



Auditor-General for the Northern Territory  
Auditing for Parliament

# October 2010

## Report to the Legislative Assembly



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**Auditor-General for the Northern Territory**

*Auditing for Parliament*

# **October 2010 Report to the Legislative Assembly**

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# Northern Territory Auditor-General's Office

Auditing for Parliament

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

19 October 2010

Dear Madam Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits conducted during the six months ended 30 June 2010 and I request that you table the report today in the Legislative Assembly.

The larger part of the report deals with the results of performance management system audits, and of compliance audits that were performed to assess the adequacy of controls over the administration of public monies. Also included are the results of audits of financial statements for those institutions that are required to report on a calendar year basis.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'F. McGuinness'.

F McGuinness

Auditor-General for the Northern Territory

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# Auditor-General's Overview

## **Audits Included in this report**

This Report outlines the results of audits conducted during the period 1 January 2010 to 30 June 2010. Those audits include statutory audits of financial statements prepared by institutions that are required to report on a calendar year basis, compliance audits intended to test the adequacy of agencies' internal control systems, audits of the administration of grants and a number of performance management system audits that sought to assess the extent to which agencies had established systems that permit an assessment to be made of performance, particularly non-financial performance, and the extent to which that performance is consistent with outcomes that have been determined previously.

Financial statement audits are undertaken to satisfy the requirements of various Acts of Parliament. The objective this type of audit is to determine whether financial statements have been prepared in accordance with Australian accounting standards and whether the financial information contained in those statements is reliable.

Compliance audits are undertaken as part of an assessment of internal control systems in Agencies to enable me to form an opinion about the adequacy of those systems, and the reliability that I might expect of financial information produced by the Agencies as part of the overall audit of the Treasurer's Annual Financial Statements. Audits were undertaken at nine agencies and focused on the extent to which the agencies had complied with prescribed policies and procedures, and whether the internal controls in place were satisfactory. No major matters were raised as a consequence of these audits, but they did highlight the ongoing need for Agencies to ensure that their systems of internal control are adequate and operate throughout each financial year. The need for a strong framework of internal control across the public sector is a topic that I have raised on several occasions and in this context I must acknowledge work undertaken by the Northern Territory Treasury in conjunction with a number of line agencies during the past year that was directed at improving the guidance given to Agency staff to assist them in developing and maintaining systems of internal control.

The administration of grants was examined at three Agencies and two of the three were found to have satisfactory policies and processes in place. Notwithstanding, the audit highlighted a need for the inclusion of well defined outcomes and milestones in grant agreements and a more active approach to managing grants to ensure that the purpose of the grant is achieved and that the grant is properly acquitted within an acceptable period of time.

## Auditor-General's Overview cont...

Finally, the period under review also included several performance management systems audits that examined the extent to which Agencies had established systems that permit a timely assessment of performance and the extent to which approved outcomes are being achieved. This is an area where opportunities for improvement may exist although it should be noted that the development of these systems is not a simple task, requiring a significant investment of time and resources. However, if non-financial performance cannot be measured adequately and compared with goals advised previously it calls into question whether the community's needs are being achieved in a way that is both effective and efficient.

## **Reports on the Results of Audits**

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# Department of Education and Training

## **Performance Management Systems Audit - Current Grants**

### **Audit Objectives and Scope**

The objective of this audit was to assess the adequacy of the Department of Education and Training's (DET) performance management systems and the extent to which those systems permit the Department to manage current grants that it provides for educational purposes so as to ensure that the objectives of DET are achieved in ways that are effective, efficient and economical.

### **Background**

The stated objectives of DET include the continuous improvement of educational outcomes for students, particularly Indigenous students, in all key learning areas and, in pursuit of its objectives, DET administers grants to 187 Northern Territory Government and Non-Government schools, representing approximately 42,645 students. For 2008-09 the value of current grants paid by the Department was \$278.7 million, of which \$101.5 million was in respect of the output group Government Education.

### **Audit Opinion**

The Department had in place a high level strategic reporting system, complemented by separate divisional reporting systems, independent evaluations of selected programs and schools, and the systemic monitoring of measures intended to provide early indications of schools that may be at risk. Taken together these were considered to provide a system that permitted the Department to assess the extent to which the expected outcomes were being achieved as a result of grants provided to Government schools.

# Department of Education and Training cont...

## Key Findings

Factors critical to success in the management of current grant in the delivery of education services are considered to include:

- the development of mechanisms for determining the quantum of public sector funds allocated to each Division and the associated outputs that are expected to be achieved through that funding;
- the implementation of comprehensive policies and procedures in the management of current grants;
- the recruitment of experienced and competent personnel to manage grants;
- the conduct of regular, relevant training for all employees who are responsible for managing current grants (including the reinforcement of compliance policies);
- the efficient and adequate monitoring of performance by grant recipients ; and
- the maintenance of accurate and timely reporting of results including performance measures.

The design of a single, integrated performance management system that would allow an assessment of the extent to which required outcomes were achieved as result of grants provided by the Department for educational purposes is complicated by the nature of the Department's role, which encompasses both education and training. While the education role is focused on providing a service, the training function is characterised by the purchase of services.

At the same time, the Department's ability to assess whether grants provided to schools result in the achievement of agreed outcomes has been affected by changes to the process for the review of non-government schools that were agreed to following the passing of the *Education Amendment (Non-Government Schools) Act 2009*. Notwithstanding the challenges involved, I noted that the Department had in place a process under which selected programs and Government schools were subjected to independent reviews, while the monitoring of key indicators for individual schools provides a basis for early intervention if it should become apparent that a school is likely to encounter difficulties.

## Department of Education and Training cont...

Specific matters raised by the audit included:

- Objectives in relation to NTG current grants should be clarified in the corporate governance framework/plans and communicated to all stakeholders. The objectives should also be clarified in the Accountability and Performance Improvement Framework/plans.
- Grant-funding agreements should be introduced/streamlined across all divisions.
- Information systems supporting the NTG grants management should be reviewed and enhanced.
- More transparent reporting, including public disclosure, in relation to NTG grants is required.

---

**The Department of Education and Training has commented:**

*The Department is currently embedding the new DET Strategic Plan 2009-2012 across the agency. As part of that work, the Department is paying particular attention to explicit links between Business Area plans and the DET Strategic Plan. This includes regular and standard reporting mechanisms through a web-based reporting environment.*

*This is a key step in establishing a consistent annual planning and reporting cycle across the agency. The Department recognises program review, planning and budget allocation processes are an absolute imperative to good governance.*

*In addition, the Department is in the process of introducing improved financial information management systems to support the management of grants, partly in response to a recently completed internal review of program and financial management components of Australian Government-funded programs.*

*Finally, the Department is leading a comprehensive cross-sectoral review of recurrent grants to Non-Government Schools, which will also look at improved outputs and outcomes reporting.*

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# Department of Health and Families

## **Patient Assistance Travel Scheme**

### **Audit Objectives and Scope**

The objective of this audit was to assess the Department of Health and Families' internal controls over the management of the Patient Assistance Travel Scheme.

### **Background**

The Patient Assistance Travel Scheme is administered through various Patient Travel Offices (PTOs) that are located throughout the Northern Territory. In addition the PTOs also administer inter-hospital transfers and medical evacuations.

For the year ended 30 June 2009 the cost of maintaining the Scheme was \$10.5 million, while the cost for the 9 month period to 31 March 2010 was \$8.87 million.

### **Audit Opinion**

In general, the internal controls over the Scheme provided reasonable assurance that there was compliance with prescribed requirements. However, issues relating to certain procedures within the Scheme were considered to require attention.

### **Key Findings**

#### *Insufficient and incomplete supporting documentation*

The current financial delegations relating to the Scheme were not being adhered to and reliance was placed on information contained in outdated Patient Travel Guidelines, which were inconsistent with the approved delegations manual.

Supporting documentation for travel requisitions was not being retained and requisitions were being destroyed six months after they were entered into the Patient Travel System. Thus, information such as the delegated officer's approval, medical practitioner's referral and patient's declaration were not available for either management or audit purposes. The practices that were in place regarding the disposal of documentation meant that only recent travel requisitions could be verified during the audit.

While rejected travel requests were retained by the PTOs, the reasons behind decisions to deny requests for assistance were not always identified clearly on request forms. There were also instances where there was no clear indication that patients had been informed of the decision to reject their requests for assistance.

One PTO was unable to provide invoices and payment approvals that were requested during the course of the audit.

## Department of Health and Families cont...

### *Outdated procedures manual*

At an early stage of the audit it became apparent that the Scheme's documented procedures did not reflect the actual practices that were in place and that procedures differed between the various PTOs.

The Patient Travel Guidelines, which include the documented procedures for the Scheme were last updated in July 2001 and did not reflect the changes to the Scheme that were introduced in July 2008. Nor did they include the current financial delegations. Where the documented procedures differed from those actually in place, there was considered to be a risk that procedural errors would occur, which may result in errors regarding the payment of assistance under this Scheme.

The signed patient declaration in which patients agree to accept responsibility to repay the Department in the event of an overpayment was not consistently obtained and the declaration was not being provided to indigenous patients.

No formal procedures existed to provide guidance to the PTO staff in the event of a perceived conflict of interest between those staff and patients.

### *Unauthorised delegate approvals*

The financial delegations issued by the Agency set out the requirements for the approval of payments made under the Scheme. A number of instances were noted where payments had either not been authorised or had been authorised by persons having no authority to do so.

### *Outstanding travel acquittals*

The audit identified a significant number of outstanding acquittals that were awaiting review.

## Department of Health and Families cont...

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**The Department of Health and Families has commented:**

*The Department agreed with the recommendations in the NT Auditor General's report. In relation to authorised records retention and disposal schedules, Corporate Information Services is currently developing and reviewing DHF-specific schedules. Whilst it was found one hospital destroyed requisitions six months after they were entered into the Patient Travel System (PTS) this was due to misunderstanding of the record retention requirements. Travel requests will now be archived. Changes to current travel request procedures and a new software system for PATS will ensure reasons for rejection are recorded and communicated to patients.*

*The Patient Assistance Travel Scheme (PATS) Governance Group is the strategic body responsible for oversight of the PATS across the Territory, including the PATS Guidelines review commenced in June 2010. This is nearing completion and the guidelines have been migrated to the DHF Protocol Management and Production Tool (PROMPT) format for ease of access. The simplification process is designed to remove any anomalies, ensure the Guidelines are clear in their advice and direction and to transfer them into PROMPT.*

*As part of this process it has been identified that there is a need to obtain operational input and to facilitate this, an NT wide PATS Operational Group has been established under the auspices of the PATS Governance Group. The PATS Operation Group is reviewing and standardising the business processes and will address recommendations for the audit including ensuring the patient completes an acknowledgement of the responsibility to repay the Department in the event of an overpayment and processes for responding to perceived conflict of interest between Patient Travel Clerks and patients. This group is also addressing how best to ensure approvals are properly completed and that only authorised delegates grant an approval. The PATS Governance Group is currently examining the business processes on changes to the DHF's Financial Delegations concerning PATS and controls governing cost code assignment as part of the Guidelines review.*

*The business process for reviewing outstanding travel acquittals will be formalised as part of the general process re-engineering exercise for PATS.*

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# Department of Health and Families

## **Pensioner and Carer Concession Scheme**

### **Audit Objectives and Scope**

The objective of this audit was to assess the adequacy and effectiveness of the Department's internal controls in connection with the management of the Northern Territory Pensioner and Carers Concession Scheme (NTPCCS).

