

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

Public Accounts Committee

Annual Report

2011-12

Report presented
to Speaker,
July 2012

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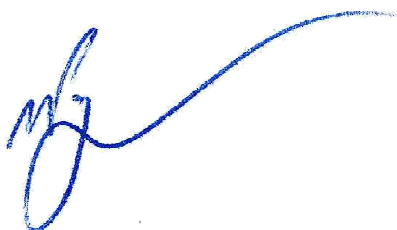
Chair's Overview

This annual report is to advise the Legislative Assembly of the Northern Territory of the Committee's activities over the 2011-12 financial year.

Throughout the year the Committee has continued to follow up on issues raised in the Auditor-General's reports and to seek briefings from agencies on other matters of interest or concern that have arisen. The Committee's reports on *Examination of Auditor General's Reports* details its work in that area, while further information on the Committee's other briefings are included in Chapter 3 of this report.

There were no referrals to the Committee during the year.

I thank the Auditor-General and agencies involved for the assistance they have provided in clarifying issues and processes of concern or interest to the Committee. My thanks also go to the Committee members for their cooperative and bi-partisan approach in the conduct of the Committee's activities. I thank secretariat staff for their support. On behalf of the Committee, I commend this annual report to the House.

A handwritten signature in blue ink, appearing to be 'MG', with a long, sweeping horizontal line extending to the right.

Mr Michael Gunner, MLA

Committee Members



Mr. Michael GUNNER, MLA

Member for Fannie Bay

Party: Australian Labor Party
Parliamentary Position: Government Whip; Deputy Chairman of Committees; Parliamentary Secretary for Business and Employment

Committee Membership:
Standing: Public Accounts; Estimates; Subordinate Legislation and Publications; Legal and Constitutional Affairs; Standing Orders; Members' Interests

Sessional & Select: Environment and Sustainable Development; Youth Suicides
Chair: Public Accounts; Estimates; Subordinate Legislation and Publications



Ms. Marion SCRYMGOUR, MLA

Member for Arafura

Party: Australian Labor Party
Parliamentary Position: Deputy Chairman of Committees; Parliamentary Secretary for Territory 2030

Committee Membership:
Standing: House; Public Accounts; Estimates; Subordinate Legislation and Publications; Legal and Constitutional Affairs;

Sessional & Select: Environment and Sustainable Development; Council of Territory Co-operation (CTC); CTC Innovation, Development and Trade Sub-committee; CTC Animal Welfare Governance Sub-committee; Youth Suicides

Chair: Environment and Sustainable Development; Youth Suicides; Legal and Constitutional Affairs



Ms. Lynne WALKER, MLA

Member for Nhulunbuy

Party: Australian Labor Party
Parliamentary Position: Deputy Speaker; Chairman of Committees; Parliamentary Secretary for Education

Committee Membership:
Standing: House; Public Accounts; Estimates; Subordinate Legislation and Publications

Sessional & Select: Environment and Sustainable Development; Council of Territory Co-operation (CTC); CTC Innovation, Development and Trade Sub-committee; CTC Animal Welfare Governance Sub-committee; Youth Suicides

Chair: CTC Animal Welfare Sub-committee



Mr. John ELFERINK, MLA

Member for Port Darwin

Party: Country Liberals
Parliamentary Position: Opposition Whip; Manager of Opposition Business; Shadow Treasurer, Minister for Justice and Attorney General

Committee Membership:
Standing: Privileges; Public Accounts; Estimates

Sessional: CTC Animal Welfare Governance Sub-committee



Mr. Willem WESTRA VAN HOLTJE, MLA

Member for Katherine

Party: Country Liberals
Parliamentary Position: Shadow Minister for Local Government; Tourism; Correctional Services; Essential Services

Committee Membership:
Standing: House; Public Accounts; Estimates



Mr. Gerry WOOD, MLA

Member for Nelson

Party: Independent

Committee Membership:
Standing: Standing Orders; Public Accounts; Estimates
Sessional: Environment and Sustainable Development, Council of Territory Co-operation; CTC Innovation, Development and Trade Sub-committee

Chair: Council of Territory Co-operation; CTC Innovation, Development and Trade Sub-committee

