Mar 2023	1 Apr 2023 to 30 Sept 2023
-	19	25	23	23

Management further identified that there were no parking bays used by DoLA for NTG vehicles that are not personal vehicles or NTG owned vehicles that are home garaged (commonly referred to as 'pool vehicles').

Information provided by the Department of Infrastructure, Planning and Logistics (DIPL) identified that DoLA has 51 car parking bays allocated (not 23). DIPL listed 87 nominated registration plates. The 87 registration plates were allocated to 41 parking bays. A particular parking bay may have more than one registration plate allocated to it. DIPL also identified a further 10 parking bays that had no registration details allocated to them.

State Square Car Park Fringe Benefits Tax cont...

Analysis of the information provided by DIPL identified the following user allocations at DoLA.

	Number of Bays	Registration provided	Registration not provided	Total
'Staff 'or 'Temp Staff' bays	25	27	4	31
Hansard	6	20	-	20
Electorate Officers	3	18	-	18
Sub-total	34	65	4	69
Café Staff	2	2	-	2
Craft Shop	1	-	1	1
CPA	4	2	2	4
DCIS IT	1	-	1	1
NEC	1	-	1	1
Security	5	14	-	14
Contractors	3	4	1	5
	51	87	10	97

On 8 December 2023, I requested that the Accountable Officer advise the final amount of any under-reported FBT relating to the 28 parking bays not identified by management, and the actions taken to rectify the under-reporting.

Subsequently it was ascertained that of the 51 parking bays:

- 34 parking bays are accessed by 69 staff.
 - 25 parking bays were accessed by 31 staff members where FBT was tracked and remitted.
 - 9 staff parking bays were accessed by 38 staff where no FBT was tracked or remitted.
- 17 parking bays are accessed by 28 non-employees. The non-employees include security, contractors, craft shop employees and café staff etc.

Of the 38 employees that have access to car parks where no FBT was tracked or remitted, 20 were Hansard (recording) staff and 18 were Electorate Officers.

The Hansard parking spaces are for employees that are employed during Parliamentary sittings thus the parking bays are utilised mostly in the evenings or at night. DoLA does not track the use of the free parking bays provided but have advised that it is unlikely that an employee would access a car park for more than 4 hours between 7.00 am and 7.00 pm and, on that basis, FBT is not applicable.

I recommend that DoLA assess the Hansard employees' use of parking bays to document DoLA's assessment that FBT is not applicable due to the employees accessing the parking bays out of hours or, alternatively, whether a minor benefit exemption may be applicable.

The Electorate Officers are not parking at or near their primary place of employment so FBT is not applicable.

State Square Car Park Fringe Benefits Tax cont...

Department of the Chief Minister and Cabinet

On 15 November 2023, DCMC management identified that there were 133 car parking bays provided to DCMC at the SSCP, and that this was an informal arrangement. Management also identified that these parking bays were provided at no cost to employees of DCMC and that management has sought specialist taxation advice from DCDD as no FBT expense had been reported or paid in relation to these parking benefits provided to employees.

During discussions with DCMC management, it was ascertained that many employees received car parking benefits prior to using the SSCP and these benefits had also not been reported.

Management has not yet been able to quantify the FBT shortfall. My Authorised Auditor estimated the shortfall (based 3 years of under-reported FBT at \$1,773.72 per parking space per annum) at approximately \$700,000. This estimate does not include any interest or shortfall charges that may be levied by the Australian Taxation Office or any FBT not reported prior to entering into the agreement regarding the SSCP 3 years ago.

DCMC representatives advised that the next FBT return will include 3 previous years where FBT had not been reported or paid. Management further identified that *"it is unlikely there will be any interest or shortfall charges because NTG submits a return as one entity so it is unlikely to have a material impact on the holistic return"*.

On 8 December 2023, I requested that DCMC management advise the final amount of any under-reported FBT relating to the 28 parking bays not identified by management, and the actions taken to rectify the under-reporting.

Department of Industry, Tourism and Trade

DITT management identified 11 parking bays allocated to the Agency, one was utilised by a Tourism NT Board member and 10 were utilised by Tourism Top End.

Further discussions with DITT management ascertained that:

- Tourism Top End is not an NT Government entity and the employees are employed by Tourism Top End not the NT Government. As the employees of Tourism Top End are not NTG employees, there are no FBT implications for the NT Government.
- In relation to the Tourism NT Board member, management advised that as the individual *"only uses the car park periodically, generally less than a few hours a days for ministers meetings, CE meetings etc. and this is not his primary place of employment, we assessed that he fell within the car parking fringe benefit exemption"*.