### **Background**

The NTPCCS is operated as part of the Aged and Disability program of the Department of Health and Families and has been in operation since 1979.

The objective of the Scheme is to provide assistance to retirees and low income earners with assistance taking the form of concessions in areas such as motor vehicle registration, power, water and sewerage tariffs, free travel on public transport and free driver's licence renewals.

At 31 March 2010, 20,893 persons were in receipt of concessions under the scheme at a cost to date of \$4.458 million, compared to 20,661 participants at a cost of \$5.109 million for the 2008-09 financial year.

### **Audit Opinion**

In general, the internal controls over the NTPCCS provided reasonable assurance that prescribed requirements were complied with. However, some weaknesses relating to procedures within the Pensioner Concession Unit (PCU) were identified as requiring attention. These are outlined in key findings, below.

### **Key Findings**

#### *Financial Delegations*

The financial delegations relating to the NTPCCS warranted review as it was not considered possible to adhere to those delegations in a practical way. At the time of the audit, the PCU Manager's delegation was limited to an annual approval limit of \$2,000, while travel clerks had no delegated authority.

#### *Insufficient supporting documentation*

The audit revealed that supporting documentation provided in support of applications was not being retained and that after an application for a concession had been assessed and processed by the PCU all evidence provided to support residency requirements was destroyed. As a result only recent applications for concessions could be verified as part of the audit.

## Department of Health and Families cont...

Similar issues were encountered with respect to concessions provided to individuals residing in complexes governed by body-corporate arrangements. In these cases, body corporate statements and relevant invoices were not retained following the entry of information in the Pensioner Concession System. As a result the PCU had no means of verifying the reliability of information in the system should the need arise and the ability to audit the accuracy of information in the system was impaired.

### *Outdated procedures*

The Pensioner and Carer Concession Unit procedure manuals are not consistent with the processes that were currently in place. The manual was last updated in June 2005 and did not reflect changes to the scheme that were introduced in January 2009.

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### **The Department of Health and Families has commented:**

*The Department has accepted the NT Auditor General's findings and recommendations. Financial delegations have been updated. The Department now retains supporting documentation. The PCCS policy and procedures manual is being updated and consolidated and will be made available on the intranet. Staff will be trained in the application of the manual.*

---

# Department of Health and Families

## Pharmacy stock control including controlled drugs and poisons

### Audit Objectives and Scope

The objective of this audit was to assess the Department's internal controls over the acquisition, storage and dispensing of pharmacy stock with particular reference to adherence to the legislative requirements of the *Poisons and Dangerous Drugs Act* and other related Northern Territory and Commonwealth legislation.

For the purposes of this review, the focus of the audit was upon the Royal Darwin Hospital pharmacy stock control procedures.

### Background

The Department has pharmacies in 4 of its 5 public hospitals, with the largest being located at the Royal Darwin Hospital. A compliance audit of the Agency's control over pharmacy stock including controlled drugs and poisons was last completed in 1998 with information technology audits of the Ascribe stock control system being conducted in 1999 and 2008.

### Audit Opinion

The internal controls over the acquisition, storage and dispensing of pharmacy stock at the Royal Darwin Hospital were assessed as adequate and able to provide reasonable assurance of compliance with prescribed requirements. However, some issues relating to the safekeeping and disposal of Schedule 8 drugs were raised as a result of the audit.

### Key Findings

Some issues concerning security and disposal procedures for the Schedule 8 drugs were raised with the Department. The audit was hampered by a lack of documentation, with documentation in support of transactions that had been entered into the Ascribe system being held for a period of only one month, whereas the provisions of the *Poisons and Dangerous Drugs Act* that require documentation be held for a period of two years.

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#### **The Department of Health and Families has commented:**

*The Department has agreed to the key findings and recommendations made and will be developing or updating relevant procedures and policies. In particular all required documents e.g. purchase orders and prescriptions, will be retained either on site or at an off-site secure storage facility for the requisite time.*

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# Department of Health and Families

## **Role of NGOs in delivering outputs for the Department**

### **Audit Objectives and Scope**

The objective of this audit was to determine whether the performance management systems of the Department of Health and Families (DHF) enable management to assess whether its objectives in relation to the utilisation of Non-Government Organisations (NGOs) are being achieved effectively, and with regard to efficiency and economy.

### **Background**

#### *Current Organisational Structure*

The Department of Health and Families emerged from a restructure of the earlier Department of Health and Community Services and is based around four service Divisions (NT Families and Children, Health Services, Acute Care Services, and Health Protection), together with two Corporate Divisions (Performance and Resources, and Office of the Chief Executive).

Service agreements with NGOs are managed across all the four service divisions with administrative support provided by the Performance and Resources Division and the Office of the Chief Executive.

#### *Non-Government Organisations*

NGOs are an important means that DHF uses to assist DHF in the delivery of outputs and for this purpose DHF defines an NGO as “*any external organisation that receives government funding to provide health or community services or related activities to the NT community*”. The importance of NGOs to the Department in the achievement of its objectives is reflected in the expenses that it incurs each year by way of operating grants. For 2008-09 the Department incurred expenses of \$157.9 million by way of current grants, of which approximately 70 per cent were in relation to services provided to the Department by NGOs.

It is notable that the total number of NGOs that provide services to the Department has diminished over time with the result that roles of individual NGOs have increased as a consequence.

## Department of Health and Families cont...

The role of NGOs in delivering services to the Department have been examined previously both by my Office and by the Department of the Chief Minister. Those reviews noted weaknesses in the processes for managing NGOs service delivery, a lack of analysis of what services the Department required NGOs to deliver to achieve the Department's goals and whether NGOs were an effective means of delivering health and related services. Earlier reviews have also noted the need for an analysis of risk and the development of risk management plans.

This audit noted that funding provided to NGOs was generally based on historical allocations and that there was a lack of evidence of analysis of what services DHF wishes to fund in order to meet priorities and contemporary needs, and if NGOs are an effective means of delivering services for DHF.

This audit noted that although a DHF risk assessment policy has been established, there was still a lack of evidence in respect of the monitoring of risks and risk mitigation strategies in relation to NGOs.

There should be a departmental NGO service delivery and relationship management strategy/plan to be implemented by the respective programs to address problems of compliance along with appropriate goals, timeframes and review processes. This strategy/plan should include plans for resourcing, recruiting, training, supervising and supporting, and familiarising all relevant staff with the requirements.

The audit also noted weaknesses in the controls over the administrative management of the service agreements with NGOs

### **Audit Opinion**

Since my Office's 2004 performance management system audit of the management of NGOs in the delivery of health and community services, it is evident that DHF has sought actively to refine its processes for managing the relationship with, and service delivery by, NGOs. However, notwithstanding the consideration given by the Department to improving the way the Department works with NGOs, the rate of progress is such that a robust performance system in relation to the management of the service delivery by NGOs cannot be said to exist.

# Department of Health and Families cont...

## Key Findings

As a result of the audit I concluded that:

- The NGO governance framework and arrangements should be reviewed and further enhanced.
- The Department's objectives in relation to NGOs should be clarified in the corporate governance framework/plans.
- Information systems supporting the management of the service agreements with NGOs should be reviewed and enhanced.
- Adequate and appropriate information should be collected, evaluated, and used for strategic and planning purposes.
- Further enhancements to the NGO service agreements and relationship management process should be considered.
- More transparent reporting, including public disclosure, in relation to NGOs is required.

## Department of Health and Families cont...

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**The Department of Health and Families has commented:**

*The Department agrees with the broad thrust of the audit opinion. The Department has commenced a number of reforms in relation to its grants administration and management of grant-funded service provision. In relation to the key findings of the audit:*

- the NGO governance framework is being reviewed and further enhanced through the development of the DHF Grants Management Framework;*
  - the Department has commenced a project to develop specifications for a new Grants Management System;*
  - the collection, evaluation and use of information will be addressed through both the Grants Management Framework reporting and monitoring requirements and the Grants Management System specifications;*
  - enhancements to Service Agreements and the relationship management processes are being addressed through the development of a new Service Agreement Package, the development of a non-government Engagement Strategy and the development of a "non-government" web site; and,*
  - the Department will be able to address the issue of transparent reporting through work being undertaken both in the development of the Grants Management Framework and the development of new Service Agreements, to include improved performance measurement.*
-

# Department of Housing, Local Government and Regional Services

## Performance Management System Audit – Housing Services

### Audit Objectives and Scope

The objective of this audit was to assess the adequacy of the Department's performance management systems that are intended to enable it to assess whether its operations in relation to the stated outcome of *“Access to safe, sustainable and affordable housing for all eligible Territorians” are effective, efficient and economical.*

### Background

Budget Paper No. 3, which was tabled in the Legislative Assembly in May 2009 included information that indicated that the output group of Housing Services is to:

*“Provide access to and manage public housing for Territorians in urban and remote areas, including those who are most in need, eligible government employees and clients with high and complex needs”.*

Flowing from that, Housing Services has as its outcome “access to safe, sustainable and affordable housing for all eligible Territorians”.

To achieve that outcome, Housing Services is required to:

- Provide public housing to ensure Territorians have access to safe, sustainable and affordable housing.
- Provide housing and manage tenancies for key employees of private sector businesses and community organisations in regional centres where no private rental market exists.
- Provide grants to the community housing sector to assist in delivering crisis and supported accommodation to clients with high and complex needs.

### Audit Opinion

In my opinion, the Department of Housing, Local Government and Regional Services had not implemented a performance management system that enabled it to assess the effectiveness, efficiency and economy of its operations in relation to the provision of public housing to ensure Territorians have access to safe, sustainable and affordable housing.

## Department of Housing, Local Government and Regional Services cont...

The absence of a performance management system that is intended to assist the management of Housing Services to assess the extent to which outputs are being delivered and outcomes achieved needs to be viewed in the context of the organisational changes that have taken place within the Department within a relatively short period of time. The Department advised during the course of the audit that its new strategic plan will include a strong focus on performance and performance management systems across the organisation.

---

**The Department of Housing, Local Government and Regional Services has commented:**

*The Department's Strategic Framework 2010-13 includes a three year priority that focuses on implementing and monitoring high standards of governance and accountability in the organisation's operations by ensuring regular monitoring and management reporting on the agency's resources and systems.*

---

# Department of Housing, Local Government and Regional Services

## **Adequacy and reliability of controls over the Cash Processing System**

### **Audit Objectives and Scope**

The audit objective was to assess the adequacy and reliability of controls over Department's Cash Processing System (CPS), with a particular focus on system interface controls and reconciliations, user access management and change control.

### **Audit Opinion**

While information technology controls over the CPS were considered satisfactory the audit raised concerns about system security controls, in particular the number of persons having system administrator privileges.

### **Background**

The CPS is a key financial system of the Department in which all financial transactions between Territory Housing and its tenants are recorded.

### **Key Findings**

A number of users of the system had been provided with access to the system at the level of system administrator, thereby giving those users considerable powers to configure system controls and data. The same users also had similar access privileges for the Territory Housing's Tenancy Management System. When taken together, these high levels of access were considered to give rise to risks that typically accompany a lack of segregation of duties and to the risks that can emerge when system administrators are also permitted to perform operational functions.

