

# **Management of Conflicts of Interest by Aboriginal Hostels Limited, Aboriginal Investment NT and Outback Stores Pty Ltd**

Aboriginal Hostels Limited

Aboriginal Investment NT

Outback Stores Pty Ltd

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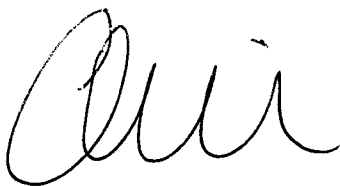
Canberra ACT  
12 December 2024

Dear President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in Aboriginal Hostels Limited, Aboriginal Investment NT and Outback Stores Pty Ltd. The report is titled *Management of Conflicts of Interest by Aboriginal Hostels Limited, Aboriginal Investment NT and Outback Stores Pty Ltd*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely



Dr Caralee McLiesh PSM  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

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# Audit snapshot

## Auditor-General Report No.17 2024–25

*Management of Conflicts of Interest by Aboriginal Hostels Limited, Aboriginal Investment NT and Outback Stores Pty Ltd*



### Why did we do this audit?

- ▶ Conflicts of interest can be a source of internal fraud and corruption risks for Australian Government entities.
- ▶ This audit was conducted to provide assurance to the Parliament over the effectiveness of the management of conflicts of interest by Aboriginal Hostels Limited (AHL), Aboriginal Investment NT and Outback Stores Pty Ltd (Outback Stores).



### What did we find?

- ▶ AHL, Aboriginal Investment NT and Outback Stores were partly effective in the management of conflicts of interest.
- ▶ The entities established largely appropriate arrangements to manage conflicts of interest. Aboriginal Investment NT and Outback Stores implemented conflict of interest policies and training in mid-2024.
- ▶ Arrangements to manage conflicts of interest were not consistently followed, with shortcomings in documenting board consideration of whether declared interests were a conflict, and the documentation of conflicts of interest for procurement, recruitment and grants.



### Key facts

- ▶ AHL is a Commonwealth company operating 42 hostels across Australia, including 12 health and medical, 23 multipurpose and seven secondary education facilities.
- ▶ Aboriginal Investment NT (known prior to August 2024 as the Northern Territory Aboriginal Investment Corporation) is a corporate Commonwealth entity established in November 2022 to manage Aboriginals Benefit Account funds, with an initial allocation of \$680 million over three years.
- ▶ Outback Stores is a Commonwealth company that manages 56 remote community stores across Australia.



### What did we recommend?

- ▶ There were five recommendations to the entities to strengthen the effectiveness of their arrangements to manage conflicts of interest.
- ▶ AHL, Aboriginal Investment NT and Outback Stores agreed to the recommendations.

318

employees and 8 board members of Aboriginal Hostels Limited

27

employees and 12 board members of Aboriginal Investment NT

165

employees and 9 board members of Outback Stores

# Summary and recommendations

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## Background

1. The National Anti-Corruption Commission's (NACC's) *2022/2023 Integrity Outlook* states: Conflicts of interest are also a prevalent source of corruption issues. Many types of corrupt conduct – such as breaches of public trust, abuse of office and misuse of information – originate from conflicts of interest. Such conflicts therefore pose a substantial risk for government agencies, parliamentarians, and public officials. This is why identifying, disclosing and managing potential conflicts of interest is a critical pillar of integrity architectures.<sup>1</sup>
2. The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) requires an official of a corporate Commonwealth entity (CCE) to:
  - not improperly use their position or information obtained through their position to gain or seek to gain a benefit or advantage for themselves or others, or to cause detriment to the entity, Commonwealth or others<sup>2</sup>; and
  - disclose the details of any material personal interests that relate to the affairs of the entity.<sup>3</sup>
3. The Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) provides further guidance for CCE officials, including that material personal interests must be disclosed as soon as practicable after becoming aware of them or when there are changes in the interests. The disclosure must include details of the nature and extent of the interest and how the interest relates to the affairs of the entity.<sup>4</sup>
4. The *Corporations Act 2001* (Corporations Act) sets out comparable requirements for Commonwealth companies, including a 'Director's duty to notify other directors of [a] material personal interest when [a] conflict arises', including outlining details of the nature and extent of the interest and how it relates to the affairs of the company. The notice must be given at a directors' meeting as soon as practicable after the director becomes aware of their interest in the matter and details must be recorded in the minutes of the meeting.<sup>5</sup>

## Rationale for undertaking the audit

5. Public confidence in Commonwealth entities and Commonwealth companies can be damaged when conflicts of interest are not appropriately identified and managed. The public is entitled to have confidence in the integrity of public officials, and to know that officials' personal interests do not conflict with their public duties.
6. Specialist skills and expertise may be required to provide a suitable composition for Commonwealth boards. The board members that are appointed to boards in respect of their

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1 National Anti-Corruption Commission (NACC), *Integrity Outlook 2022/23*, NACC, 2023, p. 4, available from <https://www.nacc.gov.au/integrity-outlook-202223> [accessed 22 May 2024].

2 PGPA Act, sections 27 and 28.

3 PGPA Act, section 29.

4 PGPA Rule, Part 2-2, Division 2, sections 12–16D.

5 Corporations Act, section 191.

specialist skills or expertise can have inherent interests that exist as a consequence of their specialist experience. For example, they may be involved in industry associations or have duties to other organisations. These interests can conflict with their duties as a board member.

7. The NACC and the Australian Public Service Commission (APSC) have highlighted functions commonly undertaken by Australian Government entities that have a heightened risk of conflicts of interest, including procurement, recruitment and grant activities.<sup>6</sup>

8. This audit was conducted to provide assurance to the Parliament that the selected entities are ensuring the integrity of their functions by appropriately managing conflicts of interest.

9. The selected entities represent a cross section of Indigenous portfolio agencies in the Prime Minister and Cabinet portfolio, each with a board as its accountable authority under the PGPA Act:

- Aboriginal Hostels Limited (AHL) is a Commonwealth company which employs staff under the *Public Service Act 1999*;
- Aboriginal Investment NT (known prior to August 2024 as the Northern Territory Aboriginal Investment Corporation) is a CCE; and
- Outback Stores Pty Ltd (Outback Stores) is a Commonwealth company.

### **Audit objective and criteria**

10. The objective of the audit was to assess the effectiveness of the management of conflicts of interest by AHL, Aboriginal Investment NT and Outback Stores.

11. To form a conclusion against the objective, the ANAO adopted the following two high-level audit criteria:

- Have the entities developed appropriate arrangements to manage conflicts of interest?
- Are the entities effectively managing conflicts of interest consistent with their own policies?

12. The audit examined the entities' management of conflicts of interest over the period 1 July 2021 to 30 June 2024, including in the areas of board governance, recruitment, procurement, annual Senior Executive Service declarations (AHL) and grant management (Aboriginal Investment NT).

### **Conclusion**

13. AHL, Aboriginal Investment NT and Outback Stores were partly effective in the management of conflicts of interest. While there were frameworks in place to manage conflicts of interest, there were shortcomings with the implementation of those frameworks. There were deficiencies with the documentation of board consideration of conflicts and documentation of conflicts of interest declarations and management actions for procurement, recruitment and grant activity.

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<sup>6</sup> NACC, *Towards Integrity Maturity: Mapping the Commonwealth integrity landscape*, and APSC, *APS Values and Code of Conduct in practice*, September 2021.



14. AHL, Aboriginal Investment NT and Outback Stores have developed largely appropriate arrangements to manage conflict of interest consistent with legislative requirements of corporate Commonwealth entities (Aboriginal Investment NT) and Commonwealth companies (AHL and Outback Stores). Each entity has assessed conflict of interest risks, developed a conflict of interest policy and implemented arrangements to support the declaration of interests by board members. AHL and Aboriginal Investment NT require activity specific conflict of interest declarations for staff involved in procurement and recruitment. Aboriginal Investment NT and Outback Stores implemented conflict of interest training for their boards and employees in 2024. AHL requires employees to undertake integrity training but has not implemented training for board members. All entities have implemented some form of assurance arrangement. AHL did not address alleged conflict of interest matters that were identified in three complaints, and Outback Stores did not have a complaints system or undertake controls assessment.

15. The entities were partly effective in implementing arrangements for managing conflicts of interest. Board assessments of declarations of interest were not sufficient to record whether the board had determined declarations to be material personal interests. Aboriginal Investment NT's board did not include declarations of interests in three out of session meetings and a workshop and did not always record the nature and extent of declared conflicts. There were instances of Aboriginal Investment NT Grants Committee members with declared conflicts of interest recommending grant applications for board approval. AHL did not adequately document conflict of interest management for recruitment as required by its policy. Aboriginal Investment NT did not adequately document conflict of interest management for procurement as required by its policy. The Outback Stores board recorded board members' interests as conflicts of interest without documenting its assessment of the interests. AHL did not monitor training completion rates.

## Supporting findings

### Arrangements to manage conflicts of interest

16. All entities assessed conflict of interest risks within their enterprise risk management frameworks. Aboriginal Investment NT's and Outback Stores' conflict of interest risk assessments occurred between April and June 2024.

- AHL had a conflict of interest related risk factor and control for recruitment in its enterprise risk register until March 2023. AHL assessed conflict of interest risks relating to 'leakage' of hostel accommodation revenue, procurement, and acceptance of gifts and benefits in its fraud risk register. Not all existing controls for conflict of interest were identified in these assessments.
- From April to June 2024 Aboriginal Investment NT assessed conflict of interest risks relating to procurement, recruitment and grant assessment. These assessments were undertaken after conflict of interest risks had been realised with its first grant round, which ran from May 2023 to February 2024.
- Outback Stores included an entity-wide conflict of interest risk in its risk register in May 2024 with mitigation strategies including development of a conflict of interest policy,

declaration processes, and training and education arrangements. (see paragraphs 2.3 to 2.17)

17. All entities have developed arrangements for declaring, managing and overseeing conflicts of interest, including establishing gifts, benefits and hospitality policies and registers. All entities refreshed conflict of interest-related policies and procedures during 2024.

- AHL had a conflict of interest policy and specific arrangements for managing conflict of interest for recruitment. AHL's procurement policy was updated in April 2024 to include a requirement for activity specific conflict of interest declarations.
- In May 2024 Aboriginal Investment NT implemented a conflict of interest policy and introduced declaration requirements for recruitment. After conflict of interest issues were identified with its first grant round, which ran from May 2023 to February 2024, it updated its policies, guidelines and forms to strengthen declaration and management requirements.
- Outback Stores implemented a conflict of interest policy in June 2024. Its Board Charter does not fully align with provisions of the Corporations Act relating to declaration of interests. (see paragraphs 2.18 to 2.81)

18. All entities have developed training and education arrangements to promote compliance with conflict of interest requirements. Board members for all entities are provided with induction packs that outline conflict of interest requirements. Aboriginal Investment NT and Outback Stores developed online conflict of interest training for employees and board members in 2024. New and existing AHL employees undertake mandatory APS integrity training. The National Indigenous Australians Agency provides support to Indigenous portfolio agencies in the Prime Minister and Cabinet portfolio. (see paragraphs 2.82 to 2.104)

19. All entities implemented some form of arrangement to obtain assurance over the management of conflicts of interest.

- AHL undertook internal audits which detected deficiencies in its conflicts of interest arrangements for recruitment and complaints management. AHL has a complaints system, but it did not consider conflict of interest-related aspects of three complaints in accordance with its Conflict of Interest Policy.
- Aboriginal Investment NT has implemented a complaints system and undertook an internal audit in 2024 which detected deficiencies in its conflicts of interest arrangements for grants assessment.
- Outback Stores undertook an internal audit in 2024 that assessed compliance with its June 2024 Conflict of Interest Policy. It did not have a complaints system or undertake controls assessment. (see paragraphs 2.105 to 2.127)

### **Effectiveness of conflict of interest arrangements**

20. Each entities' board had processes for members to declare interests and conflicts of interests. All of the boards were deficient in recording their assessment of board members' declared interests and whether they were considered to be material personal interests. Deficiencies were also identified with activity-specific processes for declaring and managing

conflicts of interest relating to recruitment (all entities), procurement (all entities), SES declarations (AHL), and grant assessment (Aboriginal Investment NT).

- AHL did not record its assessment of whether a board member's declared interest as a conflict and no management plan was put in place. AHL complied with the requirement for annual declaration of SES interests, but record keeping was deficient. While conflicts of interest for AHL's recruitment activities were generally declared consistent with its policy, management of conflicts were not always documented. AHL's procurement processes were largely consistent with policy requirements.
- Aboriginal Investment NT had three out of session board meetings and one board workshop where the standard declaration of interests agenda item did not occur. Aboriginal Investment NT did not always document the nature and extent of conflicts of interest declared by board members and grants committee members, and in some instances grants committee members with declared conflicts voted to recommend board approval of grant applications. Aboriginal Investment NT did not follow its procurement policy requirements for activity-specific conflict of interest declarations.
- Outback Stores recorded board member's declared interests as 'conflicts of interest' without documenting how it related to the affairs of the entity or management plans. It did not have any declared conflicts of interest for procurement and recruitment activity. (see paragraphs 3.3 to 3.50)

21. Aboriginal Investment NT and Outback Stores established monitoring arrangements for their conflict of interest training, which was implemented in 2024, and achieved employee completion rates of over 90 per cent. AHL does not monitor employee completion rates for mandatory integrity training or conflicts of interest components of induction training. (see paragraphs 3.51 to 3.59)

## Recommendations

**Recommendation no. 1**  
**Paragraph 2.11** Aboriginal Hostels Limited undertake an assessment of drivers behind employee responses to the corrupt behaviour question in the Australian Public Service Employee Census and use this assessment to reassess the entity's conflict of interest risks.

**Aboriginal Hostels Limited response:** *Agreed.*

**Recommendation no. 2**  
**Paragraph 2.112** Aboriginal Hostels Limited establish processes to ensure that conflict of interest matters are addressed and documented in complaint management.

**Aboriginal Hostels Limited response:** *Agreed.*

**Recommendation no. 3**  
**Paragraph 3.17** Aboriginal Hostels Limited establish processes to ensure that employees comply with its recruitment policy requirements to declare, manage and document conflicts of interest.

**Aboriginal Hostels Limited response:** *Agreed.*

**Recommendation no. 4** Aboriginal Investment NT establish processes to ensure employees comply with its procurement policy requirements to declare, manage and document conflicts of interest.  
**Paragraph 3.30**

**Aboriginal Investment NT response:** *Agreed.*

**Recommendation no. 5** Aboriginal Hostels Limited, Aboriginal Investment NT and Outback Stores implement arrangements to record their boards' assessment of whether a declaration made by a board member is determined to be a material personal interest. Where the interest is determined to be a material personal interest, boards should record the disclosure and consequence in accordance with legislative requirements.  
**Paragraph 3.41**

**Aboriginal Hostels Limited response:** *Agreed.*

**Aboriginal Investment NT response:** *Agreed.*

**Outback Stores response:** *Agreed.*

## Summary of entity responses

22. The proposed audit report was provided to AHL, Aboriginal Investment NT and Outback Stores. An extract was provided to the National Indigenous Australians Agency (NIAA). The summary responses are reproduced below. The full responses from each entity are at Appendix 1. Improvements observed by the ANAO during the course of this audit are listed in Appendix 2.

### Aboriginal Hostels Limited

AHL acknowledges the findings in the report, gratefully accepts its recommendations and will take appropriate action to strengthen areas relating to the implementation of our established frameworks for managing conflicts of interest.

I would like to thank the ANAO audit team for their professional and collaborative approach throughout this process.

### Aboriginal Investment NT

We welcome the report and accept its recommendations. As a newly established corporate Commonwealth entity, ensuring trust and confidence in our arrangements through the highest integrity standards is vital. We are committed to ensuring that appropriate control and procedural arrangements are implemented as our organisation continues to grow and mature. We have already undertaken steps to implement the recommendations and have planned for an internal audit to follow up on their implementation. This internal audit has been scheduled in our 2024–25 Strategic Internal Audit Program.

### Outback Stores Pty Ltd

Thank you for your correspondence of 28 October 2024 regarding the proposed report under s.19 of the Auditor–General Act 1997 on the management of conflicts of interest.

Outback Stores acknowledges the importance of the audit in providing assurance to the Parliament over the effectiveness of the management of conflicts of interest. Further, the broader public are entitled to have confidence in officials of all Indigenous portfolio bodies in the integrity of these agencies.

Outback Stores accept the key findings, recommendations and opportunities for improvement outlined in the report, with alignment to the sole recommendation complete.

## Key messages from this audit for all Australian Government entities

23. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

### Governance and risk management

- As accountable authorities of organisations, boards have a key role to play in setting the tone for dealing with risk and acting with integrity. Identifying and managing conflicts of interests is an area in which the way a board operates can influence the entity it governs. Developing good practice and assuring it can be a positive signal to the entity.
- Once appropriate frameworks are established, accountable authorities should actively monitor conflict of interest arrangements to ensure that these are being undertaken and remain effective by:
  - regularly assessing conflict of interest risks in the context of entity operations and the Commonwealth Fraud and Corruption Framework;
  - monitoring key metrics including APS Census results, completion of training for conflict of interest and integrity; and completion of SES annual declarations of interest; and
  - undertaking regular communication and assurance activities to ensure conflicts are being declared and managed, and that appropriate records are being maintained.

### Grants and procurement

- Where conflict of interest issues arise during a grant assessment, procurement or recruitment activity, it may be appropriate to pause the activity to investigate and address the issues and recommence when the issues have been resolved.



# Audit findings

# 1. Background

## Introduction

1.1 For Australian Government entities, a conflict of interest can occur when there is a conflict between the public duties and personal interests of a public official. For example, an official may hold shares in a company that they are regulating or procuring services from. Another example of a conflict of interest is an official may be on a recruitment panel assessing an application from a close family member. Conflicts of interest can be real, apparent and potential. Real conflicts of interest occur when personal interests improperly influence officials in performing their public duties.

### Conflict of interest risks for Australian Government entities

1.2 The Commonwealth Fraud Risk Profile notes that conflicts of interest are a common enabler of internal fraud. The National Anti-Corruption Commission's (NACC's) *2022/2023 Integrity Outlook* states:

Conflicts of interest are also a prevalent source of corruption issues. Many types of corrupt conduct – such as breaches of public trust, abuse of office and misuse of information – originate from conflicts of interest. Such conflicts therefore pose a substantial risk for government agencies, parliamentarians, and public officials. This is why identifying, disclosing and managing potential conflicts of interest is a critical pillar of integrity architectures.<sup>7</sup>

1.3 The NACC's *Corruption prevention priorities for 2024* identified conflicts of interest as one of three areas of focus:

Conflicts of interest happen when public officials have personal connections or interests that could be affected by the decisions they make in their jobs. Not every conflict leads to corrupt conduct, but there is a conflict of interest at the heart of most corruption.

Conflicts of interests are inevitable. Public officials must be able to identify them and manage them properly to prevent them becoming integrity issues.<sup>8</sup>

1.4 The NACC and the Australian Public Service Commission (APSC) have highlighted four functions commonly undertaken by Australian Government entities that have heightened risk of conflicts of interest (see Table 1.1).

**Table 1.1: Entity activities with heightened risk of conflicts of interest**

Function	Potential risk activity
Procurement and recruitment	<ul style="list-style-type: none"><li>• Procuring goods or services</li><li>• Tendering for and managing contracts</li><li>• Engaging and promoting employees</li><li>• Making appointments to statutory positions</li></ul>

7 National Anti-Corruption Commission (NACC), *Integrity Outlook 2022/23*, NACC, 2023, p. 4, available from <https://www.nacc.gov.au/integrity-outlook-202223> [accessed 22 May 2024].

8 NACC, *Corruption prevention priorities for 2024*, NACC, 22 April 2024, available from <https://www.nacc.gov.au/news-and-media/corruption-prevention-priorities-2024> [accessed 3 May 2024].



