



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

11th Assembly

Public Accounts Committee

NT Government Agencies' Internal Controls

COMMITTEE REPORT

May 2011

Presented and
ordered to be printed
by the Legislative
Assembly of the
Northern Territory
May 2011

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Chair's Preface

The Public Accounts Committee was asked by the Treasurer to inquire into internal control processes in Northern Territory Government agencies for accounts payable, corporate credit card management, procurement and travel procedures. This is the report on the inquiry.

It is timely that this report coincides with the current review of Treasurer's Directions and the implementation of key changes across agencies to strengthen and streamline internal controls for a range of processes in the financial management framework of the Northern Territory. This is not first time the Public Accounts Committee has inquired into internal audit and internal control processes in Northern Territory Government agencies. The last time was in 2004. At that time many Internal Audit Committees were being formalised in regards to charter and composition. Changes in business divisions bought on by Government restructure also generated many necessary changes. These points further highlight the timeliness of this report. The Public Accounts Committee is now able to report on the current picture of internal audit processes and internal controls in NT Government agencies.

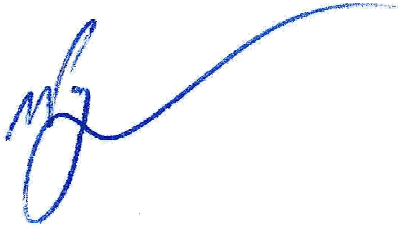
The Committee found that since the commencement of this inquiry, changes have been implemented across all Northern Territory Government agencies to strengthen internal controls. The implemented changes are part of the overarching structure of policies and procedures designed to ensure consistency and accuracy in application and administration.

The Public Accounts Committee believes that genuine efforts have been made on the part of all agencies to respond to issues raised by the Auditor-General for the Northern Territory. This has resulted in uniform processes in internal controls being developed while allowing for slight variations for the specific work of business divisions. The completion and application of an internal controls manual across NTG agencies can only ensure better management and accountability.

Following the completion of its examination of agency internal audit committee minutes, the Committee was advised by the Under Treasurer that a Financial Management Toolkit had been completed in 2010 and was being implemented across all agencies. The Toolkit provides a central place for financial policy matters linked with brief guidelines and information for internal control processes for all agencies to follow. The Public Accounts Committee was pleased to hear that government had responded effectively to the concerns of the Auditor-General in August 2008. Although the Toolkit is still being rolled out, the Public Accounts Committee believes that the Auditor-General's compliance and control function is

best placed for a watching brief on the effectiveness of the implementation of revised Treasurer's Directions and Financial Management Toolkit.

On behalf of the Public Accounts Committee, I would like to thank all agency staff who provided evidence to the inquiry. I also thank the Secretariat staff for their work. Finally, I thank Members of the Public Accounts Committee for their bi-partisanship during the inquiry and sincere interest in considering the important matters related to internal audit and internal control processes.

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

Michael Gunner MLA
Chair

Committee Members



Mr. Michael GUNNER, MLA

Member for Fannie Bay

Party: Australian Labor Party

Parliamentary Position: Government Whip

Committee Membership:
Standing: Public Accounts; Estimates; Subordinate Legislation and Publications; Legal and Constitutional Affairs; Standing Orders; Members' Interests
Sessional: Environment and Sustainable Development
Chair: Public Accounts; Estimates, Subordinate Legislation and Publications



Ms. Marion SCRYMGOUR, MLA

Member for Arafura

Party: Australian Labor Party

Committee Membership:
Standing: House; Public Accounts, Estimates, Subordinate Legislation and Publications, Legal and Constitutional Affairs;
Sessional: Environment and Sustainable Development; Council of Territory Co-operation
Chair: Environment and Sustainable Development
Other: NT Constitutional Convention Committee



Ms. Lynne WALKER, MLA

Member for Nhulunbuy

Party: Australian Labor Party

Committee Membership:
Standing: House, Public Accounts, Estimates Subordinate Legislation and Publications
Sessional: Environment and Sustainable Development, Council of Territory Co-operation



Mr. John ELFERINK, MLA

Member for Port Darwin

Party: Country Liberals

Parliamentary Position: Opposition Whip, Shadow Minister for Justice and Attorney General, Corrections Services and Essential Services

Committee Membership:
Standing: Privileges, Public Accounts



Mr. Willem WESTRA VAN HOLTHE, MLA *

Member for Katherine

Party: Country Liberals

Parliamentary Position: Shadow Treasurer, Shadow Minister for Regional Development, Local Government and Tourism

Committee Membership:
Standing: Legal and Constitutional Affairs



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
Chair: Council of Territory Co-operation

* Appointed to the Public Accounts Committee on 22 February 2011, in place of Mr David Tollner, MLA, Member for Fong Lim, who was discharged on 22 February 2011.

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Committee Secretary: Mr Russell Keith (from 30 November 2010)
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Acknowledgements

The Committee acknowledges the assistance of the Parliamentary Library Service for their research assistance.

Acronyms and Abbreviations

| | |
|-------|--|
| ANAO | Australian National Audit Office |
| DBE | Department of Business and Employment |
| DCIS | Department of Corporate and Information Services |
| DCM | Department of the Chief Minister |
| DLA | Department of the Legislative Assembly |
| DPIFM | Department of Primary Industry, Fisheries and Management |
| ECMS | Electronic Card Management System |
| EFT | Electronic Funds Transfer |
| EIMS | Electronic Invoice Management System |
| GAS | Government Accounting System |
| IIAA | Institute of Internal Auditors Australia |
| NT | Northern Territory |
| NTG | Northern Territory Government |
| PAC | Public Accounts Committee |
| PSEMA | <i>Public Sector Employment and Management Act</i> |
| RTD | Remuneration Tribunal Determination |
| TRIPS | Travel Request Information Processing System |

Inquiry Terms of Reference

Pursuant to the Public Accounts Committee's Terms of Reference (2(d) (ii)) (at Appendix A), in September 2008, the Treasurer referred to the Public Accounts Committee to:

investigate and assess the level of internal controls agencies have in place for a range of processes including:

- Accounts payable;
- Credit card management; and
- Procurement and travel procedures.¹

¹ Treasurer's Inquiry Referral Letter at Appendix B

Recommendations

The Committee recommends that:

1. Treasury enforce the new Treasurer's Direction G2.2 regarding Internal Controls. Implementation of the Direction must include training and other assistance to ensure all agencies understand and comply with all elements of the financial management framework set out in the Direction.
2. in conjunction with the implementation of the Treasurer's Direction G2.2, all agencies review their systems and processes in reference to the standardised rules and guidelines contained in the Toolkit.
3. through the compliance and control audit function of the Auditor-General for the Northern Territory, the Auditor-General maintain a watching brief on the implementation of revised Treasurer's Direction G2.2.
4. Treasury develop the Corporate Risk Management Framework currently used by the Department of Health and Families as a model for all NT Government Departments.

