



**Northern Territory
Auditor-General's Office**

Auditing for Parliament

Auditor-General's Report to the Legislative Assembly

November 2024

*Our Purpose – To assist
Parliament in the oversight of the
performance of the
NT Government by providing
independent analysis through the
conduct of audits and reviews*

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We continually strive to improve our communication to our stakeholders and invite you to provide feedback on this report via our email address NT.Audit@nt.gov.au.

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Auditor-General's Report to the Legislative Assembly

November 2024

Contents

	Page
Transmittal Letter to the Speaker	6
Auditor-General's Overview	7
The Role and Responsibilities of the Auditor-General	11
Audit reports issued between 1 May 2024 and 31 October 2024	13
Audit of the Treasurer's Annual Financial Statements	15
Financial Reporting Developments	20
Reports on the Results of Audits, Reviews and Assessments	
Financial Statement Audits	
Treasurer's Annual Financial Statements	23
Batchelor Institute of Indigenous Tertiary Education	44
Board of the Museum and Art Gallery of the Northern Territory	49
Charles Darwin University	53
Bridging the Gap Foundation Limited	59
Menzies School of Health Research	63
Cobourg Peninsula Sanctuary and Marine Park Board	67
Darwin Waterfront Corporation	69
Data Centre Services	73
Land Development Corporation	76
Motor Accidents (Compensation) Commission	79
Northern Territory Legal Aid Commission	83
Northern Territory Major Events Company Pty Ltd	87
Northern Territory Treasury Corporation	91
NT Build	96
NT Fleet	100
NT Home Ownership	103
Power and Water Corporation	107
Indigenous Essential Services Pty Ltd	114
Power Generation Corporation	119
Power Retail Corporation	125
Territory Wildlife Parks	129

Contents cont...

	Page
Performance Management System Audits	
Accounting for Assets on Leased Land	135
Achievement of Objectives for Grant Activities	142
IT Audits	
Project Management Review NTG Pay	158
Compliance Audits	
Agency Compliance Audit	161
End of Year Review	178
<i>Public Information Act</i>	
Curfew Laws	188
New Home Grants	189
Appendices	
Appendix 1: Guide to Using this Report	192
Appendix 2: Status of Audit Activity	197
Appendix 3: Engagement Letter	198
Appendix 4: Abbreviations	202
Contents by Entity	204



25 November 2024

Speaker
The Legislative Assembly of the Northern Territory
Parliament House
Darwin

Dear Speaker

Report of the Auditor-General to the Legislative Assembly (November 2024)

In accordance with the requirements of Section 24 of the Audit Act 1995, I submit my report on matters arising from audits, reviews and assessments completed during the period from 1 May 2024 to 31 October 2024 that have not been previously reported.

I ask that you table the report in the Legislative Assembly.

Yours sincerely,

Jara K Dean

Auditor-General for the Northern Territory

Auditor-General's Overview

The *Audit Act 1995* provides a legislative requirement for the Auditor-General to report to the Legislative Assembly on at least an annual basis. This is the first report of 2024-25 and also the first report since the commencement of my term on 13 September 2024.

Summary of this report

This report outlines the results of financial statements audits and other audit work completed during the period from 1 May 2024 to 31 October 2024 and includes commentary on:

- the Treasurer's Annual Financial Statements for the year ended 30 June 2024;
- the results of audits, key findings and financial performance of various entities for the year ended 30 June 2024 and entities, mainly in the education sector, for the year ended 31 December 2023;
- controls and compliance audits and end of year reviews;
- information technology audits; and
- performance management system audits.

The report also contains findings relating to matters referred under the *Public Information Act 2010*.

In addition, the report provides an overview of the role of the Auditor-General, the approach to auditing the Treasurer's Annual Financial Statements and financial reporting developments.

Treasurer's Annual Financial Statements

Each year, the Treasurer prepares the consolidated financial statements of the Territory. This report includes my analysis of the General Government Sector's overall financial performance and position for the year ended 30 June 2024.

The General Government Sector, which includes all government departments, agencies, government business divisions and other statutory bodies (including the Motor Accidents (Compensation) Commission) reported a net operating deficit of \$638.4 million in 2023-24, the seventh deficit in the past ten years. Combined deficits over the ten-year period totalled \$2.0 billion. The government has forecast another operating deficit in 2024-25.

I made the following observations:

- The 2023-24 deficit was largely due to a significant increase in employee expenses, driven by back payments of pay increases under renegotiated enterprise agreements, increased use of agency medical and nursing staff at the Department of Health and overtime cost.
- The level of GST funding, which is the main revenue source for the Territory government, remained relatively constant in 2023-24. In fact, funding from the Australian Government totalled 77% of total revenue for the Sector.
- The Territory's dependency on the Australian Government for more than three quarters of its revenue and the proposed changes to payroll tax, which is the highest revenue-raising tax without changes to other Territory based taxes to at least ensure revenue neutrality, represent a significant fiscal risk for the Territory.

Auditor-General's Overview cont...

- Dividend and income tax equivalent income was \$68.7 million in 2023-24. The Northern Territory Treasury Corporation provided the highest returns at \$55.8 million in 2023-24, followed by Jacana Energy at \$7.6 million. Government owned energy and utilities businesses paid a combined \$10.3 million in dividends and income tax equivalents.
- The Government borrowed an additional \$1.2 billion to fund the cash deficit. Loans increased to \$9.0 billion as at 30 June 2024. Interest on loans and advances increased by \$38.2 million to \$328.5 million in 2023-24 due to the increase in borrowings during the year.
- Superannuation liabilities represented the second major category of liabilities after borrowings at \$2.9 billion as at 30 June 2024. The projected annual cash payments to the members of the defined benefit superannuation schemes are expected to average \$226.9 million over the next ten years. Because the superannuation liabilities are unfunded, the Government will need to meet the cash cost of the defined benefit superannuation schemes.
- Returning the budget to surplus or at least a break-even position will require careful management of employee costs, given the Government's role as the major employer and that employee-related expenses have historically represented around 40% of total expenses.

Financial statements audits

The report includes the results of 20 audits of financial statements for those entities with a financial year ended 31 December 2023 and 30 June 2024 where the audits were completed prior to 31 October 2024.

Clean Audit Opinion	Clean with Emphasis of Matter	Clean with Other Matter Paragraph	Qualified Audit Opinion
15	3	1	1

- The audit of the Batchelor Institute of Indigenous Tertiary Education for the year ended 31 December 2023 resulted in a qualified opinion and its annual report, which was tabled in the Legislative Assembly on 15 October 2024, did not include the qualified audit opinion.
- The Bridging the Gap Foundation ceased to operate in November 2023 and transferred all its remaining resources to the Menzies School of Health Research.
- Charles Darwin University's income increased by \$17.0 million but despite this increase, the University incurred a net deficit of \$20.6 million in 2023.
- The Cobourg Peninsula Sanctuary and Marine Park Board's financial statements for the last two years are yet to be audited. The Board obtained an approval from the Minister for Parks and Wildlife to extend the deadline to table its annual reports for 2022-23 and 2023-24 to 30 April 2025.
- Northern Territory Legal Aid Commission incurred a net deficit of \$0.2 million for the year ended 30 June 2024. The Commission had \$6.3 million in cash and expenditure commitments not recognised on the balance sheet, being approved grants of aid, of \$3.2 million.
- Northern Territory Treasury Corporation's net borrowings totalled \$10.97 billion as at 30 June 2024, which was an increase of \$1.51 billion on last year's net borrowings of \$9.46 billion. The Corporation reported a profit before tax of \$55.77 million in 2023-24 and income tax equivalent expense of \$16.73 million for the year.