Function	Potential risk activity
Regulating individual or business activities	<ul style="list-style-type: none"> <li>Inspecting, regulating or monitoring standards, businesses, equipment or premises</li> <li>Issuing qualifications or licences</li> <li>Issuing or reviewing fines or penalties</li> </ul>
Distributing goods, services, grants or funds	<ul style="list-style-type: none"> <li>Providing a service</li> <li>Allocating grants of public funds</li> <li>Allocating subsidies, financial assistance, concessions or other relief</li> </ul>
Making binding decisions	<ul style="list-style-type: none"> <li>Issuing determinations on matters</li> <li>Passing binding judgements</li> <li>Exercising statutory powers</li> <li>Voting as a member of a board or committee</li> </ul>

Source: NACC, *Towards Integrity Maturity: Mapping the Commonwealth integrity landscape*, and APSC, *APS Values and Code of Conduct in practice*, September 2021.

1.5 To assist in managing integrity risks, the NACC has developed a Commonwealth Integrity Maturity Framework.<sup>9</sup> The framework outlines eight integrity principles derived from Australian Government integrity laws, policies and procedures, all of which relate to managing conflicts of interest (see Table 1.2).

**Table 1.2: Obligations and controls from Commonwealth Integrity Maturity Framework related to conflicts of interest**

Integrity maturity principle	Related obligations and controls
1. Values and Code of Conduct	<ul style="list-style-type: none"> <li>Code of Conduct requirements include avoiding and managing actual, perceived and potential conflicts of interest and declaring material personal interests.</li> </ul>
2. Integrity knowledge and performance management	<ul style="list-style-type: none"> <li>Provide integrity education to help manage key integrity risks such as conflict of interest.</li> </ul>
3. Integrity policies, resources and systems	<ul style="list-style-type: none"> <li>Develop and implement policies, resources and systems to manage identified integrity risks, including establishing systems to report and manage actual, perceived and potential conflicts of interests and declare associations, assets and interest.</li> </ul>
4. Integrity risk management	<ul style="list-style-type: none"> <li>Embed integrity risk management in key business processes.</li> <li>Review the effectiveness of controls to manage integrity risks.</li> <li>Develop a positive risk and pro-integrity culture where leaders are positive role models and officials talk openly and honestly about risk and integrity.</li> </ul>

<sup>9</sup> NACC, *8 Integrity Principles and Maturity Indicators, Commonwealth Integrity Maturity Framework*, NACC, no date, available from <https://www.nacc.gov.au/8-integrity-principles-and-maturity-indicators> [accessed 3 May 2024].

Integrity maturity principle	Related obligations and controls
5. Prevent, detect and manage fraud and corruption	<ul style="list-style-type: none"> <li>Comply with the Commonwealth Fraud and Corruption Control Framework, including conducting risk assessments and developing and implementing a control plan for identified risks.</li> </ul>
6. Integrity in public resource management	<ul style="list-style-type: none"> <li>Maintain probity in the management of public resources, including assessment and provision of grants and procurement.</li> <li>Manage the risk of unethical supplier practices, such as actual, perceived or potential conflicts of interest.</li> </ul>
7. Protect people, information and assets	<ul style="list-style-type: none"> <li>Comply with the Protective Security Policy Framework, including screening and vetting the eligibility and suitability of personnel and contractors and assessing and managing their ongoing suitability.</li> </ul>
8. Monitor and evaluate organisational integrity	<ul style="list-style-type: none"> <li>Monitor and evaluate integrity performance, including periodically assessing the maturity of the entity's management of integrity risks.</li> </ul>

Source: ANAO analysis, based on NACC, *8 Integrity Principles and Maturity Indicators*.

## Entities selected for examination in this audit

1.6 Three entities from the Prime Minister and Cabinet portfolio were selected for examination in this audit: Aboriginal Hostels Limited (AHL), Aboriginal Investment NT and Outback Stores Pty Ltd (Outback Stores). The entities include one corporate Commonwealth entity and two Commonwealth companies, each governed by a board which is the accountable authority.<sup>10</sup>

### *Aboriginal Hostels Limited*

1.7 AHL is a Commonwealth company limited by guarantee established in 1973 that operates under the *Corporations Act 2001* (Corporations Act). There are currently eight board members, all of whom are non-executive directors appointed by the Minister for Indigenous Australians.<sup>11</sup> AHL is a statutory agency under section 200 of the *Aboriginal and Torres Strait Islander Act 2005* and employs 318 staff<sup>12</sup> under the *Public Service Act 1999* (PS Act). The Chief Executive Officer (CEO) is responsible for day to day administration of AHL and is supported by three other Senior Executive Service personnel. Under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the board is the accountable authority for AHL.

1.8 AHL's expenses were \$71.6 million in 2023–24. Its head office is in Canberra and it operates 42 hostels across Australia, including 12 health and medical facilities, 23 multipurpose facilities and seven secondary education facilities. Its purpose is:

10 There are three types of entities under the PGPA Act: non-corporate Commonwealth entities, which are legally and financially part of the Commonwealth of Australia; and corporate Commonwealth entities and Commonwealth companies, which are body corporates with separate legal personalities from the Commonwealth.

11 The Aboriginal Hostels Limited Constitution specifies a minimum of five and maximum of nine directors.

12 Not including casual employees.

to provide safe, culturally appropriate and affordable accommodation for First Nations people who need to be away from home to access services and economic opportunities.<sup>13</sup>

### *Aboriginal Investment NT*

1.9 Aboriginal Investment NT is a corporate Commonwealth entity established in November 2022 under the *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRA). Aboriginal Investment NT's operational name was changed from Northern Territory Aboriginal Investment Corporation (NTAIC) to Aboriginal Investment NT in August 2024.<sup>14</sup>

1.10 There are 12 board members: two appointed by each of the four Northern Territory land councils<sup>15</sup>, two appointed by the Australian Government, and two appointed by the board.<sup>16</sup> The board appoints a CEO who is responsible for day to day administration, supported by four executives. Under the PGPA Act, the board is the accountable authority for Aboriginal Investment NT.

1.11 Aboriginal Investment NT is funded from the Aboriginals Benefit Account, with an initial \$680 million over three years to invest and provide grants to Indigenous businesses and communities across the Northern Territory.<sup>17</sup> Its operational expenditure (excluding grants) in 2023–24 was \$8.7 million, funded from the Aboriginals Benefit Account.<sup>18</sup> Aboriginal Investment NT is based in Darwin and employs 27 staff. Its purpose is:

- To promote the self-management and economic self-sufficiency of Aboriginal people living in the Northern Territory (NT); and
- To promote social and cultural wellbeing of Aboriginal people living in the NT.<sup>19</sup>

1.12 On 9 August 2024, the first Aboriginal Investment NT Strategic Investment Plan was tabled in Parliament.<sup>20</sup>

13 Aboriginal Hostels Limited, *Corporate Plan 2023–24*, Aboriginal Hostels Limited, 2024, p. 4, available from [https://www.ahl.gov.au/sites/default/files/2024-04/Aboriginal%20Hostels%20Limited%202023-24%20Corporate%20Plan\\_web%20ready\\_v2.pdf](https://www.ahl.gov.au/sites/default/files/2024-04/Aboriginal%20Hostels%20Limited%202023-24%20Corporate%20Plan_web%20ready_v2.pdf) [accessed 27 August 2024].

14 *Northern Territory Aboriginal Investment Corporation - Rules for Names and Acronyms 2024*, tabled 12 August 2024, available from [https://www.aph.gov.au/Parliamentary\\_Business/Tabled\\_Documents/6871](https://www.aph.gov.au/Parliamentary_Business/Tabled_Documents/6871) [accessed 15 August 2024].

15 Anindilyakwa Land Council, Central Land Council, Northern Land Council and Tiwi Land Council.

16 Board membership is specified in section 65EA of the *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRA).

17 The Aboriginals Benefit Account is legislated under the ALRA to receive and distribute funds generated from mining on Aboriginal land in the Northern Territory. Section 64AA of the ALRA sets out funding arrangements for the Northern Territory Aboriginal Corporation, also known as Aboriginal Investment NT. The \$680 million for investment and grants was allocated under subsections 64AA(1), 64AA(2) and 64AA(3) of the ALRA.

18 Subsection 64AA(4) of the ALRA sets out operational funding arrangements for Aboriginal Investment NT. Operational funding for 2023–24 was \$12.225 million, including \$6.150 million from the 2022–23 allocation and \$6.075 million allocated in 2023–24.

19 Aboriginal Investment NT, *Corporate Plan 2024–28*, p. 5, available from <https://www.aboriginalinvestment.org.au/corporate-plans> [accessed 9 September 2024].

20 Aboriginal Investment NT, *Aboriginal Investment NT Strategic Investment Plan 2024-29*, tabled 9 August 2024, available from [https://www.aph.gov.au/Parliamentary\\_Business/Tabled\\_Documents/6907](https://www.aph.gov.au/Parliamentary_Business/Tabled_Documents/6907) [accessed 15 August 2024].

## *Outback Stores Pty Ltd*

1.13 Outback Stores Pty Ltd (Outback Stores) is a Commonwealth company established in 2006 under the Corporations Act. Until May 2024 there were eight board members, all of whom were non-executive directors appointed by the Minister for Indigenous Australians. Three members' terms ceased on 31 May 2024 and four members were appointed in October 2024.<sup>21</sup> The CEO is responsible for day to day administration and is supported by four executives. Under the PGPA Act, the board is the accountable authority for Outback Stores.

1.14 In 2023–24 Outback Stores' expenses were \$24.1 million and it employed 165 staff. Its head office is in Darwin, and it provides management and support services to 56 Indigenous community-owned stores across New South Wales, Northern Territory, Queensland, South Australia and Western Australia. Its purpose is:

To be a sustainable business that makes a positive difference in the health, employment and economy of remote Indigenous communities by improving food affordability and availability, nutrition and community services.<sup>22</sup>

## **Legislative and policy frameworks for managing conflicts of interest**

### *Public Governance, Performance and Accountability Act 2013*

1.15 The Commonwealth Resource Management Framework governs how officials in the Commonwealth public sector use and manage public resources. The cornerstone of the framework is the PGPA Act. The PGPA Act sets out general duties of accountable authorities and officials of Australian Government entities.<sup>23</sup>

1.16 Relevant to Aboriginal Investment NT, section 29 of the PGPA Act sets out that an official of a corporate Commonwealth entity has duties that include:

- not improperly using their position or information obtained through their position to gain or seek to gain a benefit or advantage for themselves or others, or to cause detriment to the entity, Commonwealth or others<sup>24</sup>; and
- disclosing the details of any material personal interests that relate to the affairs of the entity.<sup>25</sup>

1.17 The Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) provides further detail on the requirements under section 29 of the PGPA Act.<sup>26</sup> Material personal interests must be disclosed as soon as practicable after becoming aware of them or when there are changes

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21 The Outback Stores Constitution specifies a minimum of three and maximum of nine directors.

22 Outback Stores, *Corporate Plan 2024–2027*, available from <https://outbackstores.com.au/wp-content/uploads/2023/09/OS-Corporate-Plan-24-27-FA-web.pdf> [accessed 5 March 2024].

23 Accountable authorities are responsible for the operations of Australian Government entities and can be individuals (such as Secretaries or Chief Executive Officers) or groups of individuals (such as governing boards). Officials include employees, officers or members of Australia Government entities (including directors and statutory office holders). Accountable authorities are also officials under the PGPA Act.

24 PGPA Act, sections 27 and 28.

25 *ibid.*, section 29.

26 PGPA Rule, Part 2-2, Division 2, sections 12–16D.

in the interests. The disclosure must include details of the nature and extent of the interest and how the interest relates to the affairs of the entity.

1.18 The PGPA Rule provides further guidance:

- an accountable authority must disclose such interests in writing to their minister;
- members of an accountable authority must disclose such interests orally or in writing to other members at a meeting of the accountable authority and have the disclosure recorded in the minutes of the meeting; and
- other officials must disclose such interests in accordance with any instructions given by the accountable authority of the entity.

1.19 Under the PGPA Act, accountable authorities of corporate Commonwealth entities have a duty to establish and maintain appropriate systems of risk oversight and management and internal control.<sup>27</sup> In addition, the PGPA Rule establishes a requirement for the accountable authority to take all reasonable measures to prevent, detect and deal with fraud relating to the entity.<sup>28</sup> To assist in meeting these requirements, the accountable authority is authorised to issue accountable authority instructions, which can impose obligations additional to the minimum standards established under the PGPA Act and PGPA Rule.

1.20 The Department of Finance's *Resource Management Guide 203: General Duties of Officials* (RMG 203) provides guidance on general duties of officials, including the duty to disclose material personal interests in accordance with the PGPA act. RMG 203 states:

The overriding principle for a declaration of a material personal interest should be: if in doubt, declare the interest in accordance with the appropriate process. Taking this step should protect both the official and the Commonwealth entity.

A material personal interest is one that can give rise to a real or apparent conflict of interest that could affect the ability of an official to discharge their duties.<sup>29</sup>

### *Aboriginal Land Rights (Northern Territory) Act 1976*

1.21 The *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRA) includes disclosure of interests requirements for Aboriginal Investment NT that operate in conjunction with section 29 of the PGPA Act. These include requirements for land council board members to make a disclosure to their responsible entity and for the CEO's disclosure to be provided to the Minister for Indigenous Australians.<sup>30</sup>

1.22 The ALRA requires that Aboriginal Investment NT publish a code of conduct for the board and the CEO.<sup>31</sup>

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27 PGPA Act, section 16.

28 PGPA Rule, section 10. This section of the PGPA Rule is referred to as the Fraud and Corruption Rule.

29 Department of Finance, *Resource Management Guide 203 – General duties of officials, Duty to disclose interests*, 27 February 2023, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/general-duties-officials-rmg-203/duty-disclose-interests> [accessed 20 May 2024].

30 ALRA, section 65GJ.

31 *ibid.*, subsections 65EM(1) and 65GH(1). The Aboriginal Investment NT, Board Code of Conduct and CEO Code of Conduct are published at <https://www.aboriginalinvestment.org.au/our-governance> [accessed 21 October 2024].

## *Corporations Act 2001*

1.23 Commonwealth companies, such as AHL and Outback Stores, are subject to the Corporations Act.

- Section 191 of the Corporations Act sets out a ‘Director’s duty to notify other directors of [a] material personal interest when [a] conflict arises’, including outlining details of the nature and extent of the interest and how it relates to the affairs of the company. The notice must be given at a directors’ meeting as soon as practicable after the director becomes aware of their interest in the matter and details must be recorded in the minutes of the meeting.
- Section 195 of the Corporations Act sets out restrictions on a director with a declared conflict of interest voting and being present for deliberations on a relevant matter, although participation can be approved by resolution of directors without a conflict of interest for the matter.
- Section 192 of the Corporations Act sets out that a ‘Director may give other directors standing notice about an interest’ whether or not it relates to the affairs of the company. The standing notice must outline details of the nature and extent of the interest and must be recorded in the minutes.

## *Public Service Act 1999 and Australian Public Service Commission guidance*

1.24 The Australian Public Service (APS) is established under the *Public Service Act 1999* (PS Act) and consists of agency heads and APS employees engaged under the PS Act.<sup>32</sup> AHL employees are covered by the PS Act. The PS Act includes the APS Values and Code of Conduct, which outline principles and requirements for APS employees in relation to managing conflicts of interest, including that an APS employee:

- (a) take reasonable steps to avoid any conflict of interest (real or apparent) in connection with the employee’s APS employment; and
- (b) disclose details of any material personal interest of the employee in connection with the employee’s APS employment.<sup>33</sup>

1.25 The APSC’s *APS Values and Code of Conduct in practice* guide outlines expectations for APS employees for managing conflicts of interest in accordance with the PGPA Act and APS Code of Conduct. The guide states that:

Agency heads and Senior Executive Service (SES) employees are subject to a specific regime that requires them to submit, at least annually, a written declaration of their own and their immediate family’s financial and other material personal interests.<sup>34</sup>

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32 Aboriginal Hostels Limited employs staff under the PS Act. Aboriginal Investment NT and Outback Stores do not.

33 *Public Service Act 1999*, subsection 13(7).

34 APSC, *APS Values and Code of Conduct in practice*, 2021, section 5.2, available from <https://www.apsc.gov.au/publication/aps-values-and-code-conduct-practice/section-5-conflict-interest> [accessed 10 July 2024]. While the guide does not refer to the regulatory or policy basis for the agency head and SES interest declaration ‘regime’, the APSC advised the ANAO in April 2024 that the requirement stems from a government decision outlined in a statement to Parliament made by the prime minister in September 1983.



1.26 The guide also notes that agency heads are responsible for ensuring conflicts of interest are effectively managed and should establish systems for registering interests, assessing the materiality of interests, and mitigating any conflicts that may arise.

1.27 The APSC's *Recruitment in the Australian Public Service* guide highlights that conflicts of interest can occur, for example, due to family, friendship or prior working relationships with a candidate, and states that agencies must ensure the details are documented. Potential mitigation arrangements include:

- written referee comments are provided before accessing any applications if a panel member is a candidate's referee
- a conflicted panel member does not assess a particular candidate
- candidates are placed with panel members they do not know if there is more than one interview panel
- all panel members and the delegate are aware of the relationship
- there are at least two other un-conflicted panel members who can make an assessment of the candidate and
- a conflicted delegate declares the conflict to a higher delegate and/or stands aside as a delegate to the process.<sup>35</sup>

### *Australian Charities and Not-for-profits Commission (ACNC) Regulations 2022*

1.28 AHL, Aboriginal Investment NT and Outback Stores are registered not-for-profit entities, governed by the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act). Governance Standard Five of the Australian Charities and Not-for-profits Commission Regulations 2022 require board members to disclose perceived or actual material conflicts of interest. These requirements are comparable to those under the PGPA Act and Corporations Act.

### *Board appointment process*

1.29 The Cabinet Handbook sets out that where 'a significant government appointment is proposed, the responsible minister must write to the Prime Minister seeking approval of the appointment before any action is finalised', including a completed and signed private interest declaration and curriculum vitae for the proposed candidate[s].<sup>36</sup> This applies to all board appointments to AHL and Outback Stores and the two Australian government appointees to the Aboriginal Investment NT board.

## **Overview of legislative and policy requirements applicable to selected entities**

1.30 The legislative and policy requirements for the three entities are set out in Table 1.3. Further details of the legislative requirements are in Appendix 3.

35 APSC, *Recruitment in the Australian Public Service*, 2024, available from <https://www.apsc.gov.au/working-aps/information-aps-employment/guidance-and-information-recruitment/aps-recruitment-guide> [accessed 2 April 2024].

36 Department of Prime Minister and Cabinet (PM&C), *Cabinet Handbook – 15th edition*, PM&C, 2022, available from <https://www.pmc.gov.au/government/administration/cabinet-handbook-15th-edition> [accessed 10 July 2024].

**Table 1.3: Conflict of interest legislative and policy requirements**

	AHL	Aboriginal Investment NT	Outback Stores
Entity type	Commonwealth company limited by guarantee	Corporate Commonwealth entity	Commonwealth company limited by shares
Board membership	8 All appointed by the Minister for Indigenous Australians	12 Including 1 appointed by Minister for Finance and 1 by the Minister for Indigenous Australians	9 All appointed by the Minister for Indigenous Australians
Officials' duty to disclose under section 29 of PGPA Act	✘	✓	✘
Board members' duty to disclose under section 191 of Corporations Act	✓	✘	✓
Employees required to disclose under section 13 of PS Act	✓	✘	✘
Additional disclosure requirements under ALRA	✘	✓	✘
<b>Summary</b>			
Board members required to disclose	✓	✓	✓
CEO required to disclose	✓	✓	✘
Other senior officials required to disclose	✓ (PS Act)	✓ (PGPA Act)	✘
Other employees required to disclose	✓ (PS Act)	✘	✘

**Key:** ✓ Yes ✘ No

Source: ANAO analysis.