1. INTRODUCTION

Background to the inquiry

The inquiry was referred to the Public Accounts Committee (PAC) by the Treasurer following the Auditor-General for the Northern Territory August 2008 Report to the Legislative Assembly.² The Auditor-General's report pointed toward a number of issues where further investigation of agency internal control processes would be beneficial. The issues raised by the Auditor-General were:

- potential problems with features of the accounts payable receipt and tracking system;
- inadequate corporate credit card processes and internal controls;
- non-compliance with Procurement Directions, procurement policies and Treasurer's Directions; and
- weaknesses in the review and clearing of outstanding Travel Acquittals.

Conduct of the inquiry

The PAC commenced the inquiry by writing to all NT Government (NTG) Departments advising them of the inquiry. Later, the PAC wrote again to each Department asking for copies of the minutes of Internal Audit Committee meetings since January 2004. The PAC also asked for a list of actions taken by each Audit Committee to address any audit or risk assessment issue in their agency in that time.

Once all submissions were received, the PAC received the following briefings:

- 13 October 2009, Treasury
- 15 October 2009, Department of Business and Employment (DBE)
- 15 October 2009, Department of Education and Training
- 23 February 2010, Department of Health and Families, Part 1
- 25 February 2010, Department of Health and Families, Part 2
- 26 October 2010, Department of Health and Families, Part 3

Research conducted by the Secretariat supported the evidence provided to the Committee.

² Auditor-General for the Northern Territory, 'August 2008 Report to the Legislative Assembly', 2008, Northern Territory Auditor-General's Office

The report

This report summarises the key evidence received, the Committee's considerations during the inquiry and recommendations agreed to by all members of the PAC.

Chapter 2 sets the context of the inquiry by providing definitions of the key terms and concepts associated with the subject of internal audits and internal controls.

Chapter 3 considers the key focus areas as directed by the Treasurer in the inquiry reference by summarising actions undertaken since the commencement of the inquiry regarding internal control processes. Any evidence received during briefings is referred to throughout.

The reports of the Auditor-General for the NT to the Legislative Assembly were a significant reference for this report. The publications of the Australian National Audit Office (ANAO) and the Institute of Internal Auditors Australia (IIAA) were also valuable references, providing much of the support on principles of best practice in internal audits. These were used to consider and assess the level of internal controls in agencies. Where relevant and appropriate, published research papers were also referred to in the writing of this report.

Since the inquiry commenced, changes to Department business divisions occurred. For agencies with these changes, the PAC agreed to continue to refer to the name of the agency at the time the inquiry commenced and also provide information on the changed Departments.

2. CONTEXT

Internal controls

Under the *Financial Management Act* an internal control is defined as:

the methods and procedures adopted within an agency to do the following:

- (a) promote operational efficiency, effectiveness and economy;
- (b) safeguard its assets and manage its liabilities and contingent liabilities;
- (c) deter and protect against fraud;
- (d) maintain the accuracy and reliability of its accounting information;
- (e) ensure compliance with legislative provisions.³

Under the *Financial Management Act*, the Accountable Officer has the responsibility to ensure that the agency has procedures in place to provide appropriate internal control at all times.⁴

Internal audit

Under Treasurer's Directions, internal audit is defined as:

an independent appraisal or review of the operations or activities of an organisation.⁵

Treasurer's Directions also describe it as:

a management tool designed to provide assurance that systems and internal controls operating within agencies are adequate and effective.⁶

The Institute of Internal Auditors Australia provides a broad definition of internal audit:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an agency accomplish its objectives by bringing a systematic,

³ *Financial Management Act* (NT), Part 1, s 3

⁴ *Financial Management Act* (NT), Part 3, s 13, 2(b)

⁵ NT Treasurer's Directions, Part 1 - Introduction and Preliminary, s 2 - Definitions

⁶ NT Treasurer's Directions, Part 3 - Responsibilities of Accountable Officers, s 2 - Internal Audit

disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.⁷

Internal audit is one of a number of assurance and review activities in many organisations.⁸ Internal audit processes are part of an organisation's system of financial management and a key part of its overall Corporate Governance Framework being concerned with the adequacy of risk management and internal control systems, efficiency and effectiveness of operations, safeguarding assets and compliance with regulations.⁹

The difference between an internal and external audit lies in the position of the auditor(s) in relation to the organisation and the scope of the audit. External audits are conducted by bodies that are independent of the organisations audited. External auditors are bound by legislation and professional standards to conduct financial and compliance audits and provide an opinion derived from those audits to the organisation audited.

Internal audit function is performed independently of all units or departments of an organisation and generally conducted by employees of the organisation. Reports are then delivered to the Accountable Officer. It should be noted that outsourcing the conduct of an internal audit can also occur. The scope of internal audit functions includes all operational systems and processes.¹⁰

For the NT, internal audit processes are part of the NT's Financial Management framework. 'Working for Outcomes' is the Northern Territory Government (NTG) financial and performance management framework. The *Financial Management Act* is the primary legislation for the financial management of the NT, certain Government business activities and related purposes.

Adequate internal audit capacities to assist the Accountable Officer (in most cases the Chief Executive) in performing his or her functions are a legal requirement under the *Financial Management Act*.¹¹ Treasurer's Directions and their compliance by Accountable Officers, is provided for by the *Financial Management Act* (s 38).

⁷ Institute of Internal Auditors Australia, Technical Resources, Definitions, <http://www.iaa.org.au/TechnicalResources/Definition.html>, at 26 July 2010

⁸ Australian National Audit Office, 'Public Sector Internal Audit, An investment in Assurance and Business Improvement, Better Practice Guide', 2007, Commonwealth of Australia

⁹ Institute of Internal Auditors Australia, 'Policy Agenda', <http://www.iaa.org.au/PublicDocument?q=/IIAAustraliaPolicyAgendaFINALv02.pdf>, at 26 July 2010

¹⁰ Institute of Internal Auditors, 'What is the Difference Between Internal and External Audit?' <http://www.iaa.org.au/Default.aspx?PageID=1953323&A=SearchResult&SearchID=1508045&ObjectID=1953323&ObjectType=1>, at 27 July 2010

¹¹ *Financial Management Act* (NT), s 15

Treasurer's Directions provide detailed requirements (principles, practices and procedures) for compliance in the financial administration of and by Government Departments. Treasurer's Directions are currently being revised and updated.