In addition, there was no periodic, independent review of system administrator activities for the CPS to ascertain that this level of access was being used appropriately.

The audit also highlighted the extent to the system access rights granted to individuals did not align with individual's operational job requirements and there was also some uncertainty within the Department about operational job requirements and how they should align to current CPS user access levels.

System administrator access roles were not adequately configured to provide an appropriate level of segregation within administrative functions.

# Department of Housing, Local Government and Regional Services cont...

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**The Department of Housing, Local Government and Regional Services has commented:**

*There is a clear delineation of duties between system support staff and operational users of the systems.*

*Internal control procedures are established to ensure only those staff with a legitimate business need have access to TMS and CPS. A review is undertaken at least three times a year from mainframe security reports and through ePass. When staff move out of tenancy management, access to both TMS and CPS is immediately removed.*

*To provide further assurance on workflows through the CPS, all receipt transactions in CPS are reconciled to bank statements — an activity that is undertaken outside the Business Systems unit, providing another level of assurance against any potential risk being faced by the Department.*

---

# Department of Justice

## Fines Recovery Unit

### Audit Objectives and Scope

The objective of this audit was to determine whether the performance management systems of the Department of Justice enable management to assess whether its objectives in relation to the Fines Recovery Unit (FRU) are being achieved effectively, and with regard to efficiency and economy.

### Background

The Department of Justice coordinates all elements of the Northern Territory's justice system, with the exception of policing, to provide the services, frameworks and infrastructure required to build a fairer community. DOJ also undertakes licensing and regulation within a range of industries.

The role of the FRU, under the Fines and Recovery Act, is to collect fines and infringement penalties imposed in the Northern Territory and its role was unchanged since the last performance management system audit of the FRU in 2003.

### *FRU Background*

The *Fines and Penalties (Recovery) Act* gives the FRU the power to make enforcement orders against fine defaulters and to receive and collect outstanding fines and infringement and this may involve:

- suspension of drivers' licences or vehicle registrations;
- garnishing of wages;
- registered charges on properties; and
- community work orders.

The main objective of the FRU is to provide a cost efficient recovery service and ensure that the court imposed fines and infringements are enforced. A case-managed debt recovery system focuses on assisting individuals to discharge their financial obligations to the Northern Territory, and assists in achieving the NT Government's aim of reducing the number of fine defaulters who may be subjected to imprisonment.

## Department of Justice cont...

### Audit Opinion

In my opinion a performance management system did not exist that was capable of providing adequate and reliable information to enable management to assess whether the objectives in relation to the FRU were being achieved effectively, and with regard to efficiency and economy.

### Key Findings

My overall finding confirms that DOJ's desire to implement an appropriate performance management system has not yet been achieved fully. Specifically, DOJ needs to:

- expedite the process of goal-setting for the divisions and units and finalise planning documents which are still in development;
- clearly link Unit, Divisional and Department performance goals and performance measures;
- enhance the Integrated Justice Information System to support the performance management system;
- formalise the budgeting process for the FRU;
- improve the performance measures for the FRU;
- review the uncollectible fines and warrants that extend back over a number of years.

---

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

*The DoJ considers that there are performance management systems in place that provide information to enable management to assess the effective achievement of the objectives of the FRU. However, DoJ accepts that steps can be taken to improve the timeliness, documentation and effectiveness of processes in that regard.*

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# Department of Natural Resources, Environment, The Arts and Sport

## **Performance Management System Audit – Territory Wildlife**

### **Audit Objectives and Scope**

The objective of this audit was to assess the adequacy of the Department of Natural Resources, Environment, The Arts and Sport's performance management systems and whether those systems enable the Department to assess the effectiveness, efficiency and economy of its operations in relation to the Territory Wildlife Parks' (TWP) stated outcome of "*Visitor experience that showcases the biodiversity of the unique environment of the Top End and promotes conservation issues*".

### **Background**

The Territory Wildlife Park (a Government Business Division hosted within the Department) has as one of its outcome "a visitor experience that showcases the biodiversity of the unique environment of the Top End and promotes conservation initiatives to the public."

Territory Wildlife Park was subjected to a number of disruptions to its normal business operations during the calendar years 2008 and 2009 due to a changes to senior staff and a Departmental restructure that saw overall responsibility for the Park transferred between divisions of the Department. Responsibility for TWP now rests with the Collections, Biodiversity and Biological Parks Division of the Department.

The disruptions to business operations referred to above led to difficulties in locating supporting documentation from the either the controlling Division or the Park during the course of the audit.

At the time of the audit, changes to the Park's business operations were being kept to a minimum until the results of an earlier examination of its business model had been considered by the Department and a more appropriate model determined. Notwithstanding, senior staff of both the Department and the Park continued to develop and promote a Performance Enhancement System and a new reporting structure within the Park.

# Department of Natural Resources, Environment, The Arts and Sport cont...

## Audit Opinion

In my opinion, the Department of Natural Resources, Environment, The Arts and Sports had not established a performance management system during the year ended 30 June 2009 that enabled it to assess the effectiveness, efficiency and economy of its operations in relation to the Territory Wildlife Park's (TWP) stated outcome of "*Visitor experience that showcases the biodiversity of the unique environment of the Top End and promotes conservation issues*".

## Key Findings

The following specific issues were noted as a result of the audit:

- A performance management system did not exist at TWP for the year ended 30 June 2009.
- A strategic business risk assessment was performed for the TWP, but was not finalised at the time of the audit.
- The business plan for TWP had not been formally endorsed for the year ended 30 June 2009.
- A human resource plan for TWP had not been developed or implemented for the year ended 30 June 2009.
- The only performance measures defined for TWP were those related to the historical budget, which only partly link to the stated outcome of TWP.
- TWP did not have centralised processing system in place for the capture and collation of performance data for the year ended 30 June 2009.
- Operational performance results were not linked to the budget or actual financial results reported in the annual report for the year ended 30 June 2009.
- Notwithstanding the absence of a performance management system at TWP during the year ended 30 June 2009, its staff continued to monitor business operations in an informal manner, for example by reporting to management meetings and holding monthly supervisor meetings. Action was also taken to develop TWP's business through the preparation of exhibit plans, introducing new exhibits renewing interpretation displays and by promoting conservation issues. In addition, the acting Park Director took the first steps towards the introduction of a performance management system and those efforts are expected to lead to the development of a system during 2010-11.

# Northern Territory Police, Fire and Emergency Services

## **Performance Management System Audit - Road Safety Strategy**

### **Audit Objectives and Scope**

The objective of this audit was to determine whether performance management systems of the Northern Territory Police, Fire and Emergency Services (NTPFES) enable the Agency to assess whether its objectives in relation to the Road Safety Strategy are being achieved effectively, and with regard to efficiency and economy.

### **Background**

The Northern Territory Road Safety Strategy 2008-13 (the Strategy) was released by the then Commissioner of Police in September 2008.

The Strategy listed a number of challenges to road safety in the Northern Territory and recognised that “*To successfully meet these challenges and achieve a sustained decline in the level of death and injury, new and more effective strategic approaches to Road safety are required.*”

### **Audit Opinion**

The data examined as part of this audit led to the conclusion that there had been a decline in the relative motor vehicle accident rate over the period 1990 to 2008.

However, the Agency had no formal process or system that permitted it to analyse and report on the success or otherwise of individual road safety strategy initiatives and it was not possible to form a view on whether individual initiatives were effective or efficient. As a result it was not possible to state conclusively that the trend in motor vehicle accidents that was noted was wholly attributable to NTPFES road safety strategies.

# Northern Territory Police, Fire and Emergency Services cont...

## Key Findings

### *An analysis of the trend in motor vehicle accidents*

The results of the audit suggested that the trend in the accident rates for both urban and rural areas had declined in relative terms over the period January 1990 to December 2008 and, as might be expected, this was reflected in an accompanying decline in the trend for death and injury rates for the same period. The one area which appeared to run counter to these observations was the injury rate associated with rural accidents, where the trend appeared to be somewhat higher than for urban injuries. That maybe explained by unique local factors.

The examination of the accident data also appeared to provide some evidence that police road safety “blitzes” may lead a short term decline in the accident rate.

While the audit results suggested that accident and injury rates have declined in relative terms over recent years, it was unable to determine whether that decline was due to the success of NTPFES road safety strategies or whether it might be due to other factors such as improvements to roads (for example through the Commonwealth funded Black Spot program, or improved motor vehicle safety standards).

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

*Road Policing remains a priority for the Northern Territory Community, and Northern Territory Police is committed to keeping people safe through the enforcement of traffic laws and associated road safety education targeted programs.*

*We are currently reviewing our resource allocation to provide a dedicated Road Policing Command across the Northern Territory, incorporating enforcement, crash investigation and policy. This will provide quality service delivery, increase efficiency and effectiveness, and improve reporting.*

*We are also in the process of defining our strategic direction through a revised Road Policing Strategy, to better align national key performance indicators to measure our performance and improve our approach towards road safety and keeping people safe.*

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# Northern Territory Police, Fire and Emergency Service, and Department of Justice

## **Administration of proceeds of Criminal Property Forfeiture Act**

### **Background**

The *Criminal Property Forfeiture Act* came into operation in the Northern Territory on 1 June 2003. The Act applies to property reasonably suspected of being the proceeds of crime and accordingly subject to a forfeiture offence.

### **Audit Objectives and Scope**

The objective of this audit was to conduct a compliance audit of procedures to assess whether the seizure and/or forfeiture of property complied with the *Criminal Property Forfeiture Act* (“the Act”).

The audit approach identified and documented the current procedures for receiving, registering and disposing of seized and forfeited property in the relevant agencies, and also assessed compliance of existing procedures with the requirements of the Act.

The audit examined the procedures applied by the Northern Territory Police, Fire and Emergency Services (NTPFES) in initiating seizure/forfeiture of property under the Act. The audit also examined the procedures at the Department of Justice – Office of the Public Trustee in securing the seized property until its return or forfeiture under the Act.

In assessing the overall compliance with the Act, the audit considered:

- whether the processes used by Northern Territory Police, Fire and Emergency Services for seizure, custody, forfeiture and release of property were consistent with the provisions of the Act
- whether appropriate procedures were in place for handling and /or documenting seized properties once they enter into the possession of any member of NTPFES; and
- whether the forfeiture or subsequent release of seized properties was in accordance with the relevant sections of the Act – this included verifying that the appropriate court orders had been obtained.

# Northern Territory Police, Fire and Emergency Service, and Department of Justice cont...

The Office of the Public Trustee is responsible for the control and management of restrained property, as well as the disposal of forfeited property, unless a Court Order directs otherwise.

In assessing the overall compliance with the Act, the audit considered the following:

- whether appropriate procedures are in place for handling and/or documenting seized properties once control and management passes to the Public Trustee;
- timeliness of disposal of property once a forfeiture order had been obtained;
- whether the method of disposal of the properties provided the best value for money;
- the reasonableness and validity of the fees and charges incurred during the disposal of properties; and
- that an adequate audit trail existed between the disposal of properties to the deposit of the sales proceeds into the common fund account.