Auditor-General's Overview cont...

- Power and Water Corporation reported a loss of \$7.8 million in 2023-24, predominantly due an increased cost of emergency gas following the curtailment of supply from its main provider.

Power and Water Corporation's assets included \$65.8 million relating to gas that has been paid for but not yet delivered under a take-or-pay condition in gas supply agreements with its gas suppliers. Net assets totalled \$1.3 billion at 30 June 2024, but working capital, i.e. the difference between current assets and current liabilities was a negative \$301.8 million. The Corporation had contractual commitments totalling \$3.436 billion at 30 June 2024, of which \$496.1 million was payable within the next 12 months.

- Indigenous Essential Services Pty Ltd continued to report losses. It reported a net loss of \$13.1 million in 2024. A proportion of Power and Water Corporation's corporate overheads are charged to Indigenous Essential Services Pty Ltd, with some of the overheads capitalised.
- Territory Generation increased its profit after tax in 2023-24 to \$8.1 million and continued to generate positive cash flows from its operations. However, its energy sales continued to trend downwards due to the entry of solar generators and the preference of end users for renewable energy. A reduction of market share will have a significant effect on the Corporation's longer term prospects.
- Jacana Energy generated a profit after income tax of \$11.2 million in 2023-24. Electricity revenue increased by \$12.4 million mainly due to a 2.7% increase in tariffs, however the cost of electricity increased by \$30.6 million or 6.4% at the same time. Community service obligations revenue increased by \$31.0 million or 34.3% in response to higher costs of electricity.

Agency compliance audits

Clean Audit Opinion	Clean with Emphasis of Matter	Qualified Audit Opinion
15	0	1

The report presents the results of audits that were performed to assess the adequacy of selected aspects of controls over accounting and material financial transactions at 16 government agencies. Findings arising from these audits have been reported to the affected agencies to enable them to address control weaknesses. Agency compliance audits are undertaken primarily to support to the audit of the Treasurer's Annual Financial Statements. Significant weaknesses in internal control were identified at the former Department of Environment, Parks and Water Security, which resulted in a qualified opinion.

No agency compliance audit was conducted at Northern Territory Fire and Emergency Services, which was established as a separate agency from 27 March 2024.

Auditor-General's Overview cont...

End of year reviews

Clean Review Conclusion	Clean with Emphasis of Matter	Qualified Review Conclusion
17	0	0

The report presents the results of reviews that were performed to assess the adequacy of selected aspects of end of year financial reporting and controls over accounting and material financial transactions at 17 government agencies. Findings arising from these reviews have been reported to the affected agencies to enable them to address identified weaknesses. The end of year reviews support the audit of the Treasurer's Annual Financial Statements.

Performance management system audits

Two performance management system audits were completed during the period and the results are included in the report:

- The management of grants and grant programs at the former Department of Industry, Tourism and Trade was found to be economical, efficient and effective, although recommendations were made to improve some systems and processes.
- The Government has policies and processes in place to ensure consistent accounting for the construction and subsequent repair and maintenance of infrastructure assets situated on leased land.

Information technology audit

An audit to assess project management aspects related to a new whole-of-government purchase-to-pay system, NTG Pay, found that the Department of Corporate and Digital Development managed the project deliverables in accordance with the planned objectives and budget, including the identification and management of risks.

Reviews under the *Public Information Act 2010*

Two separate referrals under the *Public Information Act 2010* were reviewed, including a media release and related articles on curfew laws and posts on social media relating to new home grants. In both cases, it was determined that the referred material was not public information because it was not given using money or other property of the Territory.

Financial reporting developments

Australia's sustainability reporting framework is now in place and climate related disclosures will be mandatory for some entities from next year. Not-for-profit public sector entities will need to consider amendments to authoritative implementation guidance when fair valuing their non-financial assets.

Other matters

All entities are provided with the opportunity to comment on any of the matters reported in relation to their audit or review results. Where they choose to do so, their responses are detailed at the end of the relevant section.

A number of audits scheduled to commence and be completed in the period 1 July 2024 to 31 December 2024 are yet to be finalised. These audits are listed in *Appendix 2: Status of Audit Activity* and their outcomes will be presented in future reports.

The Role and Responsibilities of the Auditor-General

Responsibilities of the Auditor-General

The Auditor-General is a statutory position established under the *Audit Act 1995* (the Audit Act).

Under the Audit Act and various enabling legislation, the Auditor-General audits most Territory entities and the Treasurer's Annual Financial Statements.

Territory entities are wide ranging and include:

- government departments and agencies;
- government business divisions;
- statutory bodies;
- government owned corporations; and
- Charles Darwin University and other education entities.

The Northern Territory Auditor-General's Office (NTAGO) is an agency supporting the Auditor-General in discharging their responsibilities under the Audit Act. The NTAGO operates under an outsourcing model where all audits are managed internally by NTAGO staff but delivered using private sector audit firms. The Auditor-General is still responsible for the audits performed and all audit reports are signed by the Auditor-General.

Financial statements are the main way Territory entities report on their financial performance and the use of public resources.

The main objective of financial statements audits and related compliance audits and end of year reviews is to provide assurance to the Legislative Assembly and the public that the financial statements are fairly presented, that there are no material errors and that they can be relied on for decision making and to hold the executive arm of government to account.

When findings are made, these are reported, together with recommendations to those charged with governance so that those responsible for making improvements can take action.

The Auditor-General's role does not include the power to enforce recommendations.

Insights from the audits inform the Auditor-General's reports to the Legislative Assembly. The Auditor-General is required to report to the Legislative Assembly at least once each year on any matters arising from the exercise of the auditing powers under the Audit Act.