## Rationale for undertaking the audit

1.31 Public confidence in Commonwealth entities and Commonwealth companies can be damaged when conflicts of interest are not appropriately identified and managed. The public is entitled to have confidence in the integrity of public officials, and to know that officials' personal interests do not conflict with their public duties.

1.32 Specialist skills and expertise may be required to provide a suitable composition for Commonwealth boards. The board members that are appointed to boards in respect of their specialist skills or expertise can have inherent interests that exist as a consequence of their specialist



experience. For example, they may be involved in industry associations or have duties to other organisations. These interests can conflict with their duties as a board member.

1.33 The NACC and the Australian Public Service Commission (APSC) have highlighted functions commonly undertaken by Australian Government entities that have a heightened risk of conflicts of interest, including procurement, recruitment and grant activities.<sup>37</sup>

1.34 This audit was conducted to provide assurance to the Parliament that the selected entities are ensuring the integrity of their functions by appropriately managing conflicts of interest.

## Audit approach

### Audit objective, criteria and scope

1.35 The objective of the audit was to assess the effectiveness of management of conflicts of interest for Aboriginal Hostels Limited, Aboriginal Investment NT and Outback Stores Pty Ltd.

1.36 To form a conclusion against the objective, the ANAO adopted the following two high-level audit criteria.

- Have the entities developed appropriate arrangements to manage conflicts of interest?
- Are the entities effectively managing conflicts of interest consistent with their own policies?

### Audit methodology

1.37 To address the audit objective, the audit team:

- reviewed legislative, policy and internal arrangements related to management of conflicts of interest;
- met with entity officials involved in board governance, risk management, recruitment, procurement and grant administration;
- examined entity documentation, including risk registers, policy documents, training material, declarations of interests and mitigation strategies, board and subcommittee meeting papers and minutes, and recruitment, procurement and grant records;
- observed a board meeting for each of the selected entities;
- conducted field work at entity premises in Darwin;
- examined the monitoring and reporting arrangements for conflicts of interest, including follow-up of breaches of conflict of interest policies; and
- reviewed one citizen contribution received for this audit.

1.38 The audit examined the management of conflicts of interest for the period 1 July 2021 to 30 June 2024.

1.39 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$490,000.

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37 NACC, *Towards Integrity Maturity: Mapping the Commonwealth integrity landscape*, and APSC, *APS Values and Code of Conduct in practice*, September 2021.

1.40 The team members for this audit were Jason Millward, Fionan Dunne, Adrita Inam and Daniel Whyte.

## 2. Arrangements to manage conflicts of interest

### Areas examined

This chapter examines whether Aboriginal Hostels Limited (AHL), Aboriginal Investment NT and Outback Stores Pty Ltd (Outback Stores) have developed appropriate arrangements to manage conflicts of interest.

### Conclusion

AHL, Aboriginal Investment NT and Outback Stores have developed largely appropriate arrangements to manage conflict of interest consistent with legislative requirements of corporate Commonwealth entities (Aboriginal Investment NT) and Commonwealth companies (AHL and Outback Stores). Each entity has assessed conflict of interest risks, developed a conflict of interest policy and implemented arrangements to support the declaration of interests by board members. AHL and Aboriginal Investment NT require activity specific conflict of interest declarations for staff involved in procurement and recruitment. Aboriginal Investment NT and Outback Stores implemented conflict of interest training for their boards and employees in 2024. AHL requires employees to undertake integrity training but has not implemented training for board members. All entities have implemented some form of assurance arrangement. AHL did not address alleged conflict of interest matters that were identified in three complaints, and Outback Stores did not have a complaints system or undertake controls assessment.

### Areas for improvement

The ANAO made two recommendations to AHL relating to: using Australian Public Service (APS) Census results to inform its assessment of conflict of interest risks; and ensuring conflict of interest matters are addressed and documented in complaints management.

The ANAO also suggested that: AHL could encourage compliance with its gifts, benefits and hospitality policy and implement additional conflict of interest training; and Outback Stores could review the declaration of interest requirements in its Board Charter and implement regular assurance arrangements.

2.1 Conflicts of interest can be a source of internal fraud and corruption risks for Australian Government entities, particularly in relation to procurement, recruitment, regulation, grants management and service delivery.

2.2 Entities need to establish arrangements for declaring interests, and managing and overseeing conflicts of interest, that are informed by assessments of entity-specific risks. To promote compliance with these arrangements, entities should provide training and education on relevant obligations and processes and establish mechanisms to obtain assurance over the effectiveness of controls.

### Have entities assessed conflict of interest risks?

All entities assessed conflict of interest risks within their enterprise risk management frameworks. Aboriginal Investment NT's and Outback Stores' conflict of interest risk assessments occurred between April and June 2024.

- AHL had a conflict of interest related risk factor and control for recruitment in its enterprise risk register until March 2023. AHL assessed conflict of interest risks relating to ‘leakage’ of hostel accommodation revenue, procurement, and acceptance of gifts and benefits in its fraud risk register. Not all existing controls for conflict of interest were identified in these assessments.
- From April to June 2024 Aboriginal Investment NT assessed conflict of interest risks relating to procurement, recruitment and grant assessment. These assessments were undertaken after conflict of interest risks had been realised with its first grant round, which ran from May 2023 to February 2024.
- Outback Stores included an entity-wide conflict of interest risk in its risk register in May 2024 with mitigation strategies including development of a conflict of interest policy, declaration processes, and training and education arrangements.

## Aboriginal Hostels Limited

2.3 AHL’s Risk Management Framework and Plan (May 2024) outlines roles and responsibilities for managing risk and its approach to enterprise risk management. The AHL board developed a Risk Appetite Statement (May 2024) that states it has ‘no appetite’ for ‘integrity failures’ and ‘reportable regulatory compliance breaches’ and ‘limited appetite’ for ‘reputational risk’.

2.4 AHL risks are recorded in an enterprise risk register, fraud risk registers and operational risk registers. The AHL board reviews the enterprise risk register quarterly. The Audit, Risk and Finance Committee reviews the enterprise, fraud and operational risk registers quarterly. Revisions to the enterprise risk register are subsequently approved by the board.

2.5 AHL included a recruitment risk (rated ‘high’) in its October 2021 enterprise risk register which included a risk factor ‘Favouritism and nepotism in recruitment’ with a control of ‘Proactive management of conflicts of interest (in relation to working with family members).’ In March 2023, the conflict of interest risk factor and control was removed. The reason for removal was not documented in either the Audit, Risk and Finance Committee or board minutes. There has been no conflict of interest-related risk or control in AHL’s enterprise risk register and risk action plan since March 2023.

2.6 Since January 2022, conflict of interest-related risks have been recorded in AHL’s fraud risk register relating to leakage of revenue, procurement, and gifts and benefits.

- The ‘Leakage of hostel accommodation revenue’ risk included a risk factor of free accommodation being supplied by employees to friends or family. No conflict of interest-related controls were referenced in the register for this risk.
- A requirement for employees to complete annual conflict of interest declarations was recorded as a control for the ‘Procurement of goods and services for personal gain’ and ‘Acceptance of gifts and benefits’ risks. This control was discontinued in 2022–23.

2.7 Since February 2023, AHL’s finance and procurement operational risk register has included two conflict of interest-related risks relating to achieving value for money and reporting related party transactions.

- For the ‘Failure to achieve value for money in procurement’ risk, ‘Failure to demonstrate probity or disclose interests’ was recorded as a risk factor or cause and ‘Attention to probity matters’ as a control.
- Controls for the ‘Failure to identify and disclose related party transactions for key management personnel’ included maintaining registers of interests for all directors, independent committee members and executives.

2.8 Prior to August 2024, the fraud and finance and procurement risk registers did not include references to existing controls such as adherence to AHL’s Conflict of Interest Policy and Guidelines (December 2020) or procedures relating to managing conflicts of interest within AHL’s Recruitment and Selection Policy and Guidelines (August 2018) and Procurement Policy (April 2024) (see paragraphs 2.19 to 2.22 and 2.28 to 2.32).

2.9 In September 2024, the AHL board approved its Fraud and Corruption Control Framework (consisting of a Policy Statement, Control Plan and Risk Assessment in the form of a Subsidiary Risk Register) to align with the new Commonwealth Fraud and Corruption Control Framework.<sup>38</sup> The updated framework contained references to conflict of interest risks and controls.

2.10 Compared to other APS agencies, a higher proportion of AHL employees reported that they had witnessed potentially corrupt behaviours in the annual APS Employee Census from 2021 to 2024.<sup>39</sup> Undisclosed conflicts of interest, nepotism and cronyism were identified by respondents as the main types of corrupt behaviours witnessed.<sup>40</sup> AHL developed a census action plan in 2021 and 2023 to address key issues in these respective censuses.<sup>41</sup> The AHL board discussed the 2021 and 2023 census results, with the 2022 results provided to the board for information. The AHL board did not discuss the responses to the corrupt behaviours question in the censuses and it did not consider these responses in its census action plans or risk assessments.

## Recommendation no. 1

2.11 Aboriginal Hostels Limited undertake an assessment of drivers behind employee responses to the corrupt behaviour question in the Australian Public Service Employee Census and use this assessment to reassess the entity’s conflict of interest risks.

**Aboriginal Hostels Limited response:** *Agreed.*

38 Attorney-General’s Department, *Commonwealth Fraud and Corruption Control Framework 2024*, available from <https://www.counterfraud.gov.au/library/framework-2024> [accessed 18 October 2024].

39 The APS Employee Census is an annual survey conducted across the APS, designed to collect confidential attitude and opinion information from all APS employees. Further information is available from the Australian Public Service Commission (APSC) website at <https://www.apsc.gov.au/initiatives-and-programs/workforce-information/aps-employee-census-2024> [accessed 27 August 2024].

40 The APS Employee Census includes a question on corrupt behaviour ‘Excluding behaviour reported to you as part of your duties, in the last 12 months have you witnessed another APS employee in your agency engaging in behaviour that you consider may be serious enough to be viewed as corruption?’ The overall APS average ‘yes’ response was 3 per cent in each year. AHL’s ‘yes’ responses were 13 per cent in 2021, 10 per cent in 2022, 12 per cent in 2023 and 10 per cent in 2024.

41 AHL published its APS census results for 2022 and 2023 and its 2023 Census Action Plan on its website at <https://www.ahl.gov.au/search?search=census> [accessed 27 August 2024].

2.12 *AHL will undertake an assessment of the drivers behind employee responses to the 'corrupt behaviour' question in the Australian Public Service Employee Census. We will also continue to deliver training and education initiatives for staff through AHL's Learning and Development Strategy and AHL's Fraud and Corruption Control Framework.*

## **Aboriginal Investment NT**

2.13 Aboriginal Investment NT was established in November 2022 and its first enterprise risk register was approved by the board in April 2023. The register does not include integrity or conflict of interest-related risks.

2.14 After conflict of interest risks were realised with Aboriginal Investment NT's first grant round, which ran from May 2023 to February 2024, from April to June 2024 Aboriginal Investment NT developed an Enterprise-wide Fraud and Corruption Risk Assessment and Control Plan that included separate risk registers for corporate, investments, grants, fraud and corruption, and cybersecurity. Three conflicts of interest-related risks related to procurement and contracting, recruitment and grant assessment were outlined in the corporate and grants risk registers and replicated in the fraud and corruption risk register.

- The 'Procurement and contracting' risk in Aboriginal Investment NT's corporate risk register identified 'conflict or collusion with suppliers' as a component of the risks. Controls recorded for this risk included mandatory conflict declarations for procurements over \$40,000, financial delegations and segregation of duties. The control description referenced Aboriginal Investment NT's December 2022 Procurement Procedure which includes additional arrangements to manage conflict of interest for procurements over \$100,000.
- The 'Recruitment' risk in the corporate risk register included 'conflict or bribery in the recruitment process'. Controls recorded for this risk included pre-employment checks and performance management conversations during probation. Adherence to Aboriginal Investment NT's April 2024 Recruitment Policy and Procedure, which instructs recruitment panel members and delegates to declare and manage any conflicts of interest, was identified as a treatment.
- The grants risk register included a risk of 'Undeclared conflict of interest by staff, management or Board'. Controls recorded for this risk included '[Aboriginal Investment NT] staff are required to consider and disclose any Conflicts of Interest and determine appropriate management strategy in compliance with [Aboriginal Investment NT's] Conflicts of Interest Policy'. The application of controls was assessed to reduce the risk from inherent risk ratings of 'high' or 'very high' (depending on the grant stream) to a residual risk rating of 'low'.

## **Outback Stores**

2.15 Outback Stores' Risk Management Framework and Plan (November 2022) outlines roles and responsibilities for managing risk and its approach to enterprise risk management. Outback Stores maintains an enterprise-wide risk register, which is reviewed on a quarterly basis by its Audit and Risk Committee. The Outback Stores' Risk Appetite Statement (August 2023) states it has a low

tolerance for ‘governance risk through material breaches of its Code of Conduct and Ethics’ and a low tolerance for ‘integrity failures’. The board reviews key risks and those outside risk tolerance, which are outlined in an enterprise risk register.

2.16 Outback Stores’ risk register includes risks across operational, stakeholder and corporate categories and associated controls. Between July 2021 and April 2024 the register did not include integrity or conflict of interest-related risks.

2.17 In May 2024 a risk of ‘Failure to declare an actual, potential or perceived conflict of interest’ was included in the Outback Stores risk register.

- The risk was assessed as having an inherent risk rating of ‘medium’ and residual risk rating of ‘low’ after the application of planned mitigations.
- Mitigation strategies identified for this risk included:
  - developing a conflict of interest policy (subsequently approved in June 2024);
  - creating conflict of interest declarations for all employees;
  - maintaining a conflict of interest register;
  - educating and training employees on identifying and reporting conflicts of interest;
  - making conflict of interest declarations a condition in employment contracts; and
  - undertaking internal audit activity on management of conflicts of interest.

## Have entities developed appropriate arrangements for declaring, managing and overseeing conflicts of interest?

All entities have developed arrangements for declaring, managing and overseeing conflicts of interest, including establishing gifts, benefits and hospitality policies and registers. All entities refreshed conflict of interest-related policies and procedures during 2024.

- AHL had a conflict of interest policy and specific arrangements for managing conflict of interest for recruitment. AHL’s procurement policy was updated in April 2024 to include a requirement for activity specific conflict of interest declarations.
- In May 2024 Aboriginal Investment NT implemented a conflict of interest policy and introduced declaration requirements for recruitment. After conflict of interest issues were identified with its first grant round, which ran from May 2023 to February 2024, it updated its policies, guidelines and forms to strengthen declaration and management requirements.
- Outback Stores implemented a conflict of interest policy in June 2024. Its Board Charter does not fully align with provisions of the Corporations Act relating to declaration of interests.

2.18 The ANAO’s assessment of arrangements for declaring, managing and overseeing conflicts of interest during the period 1 July 2021 to 30 June 2024 is summarised in Table 2.1.

**Table 2.1: Overview of arrangements for declaring, managing and overseeing conflicts of interest**

Areas assessed	AHL	Aboriginal Investment NT	Outback Stores
Conflict of interest policies and templates	◆	▲	▲
Board and senior management declarations	◆	◆	▲
Activity-specific declarations			
• Recruitment	◆	▲	▲
• Procurement	▲	◆	▲
• Grants administration	N/A <sup>a</sup>	▲	N/A <sup>a</sup>
Gift, benefit and hospitality requirements	▲	◆	◆

**Key:** ◆ Arrangements in place  
 ▲ Partially appropriate arrangements in place or arrangements not operational for full period  
 ■ No arrangements in place     N/A Not applicable

Note a: AHL and Outback Stores do not administer grants.  
 Source: ANAO analysis of entity arrangements.

## Aboriginal Hostels Limited

### *Conflict of interest policies and templates*

2.19 AHL’s Conflict of Interest Policy and Guidelines (December 2020) set out requirements for managing conflicts of interest across the entity, including for outside employment, recruitment and procurement. The policy and guidelines define conflict of interest as ‘a conflict between the public duties and personal interests of an employee that improperly influences the employee in the performance of their duties’.

2.20 The policy and guidelines set out declaration requirements for employees at each level.

- The Chief Executive Officer (CEO) and all Senior Executive Service (SES) employees, including those acting at the SES level for three months or more: must make an ‘annual declaration of private, financial and other interests and submit types of interests which could be personal material conflicts of interest’.
- APS Level 3 to Executive Level 2 employees must declare on commencement and annually as part of annual performance processes all ‘general, real, apparent, potential conflicts of interest that exist or arise in the course of employment’. New conflicts must be declared within 14 days of the employee becoming aware of them.
- APS Level 1 and APS Level 2 employees must declare any outside employment on commencement and annually as part of annual performance processes. Outside employment is also required to be approved through an outside employment form submitted by the employee.



2.21 The policy includes a conflict of interest declaration form with sections to identify whether or not there is a conflict related to material personal interests, recruitment, procurement, outside employment or immediate family members. The form includes a section for manager agreement to management actions to mitigate any declared conflicts.

2.22 The policy and guidelines are consistent with APS Code of Conduct declaration requirements. The policy and guidelines were not reviewed in accordance with the December 2022 review date specified in the document. AHL updated its Conflict of Interest Policy in October 2024.

### *Board and senior management declarations*

#### AHL Board declarations

2.23 The AHL Board Governance Charter and AHL Constitution set out requirements for board members (directors) to declare material personal interests in accordance with section 191 of the *Corporations Act 2001* (Corporations Act) (see paragraph 1.23). The AHL Constitution states:

14.14. A *Director* who has a material personal interest in a matter that relates to the affairs of the *Company* must give other *Directors* notice of the interest in accordance with section 191 of the *Corporations Act*.

14.15. Where a *Director* has a material personal interest in the outcome of a vote, the participation of that *Director*, both in the vote and in the meeting at which the vote takes place, shall be governed by the procedures set out in section 195 of the *Corporations Act*.

2.24 Disclosures are maintained in a board register of interests that is updated after each meeting, with a standing agenda item requiring members to update to their disclosure of interests and declare any conflicts of interest.

2.25 The AHL Board Governance Charter outlines that board members can provide a 'standing notice of a material personal interest, removing the need to make frequent notices of the interest'. This capacity to provide a standing notice is similar to section 192 of the Corporations Act (see paragraph 1.23), although section 192 allows directors to make broader disclosures of personal interests that may or may not be material personal interests.

#### Senior management declarations

2.26 As outlined at paragraph 2.20, AHL's CEO and SES staff are required to make an annual declaration of interests. AHL's December 2020 Conflict of Interest Policy and Guidelines states:

**For all SES employees and the CEO** (including employees acting as SES for three months or more) must make an annual declaration of private, financial and other interests and submit a Conflict of Interest Declaration to Director Human Resources. Employees in this category must also complete a new Declaration where there is:

- A change in their responsibilities or a change in the issue or subjects on which they are required to make decisions or give advice, and/or
- There is a change in their personal circumstances that could impact upon the decisions they are taking or the advice they are giving. [emphasis in original]

Director Human Resources will forward an email seeking the annual declaration for all SES (and relevant non SES) employees. Director Human Resources will be responsible for recording and registering completed SES declarations.

2.27 AHL has developed a form to record SES declarations of interest. The form includes a field for the CEO (for SES declarations) or Chair of the AHL board (for the CEO's declaration) to note any 'comments on the declared interest'.

### *Activity-specific declarations*

#### Recruitment

2.28 AHL's Recruitment and Selection Policy and Guidelines (August 2018) requires:

- selection panel members to declare if they have any actual or perceived conflicts of interest; and
- applicants to declare if they have family working at AHL.

2.29 AHL's selection report template includes a check box to indicate whether any panel members have conflicts of interest and directs any panel members with conflicts to complete a declaration template. If nominated as a referee for an applicant, panel members are required to provide referee reports prior to shortlisting. The application form has a check box for applicants to declare if they have any relatives working in AHL.