## **Audit Opinion**

The audit confirmed that there are satisfactory processes and internal controls in place at the Northern Territory Police, Fire and Emergency Services in relation to the seizure and/or forfeiture of property, and that the procedures are capable of ensuring compliance with the Act.

The audit also identified that, generally, there are satisfactory processes and internal controls in place at the Office of the Public Trustee in relation to the forfeiture and disposal of property, and that they are adequate and capable of ensuring compliance with the Act.

# Northern Territory Police, Fire and Emergency Service, and Department of Justice cont...

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

*Northern Territory Police, Fire and Emergency Service maintains meticulous records and procedures for the handling of Criminal Property Forfeiture matters. The issues raised in the report have been addressed by the agency through a General Broadcast reminding all members of their obligations under the Exhibit and Miscellaneous Property General Order.*

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**The Department of Justice has commented:**

*The Department of Justice (DoJ) considers that there are satisfactory processes and internal controls in place at the Office of the Public Trustee.*

*The Office of the Public Trustee receives copies of orders made by Courts under the Criminal Property Forfeiture Act from both the Solicitor for the Northern Territory and Northern Territory Police — Asset Forfeiture Unit. There have been infrequent occasions where copies of orders have not been provided to the Office of the Public Trustee within an appropriate timeframe. This may have occurred due to changes in personnel in the respective work units. Both the Solicitor for the Northern Territory and NT Police — Asset Forfeiture Unit are aware of the importance of providing copies of orders within appropriate timeframes. The Office of the Public Trustee will periodically cross check the current Criminal Property Forfeiture matters each unit has recorded on their respective systems to reduce the risk of a matter not being addressed due to some slippage in communication*

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# NT Fleet

## Greening the fleet

The objective of the audit was to determine whether the performance management system of NT Fleet enabled management to assess the extent to which the NT Government's objectives in relation to the Greening the Fleet Strategy are being achieved.

### Background information

In October 2008, the Department of Business and Employment was directed to develop proposals for a Northern Territory Fleet Greenhouse strategy. The proposal developed by the Department argued that the introduction of a policy that had as its initial focus a minimum greenhouse rating for NT Fleet passenger vehicles of 5.5 and 3.5 for light commercial vehicles would lead to a reduction in NT Fleet vehicles emissions by 14 per cent per kilometre travelled over a two year period. The vehicle standards set as part of the initial focus would be included after the expiration of two years.

In 2009, the Northern Territory Government released the Northern Territory Climate Change Policy which has as one of its targets the reduction of emissions from the Northern Territory Government's passenger and light commercial fleet by 20 per cent by 2014 and 50 per cent by 2020.

### Audit Opinion

In my opinion NT Fleet had established a performance management system that enabled it to assess, in a broad sense, the extent to which the objectives approved by the Northern Territory Government as part of the Greening the Fleet strategy are being achieved. However, that system is not considered adequate for the on-going management of the Government's Climate Change Policy as it affects NT Fleet. It is my view that the achievement of longer term targets is likely to require an enhancement to the system that exhibits a greater degree of sophistication than the existing system which relies on vehicle emission standards and the mix of vehicles controlled by NT Fleet.

## NT Fleet cont...

### Key Findings

The strategy that is currently in place aims to reduce the average of emissions (measured by grams of carbon dioxide generated per kilometre travelled) by the Government's passenger and light commercial fleet. Thus while the performance management system of NT Fleet might be seen as adequate in terms of monitoring the extent to which the current strategy is successful, it is unlikely, in my opinion, to be capable of assessing the extent to which the longer term targets set out in the Climate Change Policy will be achieved. The existing system is limited in that deficiencies in data available to NT Fleet about distances travelled and fuel consumed has limited the ability to report accurately on average emissions. To overcome this NT Fleet has developed a system that relies upon vehicle emission standards as a proxy for fuel consumption.

While I have concerns about the ability of NT Fleet's performance management system to support the Government's Climate Change Policy, I note that the average emissions for the Government's passenger and light commercial vehicles, based upon an increase in emissions standards required by NT Fleet and the NT Fleet vehicle mix, had declined from 256 grams per kilometre at 31 March 2009 to 246 grams per kilometre at 31 March 2010 an overall reduction of 4 per cent.

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#### **NT Fleet has commented:**

*The initial agreed performance measure at the time of the introduction of the Greening the Fleet Strategy in July 2009 was a reduction in emissions measured in gm/km. This was partly because the initial primary focus of the strategy was to influence the choice of more fuel-efficient vehicles. The Government's Climate Change Policy was released in December 2009. Further performance measures will be developed for the last 3 years of the 5 year strategy.*

*The development of additional measures is partly dependent on capturing full information for all fleet vehicles. The need to use multiple fuel suppliers and independently operated petrol stations to provide coverage across the Territory complicates the collection of accurate vehicle fuel and odometer data for the calculation of individual vehicle emissions. NT Fleet is investigating ways to capture reliable data for each vehicle.*

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# Selected Agencies

## Agency Compliance Audits

### Audit Objectives and Scope

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

### Background

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

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

## Selected Agencies cont...

Agency compliance audits were performed in each of the following Agencies during the six months covered by this report:

- Aboriginal Areas Protection Authority
- Department of Education and Training;
- Department of Health and Families;
- Department of Housing, Local Government and Regional Services;
- Department of Justice;
- Department of Lands and Planning;
- Department of Natural Resources, Environment, The Arts and Sport;
- Ombudsman's Office; and
- Northern Territory Police, Fire and Emergency Services.

### Key Findings

A range of issues were raised as a result of the audits including:

- lack of compliance with Procurement Directions, Treasurer's Directions, and procurement policies;
- weaknesses in the reconciliation of Accountable Officers' Trust Accounts
- lack of compliance with Treasurers' Directions in relation to hospitality and travel expenditure;
- deficiencies in controls over fixed assets;
- weakness in internal audit procedures ;and
- Not all Agency Accounting and Property Manuals complied fully with Treasurer's Directions.

## Selected Agencies cont...

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**The Aboriginal Areas Protection Authority has commented:**

Deficiencies in controls over fixed assets (Audit findings – Controls over the fixed assets of the Agency could be enhanced).

*Control over fixed assets could be enhanced. As the Authority is only a small organisation relies on assistance from the Department of Business and Employment (DBE) for control of its fixed assets. This however, does not relieve me of my responsibility as the Accountable officer and appropriate training is being provided to replacement staff within the Finance Unit.*

Weakness in internal audit procedures (Audit findings - The Agency's internal audit function could be enhanced).

*Following a request from the Public Accounts Committee in late 2008, on 11 March 2009 the CEO responded indicating that the Executive Management Group (EMG) have been made aware of the Authority's ongoing responsibility of internal audits and have instructed the Director Policy and Planning to co-ordinate minor audits of the following items that affect the Authority's financial transactions – accounts payable, credit card transactions, petty cash, travel and entertainment payments and employee reimbursements.*

*Since the compliance audit the Director of Policy and Planning has developed an Internal Audit Program including refinements that will ensure compliance with the Financial Management Act. The program is due for endorsement by the EMG in the near future.*

*It should be noted that an internal audit of some processes within the Finance Unit was conducted prior to the compliance audit under the direction of the Director of Policy and Planning.*

Compliance of the Accounting and Property Manual with Treasurer's Directions (Audit finding - The Accounting and Property Manual requires enhancement through the inclusion of additional references to the Treasurer's Directions).

*It was agreed that the absence of sufficient explanation of Treasurer's Directions, or reference to the Directions may lead to non compliance and therefore the Authority's Accounting and Property Manual will be suitably enhanced to include appropriate references.*

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## Selected Agencies cont...

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

*Northern Territory Police, Fire and Emergency Service agrees with the recommendations made by the Auditor-General and confirms that the matters raised in his report have been addressed by the agency.*

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**The Department of Lands and Planning has commented:**

*The Report has been reviewed and the key findings of the Department's compliance audit have been noted and are currently being addressed through the review of the Department's governance policies and procedures.*

*Audit Issue 1: The Procurement Directions, Treasurer's Directions, and procurement sections in the Accounting and Property Manual were not always complied with.*

*The current delegations are being revised as a direct result of the new Agency structure. The release on approval, will provide the opportunity for DLP to emphasis the importance of officers being familiar with their limitations.*

*Audit Issue 2: The \MP Reconciliation was not prepared in a timely manner;*

*Noted - With the announcement of the Agency restructure on 4 December 2009, the deadlines were not met. However 30 June 2009 was reconciled, and YTD AIS and GAS expenditure was reconciled. Management was confident with the financial information presented on the Balance Sheet.*

*Audit Issue 3: Non-compliance instances with the Treasurer's Directions were noted in respect of Official Travel, Telephone and Hospitality Expenses.*

*The recommendation is noted. An internal audit was conducted by DPI in 2008 which found that in all sampled transactions, policy and procedure had been adhered to. DLP officers will be encouraged to complete TRIPS requisitions in a timely manner.*

*Audit Issue 4: Risk Management and Audit Committee.*

*The new DLP RMAC charter has been developed, and includes the formal nomination of the Secretariat function to ensure minutes are taken and issued to all members. The Charter includes the stated meeting schedule, and the RMAC has utilised Sharepoint to ensure all documentation is available to all members.*

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## Selected Agencies cont...

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**The Department of Education and Training has commented:**

*DET has invested in improving its implementation of financial and procurement directions as part of a whole-of-government action by: participating fully in the Department of Business and Employment's initiative to deploy procurement experts throughout Government; commissioning an external review of the Department's financial processes; and strengthening strategic program review through internal audit and Executive monitoring processes.*

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**The Ombudsman's Office has commented:**

*The audit identified two minor matters as requiring attention. Both have since been rectified.*

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**The Department of Justice has commented:**

*DoJ is reviewing internal processes and practices and will be providing training in relation to the issues raised in the course of this audit.*

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**The Department of Health and Families has commented:**

*The Department of Health and Families accepted all the NT Auditor General's findings and recommendations where the issue was in the control of the Department and is taking action to address these.*

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# Selected Agencies

## Administration of Grants

### Audit Objectives and Scope

The objectives of the audit were to:

- Analyse grant and subsidy expenses incurred by the Department of the Chief Minister, the Department of Housing, Local Government and Regional Services and the Department of Natural Resources, Environment, The Arts and Sport for the year ended 30 June 2009.
- Compare this analysis with the data provided in the Departments' most recent annual report to the Legislative Assembly, which was for the year ended 30 June 2009.
- Assess whether internal control provided reasonable assurance that grants and subsidies paid comply with Treasurer's Directions.

### Audit Opinion

#### *Department of the Chief Minister*

In my opinion the Department of the Chief Minister did not have adequate policies and processes in place to ensure grants and subsidies paid were correctly identified, accounted for, and acquitted.

#### *Department of Housing, Local Government and Regional Services*

In my opinion the Department of Housing, Local Government and Regional Services had adequate policies and processes in place to ensure grants and subsidies paid were correctly identified, accounted for, and acquitted.

#### *Department of Natural Resources, Environment, The Arts and Sport*

In my opinion the Department of Natural Resources, Environment, The Arts and Sport had adequate policies and processes in place to ensure grants and subsidies paid are correctly identified, accounted for, and acquitted.