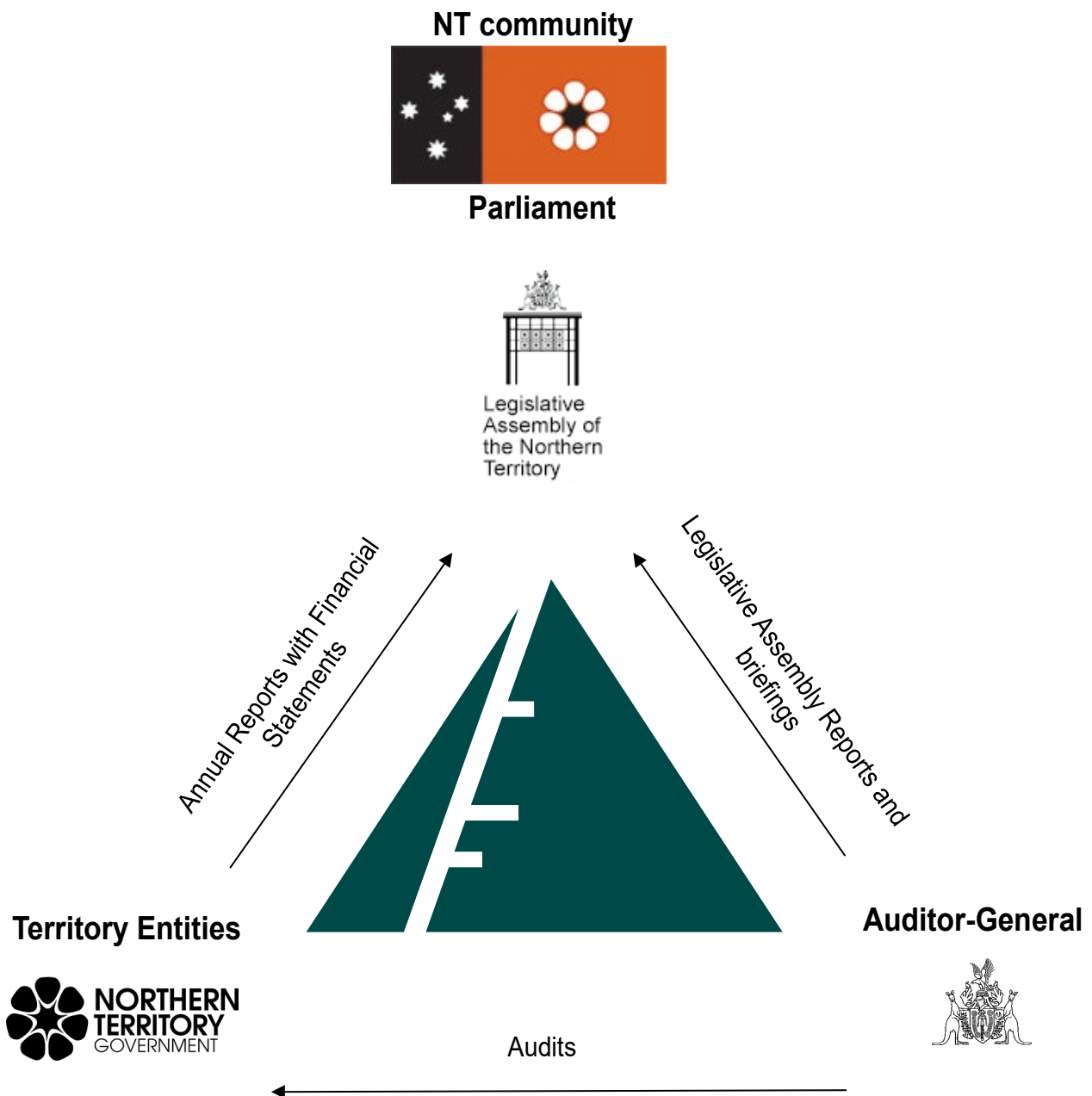
Each Auditor-General's report may contain findings from financial statements audits, information technology audits, controls and compliance audits, performance management system audits and findings from any special reviews conducted. Results of any reviews under the *Public Information Act 2010* are also included once finalised.

Reports to the Legislative Assembly, together with management letters provided to the audited entities should be recognised as a useful source of independent analysis of both financial and non-financial information, and of the systems and controls underpinning the delivery of that information.

The Role and Responsibilities of the Auditor-General cont...

The Auditor-General's Relationship with the Parliament and Territory Entities

The Auditor-General is an independent officer of the Parliament. This is also reflected in the mission statement of the Northern Territory Auditor-General's Office which is "Auditing for Parliament". This statement underpins the purpose of the Auditor-General's role, which is to conduct audits and reviews of Territory entities to support accountability and transparency in the public sector through independent reporting the Legislative Assembly and ultimately the Northern Territory community.



Audit reports issued between 1 May 2024 and 31 October 2024

Financial Statements for the year ended 31 December 2023

	Financial Statements tabled	Date of Audit Report
Batchelor Institute of Indigenous Tertiary Education	15 October 2024 ⁽¹⁾	27 June 2024
Bridging the Gap Foundation Limited	Not required	21 May 2024
Charles Darwin University	15 October 2024	7 June 2024
Menzies School of Health Research	Not yet tabled	28 May 2024

Not yet tabled – as at 31 October 2024

Not required – Financial statements are not required to be tabled

(1) The Institute tabled their 2023 Annual Report with an extract of the management letter, and did not include the audit opinion.

Financial Statements for the year ended 30 June 2024

	Financial Statements tabled	Date of Audit Report
Board of the Museum and Art Gallery of the Northern Territory	Not yet tabled	30 October 2024
Darwin Waterfront Corporation	Not yet tabled	29 October 2024
Data Centre Services	24 October 2024	20 September 2024
Indigenous Essential Services Pty Ltd	Not required	30 September 2024
Land Development Corporation	24 October 2024	30 September 2024
Motor Accidents (Compensation) Commission	Not yet tabled	6 September 2024
Northern Territory Legal Aid Commission	Not yet tabled	1 October 2024
Northern Territory Major Events Company Pty Ltd	Not required	9 October 2024
Northern Territory Treasury Corporation	22 October 2024	20 September 2024
NT Build	Not yet tabled	9 October 2024
NT Fleet	24 October 2024	20 September 2024
NT Home Ownership	24 October 2024	4 October 2024
Power and Water Corporation	22 October 2024	30 September 2024
Power Generation Corporation	22 October 2024	11 September 2024
Power Retail Corporation	17 October 2024	11 September 2024
Territory Wildlife Parks	24 October 2024	14 October 2024
Treasurer's Annual Financial Statements	22 October 2024	18 October 2024

Not yet tabled – as at 31 October 2024

Not required – Financial statements are not required to be tabled

Audit reports issued between 1 May 2024 and 31 October 2024 cont...

**Acquittals or other returns for the year ended
31 December 2023⁽¹⁾**

	Deadline for Submission	Date of Audit Report
Charles Darwin University Higher Education Research Data Collection	30 June 2024	20 June 2024

⁽¹⁾ Not separately reported within this report

**Acquittals or other returns for the year ended
30 June 2024⁽¹⁾**

	Deadline for Submission	Date of Audit Report
Health Pool Funding Acquittal	30 September 2024	29 August 2024
Local Government Financial Assistance Acquittal	Not specified	5 September 2024
Local Roads and Community Infrastructure Program Agreement	31 October 2024	31 October 2024
<i>National Land Transport Act 2014</i>		
Roads to Recovery	31 October 2024	28 October 2024
Northern Territory Regional Health Services Funding Acquittal	30 September 2024	23 September 2024