2.30 A November 2023 internal audit report on AHL recruitment found that AHL Recruitment and Selection Policy and Guidelines and other key documents were out of date and did not include current information on conflict of interest procedures. The report included a recommendation to update human resources policies periodically, including procedures for managing conflicts of interest, and communicating any updates to policy and procedures through AHL-wide communication and training. AHL agreed to this recommendation with an implementation date of September 2024. A 'human resources update' to the AHL board in June 2024 stated that these policies were being reviewed. AHL advised the ANAO in October 2024 that implementation was expected to be progressively completed in the first quarter of 2025.

#### Procurement

2.31 In 2019–20 the ANAO identified AHL had an absence of appropriate controls for procurement and a lack of evidence of conflict of interest declarations.<sup>42</sup> In 2020–21 the ANAO observed that AHL had issued a new procurement manual.<sup>43</sup> AHL's procurement policies dated July 2021 and October 2023 instructed employees to avoid conflicts of interest. The policies did not require an activity-specific conflict of interest declaration and provided limited guidance on how to declare or manage conflicts within procurement activities. The procurement policies did not refer to AHL's existing Conflict of Interest Policy and Guidelines (December 2020), which required tender

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42 Auditor-General Report No.25 2020–21, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2020*, ANAO, Canberra, 2020, paragraph 5.12.45, available from <https://www.anao.gov.au/work/financial-statement-audit/audits-the-financial-statements-australian-government-entities-the-period-ended-30-june-2020> [accessed 9 September 2024].

The ANAO also identified an absence of appropriate controls surrounding a number of procurements and a lack of evidence of conflict of interest declarations. Issues were also identified in relation to the engagement of non-ongoing staff through processes that did not involve bringing the vacancies to the attention of the community in circumstances where there appears to be an ongoing need for particular roles.

43 Auditor-General Report No.14 2021–22, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2021*, ANAO, Canberra, 2021, paragraphs 4.12.45 to 4.12.47, available from <https://www.anao.gov.au/work/financial-statement-audit/audits-the-financial-statements-australian-government-entities-the-period-ended-30-june-2021> [accessed 9 September 2024].

evaluation team members to disclose conflicts of interest using a declaration form (see paragraphs 2.19 and 2.21).

2.32 AHL updated its procurement policy in April 2024 to include a requirement to complete an activity-specific conflict of interest declaration, including making a nil declaration where no conflicts exist. The policy includes specific instruction on identifying, assessing, managing and recording conflict of interest declarations. The policy also requires conflict of interest declarations and management action plans to be recorded on a Procurement Conflict of Interest Register. AHL also updated its supplier contract to require suppliers to not to have a conflict of interest at the time of engagement and to notify AHL if a conflict arises during the period of the contract.

## Aboriginal Investment NT

### *Conflict of interest policies and templates*

2.33 Aboriginal Investment NT's Accountable Authority Instructions (AAIs) (November 2022) state:

All officials must disclose a material personal interest that relates to the affairs of the entity in accordance with these instructions.

The [Aboriginal Investment NT] Chief Executive Officer is responsible for developing, overseeing and managing [Aboriginal Investment NT's] processes for the disclosure of material personal interests and will:

- promulgate policies on managing conflicts of interest
- maintain a register of interests, and the appointment of an official who is responsible for keeping it up to date.

2.34 Prior to May 2024, Aboriginal Investment NT did not have a policy on conflict of interest. In May 2024 it implemented a Conflicts of Interest Policy that requires all 'personnel' (defined as 'all directors, committee members, executives, employees, volunteers, contractors, consultants and agents') to declare conflicts of interest, including for grants and recruitment. The policy outlines requirements for declaring material personal interests under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). The policy states that 'Personnel must not apply for any grants under a program administered by [Aboriginal Investment NT].' The policy also refers to breaches of policy, stating:

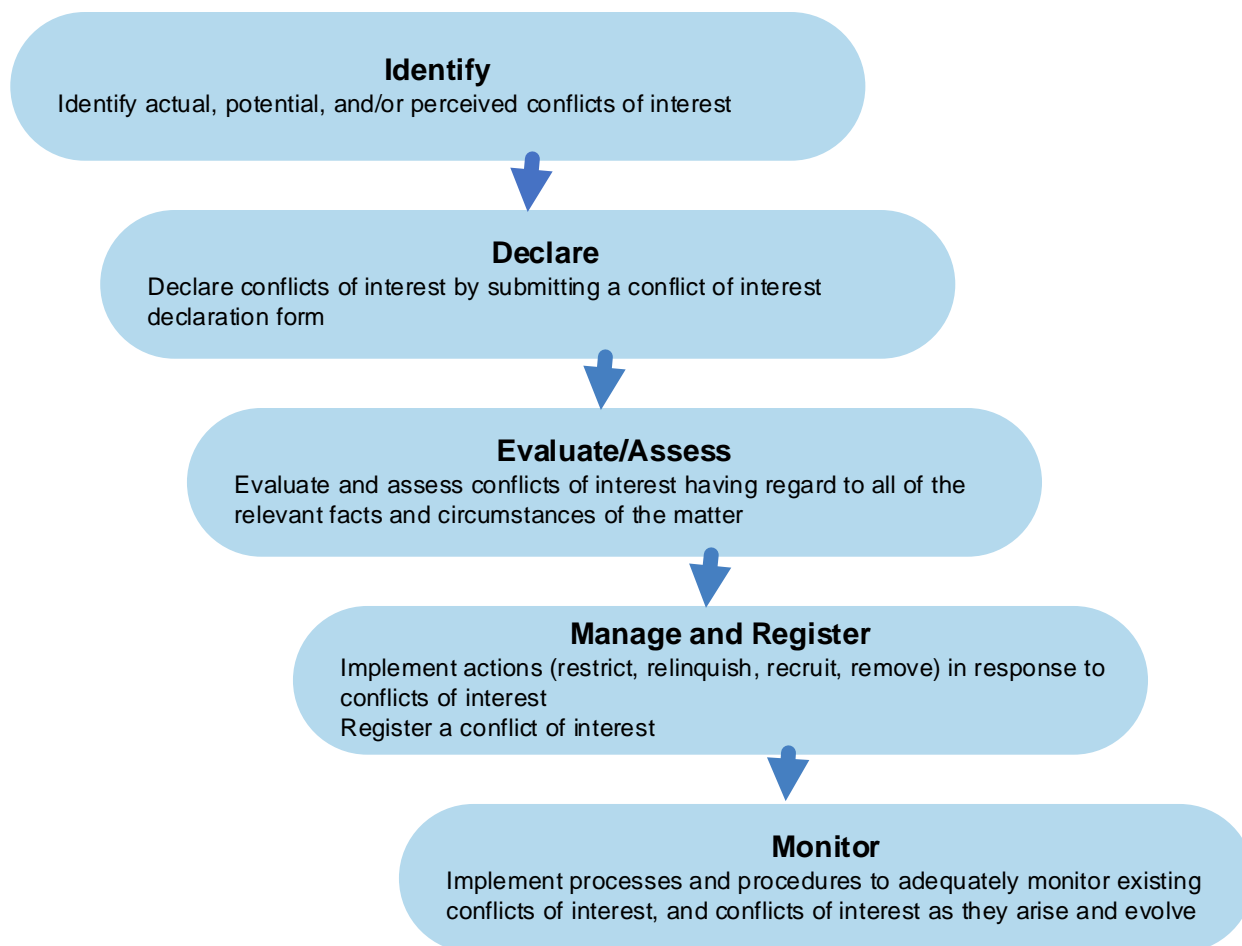
An [Aboriginal Investment NT] Personnel's failure to declare a Conflict of Interest or failure to comply with management steps for a declared Conflict of Interest is a breach of this Policy, the Code of Conduct and may also be [a] breach of relevant provisions in the PGPA Act and the [National Anti-Corruption Commission Act 2022].

A breach may result in disciplinary action that affect[s] the individual's role or position in the organisation. The severity of the disciplinary action will depend on the relevant circumstances and may include suspension / termination of employment or engagement with [Aboriginal Investment NT].

For Directors and Committee members, failure to declare a Conflict of Interest or failure to comply with management steps for a declared Conflict of Interest is a breach of the Board Code of Conduct and the relevant Board or Committee Charter.

2.35 Aboriginal Investment NT’s May 2024 Conflicts of Interest Policy provides detailed instructions on the responsibilities for board members, the Chief Executive Officer (CEO), managers and employees. It includes a template conflict of interest declaration form with sections for detailing the interest and the management plan. Aboriginal Investment NT also established an employee disclosure of private interest register in June 2024. The policy sets out the conflicts management framework displayed in Figure 2.1.

**Figure 2.1: Aboriginal Investment NT Conflicts Management Framework**



Source: Aboriginal Investment NT Conflicts of Interest Policy.

***Board and senior management declarations***

Aboriginal Investment NT Board declarations

2.36 The Aboriginal Investment NT Board Governance Charter (September 2023) and Board Code of Conduct (April 2024)<sup>44</sup> set out requirements for board members to act in the best interests of Aboriginal Investment NT and ensure their declared interests are:

comprehensive, accurate and up-to-date, and to advise the Chair as soon as they become aware of any real, potential or current conflict of interest in any matter before the Board.

44 Aboriginal Investment NT, *Board Code of Conduct*, 4 April 2024, available from <https://www.aboriginalinvestment.org.au/our-governance> [accessed 9 September 2024]

2.37 The Board Governance Charter outlines requirements for disclosing and managing conflicts of interest that are consistent with the requirements of the PGPA Act and the *Aboriginal Land Rights (Northern Territory) Act 1976*. This includes having a standing agenda item for declarations of interests at board meetings, and maintaining a board interests register.

#### Senior management declarations

2.38 The Aboriginal Investment NT CEO is required by section 65GJ of the *Aboriginal Land Rights (Northern Territory) Act 1976* to disclose material personal interests to the board and the Minister for Indigenous Australians. Aboriginal Investment NT's CEO Code of Conduct<sup>45</sup> requires the CEO to disclose any material personal interests to the Aboriginal Investment NT board and take reasonable steps to avoid any conflict of interest in connection with their employment. The CEO must also provide a copy of their disclosure of interests to the Minister for Indigenous Australians.

#### Activity-specific declarations

##### Recruitment

2.39 Prior to May 2024, Aboriginal Investment NT did not have a recruitment policy and did not require declarations of conflicts of interest for recruitment activities. Aboriginal Investment NT's May 2024 Recruitment Policy & Procedure and selection report template set out instructions for members of selection panels to declare and manage any conflicts of interest during the recruitment process in accordance with Aboriginal Investment NT's May 2024 Conflict of Interest Policy. This includes declaring when no conflicts exist. While the policy does not require applicants to declare conflict of interest during recruitment, Aboriginal Investment NT's employee onboarding checklist includes a private interests declaration form.

##### Grants administration

2.40 Administration of grants from the Aboriginals Benefit Account is a core activity for Aboriginal Investment NT.<sup>46</sup> As a corporate Commonwealth entity, Aboriginal Investment NT is not required to follow the Commonwealth Grants Rules and Guidelines but has chosen to do so as better practice.<sup>47</sup>

2.41 Aboriginal Investment NT developed grant guidelines in April 2023 for its first grant round that commenced in May 2023, and made a minor update to the guidelines in June 2023. Conflict of interest arrangements for Aboriginal Investment NT officials and applicants were described in the guidelines, including a requirement for grant applicants to 'declare, as part of your application, any actual, perceived or potential conflicts of interests or that, to the best of your knowledge, there is

45 Aboriginal Investment NT, *Chief Executive Officer (CEO) Code of Conduct*, available from <https://www.aboriginalinvestment.org.au/our-governance> [accessed 9 September 2024].

46 The Aboriginals Benefit Account is legislated under the *Aboriginal Land Rights (Northern Territory) Act 1976* to receive and distribute funds generated from mining on Aboriginal land in the Northern Territory.

47 On 1 October 2024, the *Commonwealth Grants Rules and Principles* replaced the *Commonwealth Grants Rules and Guidelines 2017*.

- Department of Finance, *Commonwealth Grants Rules and Guidelines 2017*, available from <https://www.finance.gov.au/government/commonwealth-grants/commonwealth-grants-rules-and-guidelines> [accessed 15 August 2024].
- Department of Finance, *Commonwealth Grants Rules and Principles*, available from <https://www.finance.gov.au/government/commonwealth-grants/commonwealth-grants-rules-and-principles-2024> [accessed 15 August 2024].

no conflict of interest.’ The grant application form did not include a section for applicants to declare a conflict of interest.

2.42 Aboriginal Investment NT opened the first grant round for applications from 1 May 2023 to 1 February 2024. Aboriginal Investment NT identified conflict of interest-related issues with the first grant round through an external complaint and reports from internal management of alleged breaches of the Board Code of Conduct. Actions taken in response to these internal reports and the external complaint informed improvements to Aboriginal Investment NT’s grant administration processes (see Case study 1).

#### Case study 1. Improvements to grant administration processes at Aboriginal Investment NT

Aboriginal Investment NT’s first grant round ran from May 2023 to February 2024, receiving a total of 322 grant applications, with the aggregate value of requested funds totalling \$255.43 million.

The Aboriginal Investment NT board identified deficiencies with the first grant round and, at the 29 November to 1 December 2023 board meeting, agreed to close the grant round to new applicants from 1 February 2024 and redesign the program.

Subsequent reports from internal management to the board were made about the first grant round regarding issues including conflict of interest declaration and management, Board Code of Conduct and board duties under the PGPA Act.

A grant applicant made a complaint in March 2024 that included allegations regarding conflicts of interest. This was subject to an internal investigation headed by the complaints unit and overseen by the Chair of the board. The report of the internal investigation was considered and approved by the Aboriginal Investment NT board in April 2024, with a finding that none of the allegations were substantiated.

To inform its grant redesign process, Aboriginal Investment NT engaged its contracted internal auditor, Cobalt Consulting, to undertake an internal audit of its first grant round. The May 2024 internal audit report identified significant deficiencies with the design and operating effectiveness of the first grant round, including ‘Deficiencies with arrangements for managing conflicts of interest arising in decision making processes.’

Aboriginal Investment NT agreed to all recommendations and developed controls to address the report recommendations, including:

- establishing a Grants Risk Assessment and Control Plan;
- developing an Aboriginal Investment NT Conflict of Interest Policy in May 2024;
- reviewing and updating grant policies, procedures, guidelines and templates to include mandatory interest declarations by grant applicants and their key management personnel, grant assessment panel members, and grant approval delegates; and
- developing conflict of interest training for employees involved in grants assessment.

The Aboriginal Investment NT board approved a new grant management framework in June 2024, including a risk appetite statement, risk assessment and control plan, and Grants Program

Guidelines (dated 1 July 2024). The new grant guidelines are aligned with the Commonwealth Grants Rules and Guidelines 2017, including conflict of interest management requirements.

The July 2024 Grants Program Guidelines set out requirements for Aboriginal Investment NT board members and employees to declare and manage conflicts of interest. Grant applicants are also required to declare conflicts of interest in their application and on an ongoing basis.

The new grant program commenced in August 2024 based on the new grant guidelines and controls. The grants manager is required to report to the Aboriginal Investment NT Audit and Risk Committee, as part of regular reporting, on the post-implementation review of the new program.

2.43 Aboriginal Investment NT developed revised grant guidelines and policies, approved by the board in June 2024, that require applicants, assessors, delegates and board members to declare interests (see Case study 1). The guidelines state that applications that do not have the conflict of interest section completed will be considered incomplete and ineligible. Unlike the June 2023 grant guidelines, the July 2024 guidelines include an obligation for key management personnel at organisations applying for a grant to declare conflicts of interest. The new application forms include a required field to declare ‘any actual, perceived, and/or potential conflicts of interest.’ The July 2024 grant guidelines define conflict of interest as:

Professional, political, commercial or personal relationships with a party who or is perceived to be able to influence the application selection process.

Relationships with, or interests in, an organisation or individual that may receive a personal gain as a result of an organisation or individual receiving a [Aboriginal Investment NT] grant under this Grants Program.

2.44 The grant assessment form has a section for assessors to declare whether they have a conflict of interest and is consistent with the requirements in the grant guidelines. Aboriginal Investment NT’s policy and grant agreement template require grant recipients to notify Aboriginal Investment NT of any conflict of interest and take steps required by Aboriginal Investment NT to resolve the conflict of interest. The agreement states that ‘A Failure to resolve the conflict of interest will result in this Agreement being terminated’.

#### Procurement

2.45 Aboriginal Investment NT’s Procurement Policy (December 2022) states that ‘[Aboriginal Investment NT] Staff will not engage in any activity that would create conflict between personal interest and [Aboriginal Investment NT] interests’.

2.46 Aboriginal Investment NT’s Procurement Procedure (December 2022) requires personnel involved in procurement, including assessors and delegates, to complete a Declaration of Interests and Disclosure Statement Procurement Template for all procurements valued above \$40,000. The template includes sections to declare whether or not there is conflict interest, and to document a management strategy (if required). The delegate approval template includes a section to confirm whether or not there is a conflict.

2.47 Aboriginal Investment NT has a checklist for procurement tenders above \$500,000 which includes an instruction to complete a conflict of interest declaration at procurement plan completion, before tender evaluation stage.

## **Outback Stores**

### *Conflict of interest policies and templates*

2.48 The Outback Stores' 2016 Code of Conduct requires employees to 'declare any actual or potential conflict of interest to Outback Stores'. Prior to June 2024, no guidance was provided on how to declare or manage conflicts.

2.49 In June 2024 Outback Stores introduced a Conflict of Interest Policy, which requires Outback Stores personnel to:

disclose and take reasonable steps to avoid any conflict of interest (real or apparent) in connection with Outback Stores employment; and disclose details of any material personal interest of the employee in connection with Outback Stores employment.

2.50 The policy defines personnel as 'an Outback Stores employee, manager, executive or board of management director.' The policy extends to store managers employed by Outback Stores but not employees of locally owned stores.

2.51 The policy outlines examples of potential conflicts of interest, and declaration and treatment processes. The policy also establishes a requirement for mandatory training on conflict of interest for all employees, executives and the board.

2.52 Outback Stores developed a conflict of interest declaration form to support the policy, with sections to describe the conflict, indicate whether it is a real, perceived or potential conflict, and document manager agreed mitigations. An employee conflict of interest declaration register was established in June 2024.

### *Board and senior management declarations*

#### Outback Stores Board declarations

2.53 The Outback Stores Constitution references directors complying with the Corporations Act, including participation in and voting on matters 'but only to the extent permitted by section 195 of the Corporations Act'.

2.54 The Outback Stores Board Charter states:

Any member of the Board who has a direct or indirect pecuniary interest in a matter being considered, or about to be considered by the Board shall, as soon as practicable after the relevant facts come to the Director's knowledge, disclose the nature of that interest at a meeting of the Board.

The Chair must ensure the declaration to be recorded in the minutes of the meeting.

A Director who has a conflict of interest in a matter must not be present during any deliberations by the Board on the matter and is not entitled to vote on the matter.

If a Director votes on a matter in contravention of the [Corporations Act] or this charter, his or her vote must be disallowed, unless the matter is in relation to a supply of goods or services to the Director and the goods or services are, or are to be available to, members of the public on the same terms and conditions.

2.55 The requirements outlined in the charter do not fully align with the disclosure provisions of the Corporations Act (see paragraph 1.23). The charter does not:



- require disclosure of the extent of an interest and its relation to the affairs of the company (subsection 191(3) of the Corporations Act);
- allow for board members to provide a standing notice of an interest (section 192 of the Corporations Act); and
- allow a board member to participate in deliberations with the approval of other board members (subsection 195(2) of the Corporations Act).

2.56 Outback Stores' implementation of arrangements for board member declarations are discussed at paragraphs 3.38 to 3.39.

### Opportunity for improvement

2.57 Outback Stores could review the Outback Stores Board Charter to confirm that it aligns with the disclosure of interest provisions of sections 191, 192 and 195 of the *Corporations Act 2001*.

#### Senior management declarations

2.58 Until June 2024, Outback Stores did not have a specific requirement for the CEO and senior executives to declare conflicts of interest. Its Conflict of Interest Policy (June 2024) applies to all 'Outback Stores Personnel', which is defined as 'An Outback Stores employee, manager, executive or board of management director'.