### Background

Grants and subsidy expenses are defined by Treasurer's Directions as "distributions of public monies made by an Agency to other agencies, non-Government organisations or individuals that are directed at achieving Agency outputs and outcomes". Treasurer's Directions also place the onus upon agencies making grants to ensure that appropriate management, accountability and control arrangements are in place for the payment, ongoing monitoring and acquittal of grants.

## Selected Agencies cont...

### Key Findings

#### *Department of the Chief Minister*

The pattern of payments of grants during the 2008-09 year highlighted the increase in the value of grants paid immediately prior to 30 June 2009.

There were several instances where, in the case of grants paid towards the end of the financial year, the audit was hampered by the inability of the Department to provide copies of the relevant grant agreements for review.

An analysis of the data provided by the Department for year ended 30 June 2009 shows the following pattern of grant expenditure:

	Grants expense
	\$'000
July	14,635
August	307
September	4,459
October	249
November	382
December	396
January	836
February	918
March	95
April	512
May	1475
June	4,109
	<b>28,373</b>

## Selected Agencies cont...

During the 28 days preceding the 30 June 2009 the Department incurred expenses of \$4.1 million in relation to grants and as can be seen in the table below, a significant proportion of those expenses (\$3.8 million) were incurred in the 7 days from 23 to 30 June 2009.

7 Days beginning	\$'000
2-Jun-09	130
9-Jun-09	-
16-Jun-09	172
23-Jun-09	3,807
	<b>4,109</b>

Specific grants of note that were paid in June 2009 were:

- 24 June 2009 – \$1,100,000 to the Alice Springs Town Council for CCTV.

Evidence of acquittal of this grant was not provided for audit and the grant agreement did not indicate project milestones or timeframes for the completion of works.
- 30 June 2009 – \$200,000 to the Parap Railway Club for rebuilding costs following fire damage.

No grant application, agreement or acquittal could be made available during the course of the audit.
- 30 June 2009 – \$166,000 to the Greek Orthodox Community of Northern Australia – Greek School for assistance towards replacing air conditions, upgrade the kitchen and replace the oval surface at the Greek Orthodox School.

Evidence of acquittal of this grant could not be provided at the time of audit and the grant agreement did not indicate project milestones or timeframes for the completion of works.
- 30 June 2009 – \$297,868 to the Department of Finance and Deregulation for “Telepresency year 1 cap expenses”.

No grant agreement or acquittal could be provided during the course of the audit.

## Selected Agencies cont...

- 30 June 2009 – \$200,000 to the Thai Theravada Association for the construction of a community hall.

Evidence of acquittal of this grant could not be provided during the audit and the Grant Agreement did not indicate project milestones or timeframes for the completion of construction.

- 30 June 2009 – \$180,000 to the Hindu Society of the NT to expand a carpark and building.

Evidence of acquittal of this grant could not be provided during the course of the audit and the Grant Agreement did not indicate project milestones or timeframes for the completion of construction.

- 30 June 2009 – \$250,000 to Marngarr Resource Centre Aboriginal Corporation identified as "*Establishment of Delak Rep Forum*".

Evidence of acquittal of this grant could not be provided and the Grant Agreement did not indicate project milestones, timeframes or deliverables relating to the activity.

As a general comment about grants paid by this Department during the year, I noted:

- A number of instances where signed grant agreements were unable to be located leading me to conclude that they may not exist.
- Deficiencies in the grant agreements that were able to be located.
- At least one instance where an organisation received a grant during 2009 notwithstanding its failure to acquit a similar grant that was provided in 2008.
- That the Department had no overarching grants policy and that acquittals were not being received on a timely basis.

## Selected Agencies cont...

### *Department of Housing, Local Government and Regional Services*

Almost 60 per cent of the Department's total expenses for the year ended 30 June 2009 were grants and subsidy payments. During the course of the audit I noted that there appeared to have been a marked increase in the value of grants paid immediately prior to 30 June 2009.

In relation to 'near year-end' grants – analysis of the data provided by the Department for the year ended 30 June 2009 shows the following expenditure:

	Grants expense
	\$'000
July	18,721
August	2,789
September	12,493
October	2,083
November	20,090
December	23,389
January	11,518
February	9,253
March	11,554
April	9,058
May	15,362
June	57,538
	<b>193,848</b>

## Selected Agencies cont...

During the 28 days preceding 30 June 2009 the Department incurred expenses of \$56.4 million in relation to grants to various organisations. As can be seen in the table below, a significant proportion of those expenses (\$31.9 million) were incurred in the 7 days from 23 June 2009, with almost all of that amount being represented by operating grants to local government shires.

7 Days beginning	\$'000
2-Jun-09	360
9-Jun-09	14,888
16-Jun-09	9,266
23-Jun-09	31,889
	<b>56,403</b>

Specific grants of note that were paid in June 2009 were:

- 1 June 2009 – \$502,776 to the Mabunji Aboriginal Resource Association Incorporated.
- 12 June 2009 – \$312,945 to the Laynhapuy Homelands Association Incorporated
- 15 June 2009 – \$565,744 to the Victoria Daly Shire Council.
- 17 June 2009 – \$270,890 to the MacDonnell Shire Council (3rd & 4th Release Essential Services Funding).
- 17 June 2009 – \$929,813 to the Roper Gulf Shire Council.
- 17 June 2009 – \$270,890 to the MacDonnell Shire Council (3rd & 4th Release Municipal Services Funding).
- 19 June 2009 – \$367,704 to the Tangentyere Council Incorporated (0809 Final Release Essential Services Funding).
- 19 June 2009 – \$367,704 to the Tangentyere Council Incorporated (0809 Final Release Municipal Services Funding).
- 23 June 2009 – \$343,441 Roper Gulf Shire Council
- 23 June 2009 – \$293,867 – Victoria Daly Shire Council
- 23 June 2009 – \$332,225 – Victoria Daly Shire Council
- 23 June 2009 – \$415,431 – Barkly Shire Council

## Selected Agencies cont...

- 23 June 2009 – \$508,449 – Litchfield Council
- 23 June 2009 – \$412,046 – Darwin City Council
- 23 June 2009 – \$367,327 – Darwin City Council
- 23 June 2009 – \$252,445 – Local Government Association of the Northern Territory
- 23 June 2009 – \$525,010 – East Arnhem Shire Council
- 23 June 2009 – \$258,441 – MacDonnell Shire Council
- 30 June 2009 – \$250,000 Thamurrurr Incorporated 2008-09 Special Purpose Grant

The grant to Thamurrurr Incorporated was distinct from grants to the local government shires in that it was “*to establish and administer the Remote Service Delivery Engagement Group for the Wadeye region*”. This grant was paid without a signed grant agreement having been completed until several months after the grant was provided.

On 15 June 2009 the Minister for Local Government advised the Treasurer that “*it is proposed to contract Thamurrurr Incorporated to establish and administer the Remote Service Delivery Engagement Group for the Wadeye region*” and sought the Treasurer’s approval for a grant of \$250,000.

The Treasurer’s approval was obtained on 25 June 2009 for “*one-off funding of \$0.25 million for Thamurrurr Incorporated ...*”.

The Department confirmed Thamurrurr’s acceptance of the grant on 30 June 2009, indicating that Thamurrurr agreed to “*expend the SPG in accordance with an agreement to be negotiated*”. The payment of the funds occurred on 30 June 2009 although the formal agreement, referred to in the Department’s letter, was not signed by the Department until 6 October 2009. The copy of the agreement provided to me during the course of the audit had not been signed by a representative of Thamurrurr.

## Selected Agencies cont...

The grant agreement specified the purpose of the grants as:

- *“Meetings and related administrative tasks (including travel and accommodation) associated with the establishment of .....*
- *The establishment of communication and networking systems build on existing structures to facilitate the Working Future policy .....*
- *Local community and existing Shire service delivery plans, strategic plans and community projects are to be considered together ...*
- *The initiation of processes to enable all spheres of government to engage effectively with a body of eminent community citizens with cultural authority...*
- *Provide fully considered recommendations, ....., for allocation of 50 new houses....”*

From the agreement it appears that the only outcome from this process was to *“Provide fully considered recommendations, ....., for allocation of 50 new houses by 31 December 2009”*.

The Grant Agreement did not indicate project milestones, timeframes or deliverables relating to the activity, nor did it specify any other measurable deliverables or any method whereby the Department can assess the appropriateness of any grant acquittal that may be forthcoming from Thamurrurr Incorporated in the future.

There was no specified ‘due date’ for the acquittal. The grant agreement specified the time period as from 1 July 2008 to 31 December 2009 (however I note that the grant was paid on 30 June 2009 with the formal agreement being implemented on 6 October 2009). According to the agreement the grant was to be acquitted *“on completion of the funded project”*. However, the agreement did not include any deadlines for completion of the project. In general I also noted that the Department had no overarching grants policy and that acquittals are not being received on a timely basis.

## Selected Agencies cont...

*Department of Natural Resources, Environment, The Arts and Sport*

Analysis of the data provided by the Department shows the following expenditure for year ended 30 June 2009:

	Grants expenses
	\$'000
July	(1,130)
August	7,556
September	2,871
October	2,502
November	664
December	725
January	2,633
February	8,064
March	2,218
April	1,912
May	2,078
June	8,384
	<b>39,607</b>

There were two 'peaks' in the payments of Grants – August 2008 and June 2009.

The August 2008 expenses included \$2.2 million in operational grants to various libraries, and \$1.7 million to various peak sporting bodies consistent with the requirements of various triennial grant agreements.

# Selected Agencies cont...

In respect of the second 'peak', I noted that during the 28 days preceding the 30 June 2009 year-end the Department incurred expenses of \$5.6 million in relation to grants. As can be seen in the table below, a significant proportion of those expenses (\$5.6 million) were paid in the 7 days from 23 June 2009.

7 Days beginning	\$'000
2-Jun-09	893
9-Jun-09	922
16-Jun-09	855
23-Jun-09	5,606
	<b>8,276</b>

\* Net of accruals and payments to Territory Wildlife Parks

Specific grants of note that were paid in June 2009 were:

- 12 June 2009 – \$0.37 million to the Football Federation of the Northern Territory for the Nakara Oval floodlighting.

\$370,000 was paid to the FFNT on 12 June 2009. However there appears to be a long history of planning issues with this project and planning consent had not yet been obtained for the floodlighting on an oval.

- 26 June 2009 – \$2.020 million to the NT Cricket Association to construct and upgrade facilities at the Marrara Cricket Facility.

The funding agreement was executed, and the funds paid, on 26 June 2009 however the project was still incomplete at the end of March 2010.

- 26 June 2009 – \$0.850 million to the Alice Springs Town Council for a Glass Crusher.

The grant appears to have been the result of a ministerial direction with the payment to ASTC being made on 26 June 2009. There was no signed Grant Agreement in place when the payment was made – although a draft agreement had been prepared.

The site works relating to the crusher commenced during the first week of February 2010.

## Selected Agencies cont...

- 26 June 2009 – \$0.418 million to the Darwin Golf Club to upgrade the irrigation system.

Funding was approved by the Treasurer on 26 June 2009 with the memorandum of understanding and the funds being released on the same day.

The grant funding agreement was not signed until 5 March 2010.

- 26 June 2009 – \$0.173 million to the Darwin City Council to upgrade the Bagot Oval.

