

1 Executive Summary

1.1 Background

The Attorney-General's Department (the Department) provides funding to organisations such as the Kalano Community Association Incorporated (Kalano) for the delivery of night or community patrol services. Community patrol services assist people at risk of either causing or becoming the victims of harm in order to break the cycle of violence and crime in communities. The approach is to provide non-coercive intervention strategies to prevent and control anti-social and destructive behaviours through the promotion of culturally appropriate processes around conflict resolution in conjunction with contemporary law enforcement measures.

The Department raised concerns regarding the expenditure of the funding that it provides to Kalano. In particular it has been noted that this organisation may be receiving additional funding from other sources to provide the same community patrol services that the Department is funding, without corresponding increases in the level of services that are provided to the community.

In addition, the Department has also requested that Deloitte assess certain aspects of Kalano's operational performance (as outlined in the Field Visit Template contained in the *Night Patrol Services in the Northern Territory Quality Assurance Framework October 2008* and provided in Attachment A).

1.2 Scope and Objectives

The objectives of this review were to assess whether Kalano:

- is meeting financial management related operating standards as defined in the *Night Patrol Services in the Northern Territory Quality Assurance Framework October 2008* and the *Service Standards Manual for Night Patrol Services in the Northern Territory*
- is complying with the *2008-09 General terms and conditions for Funding Agreements relating to Indigenous Programs* in relation to the expenditure of and accountability for Commonwealth funding and Commonwealth funded assets, and
- is meeting the operational performance standards (as outlined in the Field Visit Template contained in the *Night Patrol Services in the Northern Territory Quality Assurance Framework October 2008* and included in Attachment A).

The engagement addressed processes in relation to the period 1 January 2008 to 30 October 2008.

Where relevant, we have also provided commentary regarding the efficiency and effectiveness of Kalano's financial and operational controls that were reviewed during our testing.

Our review procedures have been performed in accordance with the Australian Standards on Auditing (ASAEs) and were designed to provide limited assurance, as defined by those standards. A review consists primarily of making enquiries, primarily of persons responsible for financial and human resources management, applying analytical and other review procedures, and examination of evidence for a small number of transactions or events. A review is substantially less in scope than a reasonable assurance “audit” conducted in accordance with the ASAEs. Accordingly, we have not expressed an *audit opinion*.

The ASAEs require that we comply with the relevant ethical requirements of the Australian professional accounting bodies.

1.3 Summary of Findings

The following table details the areas that were considered as part of our review. The colour-coded index, which indicates our perception of the level of risk at the time of our review, summarises our conclusions and references the findings to the detailed findings and recommendations following in this report.

Low	Minor impact on the program if not addressed
Medium	Moderate impact on the program if not addressed
High	Significant impact on the program if not addressed
Very High	Unacceptable impact on the program if not addressed

Review areas	Report point	Risk
Community Expectations	4.1	Medium
Communication with Police	4.2	Medium
Conflicts of Interest	4.3	Medium
Employee Contracts	4.4	High
Management of Assets	4.5	Low
Leased Assets Disclosure	4.6	Low
Vehicle Rules	4.7	Low

A number of issues have been identified which, if not addressed, could impact Kalano’s ability to demonstrate that it is using the funding received from the Department to deliver the agreed level of community patrol services in an appropriate, efficient and effective manner. In particular we have identified issues regarding:

- wage rates that were below the government minimum
- the lack of an effective communication strategy with the Katherine Police

- a gap between the level of service that the community expects from Kalano and the level of service that Kalano can provide
- a lack of conflict of interest policies and procedures, and
- vehicle rules are not displayed in community patrol vehicles.

Additionally, some deficiencies in the control environment and financial reporting processes of Kalano were noted. By addressing these issues Kalano will be able to strengthen its control environment and the accuracy of its financial reporting. The following issues were noted:

- instances where night patrol employees do not have current employment contracts
- no register being maintained for assets (including portable and attractive assets), and
- operating lease commitments not being disclosed in Kalano's financial statements.

We also note that based on the testing of expenses conducted during this review and discussions with management, nothing came to our attention which would suggest that Kalano is receiving any previously unidentified funding for the provision of night patrol services.

We note that funding is received by Kalano from both the Department and the Northern Territory Department of Health and Community Services for night patrol services. However, no issues were noted from our testing which indicated that expenditure was not being allocated in accordance with the approved budgets relating to these different sources of funding.

1.4 Conclusion

Based on the work program described and the evaluation criteria set out in the Scope and Objectives in Section 1.2 of this report, except for the matters noted in Section 4 of our report, nothing has come to our attention which causes us to believe that Kalano is not complying with:

- financial management related operating standards as defined in the *Night Patrol Services in the Northern Territory Quality Assurance Framework October 2008* and the *Service Standards Manual for Night Patrol Services in the Northern Territory*
- the *2008-09 General terms and conditions for Funding Agreements relating to Indigenous Programs* in relation to the expenditure of and accountability for Commonwealth funding and Commonwealth funded assets, and
- the operational performance standards (as outlined in the Field Visit Template contained in the *Night Patrol Services in the Northern Territory Quality Assurance Framework October 2008*).