For internal audits, requirements under Treasurer's Directions include:

- a charter under which the agency's internal audit function operates;
- a charter which clearly states the authority, independence, responsibilities and scope of the agency's internal audit function;
- a program of internal audit; and
- the performance of internal audits by skilled and competent auditors of the standard of relevant professional bodies.¹²

As pointed out by the Institute of Internal Auditors Australia:

In all sectors, internal audit can contribute to stronger organisations, more efficient and effective performance, better asset safeguarding and reduce the likelihood and severity of fraud and corruption.¹³

Risk identification, management & mitigation

Risk identification, management and mitigation, often collectively referred to as risk management, are integral to internal audit and control processes. The PAC found that most agencies combine the risk associated functions within the scope of their audit committees. Treasurer's Directions compel all agencies to develop and maintain appropriate risk management frameworks. Risk management frameworks must contain risk mitigation strategies as well as policies and procedures to identify, manage and minimise loss or damage of assets resulting from agency activities. In some cases a strategy can include commercial insurance.¹⁴

Control self assessment

Control self assessment is a process to examine the effectiveness of internal control and identify opportunities for improvement by engaging the staff of the area to assess

¹² Northern Territory Treasurer's Directions, Part 3 - Responsibilities of Accountable Officers, s 2 - Internal Audit

¹³ Institute of Internal Auditors Australia, 'Policy Agenda', 2008, p 2, <http://www.iaa.org.au/PublicDocument?q=/IIAAustraliaPolicyAgendaFINALv02.pdf>, at 26 July 2010

¹⁴ Treasurer's Directions, 'Risk management – Insurable Risk Framework, s r 2.1 –Insurance arrangements

the risks and controls of their area.¹⁵ With the insight of staff actually carrying out the work of the area, the process can assist managers to identify any deficiencies and implement changes to improve control processes. The process can save time and resources for internal audit function. Questionnaires must be well designed so as to extract the relevant information and not take too much time to complete. The process also has the potential to be used to train new staff.

Audit committees

An audit committee is:

an advisory body to senior management on issues relating to internal and external audit, and other financial and accountability matters.¹⁶

An audit committee has 3 main investigative avenues:

1. to review the work of external audit;
2. to call executive management to account, including to attend audit committee meetings; and
3. to direct and review the work of internal audit.¹⁷

Treasurer's Directions provide the framework for Accountable Officers to establish and operate audit committees to co-ordinate the internal and external audit activities of agencies.¹⁸ Treasurer's Directions also provide for the functions of audit committees to include:

- (a) liaison with audit representatives;
- (b) responsibility for internal audit;
- (c) monitoring the implementation of audit recommendations;
- (d) review of compliance with legislative requirements;
- (e) review and approval of financial statements (in conjunction with an audit report); and
- (f) monitoring changes in accounting and reporting requirements.¹⁹

Further functions may include:

¹⁵ University of Newcastle, 'Control Self Assessment', <http://www.newcastle.edu.au/service/risk-assurance/audit/control-self-assessment.html>, at 16 September 2010

¹⁶ Treasurer's Directions, 'Part 1 - Introduction and Preliminary, s 2 - Definitions'

¹⁷ KPMG 'The Parliamentary Public Accounts Committee: an Australian and New Zealand Perspective', (2007), La Trobe University Public Sector Governance and Accountability Research Centre (PSGARC)

¹⁸ Treasurer's Directions Part 3 - Responsibilities of Accountable Officers, s 3 - Audit Committees

¹⁹ Treasurer's Directions, Part 3, s 3(4)

-
- (a) monitoring policies;
 - (b) establishing and reviewing a code of conduct; and
 - (c) reviewing policies relating to conflicts of interest, misconduct and fraud.²⁰

Internal audit can give an audit committee and executive management an independent view of whether the agency has appropriate risk and internal controls in place, promote good risk management and compliance culture within an organisation and in turn support good governance.²¹

An Audit Committee, as a crucial component of corporate governance, is fundamental to assisting the Chief Executive and Board to:

- ensure all key controls are operating effectively;
- ensure all key controls are appropriate for achieving corporate goals and objectives; and
- meet their statutory duties.

An Audit Committee's strength is its demonstrated independence and power to seek explanations and information, as well as its understanding of the various accountability relationships and their impact, particularly on financial performance, risk and controls.

It is important for Audit Committees and their members to have a good understanding of the committee's position in the entity's legal and governance framework.

Accounting and property manuals

The *Financial Management Act* requires the Accountable Officer of each agency to maintain a current Accounting and Property Manual.²² Treasurer's Directions requires that an agency's accounting and property manual should:

- provide relevant, current and accurate information on the accounting systems, practices and procedures to be used by employees;
- be a practical and effective reference document consistent with the scope and complexity of the agency's operations; and

²⁰ Treasurer's Directions, Part 3, s 3(5)

²¹ Institute of Internal Auditors Australia, 'Policy Agenda', 2008, p 2, <http://www.iaa.org.au/PublicDocument?q=/IIAAustraliaPolicyAgendaFINALv02.pdf>, at 26 July 2010

²² *Financial Management Act* (NT), Part 16

- provide the means of promoting sound policies, practices and procedures for financial management and changes in such policies within the agency.²³

Auditor-General for the Northern Territory

The Auditor-General may conduct audits on controls and compliance of selected systems or accounting processes within agencies in order to assist with the audit of public accounts.²⁴

²³ Treasurer's Directions, Part 3 - Responsibilities of Accountable Officers, Section 1 - Accountable Officers, 3.1.4 Agency Accounting and Property Manuals

²⁴ Auditor-General for the Northern Territory, 'February 2010 Report to the Legislative Assembly', (2010), Office of the Auditor-General for the Northern Territory

3. PROCESSES

Accounts Payable

Treasurer's Directions in conjunction with the *Financial Management Act* provide requirements for the appropriate management of accounts payable in all NTG agencies.²⁵ Payments are to be made subject to appropriate management, accountability and controls. The correct approvals must be obtained and or notifications made before a payment is validated.

DBE provides an accounts payable service for agencies that includes processing within the Government Accounting System (GAS) for payment of invoices, employee claims like official travel and reimbursements.²⁶ The role of DBE is to ensure that supplier invoices are paid in a timely manner, and provide Receiver of Territory Monies (RTM) services.²⁷ Detailed procedures and forms to manage accounts payable are provided by DBE. Agency Accounting and Property Manuals provide further instructions. It is the responsibility of agencies to ensure the correct procurement procedures have been applied prior to payment processing.