⁽¹⁾ Not separately reported within this report

Audit of the Treasurer’s Annual Financial Statements

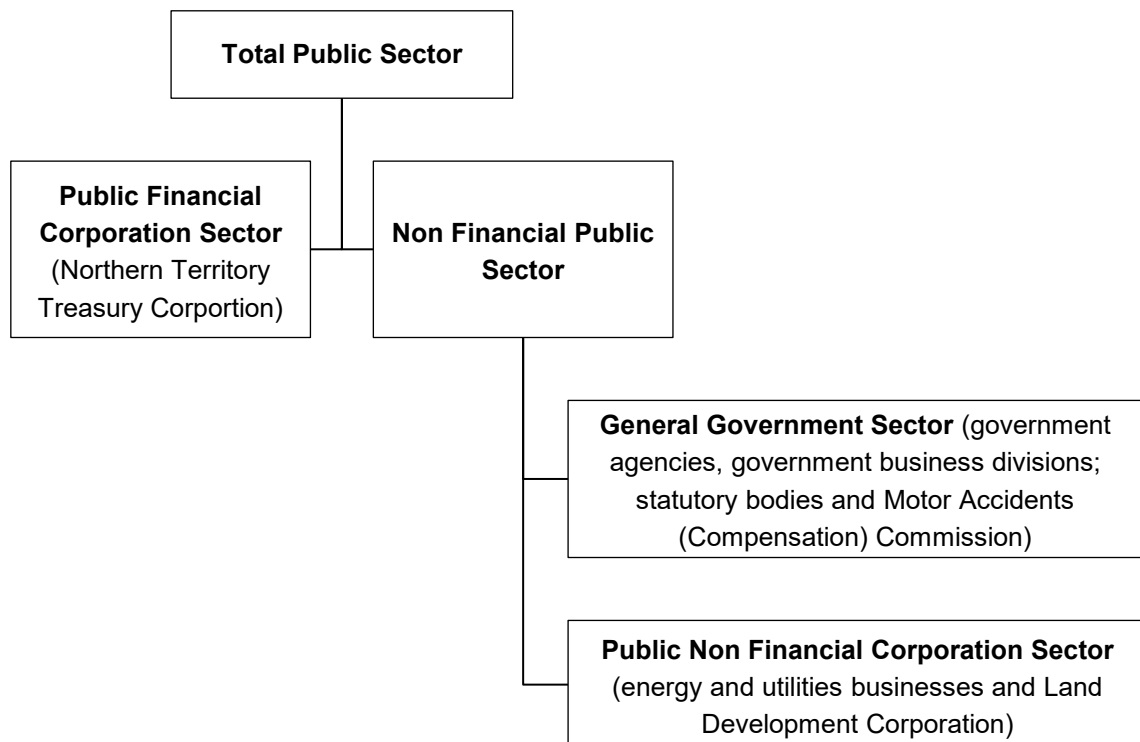
Background

Financial statements audits are conducted in accordance with Australian Auditing Standards. Those standards are issued by the Australian Auditing and Assurance Standards Board (the Board), a Commonwealth statutory body established under the *Australian Securities and Investments Commission Act 2001*. Auditing Standards issued by the Board have the force of law in respect of audits of corporations that fall within the ambit of the *Corporations Act 2001*, while the *Audit Act 1995* also requires that the Auditor-General has regard to those standards.

The Treasurer’s Annual Financial Statements (TAFS) are prepared in accordance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The Statements incorporate the reporting requirements of the Australian Accounting Standards Board and the Uniform Presentation Framework (which is based on the reporting standards of the Australian Bureau of Statistics Government Finance Statistics framework).

The preparation of the TAFS requires the consolidation of the financial statements of each entity that is deemed to be controlled by the Northern Territory Government into their respective sectors.

Figure 1: TAFS Composition, including reporting entities



Audit of the Treasurer's Annual Financial Statements cont...

Consolidation procedures

The General Government and Public Non Financial Corporation Sectors are consolidated into the Non Financial Public Sector. Ultimately, the Non Financial Public Sector is consolidated with the Public Financial Corporation Sector to form the Total Public Sector.

Consolidation is the process of combining financial transactions and balances from multiple entities into one set of financial statements, which are then presented as financial statements of a single entity, or in the case of the TAFS, financial statements of a sector.

During the TAFS consolidation process, the Department of Treasury and Finance:

- combines like items of assets, liabilities, equity, income, expenses and cash flows;
- offsets (eliminates) the carrying amount of the investment in each entity. For example, the General Government Sector shows the investment in Government owned energy and utilities businesses but that investment is eliminated in the Total Public Sector. This is because those business are consolidated into the Total Public Sector and not eliminating the investment would result in double-counting the net assets of those businesses; and
- eliminates in full intra-entity assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities within that sector so that each set of financial statements only reflects the results of transactions with external parties or non-sector entities. In the case of the Total Public Sector, only transactions occurring with entities external to the Northern Territory Public Sector are presented.

If an entity uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made in the consolidated financial statements to ensure conformity. For example, adjustments must be made for differences in accounting for government grants between for-profit and not-for-profit entities.

Audit requirements and process

The audit of the TAFS is a group audit, where each Territory controlled entity is a component of the group. The objective of a group audit is the same as of an audit of a single entity, i.e. to ensure that the consolidated financial statements present a true and fair view of the financial position, performance, and cash flows of the entire group, or in this case the entire sector.

In auditing the consolidated financial statements of a group, the auditor may audit individual components or rely on their audited financial statements. In addition, the auditor must also audit the consolidation process because it is complex and involves some areas of judgement.

The following audit arrangements apply to Territory controlled entities:

- **Statutory bodies, government owned corporations and government business divisions** are required by various Acts of Parliament to prepare financial statements and to submit those statements to the Auditor-General for audit. Financial statements of these entities are audited and audit opinions issued accordingly.

Audit of the Treasurer's Annual Financial Statements cont...

- **Proprietary limited companies** - a small number of Territory controlled entities are incorporated under the *Corporations Act 2001*. Audits of these companies are performed subject to the *Corporations Act 2001*, with the Auditor-General deemed to be a Registered Company Auditor. Financial statements of these entities are audited and audit opinions issued accordingly.
- **Government departments (including some agencies)** - Section 11 of the *Financial Management Act 1995* provides for the Treasurer to determine the financial reporting requirements of government departments. Financial statements of government departments must be certified by the Accountable Officer (e.g. Chief Executive Officer) and Chief Finance Officer. The agency's annual report must include financial statements but there is no requirement for those financial statements to be independently audited.

When auditing a group, some components will be financially significant to the group or will be significant because of their specific nature or circumstances, which may increase the risk of material misstatement to the group financial statements.

Australian Auditing Standard ASA 600 *Special Considerations – Audits of a Group Financial Report* sets out the requirements for group audits. ASA 600 requires that financially significant components must be audited. For components that are significant because of their specific nature and circumstances, the auditor is to decide whether to fully audit the entity or to undertake an audit of specific balances or classes of transaction or perform specified audit procedures in order to reduce the risk of material misstatement to an acceptable level.

Work performed

As mentioned previously, some Territory controlled entities are audited but there is no requirement to audit government departments. Instead, government departments are subject to end of year reviews to assist with the audit of the consolidated TAFS. A review is a lower level of assurance than an audit. A review relies on performing enquiries and analytical procedures to identify unusual items or trends that may need further explanation by management rather than testing of balances or classes of transactions and corroborating responses to inquiries with other evidence.