Committee Secretariat

Clerk Assistant Committees Mr Russell Keith

Committee Secretary Ms Julia Knight

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Terms of Reference

(Standing Order 21A)

- (1) A Standing Committee of Public Accounts to consist of five members shall be appointed at the commencement of each Assembly.
- (2) The duties of the Committee shall be -
 - (a) to examine the accounts of the receipts and expenditure of the Northern Territory and each statement and report tabled in the Legislative Assembly, pursuant to the *Financial Management Act* and the *Audit Act*;
 - (b) to report to the Legislative Assembly with such comments as it thinks fit, any items or matters in or arising in connection with those accounts, statements or reports, or in connection with the receipt or disbursement of the moneys to which they relate, to which the Committee is of the opinion that the attention of Parliament should be drawn;
 - (c) to report to the Legislative Assembly any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them or in the method of receipt, control, issue or payment of public moneys;
 - (d) to inquire into and report to the Legislative Assembly on any question in connection with the public accounts of the Northern Territory -
 - (i) which is referred to it by a resolution of the Assembly; or
 - (ii) which is referred to it by the Administrator or a Minister; and
 - (e) to examine the reports of the Auditor-General tabled in the Legislative Assembly with the accounts of an Agency of the Northern Territory, including any documents annexed or appended to those reports, pursuant to the *Audit Act*.
- (3) The Committee shall examine only those accounts of receipts and expenditure of the Northern Territory and reports of the Auditor-General for financial years commencing after 30 June 1986 provided that this shall not prevent the consideration by the Committee of matters included in reports of the Auditor-General for the year ending 30 June 1986 which have or may have a continuing effect on the form of the public accounts, the method of receipt, control issue or payment of public moneys.
- (4) Prior to determining whether to undertake an inquiry into any matter which may have arisen in connection with the public accounts of the Northern Territory, pursuant to paragraphs (2)(a) and (e), with the concurrence of the Committee, the Chairman is empowered to write to the Chief Executive Officer of the relevant agency for a report on the matter.
- (5) The Committee shall take care not to inquire into any matters which are being examined by a Select Committee of the Assembly especially appointed to inquire into such matters and any question arising in connection therewith may be referred to the Assembly for determination.
- (6) The Committee shall elect a Government Member as Chairman.

- (7) The Chairman of the Committee may, from time to time, appoint a member of the Committee to be the Deputy Chairman of the Committee and the Member so appointed shall act as Chairman of the Committee at any time when there is no Chairman or when the Chairman is not present at a meeting of the Committee.
- (8) In the event of an equality of voting, the Chairman, or the Deputy Chairman when acting as Chairman, shall have a casting vote.
- (9) The Committee shall have power to appoint sub-committees and to refer to any such sub-committee any matter which the Committee is empowered to examine.
- (10) Three Members of the Committee shall constitute a quorum of the Committee and two Members of a sub-committee shall constitute a quorum of the sub-committee.
- (11) The Committee or any sub-committee shall have power to send for persons, papers and records, to adjourn from place to place, to meet and transact business in public or private session and to sit during any adjournment of the Assembly.
- (12) The Committee shall be empowered to print from day to day such papers and evidence as may be ordered by it and, unless otherwise ordered by the Committee, a daily *Hansard* shall be published of such proceedings of the Committee as take place in public.
- (13) The Committee may proceed to the dispatch of business notwithstanding that all Members have not been appointed and notwithstanding any vacancy.
- (14) The Committee shall report annually and shall have leave to report from time to time and to report its proceedings and evidence taken; and any Member of the Committee shall have power to add a protest or dissent to any Report.
- (15) Unless otherwise ordered by the Committee, all documents received by the Committee during its inquiry shall remain in the custody of the Assembly provided that, on the application of a department or person, any document, if not likely to be further required, may, in the Speaker's discretion, be returned to the department or person from whom it was obtained.
- (16) The Committee shall be provided with all necessary staff, facilities and resources and shall be empowered, with the approval of the Speaker, to appoint persons with specialist knowledge for the purposes of the Committee.