In order of priority, the preferred methods of payment are:

1. Corporate Credit Card;
2. Ledger transfer (LTF) (only applicable for paying Territory Government entities); and
3. Electronic funds transfer (EFT).

Other payment methods are cheque; and cash. Corporate credit cards are to be used as payment for purchases up to and equal \$500 inclusive of GST, official travel and accommodation bookings, payments over the internet and telephone, payments to the Power and Water Corporation and Government Printing Office.²⁸

Since 2004, the NTG has had a policy that all accounts are to be paid within 30 days of receipt of the invoice unless there is a dispute over the account. Also, suppliers are able to claim interest on late payments.²⁹ Quarterly reports are made to the

²⁵ Treasurer's Directions Accounting – Liabilities Section A3.2 : Accounts Payable and Accrued Expenses

²⁶ Department of the Legislative Assembly, Accounting and Property Manual, March 2010

²⁷ <http://intranet.nt.gov.au/dbe/finance/index.shtml>, Accessed 12 November 2010

²⁸ Treasurer's Directions, Cash Management – Transaction Management Section C3.2: Payments, C3.2.2, Methods of Payment

²⁹ NT Government Department of Business and Employment, 'Overview - Procurement Policy Amendments Fact Sheet 01/2009', at http://uluru.nt.gov.au/dbe/procurement/docs/procurement_policy_amendments_fact_sheet.doc, Accessed 10 November 2010

Government Procurement Council and performance reporting in the DBE Annual Report.³⁰

The Auditor-General reported in August 2008 that there was a receipt and tracking system that allowed for the deletion of receipts after processing and also incorrectly rounded off GST amounts and weaknesses in the reconciliation of control accounts.³¹

Since the Auditor-General's 2008 report, many changes have been implemented to address the issues highlighted by the Auditor-General. A recent change is that all agencies are switching to the Electronic Invoice Management System (EIMS) to automate the accounts payable process by shifting from manual entering of accounts payable information. Invoices submitted by agencies are electronically scanned by DBE, processed and interfaced into GAS. With EIMS, each stage of the process or workflow is clearly defined with responsible officers assigned in each agency and those in DBE with the task of ensuring their part of the process is completed before the invoice passes to the next stage. This new method of processing payment of invoices will allow better tracking of payments of invoices for both agencies and DBE as the service agency. EIMS will eventually be integrated with GAS.³²

EIMS is now a central device to accounts payable and together with the associated changes for procedures and processes, addresses the Auditor-General's concerns about the receipt and tracking system. The PAC notes that significant changes to accounts payable policies and procedures have been implemented since 2008 to improve accounts payable management in NTG agencies however, EIMS still needs time to become completely operational and monitored at all stages to ensure success.

Corporate Credit Card Management

The issue of internal control processes for corporate credit card management in NTG agencies came to the fore following the Auditor-General's Report to the Legislative Assembly of August 2008. The Auditor-General audited corporate credit card controls and the frequency of use of cards in the following NTG agencies:

³⁰ NT Government Department of Business and Employment, 'Overview - Procurement Policy Amendments Fact Sheet 01/2009'

³¹ Auditor-General for the Northern Territory, 'August 2008 Report to the Legislative Assembly', 2008, Northern Territory Auditor-General's Office, p18

³² NT Government Department of Business and Employment, Annual Report 2009–10, <http://www.nt.gov.au/ago/reports/2008%20August.pdf>, Accessed 18 November 2010

1. Department of Business, Economic and Regional Development;
2. Department of Natural Resources, Environment and the Arts; and
3. Department of Primary Industry, Fisheries and Mines (DPIFM).

Of the three agencies, two were reported as having corporate credit card 'processes and internal controls [that] were adequate and capable of ensuring that public monies are not misappropriated through inappropriate use of the cards.'³³ However all 3 were found to have areas that required improvement. The Auditor-General reported that:

- credit cards were used to pay for goods and services without complying with procurement procedures;
- significant numbers of employees in possession of corporate credit cards with only minimal transactions recorded during a 12 month period. As each card incurs an annual fee of \$19 plus \$35 per month notional charge by the Department of Corporate and Information Services, (DCIS), savings could be achieved in minimising the number of corporate credits in each agency.
- Efficiency in administering corporate credit cards could be achieved by obtaining exception reports that would help to identify cards that may no longer be required.³⁴

In addition to the audit on credit cards, the Auditor-General reviewed the extent to which expenditure incurred by credit cards was entered into the Electronic Card Management System (ECMS) administered by DCIS (now DBE), and supporting documentation was provided with each transaction. The agencies reviewed were:

1. the Department of Employment, Education and Training;
2. the Northern Territory Police, Fire and Emergency Services; and
3. Tourism NT.

The Auditor-General found that delays in clearing expenditure incurred on corporate credit cards suggested internal controls as required by Treasurer's Directions were either not in place or not functioning as intended. The delays in submission and verification of transactions indicated that relevant policies and procedures issued by DCIS were not adhered to. The Auditor-General asked the agencies to provide information on the:

³³ Auditor-General for the Northern Territory, 'August 2008 Report to the Legislative Assembly', 2008, Northern Territory Auditor-General's Office, p20

³⁴ Auditor-General for the Northern Territory, 'August 2008 Report to the Legislative Assembly', 2008, Northern Territory Auditor-General's Office, p21

- reasons for the delays in ensuring that all data was submitted promptly by the cardholder and verified;
- action being taken by the agency to process the backlog of un-cleared expenditure incurred on corporate credit cards; and
- action proposed to ensure that significant delays did not reoccur.

The agencies attributed the delays to the need for a dedicated officer in each agency to effectively manage the process, shortages in staff, high workloads, insufficient reporting and monitoring as well as the skill level of card holders.³⁵

The Auditor-General recognised that card holders might find it difficult to provide supporting documentation for un-cleared expenditure, especially amounts dating back to November 2006 and so sought information from the agencies on the methods used to substantiate that expenditure as official and proper. Statutory declarations were used in two of the agencies to support expenditure incurred for official purposes. The third agency referred back to suppliers for copies of tax invoices to confirm that expenses were incurred for legitimate purposes.

The results of the Auditor-General's August 2008 report raised questions of whether internal control processes in all agencies were sufficient to ensure the appropriate and timely processing of payments made using credit cards.