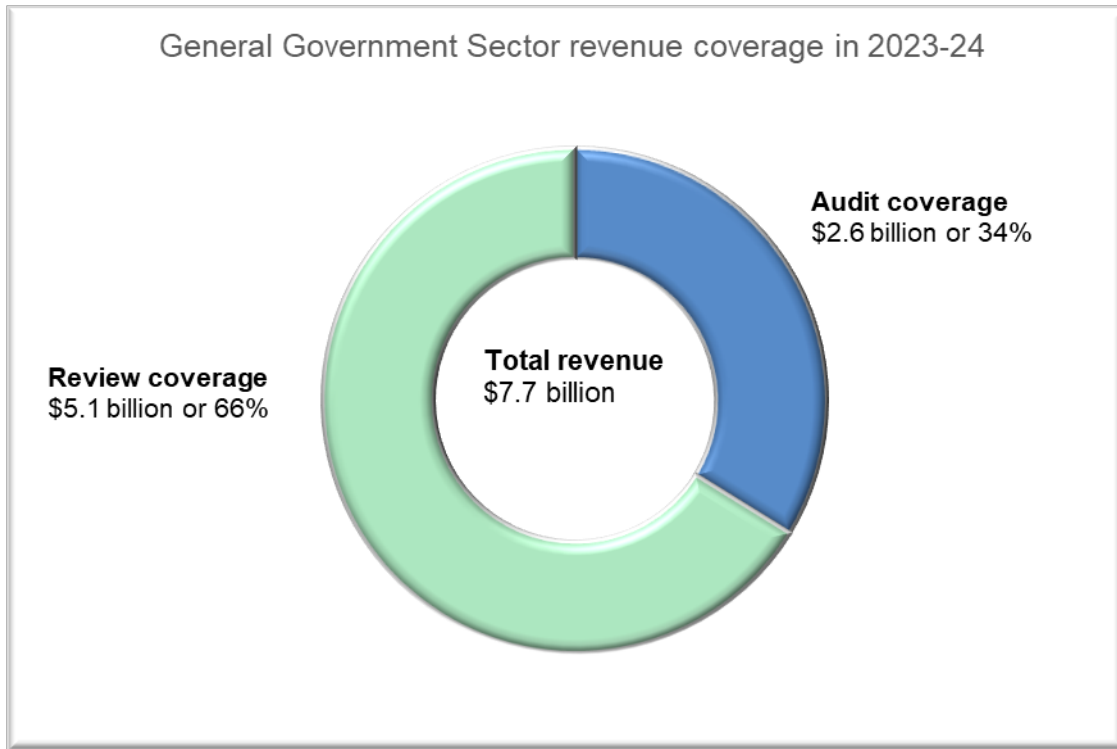
Information about the effectiveness of internal controls identified in the overall control environment review and agency compliance audits provide some level of assurance that transactions of government departments were conducted and recorded in accordance with relevant regulations, mainly Treasurer's Directions.

Although the Auditor-General does not issue a separate audit opinion on the Public Account, receipts and payments pertaining to the Central Holding Authority, which is part of the Public Account, are audited as part of the TAFS group audit.

The General Government Sector reported total revenue of \$7.7 billion and total expenses of \$8.3 billion in 2023-24. Overall, 34% of revenue and 32% of expenditure transactions were audited as part of financial statements audits of the relevant entities. The remaining revenues and expenses incurred predominantly by government departments were reviewed as part of end of year reviews.

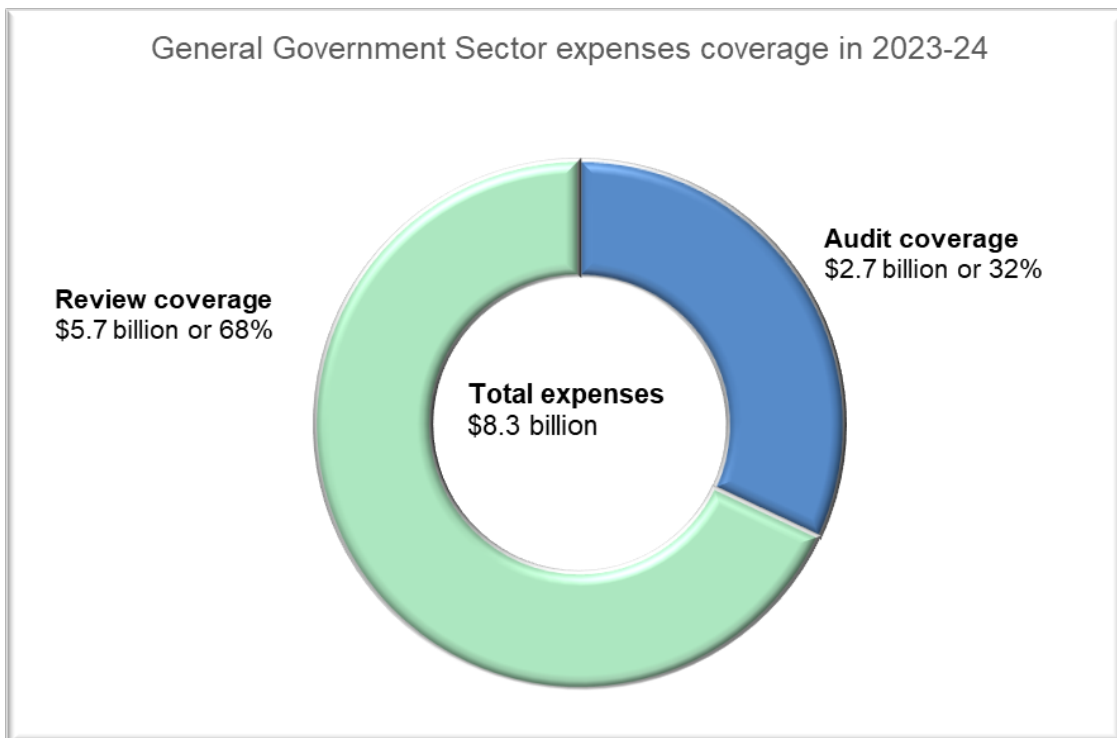
Audit of the Treasurer’s Annual Financial Statements cont...

Figure 2: General Government Sector revenue coverage in 2023-24



Revenues collected by the Territory Revenue Office, such as royalties, stamp duties and payments from the Australian Government were tested as part of the TAFS group audit.

Figure 3: General Government Sector expenses coverage in 2023-24



Audit of the Treasurer's Annual Financial Statements cont...

Employee benefits expenses represented the largest expenditure category within the General Government Sector at \$3.1 billion for 2023-24. For this reason, in 2023-24 the testing of controls relevant to the government payroll system (Personnel Information and Payroll System or PIPS) was expanded to ensure that those controls were operational during the entire financial reporting period and additional analytics of employee costs were performed. These additional procedures increased the level of assurance that employee expenses were not materially misstated.

The work performed on General Government Sector assets and liabilities included audits of cash and investments held by the Central Holding Authority; detailed procedures over the land, buildings and infrastructure assets portfolios at selected government departments, and the engagement of actuarial specialists to assist in testing superannuation and workers compensation liabilities.

Results of the audit and an analysis of the TAFS are detailed in *the Reports on the Results of Audits, Reviews and Assessments* section of the report. Outcome of end of year reviews and agency compliance audits, which support the TAFS audit, are reported separately in *Agency Compliance Audit* and *End of Year Review* sections of the report.

Financial Reporting Developments

This section highlights the key areas that might impact financial reporting of some Territory entities and other regulatory changes that will be the focus of audits in 2025.

Sustainability reporting

Sustainability reporting requirements will commence for reporting periods beginning on or after 1 January 2025 and will be phased in over the next three years. The requirements are mandatory for entities reporting under the *Corporations Act 2001* (Corporations Act). In the NT public sector context, this includes government owned corporations and proprietary limited companies if they meet the reporting criteria.