Funding was approved by the Treasurer on 26 June 2009 with the memorandum of understanding and the funds being released on the same day.

The grant funding agreement was not signed until 21 September 2009 with the project being acquitted in March 2010.

- 26 June 2009 – \$0.091 million to the Alice Springs Town Council to upgrade the viewing area of the Basketball Stadium.

Funding was approved by the Treasurer on 26 June 2009 with the memorandum of understanding and the funds being released on the same day.

The grant funding agreement was not signed until 2 September 2009 with the project being Incomplete at March 2010.

I also note that many of these 'near year-end' grants were often paid with no grant agreement in place, although either a memorandum of understanding, or in one instance, a draft agreement was in place. There were frequently delays of many months between the payment of the grant and the grant agreement being signed.

There appears to have been some haste to pay the grants before 30 June 2009 with, in some instances, a memorandum from the Minister requesting the grant, the funding approved by the Treasurer, the memorandum of understanding signed, and the funds issued all in the space of one day. At the time of the audit, some of the projects were only recently completed, others remained Incomplete or were yet to commence.

In general I also noted that the Department had no overarching grants policy and that acquittals are not being received on a timely basis.

## Selected Agencies cont...

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**The Department of the Chief Minister has commented:**

Schedule 1 — Grants were paid without evidence of a signed grant agreement

*Finding agreed. The need for documentation that is relevant to the type and complexity of the grant arrangement is fully supported. Given the nature of some grants within the Department's grant programs, which can often be small sponsorships assisting with community events, the form of an appropriate grant agreement would in many instances be quite simple rather than an elaborate formal agreement. Action is underway to ensure that appropriate agreements are in place for all grants. The Department of Justice is providing advice on this issue and will assist with the development of suitable standard agreements.*

Schedule 2 — Deficiencies were noted in the grant agreements

*Finding agreed. Suggestions for improvements to grant agreements will be incorporated into the changes currently being discussed and developed with the Department of Justice.*

Schedule 3 — Acquittals are not being received on a timely basis

*Finding agreed. The need for timely acquittals is fully agreed and action is underway to improve processes for acquittals. Acquittals are sometimes not received until the end of the financial year when annual financial statements are produced by recipient organisations. In many cases, the nature of the grant agreement does not warrant an independent audit as part of the acquittal process. It should be noted that acquittals for a number of grants identified in your report are outstanding as the projects are not completed.*

Schedule 4 — The Department has no overarching grants policy

*Finding agreed. An overarching grants policy will be developed as part of current steps being taken to implement a range of improvements to the management of the Department's grants programs.*

*Further to the extract provided on 20 September, it is recognised that several grant agreements did not indicate specific project milestones or timeframes for the completion of works, which are often difficult to estimate due to the limited availability of contractors to undertake construction works.*

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## Selected Agencies cont...

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**The Department of the Chief Minister comments continued:**

*Subsequent to the receipt of your report, the Department has sourced two further documents identified as missing. This documentation relates to two specific grants noted in the extract: 'Parap Railway Club fire damage grant'; and the 'Department of Finance and Deregulation Telepresence grant'.*

---

**The Department of Housing, Local Government and Regional Services has commented:**

*Grants paid by the Department have signed funding agreements which contain stringent guidelines relating to use of funds, formal reporting and acquittal requirements, or which are directed for specified outcomes that are clear and identifiable and are bound by Service Level Agreements.*

*The grant paid to Thamurrurr Inc was a one-off grant paid in accordance with the appropriate approvals in place to release the funds. The grant was acquitted by 30 June 2010 in accordance with the grant agreement.*

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# Batchelor Institute of Indigenous Tertiary Education

## **Audit findings and Analysis of the financial statements for the year ended 31 December 2009**

### **Audit Opinion**

An unqualified audit opinion was issued on 8 June 2010. However, I drew attention in that opinion to what I considered to be uncertainty about the Institute's ability to continue to operate as a going concern without ongoing financial support by the Northern Territory and Commonwealth Governments.

### **Background**

In my report Legislative Assembly on the audit of the audit of the Batchelor Institute of Indigenous Tertiary Education for the calendar year ended 31 December 2008, I drew attention to financial difficulties that confronted the Institute. During 2009 the Commonwealth Government engaged a consultant to examine the Institute's position and both the Commonwealth and Northern Territory Governments provided the Institute with supplementary funding. In the period since then work has been undertaken by both Governments that will see some changes to the Institute's structure and the courses offered. Further funding was provided by the Commonwealth in 2010 to enable recommended changes to proceed.

### **Key Issues**

#### *Going Concern*

Note 32 to the Institute's financial statements for 2009 drew attention to an underlying deficit of \$4.3 million in 2010 to be funded by cash balances of \$2.7 million held at 31 December 2009 plus cash of \$1.8 million expected to be received from debtors in 2010. It was forecast that at 31 December 2010, the underlying cash deficit would be \$1.3 million, while underlying receivables would be approximately \$1.5 million, while current liabilities would be approximately \$4 million, leading the Institute to believe that it may not be able to continue as a going concern. As a result of this uncertainty, I included an emphasis of matter in my audit report.

# Batchelor Institute of Indigenous Tertiary Education cont...

## *Internal Audit Capacity*

Over the past 5 years, I have emphasised to the Institute the importance of an adequate and effective internal audit function.

It was noted during the 2009 interim financial statement audit that the Audit and Risk Committee had effectively ceased to function with the resignation of three members of the committee in early 2009. Furthermore, no internal audit activity has taken place during the year.

I have again stressed to the Institute the importance of an active audit committee, complemented by a focused, risk-based internal audit program as an element of best practice in corporate governance and have urged the Institute to enhance this function.

# Batchelor Institute of Indigenous Tertiary Education cont...

## Financial Analysis

### Abridged Income Statement

	2009	2008
	\$'000	\$'000
<b>Revenue from continuing operations</b>	<b>53,337</b>	<b>45,250</b>
<b>Less expenses from ordinary activities</b>		
Employee Expenses	(22,875)	(24,201)
Depreciation	(905)	(857)
Other	(18,222)	(20,480)
<b>Total expenses from continuous operations</b>	<b>(42,002)</b>	<b>(45,538)</b>
Operating result before Income tax expense	<b>11,335</b>	<b>(288)</b>
Less Income tax expense	-	-
Operating result after Income tax expense	<b>11,335</b>	<b>(288)</b>
Gain on revaluation of land and buildings	10,006	-
<b>Total comprehensive Income</b>	<b>21,341</b>	<b>(288)</b>

Significant movements in revenue and expenses for the year were:

- “one-off” funding from the Australian Government (\$4.8 million) and the Northern Territory Government (\$1.6 million) to support the ongoing operations of the Institute;
- Increase in income from consultancies and contracts of \$1.585 million, mainly due to revenue received from a single Northern Territory Government Agency; and
- Decrease in interest Income of \$0.262 million, as a result of lower cash balances held and lower market interest rates.

## Batchelor Institute of Indigenous Tertiary Education cont...

- Expenses decreased by \$3.54 million or 7.76 per cent from the prior year mainly due to:
  - a decrease in employee expenses of \$1.326 million from the prior year, due to measures lower number of staff during the year;
  - a decrease in general expenses of \$2.04 million, primarily in the following areas:
    - a decline in communications and utilities expenses of \$0.67 million due to lower activity levels;
    - a decrease in contracted services of \$2.303 million – expenditure in 2008 related to a Workplace Productivity Project, with no similar activity being conducted in the 2009 year;
    - a decrease in travel costs of \$0.808 million due to lower student numbers travelling.

The surplus of \$11.335 million was largely a result of the “one-off” funding of \$6.4 million and the Increase in tied grant funds of \$6.062 million. Whilst the tied grant funds cannot be spent on core activities, they are recorded as revenue when received.

# Batchelor Institute of Indigenous Tertiary Education cont...

## Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	18,610	7,064
Less Current Liabilities	(4,870)	(5,117)
<b>Working Capital</b>	<b>13,740</b>	<b>1,947</b>
Add Non Current Assets	30,498	20,951
	44,238	22,898
Less Non Current Liabilities	(695)	(696)
<b>Net Assets</b>	<b>43,543</b>	<b>22,202</b>
Represented by:		
Reserves	27,496	17,490
Accumulated Funds	16,047	4,712
<b>Equity</b>	<b>43,543</b>	<b>22,202</b>

# Batchelor Institute of Indigenous Tertiary Education cont...

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**Batchelor Institute of Indigenous Tertiary Education has commented:**

- *KordaMentha did develop a budget for 2010 that had an underlying deficit of \$4.3m that would have resulted in an estimated underlying core cash deficit of \$1.3m at 31/12/2010 and this budget was ratified by the Executive Committee of Council in March 2010.*
  - *The thinking behind KordaMentha's budget was for 2010 to be a year of consolidation and for Batchelor to expend all of its available resources restructuring and implementing systems to position itself to be viable into the future. However, in preparing the budget they factored in the Institute receiving 100% of the potential funding from its 2010 Resource Agreement with the Northern Territory Government for the delivery of Vocational Education and Training when only 80% is payable in the year of delivery and the expenditure of all of \$852,000 reported internally as Untied Cash Balances, which would have resulted in a core cash deficit of \$1.3m at the end of the year. I suspect this was not KordaMentha's intention.*
  - *To cut a long story short Batchelor never implemented KordaMentha's budget but has continued the financial rigidity that they brought to the organisation and has considerably improved its financial position.*
  - *Batchelor currently has a core cash operating surplus for 2010 of \$1,752,684 (as at 31/8/2010) and is predicting a core cash operating surplus of \$495,000 at year's end. See the attached financial spreadsheet tabled at the last meeting of Batchelor's Executive Management Group.*
  - *The core cash balance on hand as at 31 August 2010 is \$3,542,543 and this is projected to be \$2,285,000 at years end. This will be further increased by approximately \$600,000 following a recently completed review of untied cash balances and the transfer of funds to core cash.*
-

# Batchelor Institute of Indigenous Tertiary Education cont...

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**Batchelor Institute of Indigenous Tertiary Education comments continued:**

*From a financial perspective at 31 December 2010 Batchelor will be in significantly more healthy shape than was portrayed in the 2009 financial statements. Having said that there are still some significant challenges ahead of us, particularly in 2012 when Higher Education delivery will be funded on actually teaching load achieved, which it is estimated will result in a reduction of revenue of between \$3m and \$3.5m. Other challenges include becoming more relevant in the VET space by improving our relationships with industry, the community, government agencies and other support organisations, accessing other revenue streams and successfully transitioning into a collaborative partnership with Charles Darwin University for the delivery of Higher Education in 2012.*

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# Charles Darwin University

## **Audit findings and Analysis of the financial statements for the year ended 30 June 2010**

### **Audit Opinion**

The audit of the financial statements of Charles Darwin University for the year ended 31 December 2009 resulted in an unqualified independent audit opinion, which was issued on 28 June 2010.

### **Background**

The Charles Darwin University (the University) is established under the *Charles Darwin University Act*. The University controls two subsidiary entities; the Menzies School of Health Research and the Charles Darwin University Foundation, a public company that acts as trustee of the Charles Darwin University Trust. There is also a third subsidiary that is controlled by the University; CDU Amenities Ltd. However, that company has not traded since its incorporation in 2007 and thus had no effect on the financial position of the University for the 2009 year.