In a correspondence to the PAC in October 2008, in relation to un-cleared credit card transactions, the Auditor-General advised that:

Following my audit, [agencies have] made concerted efforts to clear all unsubmitted credit card transactions and I am satisfied that the situation that I identified was rectified by the 30 June 2008.³⁶

In 2009, the use of corporate credit cards was incorporated into the NTG overall accounts payable and cash management strategy.³⁷ From July 2010, the NTG Credit Card Policy and Procedure Guidelines replaced the NT Government Corporate Credit Card Information/Conditions of Usage. The revised standards provide the policy and procedural support for all NTG agency internal control processes for the

³⁵ Auditor-General for the Northern Territory, 'August 2008 Report to the Legislative Assembly', 2008, Northern Territory Auditor-General's Office

³⁶ Correspondence from Attorney-General for the Northern Territory the Public Accounts Committee, 2008

³⁷ NT Government, 'Credit Card Policy and Procedure Guidelines', Department of Business and Employment, 2010

management of their corporate credit cards including the responsibilities of cardholders, verifiers and agency Administrators, restrictions on the use of corporate credits, checks on procurement prior to credit card use for payment and requirements for the appropriate supporting documentation for payments made with credit cards. Existing DBE manuals and procedural documents support the policy and guidelines by providing the step by step details for credit card use and payment processing.³⁸

Under the revised framework, all credit card holders must undergo training that covers the policy, guidelines and procedures for the appropriate use of corporate credit cards. An online tutorial is also available. Strict deadlines are in place for the processing of credit card transactions after payment by holders and verifiers. Cardholders have seven days from when the transaction appears in ECMS to submit their transactions and supporting paper work to the verifiers. Cardholders must submit supporting paper work as soon as the transaction has been submitted through ECMS. Cardholders who fail to comply with the deadlines can have their cards cancelled. Verifiers have 10 days from when the cardholder submits a transaction and supporting documentation to verify the transaction.

The PAC is satisfied that the response of agencies and the current framework of policy, guidelines and procedures for credit card management for all NTG Departments address the concerns of the Auditor-General's August 2008 report to the Legislative Assembly. Monitoring of the recently implemented changes needs to be ongoing to ensure that credit cards are used as a method of payment only after procurement procedures have been followed and that verification at all levels of processing payments is accurate and prompt.

Procurement

The Auditor-General's compliance audits reported in August 2008 found non-compliance with Procurement Directions, procurement policies and Treasurer's Directions. Since that time many changes have been implemented to strengthen procurement in NTG agencies.

Since 2008, guidelines, procedures and forms for procurement have been improved and are now centrally located on the DBE intranet website. Between 2008 and 2009, a review of the *Procurement Act*, Regulations and Directions was undertaken. From March 2009, a number of key changes to procurement policy and processes were implemented including:

³⁸ NT Government, 'Credit Card Policy and Procedure Guidelines', Department of Business and Employment, 2010, p3

- Increases to all procurement thresholds within tiers;
- Compulsory use of electronic agency Procurement Requisition Online (APRO for Tier 2 (\$15,000) and above);
- more delegation for NTG agency Chief Executives for Certificate of Exemption from the Public Tendering process; and
- the development of a core procurement network across agencies, to provide high level out-posted strategic procurement advice and services across all agencies.³⁹

The overarching framework for procurement in NTG agencies consists of a number of elements. Procurement is provided for by the *Procurement Act*, Procurement Regulations, NT Procurement Code, Procurement Circulars and Procurement Directions.

Procurement Directions comprises three series. The Framework Series explains the legislative structure, principles, definitions, entities and delegations. The Policy Series deals with Value for Money procurement, methods of procurement, planning, specification development as well as contract award and management. The Process Series details the procedures and processes for procurement under each cost tier or range, supplies under existing period contracts, Standing Exemptions, processes under the Procurement Review Board and Disclosure of Relative Weightings.⁴⁰

The Procurement Principles underpinning the NTG procurement framework are:

1. Value for Money;
2. Open and Effective Competition;
3. Enhancing the Capabilities of Local Business and Industry;
4. Environmental Protection; and
5. Ethical Behaviour and Fair Dealing.⁴¹

The Procurement Review Board reviews agency adherence to the requirements of NT legislation, procurement policy and guidelines.⁴²

³⁹ NT Government Department of Business and Employment, 'Out-Posted Procurement Professionals Fact Sheet 02/2009'

⁴⁰ NT Government Department of Business and Employment, 'Procurement Directions', http://www.nt.gov.au/dbe/procurement_policy/new_directions.html, Accessed 11 November 2010

⁴¹ NT Government, 'Procurement Direction F2 Framework Series, Procurement Principles, Effective 1 July 2010', http://www.nt.gov.au/dbe/procurement_policy/documents/framework/f2_procurement_principles_effective_1_july_2010.pdf, Accessed 11 November 2010

⁴² Department of Business and Employment, 'Procurement Review Board', <http://www.nt.gov.au/dbe/tendering/prb/index.html>, Accessed 11 November 2010

The role of the Government Procurement Council is to enable the private sector to be involved in improving Government procurement policy by providing advice to the Minister for Procurement on:

- Government procurement policies and practices;
- the Effectiveness of such policies and practices, and
- the Implementation of future policies and improvements.⁴³

DBE administers the implementation of procurement policies and procedures across agencies.

Procurement Directions provide detailed step by step procedures for each cost tier, for all processes in procurement including quotations required, electronic lodgement, approval process and receipt of tenders.⁴⁴

The Committee was pleased that the Government had reviewed the procurement regulatory framework and strengthened its processes to better ensure appropriate, efficient and effective procurement. The Committee encourages agencies to be vigilant in ensuring that these processes are properly followed.

Travel Procedures

The Auditor-General's August 2008 report found weaknesses in the review and clearing of outstanding Travel Acquittals.⁴⁵

From 2005 DCIS commenced the process of introducing Travel Request Information Processing System (TRIPS) in all agencies for electronic lodgement of Movement Requisition forms for staff travel. TRIPS is a web-based electronic application that automates many of the activities required to process official travel requests. TRIPS enables electronic lodgement, approval and tracking of Movement Requisitions. TRIPS can provide agencies and staff with information about the total cost of travel and travel allowance quickly. TRIPS provides faster processing, automated calculation of travel entitlements, reporting and accessibility of travel requisitions for reference purposes.