Under the sustainability reporting regime, relevant reporting entities are required to prepare a sustainability report. The sustainability report is the fourth mandatory report required as part of annual reporting obligations, alongside the financial report, directors' report and auditor's report.

The sustainability report must include:

- the climate statements for the year;
- any notes to the climate statements; and
- the directors' declaration about the statements and notes.

Climate statements must comply with the relevant sustainability standards made by the Australian Accounting Standards Board. There are currently two sustainability reporting standards:

- *AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information* – this is a voluntary standard which deals with disclosures about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.
- *AASB S2 Climate-related Disclosures* – this is a mandatory standard which requires the disclosure of information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. The main climate-related financial disclosure requirements relate to governance, strategy, risk management, and metrics and targets, including information about scenario analysis and greenhouse gas emissions.

The Corporations Act requires scenario analysis to be carried out using at least two scenarios referable to temperature increases set out in subparagraphs 3(a)(i) and 3(a)(ii) of the *Climate Change Act 2022*. The two mandated scenarios are currently:

- increase in global average temperature of 1.5°C above pre-industrial levels; and
- increase in global average temperature well exceeding 2°C above pre-industrial levels (meaning an increase of 2.5°C or higher).

The NT Government's objective is to progressively reduce net greenhouse gas emissions in the Territory and achieving net zero emissions by 2050. This includes an interim target of 50% of total electricity used by consumers connected to the Territory's power grids to be supplied through renewable energy sources by 2030.

Disclosures by public sector entities about material climate-related risks and opportunities and the actions they are taking to manage these risks provide transparency.

Financial Reporting Developments cont...

However, considerable time and resources may be required to ensure compliance with the new disclosure requirements. Relevant entities should assess the impact of the new requirements, including whether they meet the criteria for compulsory reporting (or when, if at all, they are likely to meet those criteria), gathering of comparative information and the collection of information from other parties to comply with the obligation to report direct, indirect and other greenhouse emissions. The readiness of relevant entities to adopt AASB S2 be a focus area during audits in 2025.

Sustainability reports required to be prepared under the Corporations Act will be subject to mandatory audit requirements, which are expected to be phased in over time.

Amendments to AASB 13 *Fair Value Measurement*

The standard has been amended by including authoritative implementation guidance to be followed by not-for-profit public sector entities when fair valuing their non-financial assets not held primarily for their ability to generate cash inflows. The amendments aim to clarify the requirements of the standard in a public sector context, make them somewhat less burdensome and ensure consistency across the sector.

The changes apply prospectively for reporting periods beginning on or after 1 January 2024 and will impact entities such as government agencies and education and other statutory entities, including, for example, Charles Darwin University and Darwin Waterfront Corporation.

The amendments recognise that assets held by public sector entities provide services unique to the public sector, there may not be other market participants and the assets are rarely sold. Therefore, the requirement to consider if the asset's highest and best use differs from its current use applies only when either of the following is true:

- the asset is classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*; and
- based on reasonably available information, it is highly probable that the asset will be used for an alternative purpose to its current use, i.e. the asset's current use will cease within one year.

The amendments also recognise that observable inputs are generally not available when valuing assets that are unique to the public sector and therefore an entity shall use its own assumptions as a starting point to develop unobservable inputs.

In addition, the amendments include guidance on the application of the cost approach, including the nature of costs to include in the replacement of a reference asset and the identification of economic obsolescence.

It is anticipated that entities would have already revisited their valuation policies and engaged with their valuers to understand the extent of the changes and the impact on financial statements. This includes ensuring that they can gather the additional information that may be required, for example cost information or documenting assumptions used in developing unobservable inputs.

The applicability of these amendments will be a key focus area for the upcoming audits in 2025.

Reports on the Results of Audits, Reviews and Assessments

Treasurer’s Annual Financial Statements

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

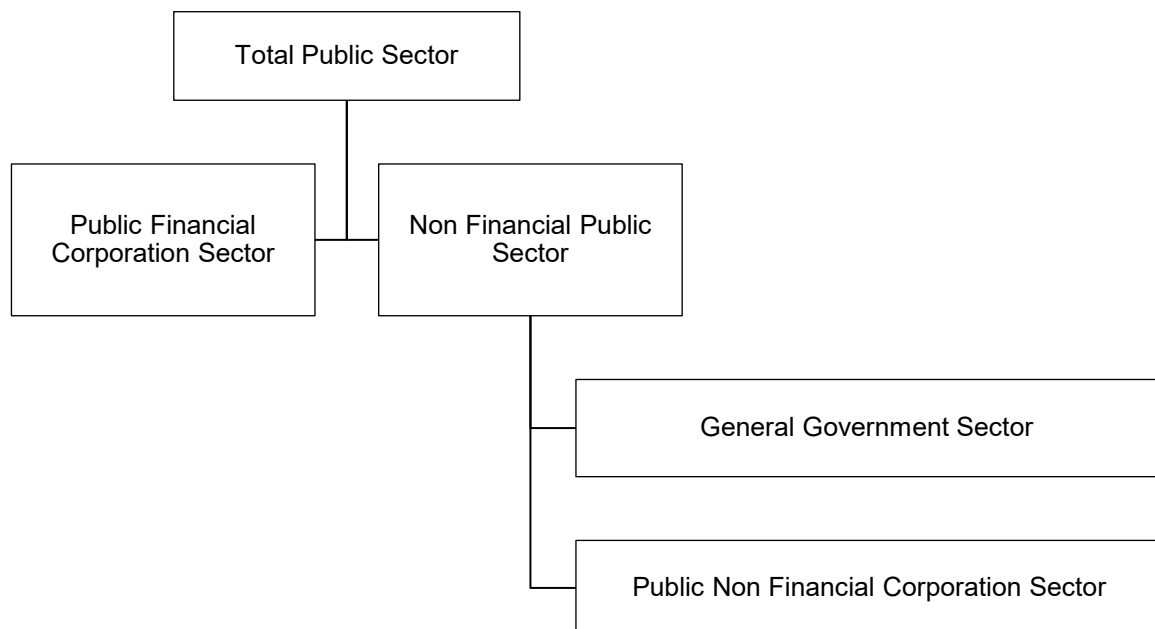
Each year the Treasurer reports on Northern Territory (NT) Government’s financial outcomes in the Treasurer’s Annual Financial Report (TAFR), which includes the audited financial statements by sector, referred to as the Treasurer’s Annual Financial Statements (TAFS) and additional information. The additional information is unaudited and includes key fiscal outcomes and their analysis, fiscal strategy, payments from the Treasurer’s Advance funding pool and explanatory tables.

Scope

This section of the report outlines the results of the audit of the TAFS for the year ended 30 June 2024. The TAFS show the consolidated transactions and balances of the General Government and Total Public Sectors, including segmented financial statements for Public Non Financial Corporation, Non Financial Public and Public Financial Corporation Sectors. The composition of the TAFS is shown in Figure 1 and the key reporting elements are detailed in Table 1.

A glossary of terms to assist in reading this section is on page 43.

Figure 1: TAFS Composition



Treasurer's Annual Financial Statements cont...