1 Introduction

Establishment of Committee

The Northern Territory Standing Committee of Public Accounts was established by the Assembly on 9 September 2008 under Standing Order 21A of the Legislative Assembly of the Northern Territory.

Functions of the Committee

The duties of the Public Accounts Committee include to inquire into and report to the Legislative Assembly on any question in connection with the public accounts of the NT as it deems necessary as well as any matter referred to it by the Assembly, Administrator or any Minister. The Committee also examines the reports of the Auditor-General.

The duties of the Committee are set out in the terms of reference in Standing Order 21A, which is copied above.

Powers of the Committee

The Public Accounts Committee derives its authority from the *Northern Territory (Self-Government) Act* (Cth), the *Legislative Assembly (Powers and Privileges) Act* (NT) and Standing Orders of the Northern Territory Legislative Assembly.

2 Committee Programme

Meetings

The Public Accounts Committee met six times during the reporting period. The details of these meetings are set out in Table 1 below.

Table 1: Summary of Committee Meetings

MEETING NO. AND DATE	KEY AGENDA ITEMS AND RESOLUTIONS PASSED
Meeting No. 19 9 August 2011	<ul style="list-style-type: none"> • Hearing with Department of Construction and Infrastructure on its Asset Information System Replacement Program • Hearing with Darwin Port Corporation on its Roll-On/Roll-Off Facility. • Hearing with Department of Business and Employment on the NT Fleet and Greening of the Fleet. • Mr Wood tabled information regarding approval of a subdivision on Pelly and Lorikeet Roads and mason and Herbert Roads, Howard Springs, and the roles of the Department of Lands and Planning, the Development Consent Authority, the Department of Natural Resources, Environment, the Arts and Sport and the Department of Health in the approval. • Resolved to request the Auditor General to audit the roles of the Agencies and the management systems they have in place to ensure the adequate performance of the processes relating to the above approval.
Meeting No. 20 25 October 2011	<ul style="list-style-type: none"> • Hearing with the Treasury on <i>Working for Outcomes</i>. • Consideration of PAC Annual Report 2010-11. • Consideration of Report on Examination of Auditor-General's Reports. • Resolved to invite the Ombudsman to brief the Committee on her findings regarding the creation of dummy documents in her report <i>A life Long Shadow</i>. • Resolved to seek advice from the Treasurer as to the requirements for period contracts for cleaning services and whether Agencies are complying with those requirements.
Meeting No. 21 29 November 2011	<ul style="list-style-type: none"> • Hearing with the Ombudsman on the creation of dummy documents as reported in <i>A Life Long Shadow</i>. • Auditor General briefed the Committee on his October 2011 Report to the Legislative Assembly. • Resolved to request that the Department of Construction and Infrastructure provide the Committee with a further update of its Asset Management System by 6 February 2012.

MEETING NO. AND DATE	KEY AGENDA ITEMS AND RESOLUTIONS PASSED
Meeting No. 22 21 February 2012	<ul style="list-style-type: none"> • Hearing with Tourism NT on its Territory Discoveries Calypso System. • Resolved to invite the Department of Construction and Infrastructure to brief the Committee on its Asset Management System. • Resolved to invite the Department of Housing, Local Government and Regional Services to brief the Committee on its Performance Management System. • Resolved to invite the Department of Business and Employment to brief the Committee on its Management of Cleaning Contracts.
Meeting No. 23 27 March 2012	<ul style="list-style-type: none"> • Hearing with Department of Construction and Infrastructure on its Asset Management System. • Hearing with the Department of Housing, Local Government and Regional Services on its Performance Management System. • Hearing with the Department of Business and Employment on its Management of Cleaning Contracts. • Committee Chair advised members that the next meeting of the Australasian Council of Public Accounts Committee was to be held on Friday 25 May.
Meeting No. 24 30 April 2012	<ul style="list-style-type: none"> • Auditor General briefed the Committee on his March 2012 Report to the Legislative Assembly – Questions on notice: the Auditor-General to advise the Committee of the proportion of BER funding spent on Project Management fees, and comparisons with other States of the relative size of debt held by the non-financial public sector. • Consideration of draft PAC Annual Report 2011-12. • Consideration of Report on Examination of Auditor-General's Reports. • Resolved to ask that the Auditor-General review the operation of panel contracts with regard to the Treasurer's Directions and other requirements, particularly in relation to the timely tendering for new contracts as existing contracts come to an end.
Meeting No. 25 21 May 2012	<ul style="list-style-type: none"> • Consideration of correspondence regarding Strategic Review of the NT Auditor-General's Office. • Resolved that the Committee write to the Chief Minister advising that the Committee accepts the terms of reference of the 2012 Strategic Review of the Auditor-General's Office. However, once a reviewer has been selected the Committee would like them to explore jurisdictions in relation 2E of the terms of reference.