⁴³ NT Government Department of Business and Employment, 'Government Procurement Council', http://www.nt.gov.au/dbe/procurement_policy/contact_us.html, Accessed 10 November 2010

⁴⁴ NT Government Department of Business and Employment, 'Procurement Process Changes Fact Sheet 07/2009'

⁴⁵ Auditor-General for the Northern Territory, 'August 2008 Report to the Legislative Assembly', 2008, Northern Territory Auditor-General's Office, p18

Most agencies were using TRIPS by 2006-2007. The Department of the Legislative Assembly (DLA) is the most recent agency to switch to TRIPS for official travel for staff, switching over on 1 July 2010. Travel for Members of Parliament which is governed by the Remuneration Tribunal Determination (RTD), remains under the Members Entitlements and Travel System (METS). The Department of the Chief Minister (DCM) does not use TRIPS. DCM administers Ministerial Travel and that of accompanying staff as well as that of OCPE. The PAC learnt from DCM Audit Committee minutes that despite much testing, TRIPS has not been found to suit the management of DCM travel due to the complexity of Ministerial travel and privacy issues.

The pieces of legislation of relevance to official travel for NT Public Service Staff are:

- *Public Sector Employment Management Act (PSEMA) By-Law 30 – Travel Allowance;*
- PSEMA By-Law 31 Camping Allowance;
- PSEMA By-Law 32 Vehicle Allowance; and
- Commissioner for Public Employment Determination No. 1 of 2010 (on Travelling Allowances).

Each agency is required to have a travel policy that complies with NTG policy on official travel as well as processes in place to manage official travel to ensure that expenditure on official travel properly is properly authorised, recorded and acquitted. The guidelines, procedures and processes provided by DBE standardise procedures and processes across all agencies.

The Auditor-General reported in November 2009 that 'weaknesses in the review and clearing of outstanding Travel Acquittals were only found in two of the nine agencies audited for compliance.'⁴⁶ One agency responded to the Auditor-General advising that an organisational restructure was taking place and that reviews of internal controls were being conducted with a view to rectifying these weaknesses. The other agency advised the Auditor-General that appropriate processes were in place and the breakdown could be with DBE. With the roll-out of TRIPS completed and the standardised guidelines and procedures for the processing of official travel now in place, improvements in tracking of movement requisitions and acquittals should be expected. Internal monitoring and monitoring by the Auditor-General through compliance audits needs to continue to ensure that weaknesses previously identified in agency travel administration have been overcome.

⁴⁶ Auditor-General for the Northern Territory, 'November 2009 Report to the Legislative Assembly', 2009, Northern Territory Auditor-General's Office, p54

In October 2009, Treasury informed the PAC that a whole-of-government Internal Controls Manual was being developed which would be internet based, easily accessible, referenced back to Treasurer's Directions.⁴⁷ In February 2011, the Treasury informed the PAC that its Financial Management Toolkit had gone live on the Intranet and given legislative force through Treasurer's Direction Section G2.2: Internal Control.

The toolkit provides a central location for financial policy management matters with links to existing documentation and policies and additional guidance pages where necessary. It set out to articulate good work practices, governance requirements and principles that must be complied with.⁴⁸

The PAC welcomes the release of the Financial Management Toolkit. The Committee considers that it is important the Treasury ensure Treasurer's Direction G2.2 is enforced and include training and other assistance is available to ensure all agencies understand and comply with relevant legislation, policies and procedures.

The PAC also recommends that the Auditor-General maintain a watching brief on the implementation of Treasurer's Direction G2.2.

Internal Audit and Risk Management

The Auditor-General reported in August 2008 on audits of internal audit function in five NTG agencies undertaken 'on the basis that a weak or non-existent internal audit function is likely to be accompanied by weaknesses in the internal controls systems within the agency in question.'⁴⁹ The Auditor-General found that two of the five agencies at the time 'did not maintain an adequate internal audit function'⁵⁰ ... 'while opportunities for improvement were identified in the remaining three.'⁵¹

As required by the *Financial Management Act*⁵² and Treasurer's Directions⁵³, all NTG agencies have an internal audit capacity and committee. Recognising that audit

⁴⁷ Public Accounts Committee, 'Briefing from NT Treasury, 13 October 2009', Unpublished Hansard Transcript, Legislative Assembly of the Northern Territory

⁴⁸ Letter from Under Treasurer dated 15 February 2011.

⁴⁹ Auditor-General for the Northern Territory, 'August 2008 Report to the Legislative Assembly', 2008, Northern Territory Auditor-General's Office, p11

⁵⁰ Auditor-General for the Northern Territory, 'August 2008 Report to the Legislative Assembly', 2008, Northern Territory Auditor-General's Office, p27

⁵¹ Auditor-General for the Northern Territory, 'August 2008 Report to the Legislative Assembly', 2008, Northern Territory Auditor-General's Office, p28

⁵² *Financial Management Act (NT)*, Part 3, s 15

⁵³ Treasurer's Directions Part 3 - Responsibilities of Accountable Officers Section 2 - Internal Audit

committees have a role in monitoring and assessing internal controls including risk management, the PAC examined the minutes of audit and risk management committees of all NTG agencies from 2004 to 2008⁵⁴ to gain an understanding of the operation of each agency's internal audit function.

Up until two years before the Auditor-General's report, the responsibility of ensuring legislated requirements for internal audit was overseen by the DCM, particularly the services provided by the Risk Management Services unit.⁵⁵ Since responsibility was placed 'unambiguously'⁵⁶ with agencies themselves in approximately 2006, appropriate internal audit function by agencies themselves might be considered to have been still developing at the time of the Auditor-General's 2008 report. The minutes of the audit and risk management committee meetings reflected agencies growth and progress in developing and improving internal audit function.

Standards, best practice & benchmarks

The International Standards for the Professional Practice of Internal Auditing (Standards) provides the framework for internal auditing based on key principles.⁵⁷ The Australian National Audit Office also provides a similar set of principles or characteristics of better practice internal audit function: These provide that internal audit:

1. Is operationally independent: that is, internal audit is independent from the activities subject to audit.
2. Is appropriately positioned in the entity's governance framework to ensure the work of internal audit complements the work of other internal and external assurance and review providers.
3. Has a well developed business strategy that clearly articulates internal audit's future role and responsibilities.
4. Is business focused and has audit plans that are comprehensive and balanced, and are linked to the risks in the entity.
5. Has the confidence of key stakeholders including the Chief Executive, the Board (if applicable), the Audit Committee and senior management.
6. Undertakes all audits in accordance with specified auditing standards.

⁵⁴ A few Agencies included 2009 meeting minutes in their submission.