In addition, nothing came to our attention to suggest that Kalano is receiving funding from other sources without a corresponding increase in the level of night patrol services provided.

2 Executive Summary

2.1 Background

The Attorney-General's Department (the Department) provides funding to organisations such as Julalikari Council Aboriginal Corporation (Julalikari) for the delivery of night patrol services. Night patrol services assist people at risk of either causing or becoming the victims of harm in order to break the cycle of violence and crime in communities. The approach is to provide non-coercive intervention strategies to prevent and control anti-social and destructive behaviours through the promotion of culturally appropriate processes around conflict resolution in conjunction with contemporary law enforcement measures.

The Department raised concerns regarding the expenditure of the funding that it provides to Julalikari. In particular it has been noted that this organisation may be receiving additional funding from other sources to provide the same night patrol services that the Department is funding, without corresponding increases in the level of services that are provided to the community.

In addition, the Department has also requested that Deloitte assess certain aspects of Julalikari's operational performance (as outlined in the Field Visit Template contained in the *Night Patrol Services in the Northern Territory Quality Assurance Framework October 2008* and provided in Attachment A).

2.2 Scope and Objectives

The objectives of this review were to assess whether Julalikari:

- is meeting financial management related operating standards as defined in the *Night Patrol Services in the Northern Territory Quality Assurance Framework October 2008* and the *Service Standards Manual for Night Patrol Services in the Northern Territory*
- is complying with the *2008-09 General terms and conditions for Funding Agreements relating to Indigenous Programs* in relation to the expenditure of and accountability for Commonwealth funding and Commonwealth funded assets, and
- is meeting the operational performance standards (as outlined in the Field Visit Template contained in the *Night Patrol Services in the Northern Territory Quality Assurance Framework October 2008*).

The engagement addressed processes in relation to the period 1 January 2008 to 30 October 2008.

Where relevant, we have also provided commentary regarding the efficiency and effectiveness of Julalikari's financial and operational controls that were reviewed during our testing.

Our review procedures have been performed in accordance with the Australian Standards on Auditing (ASAEs), and were designed to provide limited assurance, as defined by those standards. A review consists primarily of making enquiries, primarily of persons responsible for financial and human resources management, applying analytical and other review procedures, and examination of evidence for a small number of transactions or events. A review is substantially less in scope than a reasonable assurance “audit” conducted in accordance with the ASAEs. Accordingly, we have not expressed an *audit opinion*.

The ASAEs require that we comply with the relevant ethical requirements of the Australian professional accounting bodies.

2.3 Summary of Findings

The following table details the areas that were considered as part of our review. The colour-coded index, which indicates our perception of the level of risk at the time of our review, summarises our conclusions and references the findings to the detailed findings and recommendations following in this report.

Low	Minor impact on the program if not addressed
Medium	Moderate impact on the program if not addressed
High	Significant impact on the program if not addressed
Very High	Unacceptable impact on the program if not addressed

Review areas	Report point	Risk
Community Expectations	4.1	Medium
Service Level Agreements	4.2	Medium
Communication with Police	4.3	Medium
Conflicts of Interest	4.4	Medium
Collection of Statistics	4.5	High
Recording of Expenses	4.6	Medium
Employee Contracts	4.7	Medium
Operation of Bank Account	4.8	High
Management of Assets	4.9	Low

A number of issues have been identified which, if not addressed, could have an impact on the ability of Julalikari to demonstrate that it is using the funding received from the Department to deliver the agreed level of night patrol services in an appropriate, efficient and effective manner. In particular, we have identified issues regarding:

- the compilation and filing of service delivery statistic collection sheets
- some non night patrol expenses being paid for with Department funding
- a lack of service level partnership agreements with other key organisations within the community
- a lack of effective communication with the Tennant Creek Police
- a gap between what the community expects from the night patrol and the service that night patrol are funded to provide, and
- a lack of awareness of conflict of interest policies.

Additionally, some deficiencies within the control environment of Julalikari were noted including:

- instances where night patrol employees do not have current employment contracts
- the release of cash requiring any two members of the finance team and not a member of management
- no evidence of bank reconciliation reviews, and
- no register being maintained for portable and attractive assets.

2.4 Conclusion

Based on the work program described and the evaluation criteria set out in the Scope and Objectives in Section 1.2 of this report, except for the matters noted in Section 4 of our report, nothing has come to our attention which causes us to believe that Julalikari is not complying with:

- financial management related operating standards as defined in the *Night Patrol Services in the Northern Territory Quality Assurance Framework October 2008* and the *Service Standards Manual for Night Patrol Services in the Northern Territory*
- the *2008-09 General terms and conditions for Funding Agreements relating to Indigenous Programs* in relation to the expenditure of and accountability for Commonwealth funding and Commonwealth funded assets, and
- the operational performance standards (as outlined in the Field Visit Template contained in the *Night Patrol Services in the Northern Territory Quality Assurance Framework October 2008*).