#### *Activity-specific declarations*

##### Recruitment

2.59 Prior to June 2024 there were no specific requirements to declare conflict of interest for recruitment. Outback Stores' June 2024 Recruitment and Selection Policy states that the June 2024 Conflict of Interest Policy and associated training apply to the recruitment process. Employees involved in recruitment are required to complete a declaration 'should the candidate be known in a personal capacity'.

2.60 Employment contracts for stores managers and other employees have conflict of interest clauses that require them to avoid conflicts of interest, avoid outside employment and disclose any actual or apparent conflict of interest.

##### Procurement

2.61 Outback Stores had a Procurement Policy and Procedure dated December 2014 that was not in current use. That policy stated that no Outback Stores 'employee, officer, or agent shall participate in the selection, award, or administration of a contract if a real or apparent conflict of interest would be involved.'

2.62 Outback Stores advised the ANAO in August 2024 that 'all procurement is completed in line with board approved budgets and delegated authority'. Outback Stores also advised the ANAO in August 2024 that it was developing a new procurement policy and that it was expected to be approved in September 2024.

2.63 The Outback Stores Supplier Agreement Policy 2023 (for supply of merchandise to stores)<sup>48</sup> states:

It is critical that employees engaging with suppliers identify, declare and conflicts of interest effectively. An employee must declare a perceived, potential, or actual conflict of interest to their supervisor as soon as practicable once they have identified the conflict of the interest.

2.64 The Supplier Agreement Policy does not provide guidance on how to declare or manage conflicts of interest.

### **Gifts, benefits and hospitality policies**

2.65 The giving or receiving of gifts, benefits and hospitality can create the perception that an official is subject to inappropriate external influence. Perceptions of this sort can give rise to reputational risks for public entities.

2.66 The Australian Public Service Commission's (APSC) *Guidance for Agency Heads – Gifts and Benefits* requires APS agency heads to publicly disclose all gifts or benefits accepted and valued at over \$AUD100.00 (excluding GST).<sup>49</sup> From 31 January 2022, APS agencies were required to provide links to these registers on the APSC website.<sup>50</sup> These requirements apply to the CEO of AHL (as an APS agency head).

2.67 The APSC 'strongly encouraged' the heads of non-APS agencies, such as Aboriginal Investment NT and Outback Stores, to adopt these practices and outlines a 'strong expectation' that the requirements are extended to all employees:

To ensure consistency and transparency across the Commonwealth, statutory office holders and heads of Commonwealth entities and companies are strongly encouraged to adopt this guidance, and mirror these arrangements, as best practice.

Although not a requirement under this guidance, there is a strong expectation that agency heads will also publish gifts and benefits received by staff in their agency that exceed the threshold of \$AUD100.00 (excluding GST).<sup>51</sup>

### *Aboriginal Hostels Limited*

2.68 AHL's Receiving and Providing Gifts Policy (October 2023) sets out processes for acceptance of gifts, including consideration of conflict of interest, and maintaining a gifts register:

Gifts which are provided to AHL staff in the course of their work, become AHL property. The only exception to this is gifts and benefits valued up to \$100. AHL SES Officers may at their discretion allow staff to keep these low value gifts, unless they are art and artefacts.

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48 Outback Stores maintains standing offer supplier agreements with wholesalers from which community owned stores order food and other merchandise.

49 Australian Public Service Commission (APSC), *Guidance for Agency Heads – Gifts and Benefits*, APSC, 30 November 2021, available from <https://www.apsc.gov.au/working-aps/integrity/integrity-resources/guidance-agency-heads-gifts-and-benefits> [accessed 13 August 2024].

50 Australian Public Service Commission (APSC), *Agency Head gifts and benefits registers*, APSC, 26 January 2022, available from <https://www.apsc.gov.au/agency-head-gifts-and-benefits-registers> [accessed 13 August 2024].

51 Australian Public Service Commission (APSC), *Guidance for Agency Heads – Gifts and Benefits*, APSC, 30 November 2021, available from <https://www.apsc.gov.au/working-aps/integrity/integrity-resources/guidance-agency-heads-gifts-and-benefits> [accessed 13 August 2024].

Gifts or benefits should not be accepted by a staff member or their immediate family if the acceptance could in any way be construed as an attempt to influence administrative regulatory or contractual decisions or appear as a conflict of interest.

A register detailing all gifts received and provided by AHL is to be maintained by the Executive Assistant to the CEO, who will provide reports to the CEO and Board detailing all gifts received and provided by AHL.

2.69 Guidance regarding the acceptance of hospitality states:

As a general rule, AHL staff are not to accept gifts of alcohol or invitations to social events (e.g., tickets to sporting or major social events) which have no link to AHL's day to day business operations.

2.70 AHL publishes the CEO gifts and benefits register on its website. There were no CEO gifts or benefits reported from 3 September 2021 to 30 June 2024.<sup>52</sup>

2.71 The last entries in the AHL Hospitality and Gift Register were December 2016 for gifts and May 2017 for hospitality. AHL advised the ANAO in May 2024 that:

These are the current version of the registers; no gifts or hospitality have been declared since these dates. Consistent with the registers, AHL staff are rarely offered gifts or hospitality.

2.72 The ANAO identified three gifts provided to AHL between 1 July 2021 to 30 June 2024 that were not recorded in the Hospitality and Gift Register:

- an artwork, which AHL valued at \$100, gifted to the Tamworth Hostel (October 2021);
- a gift basket of unknown value gifted from a contractor to a hostel manager (January 2024); and
- a t-shirt of unknown value gifted from a vendor (April 2024).

### Opportunity for improvement

2.73 Aboriginal Hostels Limited could implement measures to encourage compliance with its Receiving and Providing Gifts Policy, including employee reminders and assurance activities.

### *Aboriginal Investment NT*

2.74 Aboriginal Investment NT's Gifts, Benefits and Hospitality Policy (April 2024) provides guidance for board members and employees on declarations, approvals and consideration such as conflict of interest. The policy requires declaration of gifts, benefits and hospitality offered with details 'recorded in the [Aboriginal Investment NT] Gifts, Benefits and Hospitality Register (the Register) within 5 business days of receiving the declaration.' The policy was updated in April 2024 to require declined gifts to be recorded in the register.

2.75 The register is not published and had two entries as of August 2024.

52 Aboriginal Hostels Limited (AHL), *Gifts and benefits register*, AHL, available from <https://www.ahl.gov.au/gifts-and-benefits-register> [accessed 13 August 2024].

- One recorded 13 June 2024, for a hospitality invitation received 1 October 2023, valued at \$350. This was accepted by the recipient, the CEO, who was subsequently unable to attend.
- One recorded 10 July 2024, for a group lunch and presentation valued at \$80. This was accepted by the recipient.

2.76 On 14 November 2023, Aboriginal Investment NT declined an unsolicited gift of 10 car wash vouchers (value unknown) from a successful grant applicant. This was not recorded on the register.

### *Outback Stores*

2.77 Outback Stores' Gifts, Acknowledgment and Reward Policy (August 2017) requires 'All gifts received (valued more than \$25.00) are to be notified to the CEO and may be re-allocated in an appropriate manner', such as distributed to employees at Christmas or by raffle. The policy requires that gifts be recorded in the gifts register which is to be tabled at each quarterly board meeting.

2.78 Outback Stores' Supplier Agreement Policy states that 'Under no circumstance can any agreement include gifts or gratuities.'

2.79 Outback Stores has gratuities registers for each calendar year from 2021 to 2023. The registers include details of 22 gifts received for a total value of \$3,546. All but one gift was provided in December and included items such as a quantity of hams, hampers, vouchers and alcohol. Three gifts were recorded as being retained by recipient and the remainder were recorded as distributed to employees, largely through raffles and employee Christmas lunches. The register is not published. The register was not tabled at board meetings.

### **Arrangements for board appointments**

2.80 The Minister for Indigenous Australians appoints all directors to AHL and Outback Stores, and one director to Aboriginal Investment NT. The Minister for Finance appoints one director to Aboriginal Investment NT. The appointment processes are supported by the respective ministers' departments, the National Indigenous Australian Agency (NIAA) and the Department of Finance.

2.81 Appointments made between 1 July 2021 to 30 June 2024 followed the requirements set out in Annex I of the Cabinet Handbook.<sup>53</sup> Proposals submitted to the Prime Minister included the required private interest declarations and curricula vitae.

### **Have entities developed training and education arrangements to promote compliance with conflicts of interest requirements?**

All entities have developed training and education arrangements to promote compliance with conflict of interest requirements. Board members for all entities are provided with induction packs that outline conflict of interest requirements. Aboriginal Investment NT and Outback Stores developed online conflict of interest training for employees and board members in 2024. New and existing AHL employees undertake mandatory APS integrity training. The

53 Department of Prime Minister and Cabinet (PM&C), *Cabinet Handbook – 15th edition*, PM&C, 2022, available from <https://www.pmc.gov.au/government/administration/cabinet-handbook-15th-edition> [accessed 11 July 2024].

National Indigenous Australians Agency provides support to Indigenous portfolio agencies in the Prime Minister and Cabinet portfolio.

2.82 On 21 January 2021, the Minister for Finance wrote to corporate Commonwealth entities<sup>54</sup> and Commonwealth companies (including AHL and Outback Stores) stating:

The Government expects that all [*entity's*] directors and other key personnel (for example, senior executives) are inducted on commencement regarding their personal obligations, obligations under the Corporations Act, the PGPA Act, Ministerial Statements of Expectations and other Government guidance. Further, it is also good governance practice for regular training updates to be provided to those same personnel, to ensure that all are kept fully informed of their obligations.

2.83 On 17 November 2023, the Commonwealth Secretaries Board published the APS Integrity Taskforce report *Louder Than Words: An APS Integrity Action Plan*<sup>55</sup> (Integrity Action Plan) and the *Integrity Good Practice Guide*.<sup>56</sup> The Integrity Action Plan states that 'The APS would benefit from dedicated, ongoing education for staff at all levels about the rules, practice and significance of managing conflicts of interest' and recommended that agencies establish:

Regular, scenario-based training and guidance for staff at all levels on how to identify, declare and, most importantly, manage and monitor conflicts of interest to uphold integrity.

2.84 The Australian Public Service Commissioner's Directions 2022 (APS Commissioner's Directions) introduced mandatory integrity training for employees engaged under the *Public Service Act 1999* (PS Act) within six months of being employed.<sup>57</sup> The *Integrity Good Practice Guide* states that 'Good practice suggests that integrity training should be ongoing and tailored to specific roles.' The APS Academy offers an 'APS Foundations: Integrity in the APS' e-Learning module that agencies can access to meet the mandatory integrity training requirement. This module has relevant content including an integrity scenario about conflicts of interest in procurement.

2.85 The ANAO's assessment of training and education arrangements developed by the entities between 1 July 2021 and 30 June 2024 is summarised in Table 2.2.

54 This did not include Aboriginal Investment NT as it commenced as a legal entity on 15 November 2022.

55 PM&C, *Louder Than Words: An APS Integrity Action Plan*, PM&C, November 2023, available from <https://www.pmc.gov.au/resources/louder-words-aps-integrity-action-plan> [accessed 12 August 2024].

56 PM&C, *Integrity Good Practice Guide Plan*, PM&C, November 2023, available from: <https://www.pmc.gov.au/resources/integrity-good-practice-guide> [accessed 12 August 2024].

57 Federal Register of Legislation, *Australian Public Service Commissioner's Directions 2022*, available from <https://www.legislation.gov.au/F2022L00088/latest/text> [accessed 12 August 2024].

**Table 2.2: Overview of training and education arrangements for conflicts of interest**

Areas assessed	AHL	Aboriginal Investment NT	Outback Stores
Induction packs for board members	◆	◆	◆
Conflict of interest training for board members	■	◆	▲
APS integrity training for employees	◆	N/A <sup>a</sup>	N/A <sup>a</sup>
Specific training on conflicts of interest for employees	▲	▲	▲

**Key:** ◆ Arrangements in place  
 ▲ Partially appropriate arrangements in place or arrangements not operational for full period  
 ■ No arrangements in place    N/A Not applicable

Note a: Aboriginal Investment NT and Outback Stores do not employ under the Public Service Act and are not required to undertake APS integrity training.

Source: ANAO analysis of entity arrangements.

## Aboriginal Hostels Limited

### *Training for board members*

2.86 AHL provides new board members with an ‘incoming director brief’. The June 2021 version of the brief did not provide specific guidance to board members to promote compliance with conflicts of interest requirements. The AHL Constitution was attached with the brief, which includes a section on declaring material personal interests.<sup>58</sup> The June 2023 version of the brief included further guidance for directors to meet their conflict of interest obligations.

2.87 AHL’s Board Charter also includes information and guidance on managing conflicts of interest. AHL’s board reviews the Board Charter annually and AHL advised ANAO in September 2024 that this ‘is another mechanism to train/educate the directors on the obligations for managing conflicts of interest.’

2.88 AHL does not provide additional conflict of interest training for board members.

### *Integrity training for employees*

2.89 In March 2022, AHL implemented the ‘APS Foundations: Integrity in the APS’ training from the APS Academy for all new and existing employees to comply with the APS Commissioner’s Directions. The CEO emailed AHL employees on 11 March 2022 stating:

You are requested to complete the training by Friday 8 April 2022. On completion of the training, you will receive a certificate which needs to be forwarded to L&D.

2.90 Employees at APS 3 level and above have access to the ‘APS Foundations: Integrity in the APS’ e-Learning module. Employees at the APS 1 and APS 2 levels without access to a computer are

<sup>58</sup> AHL, *Constitution of Aboriginal Hostels Limited*, sections 14.14 and 14.15, available from <https://www.ahl.gov.au/sites/default/files/2024-04/AHL%20Constitution.pdf> [accessed 12 August 2024].

provided with a hard copy version. The training module includes general content on managing conflicts of interest within the APS with examples relating to procurement and gifts.

#### *Specific training on conflicts of interest*

2.91 The AHL induction program sets out requirements for new employees to complete in their first six months. New employees are provided with an induction handbook relevant to their role to complete with their supervisor. The handbooks refer to the AHL Conflict of Interest Policy and provides role specific conflict of interest content.

- The Corporate Induction Handbook provides guidance related to procurement, recruitment and outside employment.
- The Hostel Worker Induction Handbook provides guidance on outside employment.

#### **Opportunity for improvement**

2.92 Aboriginal Hostels Limited could develop and implement additional training focused on its specific conflict of interest risks, including those related to recruitment and procurement.

### **Aboriginal Investment NT**

#### *Training for board members*

2.93 Aboriginal Investment NT provides new board members with an induction pack which includes guidance on meeting their obligations regarding declaring personal interests and conflicts of interest.

2.94 Aboriginal Investment NT provided training for board members in March 2023 and April 2024 on PGPA Act obligations, including the duties to disclose material personal interests and avoid conflicts of interest. Two board members who commenced after April 2024 were enrolled in online training modules on 'Understanding the PGPA Act' and 'Conflict of Interest'. On 27 July 2023, the Aboriginal Investment NT board Chair wrote to board members reminding them of their legislative responsibilities under the PGPA Act and entity legislation.

#### *Specific training on conflicts of interest*

2.95 Aboriginal Investment NT does not engage any employees under the PS Act and is not subject the APS Commissioner's Directions on mandatory integrity training.

2.96 In June 2024, Aboriginal Investment NT implemented three online training modules that support compliance with its conflict of interest policy titled 'Conflict of Interest', 'Fraud Awareness Introduction' and 'Understanding the PGPA Act'. By the assigned due date of 25 June 2024, one of the new board members had completed both modules. The 'Conflict of Interest' module is tailored to Aboriginal Investment NT's operational context and includes entity specific examples related to grants, procurement, and gifts, benefits and hospitality.



## **Outback Stores**

### *Training for board members*

2.97 Outback Stores provides new directors with an induction pack. This includes the Board Charter which outlines conflicts of interest disclosure and management obligations.

2.98 Prior to June 2024, Outback Stores did not provide internal training for board members. As of August 2024, the five continuing board members had completed an online conflict of interest training module which was implemented for Outback Stores employees in June 2024 (see paragraph 2.100).

### *Specific training on conflicts of interest*

2.99 Outback Stores does not engage any employees under the PS Act and is not subject the APS Commissioner's Directions on mandatory integrity training.

2.100 In June 2024, Outback Stores implemented a conflict of interest online training module that supports compliance with its June 2024 Conflict of Interest Policy (see paragraph 2.49). The conflict of interest module is tailored to Outback Stores' operational context and includes entity-specific examples related to outside employment, conflict of duty, and direct and indirect interests, as well as references to relevant policies. Outback Stores employees were directed via electronic newsletter on 13 June 2024 to complete the conflict of interest training and conflict of interest declarations by 30 June 2024.

## **Support from the National Indigenous Australians Agency**

2.101 The National Indigenous Australians Agency (NIAA) provides support to Indigenous portfolio agencies in the Prime Minister and Cabinet portfolio, including:

- supporting the Minister for Indigenous Australians for board appointments (see paragraphs 2.80 to 2.81);
- supporting entities in meeting their PGPA Act obligations, such as annual reports and corporate plans; and
- '[coordinating] Indigenous portfolio agencies and [advancing] a whole-of-government approach to improving the lives of Aboriginal and Torres Strait Islander people.'<sup>59</sup>

2.102 NIAA has monthly portfolio agency heads meetings with the CEOs of all Indigenous portfolio agencies, and quarterly meetings with the CEOs of AHL and Outback Stores. Between February 2022 and June 2024 these meetings canvassed policy and operational matters with no specific topics on conflict of interest. Some integrity-related topics were covered in monthly agency heads meetings, including: the introduction of the National Anti-Corruption Commission (June 2023), lessons from the ANAO performance audits of the Northern Territory Land Councils (August 2023), the APS Integrity Framework (November 2023) and the Commonwealth Fraud and Corruption Rule (April 2024).

2.103 NIAA did not circulate the November 2021 APSC guidance on Gifts, Benefits and Hospitality, that stated 'Secretaries of departments should circulate this guidance to all statutory office holders

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59 Order to Establish the National Indigenous Australians Agency as an Executive Agency, 29 May 2019.



and heads of Commonwealth entities and companies within their portfolios' (see paragraphs 2.65 to 2.67).

2.104 NIAA advised the ANAO in September 2024 that it: has established a new procedure to ensure that key guidance is provided to portfolio agencies on a monthly basis, including on finance, workforce, governance and integrity; and is developing a new integrity policy that will be shared with portfolio agencies. In November 2024, NIAA circulated the September 2024 NIAA Integrity Policy to portfolio agency heads.

### Have entities developed and implemented effective arrangements to obtain assurance over the management of conflicts of interest?

All entities implemented some form of arrangement to obtain assurance over the management of conflicts of interest.

- AHL undertook internal audits which detected deficiencies in its conflicts of interest arrangements for recruitment and complaints management. AHL has a complaints system, but it did not consider conflict of interest-related aspects of three complaints in accordance with its Conflict of Interest Policy.
- Aboriginal Investment NT has implemented a complaints system and undertook an internal audit in 2024 which detected deficiencies in its conflicts of interest arrangements for grants assessment.
- Outback Stores undertook an internal audit in 2024 that assessed compliance with its June 2024 Conflict of Interest Policy. It did not have a complaints system or undertake controls assessment.

2.105 Establishing an evidence-based assurance strategy or framework supports prioritisation of assurance coverage based on risk and seeks to minimise duplication of assurance effort. Assurance frameworks may include activities to assess the operating effectiveness of controls and support continuous improvement of the control framework. Assurance activities for the management of conflicts of interest may include:

- internal audit activity that includes coverage of conflicts of interest;
- complaints processes and systems that allow conflict of interest issues to be raised outside of formal reporting lines; or
- assessment or testing to confirm the operating effectiveness of preventative and detective controls.

2.106 The ANAO's assessment of the assurance arrangements implemented by the entities over the period of 1 July 2021 to 30 June 2024 is summarised in Table 2.3.