Department of Territory Families, Housing and Communities

On 22 November 2023, DTFHC management identified that there were five parking bays in the SSCP with one being utilised by an employee of the Agency. No FBT had been reported relating to this employee's car parking benefit. Management stated that the matter will be rectified.

The other four parking bays were allocated to a non-government organisation consequently there is no FBT implications to the NTG.

State Square Car Park Fringe Benefits Tax cont...

The Department of the Chief Minister and Cabinet has commented:

The Department of the Chief Minister and Cabinet acknowledges the findings of the audit. Immediate action has been undertaken and measures have been implemented to rectify the issues highlighted in the report.

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 previous 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.

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

Audits of Performance Management Systems

Legislative Framework

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

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

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

Operational Framework

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

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

Appendix 2: Guide to Using this Report

Auditing

There are 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. Material balances and transactions are tested during the audits of the Public Account and of the Treasurer's Annual Financial Statements.

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

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

Information Technology Audits

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

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

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

End of Year Reviews

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

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

Controls and Compliance Audits

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

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

Performance Management System Audits

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

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

Public Information Act 2010 Referrals

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

Appendix 3: Audit Opinions Issued

Issued between 1 November 2023 and 30 April 2024

Financial Statements for the year ended 31 December 2022

	Date 2022 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 31 December 2022	Date of Audit report year ended 31 December 2021
Batchelor Institute of Indigenous Tertiary Education	14 February 2024	27 November 2023	1 February 2023

Financial Statements for the year ended 30 June 2023

	Date 2023 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 30 June 2023	Date of Audit report year ended 30 June 2022
Common Funds of the Public Trustee ⁽¹⁾	12 March 2024	5 February 2024	19 December 2022
Desert Knowledge Australia	28 November 2023	22 November 2023	10 November 2022
Nitmiluk (Katherine Gorge) National Park Board	13 February 2024	8 December 2023	23 March 2023
Northern Territory Police Supplementary Benefit Scheme	Not required	14 December 2023	23 January 2023

Not required – Financial statements are not required to be tabled

⁽¹⁾ Not separately reported within this report

Appendix 3: Audit Opinions Issued cont...

Acquittals or other returns for the year ended 30 June 2023

	Deadline for submission of Audited Financial Statements	Date of Audit report year ended 30 June 2023	Date of Audit report year ended 30 June 2022
<i>National Land Transport Act 2014</i>			
Black Spot Program ⁽¹⁾	31 December 2023	30 November 2023	5 December 2022
Infrastructure Investment Program ⁽¹⁾	31 December 2023	30 November 2023	13 December 2022

⁽¹⁾ Not separately reported within this report

Independent Assurance Practitioner's Report

	Date of Independent Assurance Practitioner's Report year ended 30 June 2023
Disaster Recovery Funding Arrangements – Assurance Engagement of Controls ⁽¹⁾⁽²⁾	12 December 2023

⁽¹⁾ Not separately reported within this report

⁽²⁾ I issued a Qualified Opinion relating to the design, description and operating effectiveness of controls within the Department of the Chief Minister and Cabinet as documented in the *Disaster Recovery Funding Arrangements (DRFA) Management System: Statement of Internal Controls* for estimated reconstruction costs.

Appendix 4: Status of Audit Activity

Listed below is the status, as at 30 April 2024, of non-routine audits and reviews identified as not yet complete in Appendix 4 of my November 2023 Report to the Legislative Assembly:

Department of Corporate and Digital Development

GrantsNT	Refer to page 101
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MOVERS	Refer to page 103
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Department of Infrastructure, Planning and Logistics

Accounting for Assets on Leased Land	Not yet completed due to resourcing constraints
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Tiger Brennan Drive and Berrimah Overpass	Refer to page 87
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Department of the Chief Minister and Cabinet

Aboriginal Economic Participation Framework	Refer to page 54
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National Agreement on Closing the Gap	Refer to page 28
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Selected Agencies

Ship Lift Facility	Refer to page 70
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Appendix 5: Proposed Audit Activity in the Six Months Ending 30 June 2024