Auditor-General

Continuing the long-standing cooperation of the Committee with the Auditor-General's office and in the fulfilment of the advisory role of the Auditor-General to the Committee, the Committee met six times with the Auditor-General. In addition to briefings, the Auditor-General attended all committee hearings with selected government departments requested to appear before the Committee as part of

following up on matters raised in the reports of the Auditor-General. The Committee believes that its scrutiny of the public accounts is enhanced by the attendance of the Auditor-General at its hearings as it allows the Committee to obtain immediate advice from the Auditor-General in the presence of agency representatives and encourages good communication, further transparency and accountability.

Future Programme

The dissolution of the Parliament in August leaves the current Committee with little opportunity to further progress its work this Assembly. The second Auditor-General's report for 2012 will be available for the next Committee's examination soon after its establishment in the next Assembly. The Committee also suggests that the new Committee follow up on the review of the implementation of the Department of Construction and Infrastructure's Asset Information System to ensure the Government improves its capacity to deliver such projects.

3 Reports on Briefings

In addition to briefings relating to matters raised in the Auditor General's reports, covered in the Committee's *Report on the Examination of the Auditor-General's Reports*, the Committee had a number of briefings throughout the year on issues of interest or concern to the Committee. A brief outline of the issues and the results of those briefings are outlined below.

Treasury, Working for Outcomes, 25 October 2011

Briefing the Committee: Ms Jodie Kirkman, Deputy Under Treasurer

Mr David Braines-Mead, Assistant Under Treasurer

Mr Frank McGuinness, Auditor-General

Background

The Committee requested this briefing to be updated on the implementation of the *Working for Outcomes* financial management framework. In particular, the Committee requested that an update be provided regarding:

- how Working for Outcomes is affecting the reporting of financial information to the Legislative Assembly;
- how Working for Outcomes improves the Government's reporting of its performance to the Assembly;
- the connections between performance reporting under Working for Outcomes and Territory 2030; and
- the connections between agency budgets and performance reporting.

Agency Response

The Treasury advised the Committee that the *Working for Outcomes* financial management framework was first introduced in 2000. The framework incorporates three key elements:

1. Outputs: provision of services or production of goods;
2. Accruals: budgeting, accounting and reporting on an accrual basis; and
3. Performance: measurement of agency performance in relation to the quantity, quality, timeliness and cost of outputs.

Phase one started with the move to an outputs basis in the 2001/02 budget papers. Prior to this budget papers outlined agency activities and programs and corporate support was picked up as a separate activity. With the move to outputs corporate

support was allocated across individual outputs so that the full costs associated with delivering outputs was clearly identifiable.

Phase two involved the move from a cash based system of accounting to accrual accounting. Under the cash based system only cash in and cash out was identified in budgets, with no recognition of superannuation liabilities, other employee liabilities or depreciation. Although Treasury used to complete accrual statements for the Australian Bureau of Statistics for the Government Finance Statistics that were produced for the whole of Australia, this was undertaken by a small team in Treasury and was outside of the day-to-day operations of agencies. In 2000 all jurisdictions agreed to move to accrual accounting as part of the national uniform presentation framework. The first set of accrual financial statements for each agency and for the whole of Government was presented in the 2002/03 budget papers.

In terms of moving the framework forward the Committee heard that outputs are constantly refined as agencies work out how to better structure themselves. Similarly, performance measures also change to keep them contemporaneous. Phase three of the Working for Outcomes implementation has focussed on ensuring outputs and their associated performance measures are aligned with Government policy. The Committee was advised that since the development of the Territory 2030 Strategic Plan in 2009, Treasury has been moving towards ensuring that all agencies align their statements, strategic objectives and budgets with the 2030 outcomes and objectives.