**Table 2.3: Overview of assurance arrangements for conflicts of interest**

Areas assessed	AHL	Aboriginal Investment NT	Outback Stores
Internal audit coverage	◆	◆	▲
Complaints system	▲	▲	■
Controls assessment	▲	▲	■

**Key:** ◆ Implemented and operating effectively  
 ▲ Partially effective or not operational for full period  
 ■ Not implemented

Source: ANAO analysis of entity arrangements.

## Aboriginal Hostels Limited

### *Internal audit coverage*

2.107 AHL’s Audit, Risk and Finance Committee manages an internal audit plan which is carried out by contracted internal auditors.

2.108 Internal audits carried out between June 2021 and November 2023 assessed conflict of interest arrangements in areas of recruitment, human resources policy and procedures and complaints handling. Recommendations related to conflicts of interest were included in the internal audits of complaints handling (two recommendations) and recruitment (one recommendation). AHL agreed to these conflict of interest-related recommendations. As of August 2024, AHL had partly implemented the recommendations. See Appendix 4 for summary of internal audit recommendations and AHL implementation.

### *Complaints system*

2.109 AHL has policies, guidelines and templates and a complaints management system to action complaints from hostel customers. The complaints management system is a potential detective control for identifying conflicts of interest issues arising from customer and stakeholder complaints. AHL’s Customer Feedback Management System Procedures (January 2023) include reference to managing conflicts of interest relating to complaints handling in accordance with AHL’s Conflict of Interest Policy.

2.110 There were three conflicts of interest-related complaints recorded on the customer complaints register for the period 2021 to 2024 (until 2023 the customer complaints register also included employee complaints). The customer complaints register did not record action taken regarding the conflict of interest aspects of these three complaints.

- One complaint from a hostel resident in November 2021 related to an employee’s behaviour, including breaches of privacy and confidentiality. The complainant alleged that the matters had not been addressed due to ‘Nepotism, Conflicts of Interest’. The register records a resolution, but the entry did not address the alleged inaction due to conflicts of interest.

- One complaint from a casual employee in January 2022 alleged that ‘the manager has been handing out Employment to her family members after I have discussed more hours’. The register records that the manager who was the subject of the complaint met with the employee to discuss the complaint, but did not document a resolution to the alleged preferencing of family members.
- One complaint from a hostel resident in May 2022 regarding an employee’s inappropriate behaviour alleged that this was not being addressed as ‘The other staff members are aware of his behaviour and due to the fact of him being a "family member" won't do anything to help’. The register recorded management action in response to the complaint, but did not address the alleged failure to manage employee behaviour due to family relationships.

2.111 AHL established a separate employee complaint system and register in 2023. One complaint from June 2024 raised conflict of interest issues for a recruitment activity, including that one candidate was related to a business manager who was not involved in the recruitment. The investigation concluded that the recruitment was conducted according to PS Act requirements and that the manager had ‘fully disclosed her relationship with [redacted] in accordance with AHL’s Conflict of Interest policy prior to the recruitment process.’ The disclosure referred to in the investigation was not recorded in AHL’s conflict of interest register.

## Recommendation no. 2

2.112 Aboriginal Hostels Limited establish processes to ensure that conflict of interest matters are addressed and documented in complaints management.

**Aboriginal Hostels Limited response:** *Agreed.*

2.113 *AHL will implement clear processes to ensure conflicts of interest are addressed within the complaint management system. To support this, we will:*

- *Review current complaint handling practices to identify opportunities to manage conflicts of interest more effectively.*
- *Establish general guidelines and protocols that clarify expectations for addressing conflicts of interest in complaint management.*
- *Ensure relevant staff members are equipped with the training needed to implement these new guidelines.*

## Controls assessment

2.114 Since 2022–23 AHL has undertaken an annual self-assessment of its compliance with relevant legislative requirements, which is recorded in a legislative compliance register that lists responsible officers and key internal controls for each compliance obligation. In 2022–23 AHL recorded its legislative adherence to the Corporations Act obligations, including ensuring board members meet their obligations to disclose conflicts of interest, as ‘confirmed’. The AHL Constitution, AHL Board Governance Charter and declaration of interest register were listed as key controls.

2.115 AHL does not periodically assess other controls related to managing conflicts of interest, such as periodical review of conflict of interest registers.

## **Aboriginal Investment NT**

### *Internal audit coverage*

2.116 As outlined in Case study 1, Aboriginal Investment NT engaged Cobalt Consulting to undertake an internal audit of its first grant round. The internal audit examined the design and management of the grant program and assessed a sample of 15 grant applications received between May 2023 and February 2024. The May 2024 internal audit report identified ‘significant deficiencies with the design and operating effectiveness of Aboriginal Investment NT’s legacy Grants Program’, including deficiencies ‘with arrangements for managing conflicts of interest arising in decision making processes’. Aboriginal Investment NT accepted all internal audit recommendations, including two recommendations related to conflict of interest process improvements, and committed to implementation by 1 July 2024. Aboriginal Investment NT implemented the conflict of interest-related recommendations by June 2024. See Appendix 4 for summary of internal audit recommendations and Aboriginal Investment NT’s implementation.

2.117 Aboriginal Investment NT’s Strategic Internal Audit Plan 2024–25 (August 2024) includes a proposed internal audit of the new grants program and a proposed ‘health check’ review of management of conflict of interest.

### *Complaints system*

2.118 As outlined in Case study 1, Aboriginal Investment NT received internal management reports of breaches of the Board Code of Conduct/Charter and a complaint about a conflict of interest issue. These reports and complaint were received between October 2023 and April 2024 and related to concerns about grants committee independence and perceived conflicts of interest in grant assessment.

2.119 The board of Aboriginal Investment NT initiated internal and independent investigations into these matters. As a result of the findings of these investigations, Aboriginal Investment NT implemented new training for board and Grants Committee members on management of conflict of interest and updated its board Code of Conduct and its committee charters regarding conflict of interest requirements. The Grants Committee was dissolved in April 2024 and the Grants Committee Chair was suspended pending further investigation. Aboriginal Investment NT advised the ANAO in October 2024 that this investigation was ongoing.

2.120 Aboriginal Investment NT advised the ANAO in June 2024 that it had established a complaints management procedure in February 2024. Aboriginal Investment NT’s new website (launched in September 2024) includes a complaint form and a fraud reporting form.

### *Controls assessment*

2.121 Aboriginal Investment NT’s Enterprise-wide Fraud and Corruption Risk Assessment and Control Plan (June 2024) (see paragraph 2.14) include planned controls testing as part of its fraud and corruption risk register. Testing dates for controls relating to conflict of interest risks range from December 2024 for the grants assessment risk to April 2025 for the procurement and recruitment risks.

2.122 In May 2024 Aboriginal Investment NT completed an internal review of record keeping of board meetings, including record keeping of declared conflict of interest, which resulted in:

- four corrections to the board conflict of interest register and minutes;
- improvements to board secretariat processes to ensure proper minuting of conflicts of interest, including checklists of actions for proper minute taking;
- employee training for proper minute taking; and
- implementation of a process for review of minutes by the CEO.

2.123 Aboriginal Investment NT maintains a checklist for board meetings which records compliance with board charter requirements to declare personal interests ‘through honest early disclosure managed adequately with transparent board processes.’ Aboriginal Investment NT also maintains a checklist of legislated board requirements to confirm that it has completed obligations for board members and CEO to disclose interests under the *Aboriginal Land Rights (Northern Territory) Act 1976* and PGPA Act.

## Outback Stores

### *Internal audit coverage*

2.124 Outback Stores did not present any internal audits that included coverage of conflicts of interest to its Audit and Risk Committee between 1 July 2021 and 30 June 2024. Outback Stores presented an internal audit of corporate services to its Audit and Risk Committee on 28 August 2024 that assessed compliance with its June 2024 Conflict of Interest Policy. The internal audit confirmed that the sampled employees had completed the conflict of interest training and conflict of interest declarations.

### *Complaints system*

2.125 Outback Stores does not have a complaints register. Outback Stores advised the ANAO in June 2024 that ‘there have been no complaints raised in regard to conflict of interest in any capacity’.

### *Controls assessment*

2.126 Outback Stores did not conduct controls assessments that included coverage of conflicts of interest between 1 July 2021 and 30 June 2024.

### Opportunity for improvement

2.127 Outback Stores could implement regular assurance activities to monitor the effectiveness of arrangements for managing conflicts of interest.

### 3. Effectiveness of conflict of interest arrangements

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#### Areas examined

This chapter examines whether Aboriginal Hostels Limited (AHL), Aboriginal Investment NT and Outback Stores Pty Ltd (Outback Stores) have effectively managed conflicts of interest consistent with their own policies.

#### Conclusion

The entities were partly effective in implementing arrangements for managing conflicts of interest. Board assessments of declarations of interest were not sufficient to record whether the board had determined declarations to be material personal interests. Aboriginal Investment NT's board did not include declarations of interests in three out of session meetings and a workshop and did not always record the nature and extent of declared conflicts. There were instances of Aboriginal Investment NT grants committee members with declared conflicts of interest recommending grant applications for board approval. AHL did not adequately document conflict of interest management for recruitment as required by its policy. Aboriginal Investment NT did not adequately document conflict of interest management for procurement as required by its policy. The Outback Stores board recorded board members' interests as conflicts of interest without documenting its assessment of the interests. AHL did not monitor training completion rates.

#### Areas for improvement

The ANAO made one recommendation to all three entities aimed at improving record keeping arrangements to transparently document boards' assessments of declared interests and whether interests are determined to be material personal interests.

The ANAO made one recommendation to AHL aimed at ensuring conflicts of interest are declared and managed consistent with its recruitment policy.

The ANAO made one recommendation to Aboriginal Investment NT aimed at ensuring conflicts of interest are declared and managed consistent with its procurement policy.

The ANAO also suggested that AHL could strengthen processes for Senior Executive Service (SES) annual declarations of interest and review the implementation of its April 2024 procurement policy.

3.1 The National Anti-Corruption Commission (NACC) notes that 'identifying, disclosing and managing potential conflicts of interest is a critical pillar in integrity architectures.'<sup>60</sup>

3.2 After establishing appropriate arrangements for managing conflicts of interest, entities need to ensure that the arrangements for managing conflicts of interest are operating effectively. This involves making sure that processes for declaring interests and managing conflicts of interest are operating effectively in accordance with the entities' policies. Entities should also ensure that

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60 National Anti-Corruption Commission (NACC), *Integrity Outlook 2022/23*, NACC, 2023, p. 4, available from <https://www.nacc.gov.au/integrity-outlook-202223> [accessed 22 May 2024].

officials complete any required training and education, and planned assurance activities are conducted and acted upon.

### Are the entities' processes for declaring and managing conflicts of interest operating effectively?

Each entities' board had processes for members to declare interests and conflicts of interests. All of the boards were deficient in recording their assessment of board members' declared interests and whether they were considered to be material personal interests. Deficiencies were also identified with activity-specific processes for declaring and managing conflicts of interest relating to recruitment (all entities), procurement (all entities), SES declarations (AHL), and grant assessment (Aboriginal Investment NT).

- AHL did not record its assessment of whether a board member's declared interest was a conflict and no management plan was put in place. AHL complied with the requirement for annual declaration of SES interests, but record keeping was deficient. While conflicts of interest for AHL's recruitment activities were generally declared consistent with its policy, management of conflicts were not always documented. AHL's procurement processes were largely consistent with policy requirements.
- Aboriginal Investment NT had three out of session board meetings and one board workshop where the standard declaration of interests agenda item did not occur. Aboriginal Investment NT did not always document the nature and extent of conflicts of interest declared by board members and grants committee members, and in some instances grants committee members with declared conflicts voted to recommend board approval of grant applications. Aboriginal Investment NT did not follow its procurement policy requirements for activity-specific conflict of interest declarations.
- Outback Stores recorded board member's declared interests as 'conflicts of interest' without documenting how it related to the affairs of the entity or management plans. It did not have any declared conflicts of interest for procurement and recruitment activity.

3.3 The effectiveness of entities' processes for declaring and managing conflicts of interest during the period 1 July 2021 to 30 June 2024 is summarised in Table 3.1.

**Table 3.1: Effectiveness of processes for declaring and managing conflicts of interest**

Areas assessed	AHL	Aboriginal Investment NT	Outback Stores
Board governance	▲	▲	▲
Senior Executive Service declarations	▲	N/A <sup>a</sup>	N/A <sup>a</sup>
Recruitment	▲	▲	▲
Procurement	■	■	▲
Grant assessment	N/A <sup>b</sup>	▲	N/A <sup>b</sup>

**Key:**  Effective  Partially effective  Not effective **N/A** Not applicable

Note a: Aboriginal Investment NT and Outback Stores do not engage Senior Executive Service employees under the *Public Service Act 1999*.

Note b: AHL and Outback Stores do not administer grants.

Source: ANAO analysis of entity processes.

## Aboriginal Hostels Limited

### *Board governance*

3.4 As outlined at paragraphs 2.23 and 2.24, the AHL Board Governance Charter and AHL Constitution set out requirements for board members to declare material personal interests which are recorded in a board register of interests. The register of interests is included in the papers for each board meeting, which provides visibility of matters that could present a conflict of interest. The board has a standing agenda item that prompts members to update to their disclosure of interests and declare any conflict of interests and changes to the register of interests. Declared conflicts of interest and changes to the register are required to be recorded in the minutes.

3.5 The ANAO reviewed records for the 14 board meetings between 2021–22 and 2023–24. The ANAO also observed the 18 June 2024 board meeting. Meeting minutes recorded changes to board members' declarations of interests, which were updated in the register of interests. No conflicts of interest were recorded at 13 of the 14 board meetings.

- In the thirteen meetings between 1 September 2021 and 18 June 2024, the minutes did not record any conflicts of interest as being declared. From 28 September 2022 onwards, the minutes recorded that 'no conflicts were declared for the meeting'.
- In the 1 December 2021 meeting, the minutes record that 'No additional conflicts of interest were declared' at the start of the meeting. The minutes also record, for item 3.2 'Board Committees Review', that a member was 'excused from deliberations of this item noting the conflict of interest.' This was consistent with the AHL Board Charter, which states 'If during the course of discussion on an agenda item, a Director becomes aware of a conflict then they are to declare the conflict at that time.'

3.6 In the 18 June 2024 board meeting, the minutes recorded that a board member declared an interest related to discussions about a possible partnership between AHL and an entity the board member was employed by. In the same section the minutes recorded that 'No conflicts were



declared for the meeting' with an action item to update the register of interests. The minutes did not document board consideration of whether the declared interest might be a real, potential or perceived conflict of interest. No conflict of interest management arrangements were documented. AHL advised the ANAO in August 2024 that:

The discussion of potential partnerships with [entity] and AHL referred to by [the board member] at AHL Board Meeting 292 are at very preliminary stages ...

Until the details of the above partnership opportunities are further developed and documented and [entity] and AHL agreed to proceed with the partnerships – there is insufficient information or supporting documentation for the Board to consider potential conflicts of interest and/or control strategies. Further, prior to the commencement of any partnership, the Board will be consulted, the interest will be documented, and any control strategies will be agreed, and implementation will be overseen by the Company Secretary.

### *Senior Executive Service annual declarations of material interests*

3.7 The AHL Chief Executive Officer (CEO) and SES employees, including those acting for more than three months, are required to complete an annual declaration of interests (see paragraphs 1.25 and 2.19 to 2.20).

3.8 In December 2023, the APS Commissioner wrote to APS agency heads, including the AHL CEO, to raise awareness of integrity themes observed across the APS and seek cooperation in ensuring that senior employees were meeting their obligations under the APS Values and Code of Conduct. With respect to conflicts of interest, the letter states:

All agency heads and SES employees are required to submit, at least annually, a written declaration of their own and their immediate family's financial and other material personal interests.

In the first instance, employees are required to take measures to avoid conflicts of interest. Where a conflict of interest is identified—be it real, perceived, or potential—it must be managed; for example, by an employee withdrawing from particular discussions, restricting the flow of information, abstaining from decisions, reassignment of duties, or relinquishing the interest or the position.

I ask that you ensure you and your SES employees have up-to-date declarations in place, as well as strategies in your agency to mitigate or manage conflicts that are identified. I ask, too, that you ensure similar arrangements are in place for all relevant agency functions and processes, such that conflict of interest declarations are triggered for those participating in activities such as recruitment, procurement, awarding grants, or performing regulatory roles.

3.9 AHL obtains SES declarations each financial year with no timeframe for completion. SES declarations are retained centrally and are not recorded in a register. Declarations were completed:

- between June and September 2021 for 2021–22
- between September and November 2022 for 2022–23
- in March and April 2024 for 2023–24.

3.10 Including the CEO, a total of seven senior employees were required to submit declarations between 1 July 2021 and 30 June 2024. Six of the seven senior employees submitted declaration of

interests forms over this period. One officer who acted for four months in 2022 did not complete a declaration.

- Four of the six senior employees who completed declarations declared personal interests. In all cases, the interests were assessed by the CEO to not represent a conflict of interest and no actions were required.
- The CEO and one other SES employee declared no interests for the three years.

3.11 In March 2024, AHL provided incomplete declaration forms to the ANAO for three SES declaration forms from September 2022. In August 2024, AHL provided to the ANAO complete copies of these forms. The ANAO identified irregularities with the CEO's declaration provided by AHL.

3.12 AHL advised the ANAO in September 2024 the following:

- As identified by the ANAO, pages 2 and 4 were not included in the September 2022 SES Annual Declarations of Interests initially provided to the ANAO. The declarations for the CEO and two AHL SES officers were initially scanned in error.
- Following ANAO's advice of the error, AHL 'reconstructed' the 2022 SES declarations by compiling paper and electronic records.
- The 'new' scanned versions were provided to the ANAO and also the A/g Director, Human Resources for retention. Subsequently, all paper records were securely destroyed.
- AHL's reconstruction of the declarations has resulted in 'irregularities' with the September 2022 CEO declaration noted by the ANAO.
- AHL also notes the AHL Chair signed and returned a scanned copy of Part E (page 5) of the CEO's declaration, rather than all pages. On receipt, AHL inserted page 5 into a photocopy of the CEO's declaration which was subsequently incorrectly scanned. The scanned page 5 was also inserted into the reconstructed version of the CEO's declaration.

### Opportunity for improvement

3.13 AHL could strengthen its processes for annual SES officer declarations of interests by specifying timeframes for completion and establishing an SES interests register.

### *Recruitment*

3.14 AHL's recruitment policies and templates set out arrangements for managing conflicts of interest in recruitment activities (refer to paragraphs 2.28 to 2.30). Arrangements include requiring applicants to declare if they have relatives working for AHL, and requiring all panel members to confirm whether they have a conflict of interest and, if so, declare the interest and document the management strategy.

3.15 AHL recruited 440 new employees and promoted 67 employees between July 2021 and March 2024. The ANAO assessed the management of conflict of interest for the recruitment of 10 permanent employees. The management of conflict of interest was not sufficiently documented for five of these recruitment processes.

- In a recruitment process for an SES position, a panel member had a prior working relationship with the successful candidate that was not documented (see Case study 2).
- In one recruitment, a candidate declared a relationship with a panel member. The panel member did not make a declaration.
- In one recruitment, a panel member declared a conflict of interest and outlined a proposed management strategy. The management strategy was not approved by the delegate and the selection report did not document if the proposed management strategy was followed.
- In one recruitment, the panel did not document if there were any conflicts of interest. Panel members were requested to complete conflict of interest declarations but did not complete them.
- In one recruitment, a panel member completed a conflict of interest declaration but did not declare that they were a candidate's supervisor. This recruitment process did not proceed.

#### Case study 2. Conflict of interest not documented for AHL Senior Executive Service (SES) recruitment

In a 2022 recruitment process for an SES position, AHL engaged an executive search company to assist with candidate sourcing and selection, including pre-screen interviews and referee checking.