In addition to the routine audits, primarily being agency compliance audits and audits of financial statements conducted at entities with a 31 December financial year end, and follow-up of outstanding issues in previous audits the following audits have been scheduled for the period:

Department of Industry, Tourism and Trade

Achievement of objectives for grant activities

Department of Corporate and Digital Development

Manual Payroll Calculations

Project Management Review – NTG Pay

Selected Agencies

Funded Bank Accounts (deferred as implementation across the NTG is yet to occur)

Appendix 6: Abbreviations

AASB	Australian Accounting Standards Board
ABDO	Aboriginal Business Development Program
ABE	Aboriginal Business Enterprise
ABER	Aboriginal Business Enterprise Register
Aboriginal Affairs Strategy	Everyone Together Aboriginal Affairs Strategy
ACCO	Aboriginal Community Controlled Organisations
AEP Framework	Aboriginal Economic Participation Framework 2022-32
AG	Australian Government
AGD	Department of the Attorney-General and Justice
AMSANT	Aboriginal Medical Service Alliance Northern Territory
APO NT	Aboriginal Peak Organisations Northern Territory
APP	Aboriginal Procurement Policy
APRO	Agency Purchase Requisitions Online
ASA	Australian Auditing Standard
CEO	Chief Executive Officer
COVID	Coronavirus disease 2019
CSS	Commonwealth Superannuation Scheme
DCDD	Department of Corporate and Digital Development
DCMC	Department of the Chief Minister and Cabinet
DIPL	Department of Infrastructure, Planning and Logistics
DITT	Department of Industry, Tourism and Trade
DKA	Desert Knowledge Australia
DoE	Department of Education
DoLA	Department of the Legislative Assembly
DRFA	Disaster Recovery Funding Arrangements
DTBI	Department of Trade, Business and Innovation
DTF	Department of Treasury and Finance
DTFHC	Department of Territory Families, Housing and Communities
DWC	Darwin Waterfront Corporation
ECI	Early Contractor Involvement
FBT	Fringe Benefits Tax
GAS	Government Accounting System

Appendix 6: Abbreviations

GGSs	General Government Sectors
GST	Goods and Services Tax
ICT	Information and communication technology
IFRSs	International Financial Reporting Standards
IT	Information Technology
KPI	Key performance indicator
LDC	Land Development Corporation
LGANT	Local Government Association of the Northern Territory
MOVERS	Motor Vehicle Registry System
MVR	Motor Vehicle Registry
NA	Not available
NAAJA	North Australian Aboriginal Justice Agency
NAIF	Commonwealth Northern Australian Infrastructure Facility
National Agreement	Closing the Gap agreement between the Coalition of Aboriginal and Torres Strait Islander Peak Organisations and all Australian governments
NT	Northern Territory
NT Executive Council	NT Executive Council on Aboriginal Affairs
NT Implementation Plan	NT Implementation Plan for Closing the Gap
NTAGO	Northern Territory Auditor-General's Office
NTG	Northern Territory Government
NTIBN	Northern Territory Indigenous Business Network Incorporated
NTPDF	Northern Territory Project Development Framework
NTPFES	Northern Territory Police, Fire and Emergency Services
OAA	Office of Aboriginal Affairs
OCPE	Office of the Commissioner for Public Employment
PIPS	Personnel Information and Payroll System
PMT	Project Management Team
PRG	Project Reference Group
RACF	Resource Access Control Facility
RAMP	Risk Adjusted Maximum Price
SAC	Statement of Accounting Concept
SIC	Statement of Internal Controls
SLAMI	Ship Lift and Marine Industries

Appendix 6: Abbreviations

SMART	Specific, Measurable, Achievable, Realistic and Timely
SPMT	Self-propelled modular transporter
SSCP	State Square Car Park
TBC	To be confirmed
TBD	To be determined
TFHC	Department of Territory Families, Housing and Communities
WGAWA	Wallbridge Gilbert Aztec Pty Ltd
Working Group	NT Closing the Gap Partnership Working Group

Appendix 7: Agencies not subject to audit relating to the year ended 30 June 2024

Section 13(3) of the *Audit Act 1995* permits the Auditor-General to dispense with an audit of an Agency.

For activities relating to the financial year ended 30 June 2024 audits were, or are intended to be, conducted at all Agencies.

The annual financial statements of the Office of the Auditor-General are subject to independent audit in accordance with section 27 of the *Audit Act 1995*. The audit of the financial statements is scheduled to commence in August 2024.

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