Table 1: Northern Territory Government reporting entities by sector

General Government Sector	Public Non Financial Corporation Sector	Public Financial Corporation Sector
<ul style="list-style-type: none"> ▪ All government departments ▪ other entities for example, government business divisions, and statutory bodies that provide services of mainly non-market nature to other agencies or the community ▪ Motor Accidents (Compensation) Commission 	<ul style="list-style-type: none"> ▪ Power and Water Corporation and its subsidiary Indigenous Essential Services Pty Ltd ▪ Power Retail Corporation (trading as Jacana Energy) ▪ Power Generation Corporation (trading as Territory Generation) ▪ Land Development Corporation 	<ul style="list-style-type: none"> ▪ Northern Territory Treasury Corporation

Entities consolidated into TAFS not audited by the Auditor-General

The following entities are consolidated into the TAFS but are outside the Auditor-General's financial statements audit mandate:

- AustralAsia Railway Corporation
- Nominal Insurer's Fund.

Entities not consolidated into TAFS

The following entities are not consolidated into the TAFS on the basis that they are not controlled by the NT Government or their net assets are not available to it:

- Charles Darwin University and its associated entities
- Menzies School of Health Research and its associated entities
- Northern Territory Land Corporation[^]
- Northern Territory Conservation Land Corporation[^]
- Cobourg Peninsula Sanctuary and Marine Park Board
- Nitmiluk (Katherine Gorge) National Park Board
- Northern Territory Grants Commission[^]
- Northern Territory Police Supplementary Benefit Scheme
- Public Trustee Common Funds
- Local government entities[^].

[^] Entities which are outside of the Auditor-General's financial statements audit mandate.

In addition, with the exception of payroll costs and land and buildings, the TAFS excludes revenues, costs, assets and liabilities of Territory independent government schools.

Treasurer's Annual Financial Statements cont...

Legislative requirements

The Treasurer is required under section 9 of the *Financial Management Act 1995* to publicly release and table in the Legislative Assembly the Treasurer's Annual Financial Statement within four months after the end of the financial year.

The Auditor-General is required under section 25 of the *Audit Act 1995* to audit the Treasurer's Annual Financial Statement within two months after receiving it and report to the Treasurer on the audit. The Treasurer signed the TAFS on 17 October 2024 and an unqualified audit opinion was issued the following day on 18 October 2024. The audit was completed with satisfactory results and no outstanding matters. This means that the TAFS presented fairly, in all material respects, the financial performance and position of the General Government, Public Non Financial Corporation, Non Financial Public, Public Financial Corporation and Total Public sectors.

The Treasurer tabled the TAFR, which included the audited TAFS, in the Legislative Assembly on 22 October 2024.

Audit observations and analysis

Performance overview

Comments and findings on the most recent audits that have been conducted in relation to individual entities within the Total Public Sector are reported separately, either within this report or previous reports, or will be reported in future reports to the Legislative Assembly.

Accordingly, the comments that follow are largely confined to the General Government Sector (GGS), that being the sector that is funded largely through appropriations and also the sector that is responsible for the provision of those services that the community commonly associates with the role of government.

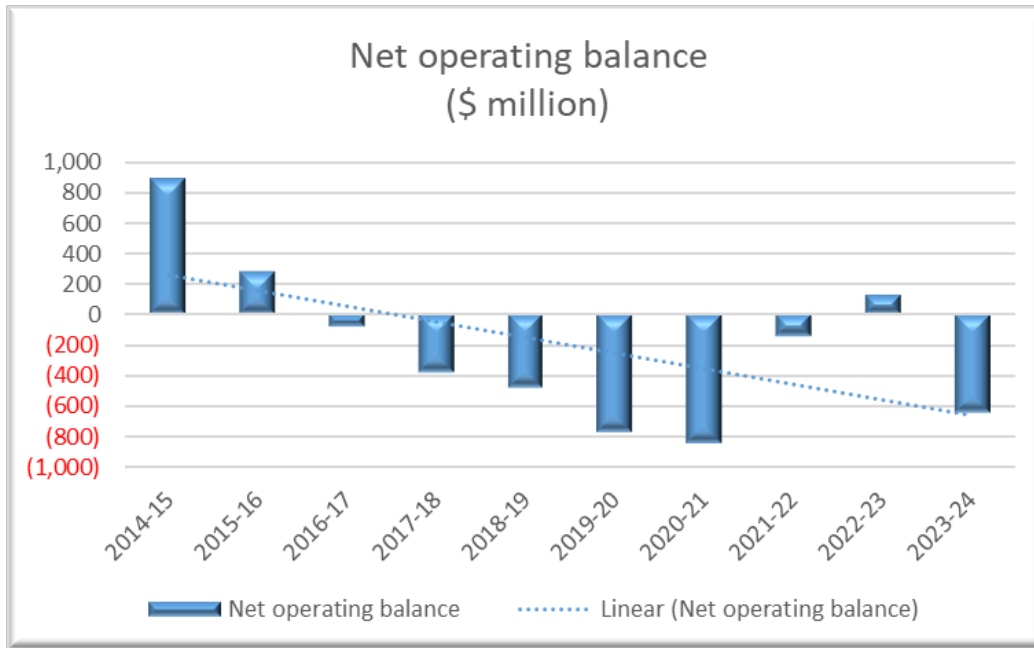
Operating performance

The GGS net operating balance was a deficit of \$638.4 million in 2023-24 compared to the restated surplus of \$131.8 million reported last year. The net operating balance is a key measure of the GGS's financial performance and operating sustainability, because by including all costs, such as depreciation, the net operating balance encompasses the full cost of providing government services.

As shown in Figure 2, the GGS incurred net operating balance deficits in seven of the past ten years. Combined deficits over the ten-year period totalled \$2.0 billion. The government has forecast another operating deficit in 2024-25.

Treasurer's Annual Financial Statements cont...

Figure 2: Net operating balance



Source: Treasurer's Annual Financial Statements

The surplus in 2014-15 included \$140 million in special dividends and \$265 million in proceeds from the sale of the Territory Insurance Office. If these were excluded, the surplus would have been \$482 million for the year. The deficits in both 2019-20 and 2020-21 were substantially affected by the COVID-19 pandemic.

The surplus in 2022-23 was mainly attributed to an increase in GST revenue, which was a combination of the higher national GST collection pool and an increase in the Territory's GST share percentage.

The 2023-24 deficit was largely due to a significant increase in employee expenses, driven by:

- back payments of pay increases because of delays in negotiating and subsequent approvals of new enterprise agreements. The NTG is party to a number of enterprise agreements, 11 of which expired at different times during 2021 and 2022 but were not finalised and approved until 2023, well after their commencement dates. This meant that the effective dates of the different agreements resulted in back payments to eligible employees;
- an increase in the cost of agency medical and nursing staff at the Department of Health due to ongoing vacancies and increased demand for services; and
- overtime cost.