The selection documentation did not comply with the AHL recruitment policy and templates. Panel members and candidates did not document whether they had any conflicts of interest.

One of the four panel members, an AHL board member, had a prior working relationship with the successful candidate. This prior working relationship and details of whether or how it was to be managed were not documented. In July 2024, AHL advised the ANAO that the prior working relationship had been declared to the panel and managed by the panel chair by inviting comments from the other two panel members before the member with the declared relationship.

The Australian Public Service Commission representative on the panel certified that the selection process was a merit based process that complied with subsection 10A(2) of the *Public Service Act 1999* as required by section 26 of the Australian Public Service Commissioner's Directions 2022.

3.16 In a temporary recruitment activity in 2022 an executive level manager declared a conflict of interest when engaging a family member from AHL's temporary employment register for an 'urgent and pressing' short-term data entry role. On becoming aware of this situation, the CEO expressed his concerns to AHL SES officers, stating that:

I'm uncomfortable with the perception of nepotism that exists here. Our recruitment must be transparent and merit based. It doesn't matter whether there were declarations made and others considered, it's the perception that counts.

I understand that there was no requirement for a merit process because it's casual employment, but that doesn't mean that we can just fill casual positions with family members.

[Redacted name's] employment with AHL is not to run for more than 4 weeks without my specific approval.

### Recommendation no. 3

3.17 Aboriginal Hostels Limited establish processes to ensure that employees comply with its recruitment policy requirements to declare, manage and document conflicts of interest.

**Aboriginal Hostels Limited response:** *Agreed.*

3.18 *AHL will enhance compliance with recruitment policy requirements for conflict of interest declarations. This will include:*

- *Updating recruitment policies to strengthen guidance on conflict of interest disclosures.*
- *Introducing tools and processes to support consistent application of these requirements.*
- *Providing training to staff involved in recruitment on key principles around conflict of interest and bias.*

#### *Procurement*

3.19 Prior to April 2024, AHL's procurement policies instructed employees to 'avoid conflicts of interest', with no specific guidance provided, and did not require conflict of interest declarations to be completed (see paragraph 2.31). AHL's procurement policy was updated in April 2024 to require activity specific conflict of interest declarations for all persons involved in procurement, including nil declarations (see paragraph 2.32). Since April 2024, AHL has maintained a Procurement Conflict of Interest Register. While the register records conflict of interest declarations for procurements undertaken since April 2024, it does not record the dates that declarations were made and does not consistently record completion of conflict of interest declarations by the delegates for those procurements.

3.20 AHL records indicate it entered into 37 contracts for supply of goods or services between 1 July 2021 and 30 June 2024. This excludes contracts and agreements with other government entities and arrangements where AHL was the supplier. The ANAO reviewed the management of conflict of interest for 10 procurements, including two procurements undertaken after the policy update in April 2024 to require activity specific conflict of interest declarations.

- In five procurements, there was no documentation of consideration of conflict of interest (for two of the five procurements, there was no procurement documentation).
- In two procurements, there was no documentation of consideration of conflict of interest by the panel members. The board acted as delegate and the board meeting minutes noted that no conflicts of interest were recorded for the agenda item.
- In one procurement, a panel member declared a perceived conflict of interest (a prior working relationship with the supplier) one month after delegate approval. Other panel members made nil declarations after the procurement was approved.
- For the two procurements undertaken after the introduction of the April 2024 policy, policy requirements were not fully adhered to, with declarations either not done or not completed prior to approval.

### Opportunity for improvement

3.21 AHL could review the implementation of its April 2024 procurement policy to ensure conflict of interest declarations are made by all officials involved in a procurement and are documented on the procurement conflict of interest register.

## Aboriginal Investment NT

### Board governance

3.22 As outlined at paragraphs 2.36 and 2.37, Aboriginal Investment NT requires board members to declare conflicts of interest in accordance with requirements of the *Aboriginal Land Rights (Northern Territory) Act 1976* and *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

3.23 Aboriginal Investment NT maintains a register of interests for board and committee members. The register is included in the papers for each board meeting and provides visibility of matters that could present a conflict of interest. The Aboriginal Investment NT Board Governance Charter states that ‘At the beginning of every Board meeting a standing agenda item will request that Directors provide any updates to their declaration of interests.’

3.24 The ANAO reviewed records for 13 board meetings (eight routine, four out of session and one workshop) between Aboriginal Investment NT’s commencement in November 2022 and June 2024. The ANAO also observed the 24 June 2024 board meeting. Meeting records, including minutes and registers, improved over time. For example, a declaration of interest from the March 2023 meeting was not updated to the board register until November 2023. In the May 2024 out of session meeting, the board approved amendments to grants decision trackers from September 2023 and November 2023 that had incorrectly recorded members as having a conflict of interest. From April 2024 onwards, the minutes appropriately recorded any changes to declarations of interests and conflicts of interest.

- In the eight routine and the May 2024 out of session board meetings the declaration of interests and conflicts of interest was a standing agenda item and recorded in the minutes.
- In three out of session board meetings in April 2023, June 2023 and August 2023, the agenda and minutes did not include consideration of conflicts of interest.
- In a Board and Investment Committee Workshop in April 2024, the agenda and minutes did not include consideration of conflicts of interest.

3.25 Three of the meetings involved consideration of grant applications, with the minutes including a grants decision tracker that documents the board’s consideration and decisions.

- In the September 2023 meeting, the amended grants tracker did not record any conflicts of interest.
- In the November 2023 meeting, one board member declared a conflict of interest for two applications. The nature of the conflicts was not recorded. The amended grants tracker recorded the member left the room and did not vote on the application.

- In the April 2024 meeting, one or more board members declared a conflict of interest in respect to six applications.
  - For three different board members in respect of four applications, one board member declared a conflict, with the nature of the conflict not recorded for two of the four instances. In each case the relevant member was recorded as being absent from the meeting and not voting on the application due to a conflict of interest.
  - For two applications, the minutes recorded that all board members had a perceived conflict of interest because each application had an Aboriginal Investment NT employee as a director. The directors did not vote on the applications. The decision was recorded as:
    - The Board agreed that a policy be developed not to fund employees acting as sole traders or company directors of non-charitable organisations due to perceived COI. Therefore, this application is not supported.

### *Chief Executive Officer declaration of interest*

3.26 As outlined at paragraph 2.38, the Aboriginal Investment NT CEO is required by section 65GJ of the *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRA) to disclose material personal interests to the board and the Minister for Indigenous Australians. The CEO's private interest declaration was provided to the board and the Minister for Indigenous Australians during the appointment process in 2023. The CEO subsequently declared conflicts of interest in relation to the recruitment of a former colleague and a relative. Aboriginal Investment NT advised the ANAO in September 2024:

Other conflicts of interest declared by the CEO in relation to grants and recruitment decision-making in the period to 30 June 2024 were not deemed to be material personal interests in accordance with s65GJ of the ALRA.

### *Recruitment*

3.27 Aboriginal Investment NT recruited 38 new employees and promoted one employee between November 2022 and June 2024. The ANAO assessed the management of conflict of interest for 14 recruitment activities, 13 of which were prior to the commencement of Aboriginal Investment NT's 16 May 2024 Recruitment Policy & Procedure which includes a requirement to declare conflicts of interest (see paragraph 2.39).

- In one recruitment, approved on 17 May 2024 with a backdated start date of 10 May 2024, the CEO declared a conflict of interest on 16 May 2024 and a management strategy was put in place.
- In one recruitment, approved on 21 August 2024, the CEO was related to the successful candidate and declared the conflict of interest on 20 August 2024. The board Chair approved the management strategy, with the CEO removed from the recruitment process and approval delegated to the Chief Operating Officer.
- In twelve recruitment activities, all prior to the May 2024 policy, conflict of interest considerations were not documented. In eight of the twelve instances, the delegate decision was not documented. In three of the twelve instances, all in February 2024, the

CEO had a prior working relationship with the successful candidates and no conflict of interest was declared.

### *Procurement*

3.28 Aboriginal Investment NT's procurement policies require all personnel involved in procurement valued at more than \$40,000 to complete a conflict of interest declaration, including nil declaration (see paragraph 2.46).

3.29 Aboriginal Investment NT's records indicate it entered into 45 contracts between 1 July 2021 and 30 June 2024. Documentation of the management of conflict of interest was incomplete for six of eight procurements reviewed by the ANAO.

- In five procurements (concluded between February 2023 and March 2024), staff involved did not complete conflict of interest declarations in line with Aboriginal Investment NT's procurement policy. In one of these procurements (June 2023), the board acted as delegate and the minutes recorded no conflict of interest.
- In one procurement (concluded in September 2023), there was no contract or procurement documentation. An Aboriginal Investment NT employee declared a familial relationship with the engaged contractor six months after the procurement. There was insufficient documentation to determine whether the employee was involved and thus whether there was an actual or perceived conflict of interest.

### **Recommendation no. 4**

3.30 Aboriginal Investment NT establish processes to ensure that employees comply with its procurement policy requirements to declare, manage and document conflicts of interest.

**Aboriginal Investment NT response:** *Agreed.*

3.31 *Aboriginal Investment NT accepts this recommendation and will implement arrangements to support compliance with procurement policy requirements. This will include employee training and education and be supplemented by risk-based assurance activity to monitor compliance.*

### *Grant assessment*

3.32 Aboriginal Investment NT's first grants round opened in May 2023. A range of issues were identified with the grants process, with the board agreeing in November 2023 to close the round to new applicants in February 2024 and redesign its grant management arrangements (see paragraphs 2.40 to 2.44 and Case study 1).

3.33 The grant redesign activities were informed by a May 2024 internal audit report which found that there were 'Inadequate arrangements to effectively manage conflicts of interest arising in decision making processes'. The internal audit found that conflicts of interest were not effectively managed in five of the 15 applications sampled, with grants committee members voting on applications for which they had a conflict of interest. The report recommended:

[Aboriginal Investment NT] should improve its processes, controls and culture towards managing conflicts of interest. This should involve finalising and operationalising:

- A Conflict of Interest policy; and
- Conflict of interest training for employees and committee members.

3.34 Aboriginal Investment NT has responded to this recommendation, with implementation of a conflict of interest policy in May 2024 (see paragraph 2.34) and training for employees and board members (see paragraph 2.93 to 2.96). Aboriginal Investment NT has revised its grants guidelines and abolished the Grants Committee for the new grant program that commenced in August 2024.<sup>61</sup>

3.35 The ANAO assessed the management of conflicts of interest for 16 grant applications from 324 received during the first grants round.<sup>62</sup> The grant guidelines require applicants to declare any conflicts of interest. The application form did not include a field to declare conflicts of interest and no applications tested by ANAO included declared conflicts by applicants.

3.36 Grant assessment forms confirmed that assessors had no conflicts of interest. Decisions made by the CEO confirmed no conflict of interest. Where the CEO declared a conflict, decisions were made by the Grants Committee. Minutes from the Grants Committee and board were incomplete in relation to handling of conflict of interest for individual grant applications, with 'decision tracker' documents not including the nature of the conflict in most instances. After training in April 2024, the secretariat of Aboriginal Investment NT identified instances of conflicts being incorrectly recorded in board minutes. These mistakes were subsequently corrected, and the revised minutes were approved by the board at an out of session meeting in May 2024 (see paragraph 3.24). Of the 16 grant applications reviewed by the ANAO, the following was observed.

- For ten of the applications, conflicts of interest were effectively managed, with either no conflict declared or declared conflicts managed appropriately.
- For one application, an applicant did not disclose their familial relationship with a board member of Aboriginal Investment NT. The conflict did not materialise as the application was rejected by the CEO prior to consideration by the board. After the decision, the board member, who was not involved in the decision, advocated to Aboriginal Investment NT staff on the applicant's behalf. This resulted in a formal warning to the board member from the Chair, on behalf of the board, and informed Aboriginal Investment NT's redesign of the grant decision making processes.
- For two applications, conflicts of interest were not effectively managed by the Grants Committee. Grants Committee members declared interests and voted on the application to recommend that the board approve.
- For one application, a conflict was declared by a Grants Committee member who remained in the meeting but did not vote. The nature of the conflict was not documented.
- For one application, conflicts of interest were declared by two Grants Committee members and one Aboriginal Investment NT employee. The nature of those conflicts was not recorded. One Committee member recused themselves from deliberations. The minutes record that the Committee determined that there was no conflict in respect of the other two persons. The decision tracker records that the Committee Chair made this determination. The basis for that decision was not recorded.

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61 The new Grants Program Guidelines dated 1 July 2024 apply to four grants streams: Community Quick Response Grants, Community Impact and Innovation Grants, Business Start-Up Grants and Business Growth Grants. Further information available from <https://www.aboriginalinvestment.org.au/grants> [accessed 11 September 2024].

62 The testing was conducted on a target sample of grant applications with known or likely conflicts of interest, to assess if the conflicts were declared and managed.



- For one application, the documentation records that ‘the applicant provides [Aboriginal Investment NT’s] cleaning services’ but no control strategy was implemented. The minutes record that an Aboriginal Investment NT employee declared a conflict and left the room for the deliberations.

3.37 Case Study 1 outlines improved grant processes implemented for the new grant round that commenced in August 2024. The ANAO did not assess the effectiveness of the new arrangements.

## Outback Stores

### *Board governance*

3.38 The Outback Stores Board Charter sets out requirements for board members to disclose any interest in matters being considered by the board (see paragraph 2.54). The board charter does not have provision for board members to provide a standing notice of an interest per section 192 of the *Corporations Act 2001* (see paragraph 2.55). Board meetings include a read out of board members’ previously disclosed interests in each meeting which are recorded in the minutes.

3.39 The ANAO reviewed records for the 12 board meetings between 2021–22 and 2023–24. The ANAO also observed the 29 May 2024 board meeting. In all 12 board meetings, the interests declared by board members were recorded under the heading ‘conflicts of interest’. None of the declared interests provided details of how it related to the affairs of the entity or had a management plan.

3.40 One board meeting included an item about a board member’s remuneration; the minutes did not record this as a conflict of interest or whether the member was recused from the item.

### Recommendation no. 5

3.41 Aboriginal Hostels Limited, Aboriginal Investment NT and Outback Stores implement arrangements to record their boards’ assessment of whether a declaration made by a board member is determined to be a material personal interest. Where the interest is determined to be a material personal interest, boards should record the disclosure and consequence in accordance with legislative requirements.

**Aboriginal Hostels Limited response:** *Agreed.*

3.42 *The AHL Board and subcommittee registers of interest will be expanded to include an assessment of whether disclosed interests are considered material and the mitigations put in place to manage these material interests.*

**Aboriginal Investment NT response:** *Agreed.*

3.43 *Aboriginal Investment NT accepts this recommendation and will implement arrangements to appropriately record the board’s assessment of material personal interest disclosures.*

**Outback Stores response:** *Agreed.*

3.44 *Outback Stores has recently implemented arrangements in line with the recommendation which comply with the relevant Act. These arrangements will be subject to ongoing review through our internal audit cycle to ensure compliance and effectiveness.*

### *Recruitment*

3.45 Prior to June 2024 there were no specific requirements to declare conflict of interest for recruitment. The June 2024 Recruitment and Selection Policy requires personnel involved in recruitment to complete a declaration 'should the candidate be known in a personal capacity' (see paragraph 2.59).

3.46 Outback Stores recruited 247 new employees and promoted 16 employees between July 2021 and June 2024. The ANAO assessed the management of conflicts of interest for 10 recruitment activities, all occurring prior to the new June 2024 Recruitment and Selection Policy. Conflict of interest considerations were not documented for any of the 10 recruitment processes.

### *Procurement*

3.47 As outlined at paragraph 2.61, Outback Stores did not have a procurement policy. The Outback Stores' 2023 Supplier Agreement Policy requires that employees 'must declare a perceived, potential, or actual conflict of interest to their supervisor as soon as practicable' once identified (see paragraph 2.61).

3.48 Outback Stores undertook 13 procurements and renewed 27 supplier agreements between 1 July 2021 to 30 June 2024. The ANAO assessed the management of conflicts of interest for nine procurement activities, consisting of four procurements (for corporate goods and services) and five supplier agreement renewals (for stores merchandise). There was no conflict of interest documentation for any of the nine procurement processes.

3.49 For one procurement, the ANAO identified that an Outback Stores executive involved in the procurement had a social relationship with an employee of the engaged contractor. Neither had declared the relationship.

3.50 Outback Stores advised the ANAO in August 2024 that a procurement policy was being developed (see paragraph 2.62).

## **Are the entities' training and education arrangements operating effectively?**

Aboriginal Investment NT and Outback Stores established monitoring arrangements for their conflict of interest training, which was implemented in 2024, and achieved employee completion rates of over 90 per cent. AHL does not monitor employee completion rates for mandatory integrity training or conflict of interest components of induction training.

3.51 The effectiveness of entities' monitoring arrangements for conflict of interest training during the period 1 July 2021 to 30 June 2023 is summarised in Table 3.2.

**Table 3.2: Effectiveness of conflict of interest training and education arrangements**

Areas assessed	AHL	Aboriginal Investment NT	Outback Stores
APS Integrity training for employees	▲	N/A <sup>a</sup>	N/A <sup>a</sup>
Specific training on conflicts of interest	■	◆	◆

**Key:** ◆ Effective    ▲ Partially effective    ■ Not effective    N/A Not applicable

Note a: Aboriginal Investment NT and Outback Stores do not employ under the *Public Service Act 1999* and are not required to undertake APS integrity training.

Source: ANAO analysis of entity arrangements.

### Aboriginal Hostels Limited

3.52 AHL advised the ANAO in May 2024 that supervisors are responsible managing training completion. Following the March 2022 requirement for new and existing employees to undertake the ‘APS Foundations: Integrity in the APS’ course, completions were followed up by the learning and development team and supervisors (see paragraphs 2.89 to 2.90).

3.53 AHL does not monitor training completion for the ‘APS Foundations: Integrity in the APS’ training course and has not assessed completion rates. AHL does not monitor completion of the conflict of interest component of the induction packs and has not assessed completion rates. A training snapshot was provided to the board in May 2022 that reported 54 attendees for the ‘Mandatory APSC Integrity Training’. CEO dashboard reports to the AHL board and Audit, Risk and Finance Committee include completion rates for AHL mandatory training but does not include the integrity course. Data extracted for, but not included in, the April 2024 CEO dashboard report indicated 141 employees had completed integrity training. AHL advised the ANAO in September 2024 that this data was not provided to the board. This data related to employees completing online training and not those completing offline training.

### Aboriginal Investment NT

3.54 Aboriginal Investment NT advised the ANAO in July 2024 that managers are responsible for ensuring employees complete training. The learning management system has functionality for managers to monitor and manage the training of employees.

3.55 On 24 June 2024, employees were instructed to complete both the Conflict of Interest and Fraud Awareness training. Aboriginal Investment NT advised the ANAO in July 2024 that employees were briefed on the new conflict of interest policy and the training requirement verbally by Aboriginal Investment NT CEO at an all-staff meeting. Table 3.3 shows the employee completion rates for each module as at 16 August 2024.

**Table 3.3: Aboriginal Investment NT employee enrolment and completion rate as at 16 August 2024.**

Course	Enrolments	Completions	Completion rate (%)
Conflict of Interest	26	24	92
Fraud Awareness Introduction	24	24	100
Understanding the PGPA Act	26	24	92

Source: ANAO analysis of Aboriginal Investment NT data.


3.56 Aboriginal Investment NT advised the ANAO in July 2024 that the executive team uses a consolidated training report to monitor completion rates, which is reviewed and followed up by the CEO and Chief Operating Officer. Aboriginal Investment NT further advised the ANAO that a regular management meeting is held where the CEO holds the executive to account for ensuring training completions.

### Outback Stores

3.57 Outback Stores advised the ANAO in May 2024 that managers are provided with reports on completion of all mandatory training and are responsible for ensuring training is completed. Outback Stores' learning management system sends automatic reminders to employees to complete mandatory training.