The University provides both higher education, and vocational education and training (VET). Higher Education funding is provided to the University by the Commonwealth Government through direct grants, and through the proceeds of student loans by the Commonwealth under the auspices of the HECS-HELP Scheme. VET funding is provided by the Northern Territory Government through monies appropriated by the Legislative Assembly to the Department of Education and Training. The University also attracts research funding from a variety of sources.

The University produces annual financial statements as at 31 December each year and these are required to be audited by the Auditor-General pursuant to the requirements of the University's enabling legislation.

### **Key Issues**

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

# Charles Darwin University cont...

## Financial Analysis

### Abridged Income Statement – CDU only – excluding controlled entities

	2009	2008
	\$'000	\$'000
<b>Revenue from ordinary activities</b>		
Financial assistance from the Commonwealth	69,248	59,319
Financial assistance from the NT Government	67,665	50,293
Other revenue (HECS, fees, interest, etc)	70,237	73,608
<b>Total revenue from ordinary activities</b>	<b>207,150</b>	<b>183,220</b>
<b>Less expenses from ordinary activities</b>		
Employee related costs	(103,969)	(92,423)
Administration, operational and other expenses	(87,490)	(78,012)
<b>Total expenses from ordinary activities</b>	<b>(191,459)</b>	<b>(170,435)</b>
<b>Operating result for the year</b>	<b>15,691</b>	<b>12,785</b>

An increase in revenue was influenced by:

- an increase in Australian and Northern Territory Government financial assistance of \$18.3 million; and
- an increase in revenues from Commonwealth Grant Scheme and VET fees of \$2.9 million and \$4.9 million, respectively, during the year.

These increases were offset by:

- declines in other income from training fees;
- an increase in employee benefits and on-costs due to an increase in full time and fixed period contract employees, coupled with a general increase in average salaries for the year; and
- an increase in repairs and maintenance expense of due to renovations to the University's office buildings.

## Charles Darwin University cont...

### Abridged Statement of Financial Position – CDU only – excluding controlled entities

	2009	2008
	\$'000	\$'000
Current Assets	118,956	85,397
Less Current Liabilities	(48,155)	(25,652)
<b>Working Capital</b>	<b>70,801</b>	<b>59,745</b>
Add Non Current Assets	310,250	306,714
	381,051	366,459
Less Non Current Liabilities	(1,182)	(1,709)
<b>Net Assets</b>	<b>379,869</b>	<b>364,750</b>
Represented by:		
Reserves, restricted and accumulated funds	379,869	364,750
<b>Equity</b>	<b>379,869</b>	<b>364,750</b>

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# Charles Darwin University Foundation

## **Audit findings and Analysis of the financial statements for the year ended 31 December 2009**

### **Audit Opinion**

The audit of the financial statements of the Charles Darwin University Foundation (the Foundation) and the Charles Darwin University Foundation Trust (the Trust) for the year ended 31 December 2009 resulted in unqualified independent audit opinions, which were issued on 9 April 2010.

### **Background**

The Charles Darwin University Foundation is a public company limited by guarantee that acts as trustee of the Charles Darwin University Foundation Trust. The company incurs liabilities on behalf of the Trust and discharges those liabilities out of the assets of the Trust.

The Company and the Trust were established as the fundraising arm of the University, with the approval of the former Northern Territory University Council. Both entities are controlled entities of the University within the meaning of section 41 of the *Charles Darwin University Act*.

The purpose of the Foundation is to enhance the relationship between the University and the wider Northern Territory community and to generate funds for the University for investment in programs, projects and infrastructure. In pursuit of this objective the Foundation seeks to encourage donations and other contributions and it guarantees the security of funds raised to promote the University's development.

### **Key Issues**

As noted in previous years, there are often instances where in-kind donations are provided to the Foundation without supporting evidence to substantiate the donors' advice as to the donations' value. However, the risk of misstatement of the financial performance or financial position of the Foundation is not considered to be material given that in-kind donations are recorded as income and expense in the same period in which they are received.

This and previous audits have also identified a weakness in the control over the receipt of "over the counter" cash donations. However, as the amounts received by this method occur relatively infrequently, I did not consider it necessary to qualify my audit opinion in relation to the completeness of revenue.

# Charles Darwin University Foundation cont...

## Financial Analysis

### Abridged income Statement – Trust Only

	2009	2008
	\$'000	\$'000
<b>Revenue from ordinary activities</b>	<b>1,855</b>	<b>3,664</b>
<b>Less expenses from ordinary activities</b>		
Trust donations disbursed	(1,145)	(571)
Donations in kind – operational	(38)	(2,384)
Unrealised revaluation loss on investment	-	(67)
Other	(3)	(3)
<b>Total expenses from ordinary activities</b>	<b>(1,187)</b>	<b>(3,025)</b>
<b>Net operation result for the year</b>	<b>669</b>	<b>639</b>

The Trust's total revenue declined substantially, from \$3.6 million in 2008 to \$1.8 million in 2009, due to one-off donation "in kind" received in the previous year.

## Charles Darwin University Foundation cont...

### Abridged Balance Sheet – Trust Only

	2009	2008
	\$'000	\$'000
Current Assets	4,254	3,585
Less Current Liabilities	-	(1)
<b>Working Capital</b>	<b>4,254</b>	<b>3,584</b>
Add Non Current Assets	419	335
<b>Net Assets</b>	<b>4,673</b>	<b>3,919</b>
Represented by:		
Investment Revaluation Reserve	85	-
Retained Earnings	4,588	3,919
<b>Equity</b>	<b>4,673</b>	<b>3,919</b>

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# Menzies School of Health Research

## **Audit findings and Analysis of the financial statements for the year ended 31 December 2009**

### **Audit Opinion**

The audit of the financial statements of Menzies School of Health Research for the year ended 31 December 2009 resulted in an unqualified independent audit opinion, which was issued on 21 May 2010.

### **Background**

The School was established under the *Menzies School of Health Research Act* in 1985 and operates as a medical research institute within the Northern Territory. The School is controlled by Charles Darwin University through Section 11(1) of the *Menzies School of Health Research Act* which specifies that nominated office holders of the University will be ex officio members of the School's Board, and through Section 11(2)(d) which specifies that five of the ten persons appointed to the Board by the Administrator are appointed on the nomination of the University.

The largest part of the revenue of the School is research grants.

### **Key Issues**

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

# Menzies School of Health Research cont...

## Financial Analysis

### Abridged Income Statement

	2009	2008
	\$'000	\$'000
<b>Revenue from continuing operations</b>	<b>30,644</b>	<b>40,152</b>
<b>Less expenses from ordinary activities</b>		
Employee Expenses	(17,017)	(14,038)
Administration, operational and other expenses	(9,889)	(9,853)
<b>Total expenses from ordinary activities</b>	<b>(26,906)</b>	<b>(23,891)</b>
<b>Net operating result for the year</b>	<b>3,738</b>	<b>16,261</b>

The School's total revenue declined substantially due primarily to the effect of the receipt of a "one-off" capital grant of \$10.8 million in 2008 for the extension and construction of a new building. The School's operating expenditures for the year increased largely due to increased employee related expenses. Notwithstanding the effects of the movements in revenues and expenses compared to the prior year, the School has recognised a \$3.7 million operating surplus for the 2009 reporting year.

## Menzies School of Health Research cont...

### Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	36,572	34,774
Less Current Liabilities	(3,166)	(5,197)
<b>Working Capital</b>	<b>33,406</b>	<b>29,577</b>
Add Non Current Assets	1,042	970
	34,448	30,547
Less Non Current Liabilities	(373)	(229)
<b>Net Assets</b>	<b>34,075</b>	<b>30,318</b>
Represented by:		
Retained earnings	3,159	27,843
Reserves	30,916	2,475
<b>Equity</b>	<b>34,075</b>	<b>30,318</b>

#### **Menzies School of Health Research has commented:**

*The Menzies School of Health Research is pleased to note the findings of this audit report and thanks the Auditor-General and his office for their valuable advice and assistance in this matter.*

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

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

## Background

The *Public Information Act*, which came into effect on 1 August 2010, seeks to achieve a transparent and accountable mechanism for the review of public information produced by public authorities. For this purpose a public authority is defined in section 6 of the Act and that definition is broad, capturing any:

- Member of the Legislative Assembly or the holder of any office of the Legislative Assembly;
- Agency or body corporate established under a law of the Territory;
- body corporate that is held to be controlled by a public authority;
- person appointed or engaged to perform work for a public authority.

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 Auditor-General;
- a council constituted pursuant to the *Local Government Act*;
- the Territory Insurance Office;
- the Power and Water Corporation; and
- a person or body prescribed by regulation.

The definition of what constitutes public information is equally broad and is defined 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 provided by a Member of the Legislative Assembly to members of his or her electorate 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;
- a media release of a Member of the Legislative Assembly; and
- information prescribed by regulation.

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

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, conduct a review of that information to determine whether the provisions of the Act have been contravened.

The Auditor-General may determine that the Act has been contravened if the material that is the subject of the review contravenes section 6(2) of the Act in that it:

- promotes particular party interests;
- includes statements that are misleading or factually inaccurate; or
- does not clearly distinguish a statement of facts from a statement of comments.