In response to the Committee's questions regarding the role of Treasury in instances where agency annual reports indicate there is clearly a departure from the intended outcomes and the actual outcomes, the Committee was advised that this depended on the issue. For example, if the Department of Education fails to meet its targets regarding attendance rates the Treasury would approach the department to determine whether this was due to their resourcing capacity. If, however, the failure of agencies to meet their objectives relates to issues other than resourcing this would then be a matter for the Government. Departments will also approach Treasury and advise them if they are having difficulties meeting targets due to resourcing issues such as the inability to attract staff in remote areas.

In terms of ensuring that outputs, performance measures and targets are realistic, Treasury works with agencies on an on-going basis to ensure that annual budgets are realistic and achievable. Development of the budget incorporates discussions with each agency to review their performance over the previous year including an assessment of the trend of their actuals against their estimates. Departments are required to provide explanations for any departures from targets which are generally included in the footnotes of budget paper No. 3. This process may also result in a revision of performance measures for the following year.

Given that budget papers are prepared prior to the end of the financial year, it was noted that, in order for Members to gain a better understanding of variations between the original budget and final estimates, budget paper No 3 now includes additional information. The Committee was advised that the 2011/12 budget papers included outputs, the 2010/11 budget, the 2010/11 estimates and the 2011/12 budget and

where there were differences explanations were also included. It was further noted that agency annual reports should also reference back to budget paper No. 3.

In terms of continuous improvement of the *Working for Outcomes* framework, the Committee heard that output and performance measures are subject to an on-going process of refinement. As noted previously, ensuring such are aligned to the objectives and outcomes of Territory 2030 is a current focus for Treasury. Similarly, each year Treasury reviews the layout of budget paper No. 3 to determine whether it can be improved. Accrual accounting has been fully implemented across all agencies and Treasury has succeeded in obtaining unqualified audit opinions.

The Auditor-General confirmed that all of the elements of the *Working for Outcomes* financial management framework were now in place. The Committee was advised that the Auditor-General had reviewed the strategic plans of a couple of agencies to determine how well they related to what was included in budget paper No. 3. In one case it was noted that whilst the relationship between the overall strategic plan and budget paper No. 3 was quite good, the need to tighten up the linkages between specific outputs and outcomes was identified. The Committee heard that this observation has resulted in the department reviewing its performance measures and training staff in performance evaluation. It was further noted that these actions had improved the quality of the performance indicators and the overall results of the department in question.

Committee Response

The Committee was satisfied with the information received.

Ombudsman Dummy Documents Reported in a Life Long Shadow 29 November 2011

Briefing the Committee: Ms Carolyn Richards, Ombudsman

Ms Roxene Cahill, Senior Investigation Officer, Child
Protection Service

Mr Frank McGuinness, Auditor-General

Background

In August 2011 the Ombudsman's report, *A Life Long Shadow: Report of a Partial Investigation of the Child Protection Authority*, was tabled in the Legislative Assembly. In noting the Ombudsman's findings the Committee requested this briefing to:

- hear further on the background of the Ombudsman's findings regarding the creation of 'dummy documents' as a stratagem to reduce backlogs; and
- ensure the reliability of reporting and management of danger assessments.

Agency Response

The Ombudsman informed the Committee that in 2008 an unofficial statistical recording process referred to as the 'Whiteboard' was developed by one of the managers of the Central Intake Team of the then Department of Health, Children and Families. The 'whiteboard' was developed as an internal process for use by managers of the Central Intake Service in response to the inadequacies of the department's 'Community Care Information System' (CCIS). On receiving a notification of concern regarding a child's welfare, the Child Protection Authority was required to assess whether or not it required a response with 24-48 hours or five days. This involved Intake Staff checking the CCIS system to identify the child, determine whether there was any history of previous notifications for either that child or siblings of that child, and ascertaining whether or not there had been any previous involvement of the Child Protection Service with that family or child.