⁵⁵ Auditor-General for the Northern Territory, 'August 2008 Report to the Legislative Assembly', 2008, Northern Territory Auditor-General's Office, p27

⁵⁶ Auditor-General for the Northern Territory, 'August 2008 Report to the Legislative Assembly', 2008, Northern Territory Auditor-General's Office, p27

⁵⁷ Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing (Standards), <http://www.theiia.org/guidance/standards%2Dand%2Dguidance/ippf/standards/>, at 28 July 2010

7. Has sufficient financial resources and access to internal audit staff with the necessary skills, experience and personal attributes to achieve what is expected of internal audit.
8. Provides internal audit reports and other services, based on efficient and effective work practices, that are valued by stakeholders.
9. Provides an annual assessment, based on internal audit work undertaken, of the effectiveness of the entity's system of internal controls.
10. Advises the Audit Committee and entity management of patterns, trends or systemic issues arising from internal audit work.
11. Facilitates communication between external audit and entity management.
12. Disseminates lessons learnt arising out of its work to relevant areas of the entity.
13. Regularly informs the Audit Committee of progress in the implementation of agreed internal and external audit and other relevant report recommendations.
14. Actively manages any external service providers, and
15. Is subject to periodic assessment and review as part of a continuous improvement process.⁵⁸

Adopting best practice in audit committee charters may improve the committee's oversight as well as the quality of internal audits and the information received from the auditing.⁵⁹

Benchmarking is 'the continuous search for best practice through comparisons with other organisations' with the idea being to identify and thereby understand best practice.⁶⁰ Benchmarking studies such as that conducted by the Commonwealth Auditor-General in 2000-2001 provide support for continuous improvement programmes where organisations can compare their own performance against the benchmark to diagnose areas of concern in their processes for cost, quantity, time and quality.⁶¹

⁵⁸ Australian National Audit Office, 'Public Sector Internal Audit, An Investment in Assurance and Business Improvement,' Better Practice Guide September 2007, p3, http://www.anao.gov.au/uploads/documents/Public_Sector_Internal_Audit.pdf, Accessed 13 November 2010

⁵⁹ Bailey Dr J.A. 'A symbiotic relationship', in Internal Auditor (April 2007), University of Southern Nevada

⁶⁰ Cooper, B.J., Leung, P. & Mathews C.M.H, 'Benchmarking - a comparison of internal audit in Australia, Malaysia and Hong Kong' in Managerial Auditing Journal 11/1 (1996), MCB University Press

⁶¹ Commonwealth Auditor-General, Audit Report No.14 2000-2001 Performance Audit, 'Benchmarking the Internal Audit Function', Australian National Audit Office,

In their minutes, most NTG agency audit committees made reference to best practice principles as recommended by the Australian National Audit Office (ANAO).⁶² The ANAO also provides a Toolkit for internal audit function which assists with the development of Internal Audit Charters as well as internal audit plans.⁶³ The PAC learnt that in 2004, an internal assessment of whether the Department of Community Development, Sport and Cultural Affairs (DCDSCA) governance and internal audit function aligned with Australian National Audit Office (ANAO) benchmarks resulted in a peer assessment of internal audit function being conducted.

The advice received from Treasury officials during their briefing is that good internal audit processes need:

1. a good risk management process;
2. appropriate delegations which are regularly reviewed;
3. segregation of roles and duties within all processes;
4. processes to avoid conflict of interest;
5. adequate documentation of the procedures to ensure that confidence that all duties have been undertaken appropriately. The rules need to be clear and well documented so that information is accessible to all staff so that responsibilities are well understood.
6. to be checked and verified independently
7. to be reported on annually⁶⁴

The Australian National Audit Office recommends that:

Internal audit typically operates as a discrete organisational unit. It should have no direct involvement in day-to-day operations or decision-making. This structure helps to create a degree of independence from the processes and systems, which the group exists to appraise.⁶⁵

The PAC found that for NT Government agencies, especially smaller agencies like the DLA, this recommendation of the National Audit Office is mostly not possible.

⁶² Australian National Audit Office, 'Public Sector Internal Audit, An Investment in Assurance and Business Improvement,' Better Practice Guide September 2007, http://www.anao.gov.au/uploads/documents/Public_Sector_Internal_Audit.pdf, Accessed 13 November 2010

⁶³ Australian National Audit Office, 'Public Sector Internal Audit Toolkit', <http://www.anao.gov.au/director/publications/betterpracguides>, Accessed 13 November 2010

⁶⁴ Public Accounts Committee, 'Briefing from NT Treasury, 13 October 2009', Unpublished Hansard Transcript, Legislative Assembly of the Northern Territory

⁶⁵ Australian National Audit Office, 'Management of Internal Audit in Commonwealth Organisations' Audit Report No.3 2004–05 Business Support Process Audit, http://www.anao.gov.au/uploads/documents/2004-05_Audit_Report_3.pdf, at 30 July 2010

Staff involved in decision making within units are the most knowledgeable of Department operations and are therefore involved with audit committee functions. Agencies such as the Department of Justice (DOJ), NT Police, Fire and Emergency Services, Department of Planning and Infrastructure, appear to be the exception with a dedicated officer whose primary responsibility is managing its internal audit function. No Department Chief Executive serves on their agency internal audit committee and this is one way to maintain a level of independence in the process.

In 2007, the Department of Planning and Infrastructure developed control self assessment templates for its Financial Services, Marketing and Communications and Secretariat areas. DCM provided the PAC with this draft matrix of common internal controls. The template would serve as a checklist in the conduct of control self assessments. The PAC is of the view that such a checklist, once fully developed and comprehensive, and able to be modified to suit the specific needs of any agency, would a great tool in the accounting of internal controls and processes for all agencies.

The Committee learnt through the DCM Audit and Risk Management Committee minutes, that a better practice guide on risk management was developed in 2008 for all NTG agencies, providing a useful framework based on best practice Australia and New Zealand Risk Management Standard (AS/NZS 4360). The PAC received a briefing from the Department of Health in October 2010 on its Risk and Assurance Framework which is based on the same Standard. An important feature of the DHF framework is the question of risk assessment embedded in business processes for all units, compelling business managers especially but staff to factor risk assessment in all their business processes.