3.58 Outback Stores advised the ANAO in July 2024 that following the commencement of the conflict of interest training in June 2024, reports were provided to the Outback Stores executive, which monitored completions (see paragraph 2.100). Outback Stores further advised the ANAO that completions are now reviewed weekly by the corporate services manager, with the responsible managers advised of outstanding training completions.

3.59 Outback Stores employees were instructed on 13 June 2024 to complete the conflict of interest training and conflict of interest declarations by 30 June 2024. As of 14 August 2024, 175 of 182 employees (96 per cent) had completed the conflict of interest training.



Dr Caralee McLiesh PSM  
Auditor-General

Canberra ACT  
3 December 2024

# Appendices

## Appendix 1 Entity responses

### Aboriginal Hostels Limited

Australian GovernmentABORIGINAL  
HOSTELS LIMITED

21 November 2024

Ms Rona Mellor PSM  
Acting Auditor-General for Australia  
Australian National Audit Office  
Via email: [OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au](mailto:OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au)

Dear Auditor-General

**Proposed Audit Report on Management of Conflicts of Interest – Aboriginal Hostels Limited, Aboriginal Investment NT and Outback Stores**

Thank you for your correspondence of 29 October 2024, on the proposed audit report for the management of conflicts of interest within Aboriginal Hostels Limited, Aboriginal Investment NT and Outback Stores. I am responding on behalf of the Board of Aboriginal Hostels Limited (AHL).

AHL acknowledges the findings in the report, gratefully accepts its recommendations and will take the appropriate action to strengthen areas relating to the implementation of our established frameworks for managing conflicts of interest.

I would like to thank the ANAO audit team for their professional and collaborative approach throughout this process.

At **Attachment A**, please find AHL's summary response and responses to the 4 recommendations.

Yours sincerely



Anthony Ashby  
Chair, AHL Board

 [ahl.gov.au](http://ahl.gov.au) (02) 6212 2001 PO Box 30, Woden ACT 2606



**Aboriginal Investment NT**

27 November 2024

Ms R Mellor  
Acting Auditor General  
Australian National Audit Office

Dear Ms Mellor

**Management of Conflicts of Interest – Proposed report under s19 of the Auditor General Act 1997**

Thank you for your correspondence of 29 October 2024 on the proposed audit report on the management of conflicts of interest at Aboriginal Investment NT.

We welcome the report and accept its recommendations. As a newly established corporate Commonwealth entity, ensuring trust and confidence in our arrangements through the highest integrity standards is vital. We are committed to ensuring that appropriate control and procedural arrangements are implemented as our organisation continues to grow and mature. We have already undertaken steps to implement the recommendations and have planned for an internal audit to follow up on their implementation. This internal audit has been scheduled in our 2024–25 Strategic Internal Audit Program.

We thank the audit team for their professionalism during the audit and appreciate the importance of findings presented from the ANAO's independent and objective assessment.

If you require further information, please contact Andrew Werro, Joint Acting Chief Executive Officer, [Andrew.werro@aboriginalinvestment.org.au](mailto:Andrew.werro@aboriginalinvestment.org.au), 0412 066 775.

Yours sincerely

A handwritten signature in blue ink, appearing to read "B Shaw".

**Barbara Shaw**  
Chair of the Board

Annexure: Aboriginal Investment NT response to recommendations

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25 November 2024

Dr Caralee McLiesh PSM  
Auditor-General  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601

By email to: [OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au](mailto:OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au)  
Cc: [Daniel.whyte@anao.gov.au](mailto:Daniel.whyte@anao.gov.au)  
Cc: [Jason.millward@anao.gov.au](mailto:Jason.millward@anao.gov.au)

Dear Ms McLiesh

Thank you for your correspondence of 28 October 2024 regarding the proposed report under s. 19 of the Auditor-General Act 1997 on the management of conflicts of interest.

Outback Stores acknowledges the importance of the audit in providing assurance to the Parliament over the effectiveness of the management of conflicts of interest. Further, the broader public are entitled to have confidence in officials of all Indigenous portfolio bodies in the integrity of these agencies.

Outback Stores accept the key findings, recommendations and opportunities for improvement outlined in the report, with alignment to the sole recommendation complete.

Yours sincerely

A handwritten signature in blue ink, appearing to be "Susan Gordon", written over a horizontal line.

Dr Susan Gordon AM  
Chairperson  
Outback Stores Pty Ltd

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## Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.

2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's corporate plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.

3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:

- strengthening governance arrangements;
- introducing or revising policies, strategies, guidelines or administrative processes; and
- initiating reviews or investigations.

4. In this context, the below actions were observed by the ANAO during the course of the audit. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.

### Aboriginal Hostels Limited

- On 9 April 2024, Aboriginal Hostels Limited updated its Procurement Policy to include a section 'Identification and Management of Conflicts of Interest in Procurement' and added a requirement for activity specific conflict of interest declarations (see paragraphs 2.31 to 2.32).
- In August 2024, Aboriginal Hostels Limited updated the Fraud and Corruption Control Framework to align with the new Commonwealth Fraud and Corruption Control Framework and including references to conflict of interest risks and controls (see paragraph 2.9).

### Aboriginal Investment NT

- In April 2024, Aboriginal Investment NT updated its Gifts, Benefits and Hospitality Policy to require declined gifts to be recorded in the Gifts, Benefits and Hospitality Register (see paragraph 2.74).
- In May 2024, Aboriginal Investment NT introduced a Conflicts of Interest Policy (see paragraph 2.34 to 2.35).

- In June 2024, Aboriginal Investment NT implemented three online training modules to support compliance with its Conflicts of Interest Policy (see paragraph 2.96 and 3.54 to 3.56).
- In June 2024, Aboriginal Investment NT approved a new grants framework with strengthened conflict of interest arrangements (see paragraph 2.43 to 2.44).

### **Outback Stores Pty Ltd**

- In May 2024, Outback Stores Pty Ltd (Outback Stores) included an entity wide risk of 'Failure to declare an actual, potential or perceived conflict of interest' (see paragraph 2.17).
- In June 2024, Outback Stores introduced a Conflict of Interest Policy (see paragraph 2.49 to 2.52).
- In June 2024, Outback Stores introduced an online training module to support compliance with its Conflict of Interest Policy (see paragraph 2.100 and 3.57 to 3.59).
- In August 2024, Outback Stores presented a July 2024 internal audit of corporate services to its Audit and Risk Committee that assessed compliance with the Conflict of Interest Policy and training (see paragraph 2.124).

### **National Indigenous Australians Agency**

- In September 2024, the National Indigenous Australians Agency (NIAA) advised that it had established a new procedure to ensure that key guidance is provided to portfolio agencies on a monthly basis, including on finance, workforce, governance and integrity (see paragraph 2.104).
- In November 2024, the NIAA circulated its new Integrity Policy (approved September 2024) to the heads of Indigenous portfolio agencies (see paragraph 2.104).

## Appendix 3 Requirements for the disclosure and consequences of material personal interests

1. Table A.1 summarises the legislated conflict of interest requirements for Aboriginal Hostels Limited (AHL), the Aboriginal Investment NT and Outback Stores.

**Table A.1: Summary of conflict of interest requirements**

Legislative reference	Summary	Applicable entities
<i>Public Governance, Performance and Accountability Act 2013</i> section 29	<p><b>Duty to disclose interests</b></p> <p>(1) An official of a Commonwealth entity who has a material personal interest that relates to the affairs of the entity must disclose details of the interest.</p> <p>(2) The [PGPA Rule] may do the following:</p> <p>(a) prescribe circumstances in which subsection (1) does not apply;</p> <p>(b) prescribe how and when an interest must be disclosed;</p> <p>(c) prescribe the consequences of disclosing an interest (for example, that the official must not participate at a meeting about a matter or vote on the matter).</p>	Aboriginal Investment NT
Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) section 14	<p><b>Officials who are members of the accountable authority—how and when to disclose interests</b></p> <p>(1) An official of a Commonwealth entity who:</p> <p>(a) is a member of the accountable authority of the entity; and</p> <p>(b) has a material personal interest that relates to the affairs of the entity (other than an interest not required to be disclosed because of section 12);</p> <p>must disclose that interest, orally or in writing, to each other member of the accountable authority.</p> <p>(2) The disclosure must include details of:</p> <p>(a) the nature and extent of the interest; and</p> <p>(b) how the interest relates to the affairs of the entity.</p> <p>(3) The official must make the disclosure at a meeting of the members of the accountable authority:</p> <p>(a) as soon as practicable after the official becomes aware of the interest; and</p> <p>(b) if there is a change in the nature or extent of the interest after the official has disclosed the interest under this section—as soon as practicable after the official becomes aware of that change.</p> <p>The official must ensure that the disclosure is recorded in the minutes of the meeting.</p>	Aboriginal Investment NT

Legislative reference	Summary	Applicable entities
PGPA Rule subsections 15(2) and 15(3)	<p><i>Consequences of disclosure</i></p> <p>(2) If a matter in which the official has the disclosed interest is being considered at a meeting of the members of the accountable authority, the official must not:</p> <ul style="list-style-type: none"> <li>(a) be present while the matter is being considered at the meeting; or</li> <li>(b) vote on the matter.</li> </ul> <p>(3) However, if:</p> <ul style="list-style-type: none"> <li>(a) the responsible Minister for the entity has declared, in writing, that the official may be present or vote (or both); or</li> <li>(b) the members of the accountable authority who have not disclosed a material personal interest in the matter have decided that the official is not disqualified from being present or voting (or both), and the decision is recorded in the minutes of a meeting of the members;</li> </ul> <p>then the official may be present or vote (or both) in accordance with the declaration or decision.</p>	Aboriginal Investment NT
<p><i>Aboriginal Land Rights (Northern Territory) Act 1976</i> (ALRA) subsection 65ED(1) and paragraph 65ED(2)(c)</p>	<p>(1) The Board must, by written instrument, appoint 2 persons to be Board members under paragraph 65EA(d).</p> <p>(2) In appointing persons under subsection (1), the Board must have regard to:</p> <ul style="list-style-type: none"> <li>...</li> <li>(c) whether such persons have material personal interests that may conflict, or be perceived to conflict, with the duties or interests of a Board member appointed under subsection (1).</li> </ul>	Aboriginal Investment NT
ALRA section 65EI	<p>(1) A disclosure, under section 29 of the <i>Public Governance, Performance and Accountability Act 2013</i> (which deals with the duty to disclose interests), by a Land Council Board member, or a Board member appointed under subsection 65EC(1) or (2), must be made to the responsible entity for the Board member.</p> <p>(2) Subsection (1) applies in addition to any rules made for the purposes of section 29 of the <i>Public Governance, Performance and Accountability Act 2013</i>.</p> <p>(3) For the purposes of this Act and the <i>Public Governance, Performance and Accountability Act 2013</i>, the Board member is taken not to have complied with section 29 of that Act if the Board member does not comply with subsection (1) of this section.</p>	Aboriginal Investment NT

Legislative reference	Summary	Applicable entities
ALRA section 65GJ	<p>(1) A disclosure by the CEO under section 29 of the <i>Public Governance, Performance and Accountability Act 2013</i> (which deals with the duty to disclose interests) must be made to the Board.</p> <p>(2) The CEO must also give a copy of any disclosure under subsection (1) to the Minister.</p> <p>(3) Subsections (1) and (2) apply instead of any rules made for the purposes of that section.</p> <p>(4) For the purposes of this Act and the <i>Public Governance, Performance and Accountability Act 2013</i>, the CEO is taken not to have complied with section 29 of that Act if the CEO does not comply with subsections (1) and (2) of this section.</p>	Aboriginal Investment NT
<i>Corporations Act 2001</i> (Corporations Act) subsection 191(1)	<p><i>Director's duty to notify other directors of material personal interest when conflict arises</i></p> <p>(1) A director of a company who has a material personal interest in a matter that relates to the affairs of the company must give the other directors notice of the interest unless subsection (2) says otherwise.</p>	AHL Outback Stores
Corporations Act subsection 191(3)	<p>(3) The notice required by subsection (1) must:</p> <p>(a) give details of:</p> <p style="padding-left: 40px;">(i) the nature and extent of the interest; and</p> <p style="padding-left: 40px;">(ii) the relation of the interest to the affairs of the company; and</p> <p>(b) be given at a directors' meeting as soon as practicable after the director becomes aware of their interest in the matter.</p> <p>The details must be recorded in the minutes of the meeting.</p>	AHL Outback Stores
Corporations Act subsections 192(1) and 192(2)	<p><i>Director may give other directors standing notice about an interest</i></p> <p>(1) A director of a company who has an interest in a matter may give the other directors standing notice of the nature and extent of the interest in the matter in accordance with subsection (2). The notice may be given at any time and whether or not the matter relates to the affairs of the company at the time the notice is given.</p> <p>Note: The standing notice may be given to the other directors before the interest becomes a material personal interest.</p> <p>(2) The notice under subsection (1) must:</p> <p>(a) give details of the nature and extent of the interest; and</p> <p>(b) be given:</p> <p style="padding-left: 40px;">(i) at a directors' meeting (either orally or in writing); or</p> <p style="padding-left: 40px;">(ii) to the other directors individually in writing.</p>	AHL Outback Stores

Legislative reference	Summary	Applicable entities
Corporations Act subsections 195(1) and 195(1A)	<p><i>Restrictions on voting and being present</i></p> <p>(1) A director of a public company who has a material personal interest in a matter that is being considered at a directors' meeting must not:</p> <ul style="list-style-type: none"> <li>(a) be present while the matter is being considered at the meeting; or</li> <li>(b) vote on the matter.</li> </ul> <p>(1A) Subsection (1) does not apply if:</p> <ul style="list-style-type: none"> <li>(a) subsection (2) or (3) allows the director to be present; or</li> <li>(b) the interest does not need to be disclosed under section 191.</li> </ul>	AHL Outback Stores
Corporations Act subsection 195(2)	<p>(2) The director may be present and vote if directors who do not have a material personal interest in the matter have passed a resolution that:</p> <ul style="list-style-type: none"> <li>(a) identifies the director, the nature and extent of the director's interest in the matter and its relation to the affairs of the company; and</li> <li>(b) states that those directors are satisfied that the interest should not disqualify the director from voting or being present.</li> </ul>	AHL Outback Stores
<i>Public Service Act 1999</i> subsection 13(7)	<p>(7) An APS employee must:</p> <ul style="list-style-type: none"> <li>(a) take reasonable steps to avoid any conflict of interest (real or apparent) in connection with the employee's APS employment; and</li> <li>(b) disclose details of any material personal interest of the employee in connection with the employee's APS employment.</li> </ul>	AHL

Source: *Public Governance, Performance and Accountability Act 2013* (PGPA Act), *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule), *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRA), *Corporations Act 2001* (Corporations Act) and *Public Service Act 1999* (PS Act).

## Appendix 4 Entity implementation of internal audit recommendations relating to conflicts of interest

1. The ANAO assessed the implementation of internal audit recommendations related to conflict of interest for Aboriginal Hostels Limited (AHL) and Aboriginal Investment NT over the period 1 July 2021 to 30 June 2024. There were no Outback Stores internal audit recommendations related to conflict of interest over the period 1 July 2021 to 30 June 2024.

**Table A.2: AHL internal audit recommendations related to conflicts of interest and implementation status**

Internal audit title and date	Audit recommendations related to conflict of interest	AHL response	AHL reported status	ANAO assessment of status
Recruitment November 2023	<p>Recommendation 4:</p> <p>Once the agreed approach to recruitment has been determined, AHL should review and update recruitment policies and procedures on a cyclical basis. These should include: ...</p> <ul style="list-style-type: none"> <li>• Conflict of interest procedures. ...</li> </ul> <p>Any updates to recruitment practices and policy procedures should be supported by AHL-wide communication and training.</p>	<p>Agreed</p> <p>Implementation date: September 2024</p>	On-track	<p><b>Ongoing and not implemented:</b></p> <ul style="list-style-type: none"> <li>• Audit, Risk and Finance Committee is tracking the progress of this recommendation.</li> <li>• Training register did not show employees doing any recruitment training post November 2023.</li> </ul>
Resident Complaint and Feedback Handling June 2022	<p>Recommendation 2:</p> <p>AHL should develop a formalised complaint and feedback process guide which is subject to endorsement by a Senior Executive.</p> <p>The formalised guide should include instructions for managing and resolving different types of complaints ...</p>	<p>Agreed</p> <p>Implementation date: December 2022</p>	Completed/closed	<p><b>Implemented:</b></p> <ul style="list-style-type: none"> <li>• AHL produced a new set of policies and procedures handling customer feedback relating to services provided by Aboriginal Hostels Limited (AHL).</li> <li>• Customer Feedback Management System Procedures 2023 states that all conflicts of interest, actual or perceived, will be managed in accordance with AHL policy on managing conflict of interest.</li> </ul>

Internal audit title and date	Audit recommendations related to conflict of interest	AHL response	AHL reported status	ANAO assessment of status
Resident Complaint and Feedback Handling June 2022	<p>Recommendation 5: AHL should:</p> <ul style="list-style-type: none"> <li>develop a structured training program for all staff tasked with complaints and feedback</li> <li>provide specialist training to staff tasked with managing vulnerable, unreasonable, or complex complaints</li> <li>train staff on record keeping requirements.</li> </ul>	Agreed Implementation date: June 2023	Completed/closed	<b>Partly implemented:</b> Six employees undertook complaints training in 2022.

Source: ANAO analysis.

**Table A.3: Aboriginal Investment NT internal audit recommendations related to conflict of interest and implementation status**

Internal audit title and date	Audit recommendations related to conflict of interest	Aboriginal Investment NT response	Aboriginal Investment NT reported status	ANAO assessment of status
Grants Policies May 2024	<p>Recommendation 2: [Aboriginal Investment NT] should ensure that the application form for its new Grants Program requires applicants to:</p> <ul style="list-style-type: none"> <li>Declare any actual, perceived, or potential conflicts of interest in relation to their grant application.</li> <li>Confirm and demonstrate that they intend to comply with all applicable laws that relate to the delivery of the grant project.</li> </ul> <p>[Aboriginal Investment NT] should also develop guidance to support grant assessors to effectively consider the related information that is provided by applicants.</p>	Agreed Implementation date: 1 July 2024	Complete, noting lawful compliance evidence will not be routinely sought for Community Quick Response grant stream unless risk identified, for proportionality	<b>Implemented:</b> <ul style="list-style-type: none"> <li>Applicants required to declare conflict of interest in application form.</li> <li>Assessors provided with guidance to record conflicts and compare with internal conflict of interest registers to ensure internal declarations and management plan in place.</li> </ul>



Internal audit title and date	Audit recommendations related to conflict of interest	Aboriginal Investment NT response	Aboriginal Investment NT reported status	ANAO assessment of status
<p>Grants Policies May 2024</p>	<p>Recommendation 3: [Aboriginal Investment NT] should improve its processes, controls and culture towards managing conflicts of interest. This should involve finalising and operationalising:</p> <ul style="list-style-type: none"> <li>• A <i>Conflict of Interest</i> policy; and</li> <li>• Conflict of interest training for employees and committee members.</li> </ul> <p>These artefacts should be tailored to reflect [Aboriginal Investment NT's] operating environment and give due consideration to the nature of conflicts that may arise in Aboriginal communities.</p> <p>[Aboriginal Investment NT] should also ensure that committees overseeing [Aboriginal Investment NT's] new Grants Program develop appropriate protocols to manage actual or perceived conflicts of interest.</p>	<p>Agreed Implementation date: 1 July 2024</p>	<p>Complete</p>	<p><b>Implemented:</b></p> <ul style="list-style-type: none"> <li>• Conflicts of Interest Policy approved May 2024.</li> <li>• [Aboriginal Investment NT] board received training at April 2024 meeting.</li> <li>• Online conflict of interest training module from June 2024.</li> <li>• Protocols to manage conflicts of interest set out in the Grants Administration Framework.</li> <li>• Conflict of interest risk managed through Grants Risk Assessment and Control Plan and implemented through Grants Administration Framework.</li> </ul>

Source: ANAO analysis.