However, staff had no way of tracking what was happening about notifications until such time as they were entered into the computer system. In addition to notifications received via email or phone calls, any report entered into the police computer system which included phrases such as 'child in danger', 'violence child present', 'assault child present', automatically sent through a notification to the Child Protection Authority. The number of notifications generated by the police system alone was such that it caused a significant backlog of cases that needed to be entered into CCIS. Hence the 'whiteboard' process served as a means of tracking notifications that were waiting to be entered into the system. Given the number of notifications to the Child Protection Authority the 'Whiteboard' eventually developed into a computerised spreadsheet which intake workers would complete once a notification had been assessed to indicate that the intake was ready to be reviewed by team

leaders since no action was taken on a Child Protection report until the initial recommended response had been approved by a team leader.

The Committee was advised that by October 2008 the backlog of cases that had neither been entered into the CCIS nor finalised by team leaders stood at 388. As a means of clearing the backlog given the on-going staff shortage in Central Intake, on 24 October 2008 the Manager Child Abuse Task Force and Central Intake sought approval from the Senior Manager Darwin urban and NT Wide Service to implement the 'dummy document' strategy. Notifications on the 'whiteboard' initially assessed as low risk and not requiring further action were to be 'written off' by completion of a dummy intake form in order for these notifications to be shown as 'closed'. The Ombudsman advised the Committee that whilst her investigation was unable to determine who was responsible for sanctioning this strategy, 367 of the 388 backlog of cases were subsequently 'closed' through the creation of 'dummy documents'. Although a new intake system was implemented in July 2009, the Ombudsman noted that instances of 'write offs' and 'dummy documents' appeared in records through to November 2009.

Given that this process clearly constituted a serious departure from good practice and had the potential to put the welfare of the children concerned at risk, the Committee asked whether or not there was any evidence to indicate that the Minister was informed about the introduction of this strategy. The Committee heard that the Minister sought a report as to what was happening at the Intake Service in late December 2008 and received a seven page briefing on 13 January 2009. However, as noted in the Ombudsman's report, the information provided to the Minister did not accurately reflect what was actually happening, failed to point out the implications the 'dummy documents' strategy had in terms of the child protection system, and was misleading. The Ombudsman noted that at least four examples were found where the use of dummy documents had caused prejudice to the later assessment of the risk faced by children which are detailed in her report *A Life Long Shadow*.

Following advice that the Child Protection Authority had twelve boxes of handwritten notes which contained the only records of the hundreds of notifications that were written off, the Committee heard that in early 2011 the Ombudsman requested the Acting Chief Executive Officer to conduct an audit of a sample of these dummy intakes to identify whether or not an appropriate initial assessment of these reports had in fact been made. In March 2011 the Ombudsman was advised that thirty written off intakes were randomly audited using interval sampling methodology. A summary of notified concerns was recorded on the electronic client information system for each of these thirty clients as part of the audit process to ensure that a full history of reported concerns forms part of any assessment of risk if future contact with these clients occurs. The Committee was advised that since the audit identified some quality errors in process and in the accuracy of assessments the department determined that it would thoroughly review all 'written off' intakes.

In response to queries from the Committee regarding whether or not any other dummy documents were found to be in use for any other purposes, the Ombudsman advised that none was found before March 2011 which is when the inquiry ceased.

Committee Response

Whilst satisfied with the information provided by the Ombudsman, the Committee expressed its concern about the dummy document strategy noting that it was an inappropriate means of responding to the issue. The Committee further noted that it would also be highly critical if such a process were to be used again.

Department of Business and Employment Cleaning Contracts 27 March 2012

Briefing the Committee: Mr Mark Sweet, Chief Executive Officer

Mr Chris Hosking, Acting Executive Director Shared Services

Mr David Bryan, Executive Director NT Property
Management

Mr Frank McGuinness, Auditor-General

Background

Concerns were raised with the Committee that some agencies have been contracting cleaning services on a monthly basis, and that this may be contrary to proper procurement processes. The Committee wrote to the Treasurer on 14 November 2011 seeking advice regarding the requirements for agencies' period contracts for cleaning services, and whether all agencies comply with those requirements.