## **The Referral of a Complaint to the Auditor-General**

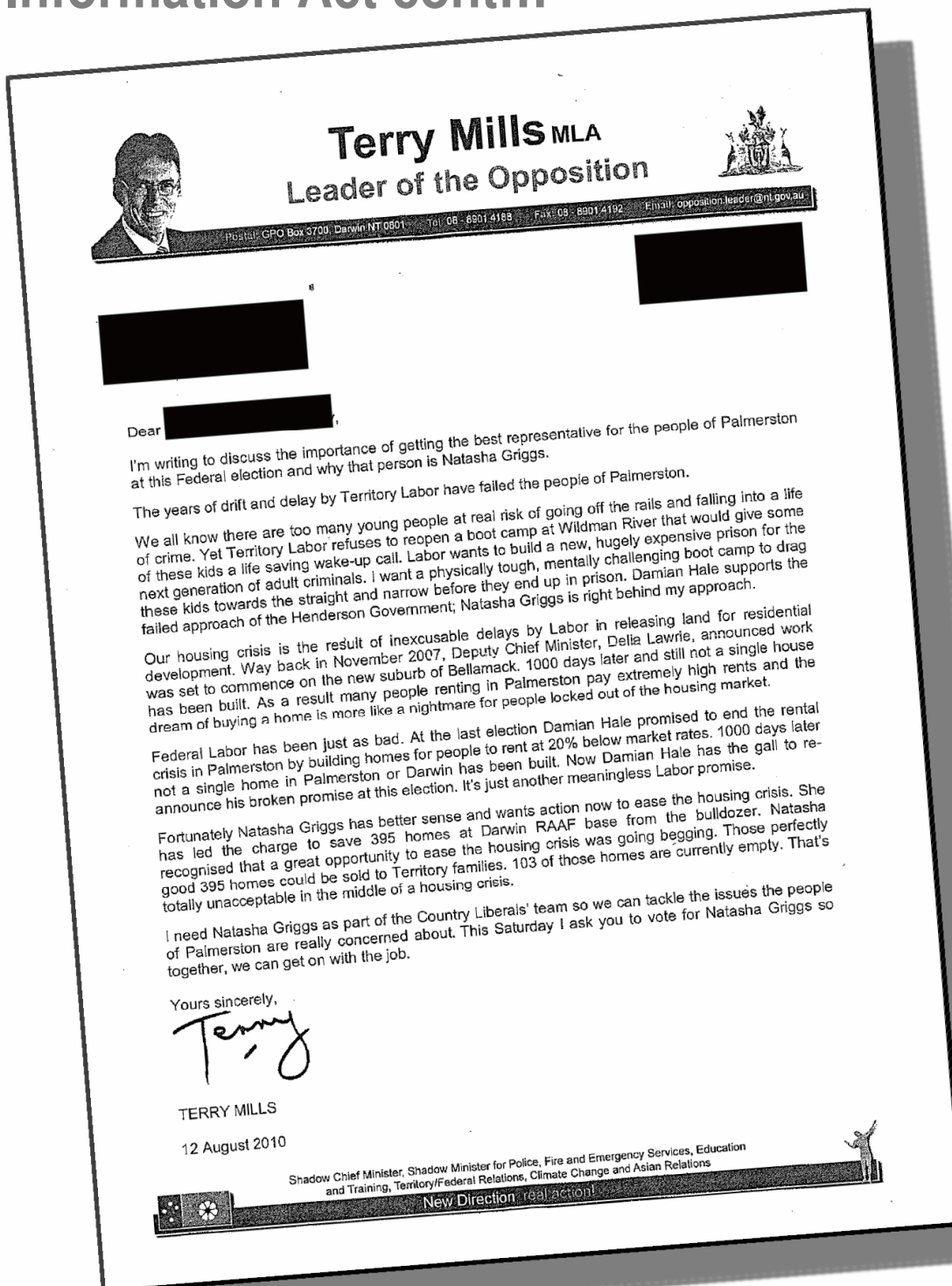
On 18 August 2010 a Member of the Legislative Assembly referred to me, pursuant to section 6(1) of the Act, a letter signed by the Leader of the Opposition, alleging that the contents of the letter breached the principles laid down in section 6(2) of the Act.

## **Review of the Allegations**

Information received during the course of the review indicated that 7,392 copies of the letter were distributed.

The contents of the letter included statements that quite clearly sought to promote the interests of a particular political party in that it sought to influence electors' voting intentions at the recent Commonwealth election. At the same time the contents of the letter included comments that could be construed as being statements of opinion or as comments rather than statements of facts. A copy of the letter is included as part of this report.

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



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

As part of the review of the allegations, enquiries were made to ascertain whether or not public moneys or the resources of any public authority had been used to produce and distribute the letter. As a result of my enquiries, I was satisfied that the property of the Territory, which was under the control of the Office of the Leader of the Opposition, was used during the course of preparing and distributing the letter. At the same time the costs of mailing the letter were initially charged to the account of the Department of the Chief Minister by the Office of the Leader of the Opposition. That cost was \$4,287.36. The amount in question was settled by cheque during the course of the review and the amount that had been charged against the Department's account was reversed by Australia Post.

## Conclusions

I concluded that:

- a contravention of the *Public Information Act* did occur;
- the property of a public authority was used in the production and distribution of the letter; and
- while an attempt was made to use public moneys to meet the costs of distributing the letter, the potential that existed for a misuse of public monies was obviated by the settlement of the liability during the course of the review.

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### **The Leader of the Opposition has commented:**

*An inadvertent breach of the Public Information Act occurred as a result of the absence of the staff member responsible for handling matters such as the one in question.*

*As a consequence an inexperienced staff member made an error relating to the distribution of a letter going out under my name.*

*I have ordered additional procedural requirements be implemented regarding the distribution of all correspondence from this office.*

*I'm satisfied the additional procedural requirements will ensure this mistake is not repeated in the future*

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# Appendices

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## Appendix 1: Audit Opinion Reports Issued Since 31 December 2009

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 30 June 2009	Date of Audit Report Year ended 30 June 2008
<b>Inter-Government Statements By Legislation</b>			
<i>AusLink (National Land Transport) Act 2005 – Investment Program</i>	31 December 09	15 February 2010	n/a
<i>AusLink (National Land Transport) Act 2005 – Road Safety (Black Spot)</i>	31 December 09	15 February 2010	18 December 08
<i>AusLink (National Land Transport) Act 2005 – Economic Stimulus Plan Black Spot Program</i>	31 December 09	15 February 2010	n/a
<i>AusLink (National Land Transport) Act 2005 – Port Keats Road Upgrade</i>	31 December 09	15 February 2010	18 December 08
<i>AusLink (National Land Transport) Act 2005 – Outback Highway – Plenty Highway</i>	31 December 09	15 February 2010	18 December 08
<i>Interstate Road Transport Act 1985</i>	31 December 09	15 February 2010	18 December 08

## Appendix 1: Audit Opinion reports Issued Since 31 December 2009 cont...

	Date 2009 Financial Statements tabled to Legislative Assembly	Date of Audit report Year ended 31 December 2009	Date of Audit report Year ended 31 December 2008
<b>Entities with Specific Legislation or Trust Deeds</b>			
Batchelor Institute of Indigenous Tertiary Education	17 Aug 10	8 June 10	15 June 09
CDU Amenities Limited	N/A	21 May 10	21 August 09
Charles Darwin University	10 Aug 10	28 June 10	26 June 09
Charles Darwin University Foundation ( a company limited by guarantee)	N/A	9 April 10	12 March 09
Charles Darwin University Foundation Trust	N/A	9 April 10	12 March 09
Menzies School of Health Research	N/A	21 May 10	5 May 09
	Deadline for submission of audited Financial Statement	Date of Audit report Year ended 31 December 2009	Date of Audit report Year ended 31 December 2008
<b>Inter-Government Statements by Agreement</b>			
Charles Darwin University Higher Education Research Data collection	31 August 10	16 June 10	20 May 09
<b>By Legislation</b>			
Vocational Education and Training Financial Data	14 July 10	11 August 10	21 July 09

N/A – Not Applicable

## Appendix 2: Status of Audits Which Were Identified to be Conducted in the Six Months to 30 June 2010

In addition to the routine audits, primarily being end of financial year audits of Agencies and of financial statements, and follow-up of outstanding issues in previous audits, the following audits, were identified in Appendix 3 of the February 2010 as being scheduled for the period.

### **Department of Education and Training**

Current Grants Refer page 11

### **Department of Health and Families**

Patient Assistance Travel Scheme Refer page 15

Pharmacy stock control including controlled drugs and poisons Refer page 21

Pensioner and Carer Concession Scheme Refer page 19

### **Department of Housing, Local Government and Regional Services**

Access to safe, sustainable and affordable housing for all eligible Territorians Refer page 27

### **Department of Natural Resources, Environment, The Arts and Sport**

Visitor experience that showcases the biodiversity of the unique environment of the Top End and promotes conservation issues Refer page 33

### **Northern Territory Police, Fire and Emergency Services**

Road Safety Strategy Refer page 35

### **NT Fleet**

Greening the fleet Refer page 41

### **Selected Agencies**

Administration of proceeds of *Criminal Property Forfeiture Act* Refer page 37

Grants Refer page 49

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## Appendix 3: Proposed Audit Activity in the Six Months Ending 31 December 2010

In addition to the routine audits, primarily being end of financial year audits of Agencies and of financial statements, and follow-up of outstanding issues in previous audits the following audits have been scheduled for the period.

### **Department of Construction and Infrastructure**

AIS replacement program

### **Department of Business and Employment**

Payroll data analytics

IT outsourcing project

### **Department of Justice**

Review of IT controls over IJIS

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# Appendix 4: Overview of the approach to auditing the Public Account and other accounts

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

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

## **What is the Public Account?**

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

- the Central Holding Authority, and
- Operating accounts of Agencies and Government Business Divisions.

## **Audit of the Public Account**

Achievement of the requirements of section 13, including the reference to the character and effectiveness of internal control, as defined, can occur through:

- annual financial statement audits of entities defined to be within the Public Account, in particular Government Business Divisions, which have a requirement for such audits under the *Financial Management Act*; and
- an audit approach which the Northern Territory Auditor-General's Office terms the Agency Compliance Audit. This links the existence of the required standards of internal control over the funds administered within the Public Account, to the responsibilities for compliance with required standards as defined for Accountable Officers.

## Appendix 4: Overview of the approach to auditing the Public Account and other accounts cont...

Areas of internal control requiring a more in-depth audit, because of materiality or risk, can also be addressed through:

- specific topic audits of the adequacy of compliance with prescribed internal control procedures. These can be initiated as a result of Agency Compliance Audits, or pre-selected because of the materiality or inherent risk of the activity; and
- reviews of the accounting processes used by selected Agencies at the end of the financial year, to detect if any unusual or irregular processes were adopted at that time.

### **Other accounts**

Although not specifically defined in the legislation, these would include financial statements of public entities not defined to be within the Public Account, as well as the Trust Accounts maintained by Agencies.

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

Using information about the effectiveness of internal control identified in the overall control environment review, Agency Compliance Audits and financial statement audits, an audit approach is designed and implemented to substantiate that balances disclosed in the Statement are in accordance with the disclosure requirements adopted by the Treasurer, and are within acceptable materiality standards.

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

# Appendix 5: Overview of the approach to auditing performance management systems

## Legislative Framework

A Chief Executive Officer is responsible to the appropriate Minister under section 23 of the *Public Sector Employment and Management Act* for the proper, efficient and economic administration of his or her agency. Under section 13 (2)(b) of the *Financial Management Act* 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 further defined in section 3 of the Act to include “*the methods and procedures adopted within an agency to promote operational efficiency, effectiveness and economy*”.

Section 15 of the *Audit Act* 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 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.*”

## 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 our opinion 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;

## Appendix 5: Overview of the approach to auditing performance management systems cont...

- monitoring of the progress with 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.

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. All that is necessary is that there be a need to define objectives for intended or desired performance.

## Appendix 6: Agencies not audited in the year ended 30 June 2010

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

For activities relating to the financial year ended 30 June 2010, no audits were, or are intended to be, conducted at the following Agencies:

- Department of Resources;
- Department of the Legislative Assembly;
- Land Development Corporation;
- Northern Territory Electoral Commission;
- Office of the Commissioner for Public Employment; and
- Tourism NT.

The increasingly stringent requirements of Australian Accounting Standards, and Auditing and Assurance Standards has required that audit effort be directed towards financial audits of those Agencies that are deemed to represent greater materiality and greater risk. It is proposed that each of the listed Agencies will be included in audit coverage at least once every three years.

It is also noted that an independent auditor appointed under section 27 of the *Audit Act* conducts an annual audit of the Auditor-General's Office.

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## Appendix 7: Abbreviations

CPS	Cash Processing System
DET	Department of Education and Training
DOJ	Department of Justice
FRU	Fines Recovery Unit
NGOs	Non-Government Organisations
NTG	Northern Territory Government
NTPCCS	Northern Territory Pensioner and Carers Concession Scheme
NTPFES	Northern Territory Police, Fire and Emergency Services.
PCU	Pensioner Concession Unit
PTOs	Patient Travel Offices
TWP	Territory Wildlife Parks
VET	vocational education and training

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