The DHF Audit Committee is characteristically different from that of other NTG agencies by having two independent members of the Committee, one of whom is the Chair. In addition, the Auditor-General for the NT is an *ex officio* member of the Audit Committee.⁶⁶ The PAC also learnt that the DHF model is supported by a step-by-step guide written in plain English which allows each part of the process to build towards appropriate and effective risk management of identified risks. The broad steps in the process are:

- Step 1 Establish context
- Step 2 Risk Identification
- Step 3 Risk Analysis

⁶⁶ Legislative Assembly of the Northern Territory, Public Accounts Committee, Transcript of Briefing from the Department of Health and Families, 26 October 2010

Step 4 Risk Evaluation

Step 5 Risk Mitigation

Step 6 Monitor and Review

Step 7 Communication and Consultation

A risk register worksheet allows for recording, updating and monitoring of activities undertaken in the process as well as the results, recommendations, and mitigation action. Another key feature of the DHF model is the application of risk ratings to controls and recommendations arising from audits in addition to priority ratings. These ratings are applied by the department staff themselves as they are best placed to make these ratings. This particular feature of the DHF model is beyond Auditor-General requirements and therefore reflects DHF commitment to better practice internal controls and audit. The DHF Risk and Assurance Framework for the management of corporate risk is comprehensive, links internal audit function and risk management in an overarching strategic structure that incorporates best practice principles and standards. An outline of the DHF Framework is at Appendix C. In the words of one of the DHF officers who briefed the PAC:

Risks are not eliminated but we ensure within this framework that our culture, systems, and processes are in place to manage our risks, maximising any opportunities inherent in the risks taken, and minimising negative outcomes.⁶⁷

The PAC recommends that the Treasurer develop the Corporate Risk Management Framework currently used by the Department of Health and Families as a model for all NT Government Departments.

Treasurer's Directions Management of Risk Series is currently being developed as part of the overall review of Treasurer's Directions. It is envisaged that the Management Series will give agencies the instructions and guidance for risk management that cover areas such as fraud control, asset and liability management, public/ private partnerships and insurance.⁶⁸

From the evidence and advice received from agency audit committees and the Auditor-General's August 2008, the PAC drew together a number of important features of internal audit function present in some NTG agencies through their audit committees which exemplify best practice principles. The highlighted features are:

⁶⁷ Legislative Assembly of the Northern Territory, Public Accounts Committee, Transcript of Briefing from the Department of Health and Families, 26 October 2010

⁶⁸ NT Treasurer's Directions, Management of Risk Series, <http://www.nt.gov.au/ntt/treasdir/index.shtml#risk>, Accessed 13 November 2010

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- An overarching Departmental Risk and Assurance Framework containing policies in place to support the internal audit function and risk management i.e. Internal Audit Policy, Conflict of Interest Policy; Risk Management Policy, Travel Policy, Procurement Policy, reinforced by a complete suite of current strategic and management assessments and plans necessary for the conduct of business and accountability i.e. Internal Audit Plan and Programme, Strategic Plan, Strategic Risk Assessment and Plan, Business Continuity Plan; Procurement Management Plan and supported by clear processes for risk management and assurance.
 - Dedicated officer or officers if necessary, responsible for overseeing internal audit function;
 - Audit Committee Terms of Reference that provide for independence of the Audit Committee from the Executive;
 - Use of control self assessments to allow staff to identify processes and issues to be addressed by audit committees;
 - Clear and detailed audit committee minutes of meetings that provide sufficient information on each item discussed to allow for tracking of action items;
 - Regular scheduled meetings;
 - Reporting directly to the Chief Executive as soon as possible after each audit committee meeting;
 - Independent, external member or observer on the audit committee;
 - Tracking system to monitor implementation of actions arising from audit committee meetings;
 - Feedback mechanism of audit committee to staff;
 - Detailed manuals and handbooks documenting policies, guidelines and operating procedures, written in plain English accessible and understood by all staff to be applied by the internal audit function;
 - Effective training provided to all staff on processes and procedures, especially those involved in internal function.

While the list is not definitive, it provided the PAC with a measure upon which to gauge whether appropriate internal audit function was present in NTG agencies. The PAC believes that these features should be considered for incorporation into any overarching framework or set of guidelines on internal audit function to be adopted by all NTG agencies.

Summary

The NT has the necessary legislative and administrative framework to support the management of internal control processes and internal audit in and by Government

Departments. Agencies' service delivery should continue to improve as a result of the current review of Treasurer's Directions, the implementation of the Internal Controls Toolkit and an envisaged whole-of-government Risk and Assurance Framework.

It is vital that agencies' practices correspond with those frameworks and guidelines. More needs to be done to ensure internal controls are maintained. While the Committee was pleased to find the improvements that have been made in relation to the issues referred to the Committee by the Treasurer, the Auditor-General's October 2010 Report to the Legislative Assembly has identified practices where the directions and controls that were in place were not observed, such as failures to keep prescribed documentation.⁶⁹ Rigorous internal audit can ensure the implementation of policies and directions, and continuous improvement in the operation and internal controls of agencies. While the Committee is pleased with the advances that have been made in this regard, the task is not yet complete. The Committee therefore recommends that the Auditor-General continues to monitor and report on agencies' internal controls.

⁶⁹ Auditor-General for the Northern Territory, 'October 2010 Report to the Legislative Assembly', 2010, Northern Territory Auditor-General's Office

APPENDICES

Appendix A: Committee Terms of Reference

(Section 21A of the Standing Orders)

(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.

(17) The Committee or a subcommittee be empowered to consider the minutes of proceedings, evidence taken and records of similar committees established in previous Assemblies.

Appendix B: Inquiry Referral from the Treasurer



Treasurer

Parliament House
State Square
Darwin NT 0800
minister.lawrie@nt.gov.au

DOCUMENT 1
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GPO Box 3146
Darwin NT 0801
Telephone: 08 89014047
Facsimile: 08 89014169

Mr Gerry McCarthy
Chair, Public Accounts Committee
Legislative Assembly of the Northern Territory
Parliament House, Darwin NT

Dear Mr McCarthy, *Gerry*

RE: Public Accounts Committee – Agency Internal Audit Processes

The Auditor-General provides a Report to Parliament twice a year, outlining the results of agency audits conducted over the previous six month period. On a number of occasions his Report has indicated that some further investigation on agency internal control processes would be worthwhile.

He has not found instances where this has resulted in a serious issue, however due to the limitation of some internal controls, there may be a potential risk to Government.

It would be of significant benefit to the Legislative Assembly and government agencies if the Public Accounts Committee could investigate and assess the level of internal controls agencies have in place for a range of processes, including:

- Accounts payable;
- Credit card management; and
- Procurement and travel procedures.

Yours sincerely

Delia Lawrie
DELIA LAWRIE

16.9.08

Appendix C: Department of Health and Families Risk and Assurance Framework

Department of Health and Families' Risk and Assurance Framework