By letter dated 16 January 2012, the Treasurer advised the Committee that the Northern Territory Government's Procurement Framework does not prescribe a particular contracting form for cleaning services. Rather, the Procurement Directions allow for a range of procurement methods; including period and panel contracts. The term of a contract is not prescribed either, although an upper limit of three years applies with Procurement Review Board approval required for longer contract periods.

Whilst an agency's choice of contracting arrangements depends on a range of factors, including business needs, industry capacity and resource requirements, long-term service arrangements are generally sought as they are more efficient and cost effective. An analysis of the Procurement Systems Data for 2011 identified close to 100 active cleaning contracts; the majority of which were for a three year term. However, the Committee was advised that details of specific short-term or one-off arrangements were not available from the system's data set.

The Committee was further advised that monthly service arrangements appeared to be pursued by some agencies when issues arise such as:

- the contractor ceases operation, requiring existing contracts to be terminated;
- sustained poor contractor performance results in contracts being cancelled;
- attempts to source a contractor through normal procurement processes result in no suitable business being identified that can meet the contract specifications;
- procurement action to establish a long-term arrangement takes longer than planned.

Labour hire and sustaining a suitable workforce over the contract term, particularly in smaller centres, was noted as challenging for some cleaning contractors resulting in the above issues arising. Where this is the case, monthly arrangements may

continue for some time whilst responses from potential suppliers are assessed or emerging issues are addressed.

The Treasurer further noted that the Department of Business and Employment is currently working with agencies to improve procurement practices and the way in which the Government engages and works with the cleaning services industry. The Committee was advised that a detailed analysis of cleaning service arrangements and standards is in progress, with industry consultations planned for early 2012 and the subsequent implementation of updated procurement processes.

On the basis of the information provided by the Treasurer, the Committee requested a briefing with the Department of Business and Employment to determine the way in which the department currently allocates cleaning service contracts.

Agency Response

The Committee heard that the Department of Business and Employment is only responsible for contracting cleaning services for leased office accommodation where cleaning is not provided by the building owner or as part of the lease agreement. As such cleaning services contracted by the department represent approximately 12% of the total amount of space occupied by the Northern Territory Government excluding schools. The department is also responsible for contract cleaning services in the government owned building which houses the Government Printing Office. For the 2011/12 period contracted cleaning services amounted to an estimated \$1.4m and represented approximately 45% of the total cost of cleaning services for all the leased office accommodation.

The Committee was advised that the department is responsible for a total of 12 contracts provided by six cleaning contractors. Contracts are typically awarded for a three-year period. However, in instances where a contract lapses there is an allowance for services to continue on a monthly fee-for-service basis. When questioned as to the number of instances where this had occurred, the Committee was advised that during the course of the past three years all of the cleaning contracts managed by the department have collapsed. This had subsequently resulted in the situation where cleaning services have been supplied on a month-by-month basis.

The department advised the Committee that a two stage process had been implemented to remedy this situation. Firstly, the department had issued requests for quotes or tenders for the 12 cleaning contract services they are responsible for. Secondly, these are currently being evaluated and new contracts awarded accordingly. The Committee heard that, to date, the department had awarded approximately 50% of these contracts and is in the process of evaluating the remainder. As noted in the advice from the Treasurer, the Committee was further advised that over the next couple of months the department will be consulting with industry to discuss service arrangements prior to once again implementing a three-year tender process for cleaning services.

In response to the Committee's queries regarding additional costs that may have been incurred by the department as a result of the month-by-month or short term

contracts, the Committee heard that these arrangements had been cost neutral. The department noted short term contracts or continuation of services on a fee for service basis were based on the pre-existing contract and associated conditions. Consequently, the total cleaning bill for 2010/11 where most services were provided on a month-by-month basis was the same as it was in 2008/09 when services were provided under a three year contract.

Committee Response

Whilst the Committee was satisfied with the information provided by the Department, concerns were raised regarding the status of panel contracts in other Government departments. The Committee resolved to request the Auditor-General to review the operation of panel contracts with regard to the Treasurer's directions and other requirements, particularly in relation to the timely tendering for new contracts as existing contracts come to an end.