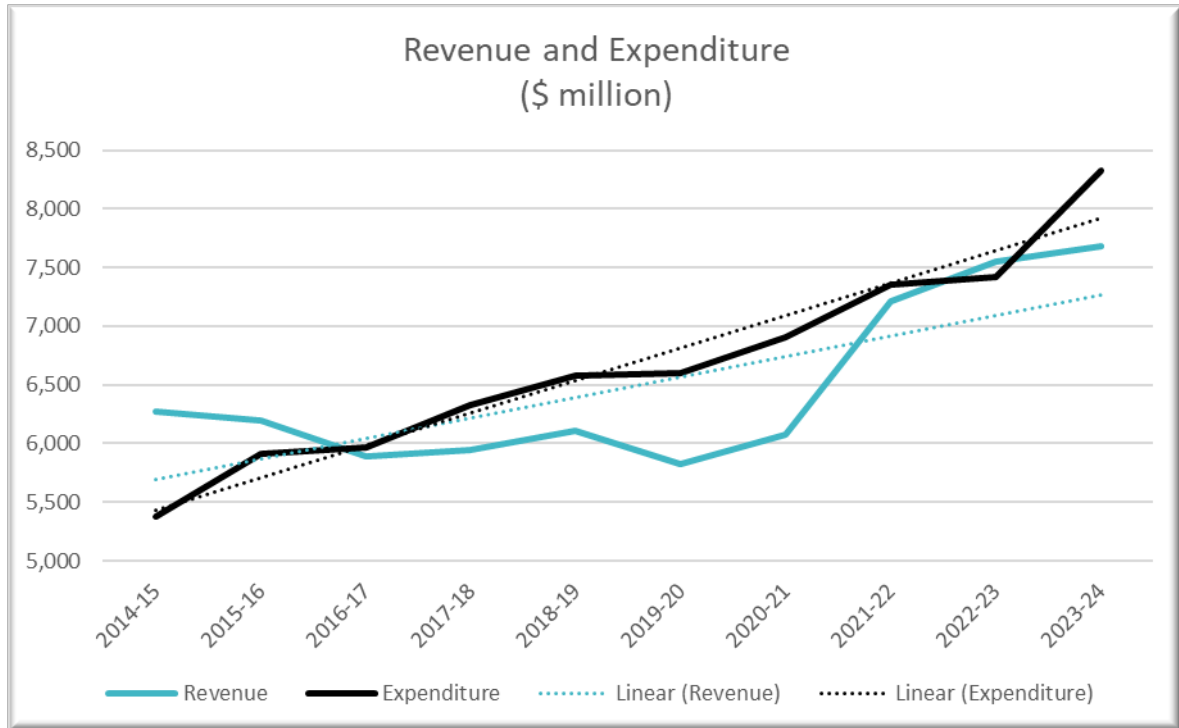
Employee expenses are analysed later in this chapter.

The level of GST funding, which is the main revenue source for the GGS, remained relatively constant in 2023-24 at \$4.0 billion, compared to \$3.9 billion in 2022-23, as a decrease in Territory's GST share percentage was partly offset by an increase in the overall GST collections pool. The decrease in Territory's GST share percentage was despite an increase in GST relativities because of data revisions, economic and socio-demographic characteristics change over time and legislated arrangements for GST distribution.

Treasurer’s Annual Financial Statements cont...

Figure 3 shows a relatively steady growth in expenditure over the past ten years, averaging 5% per year. Revenue, on the other hand fluctuated between years and overall grew at a slower rate of 4% per annum (after excluding special dividends and proceeds from the sale of the Territory Insurance Office in 2014-15).

Figure 3: Revenue and Expenditure



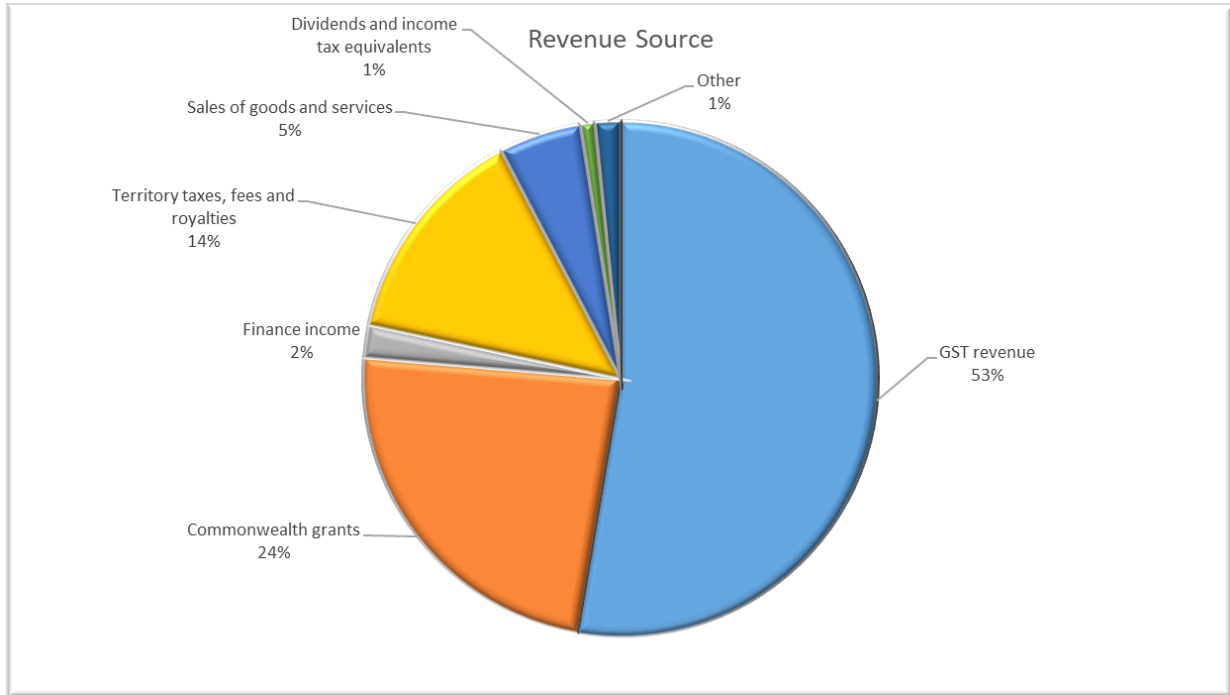
Source: Treasurer’s Annual Financial Statements

Operating results will generally vary between years with cyclical peaks as the economy expands and contracts. The trend data shows a continued and widening gap between revenue and expenses, pointing to a potential structural budget deficit, i.e. excess of public spending over revenues, which would persist even at the peak of economic activity.

GGs revenue totalled \$7.7 billion in 2023-24 and was \$133 million or 2% higher compared to last year. The increase was mainly as a result of higher funding from the Australian Government rather than driven by improved economic conditions in the Territory. Figure 4 shows the composition of GGS total revenue in 2023-24.

Treasurer's Annual Financial Statements cont...

Figure 4: Composition of GGS total revenue in 2023-24



Source: NTAGO derived from the Treasurer's Annual Financial Statements

Funding from the Australian Government represented the majority of GGS revenue. GST distributions together with Commonwealth grants, which included Specific Purpose Payments, National Partnerships Payments and other grants and subsidies totalled 77% of total GGS revenue.

It is noted that increases in other Commonwealth payments can reduce the assessed GST needs and therefore impact future GST distributions. In addition, the 'no-worse-off guarantee' introduced by the Commonwealth in 2018 to protect fiscally weaker states and territories after changes to the equalisation principal was due to be phased out after 2026-27. National Cabinet agreed to extend the 'no-worse-off guarantee' in its current form until 2029-30. Northern Territory is likely to be financially impacted when the arrangement ends, because it currently receives 'no-worse-off' payments, \$37 million in 2023-24 (\$12 million in 2022-23).

Territory taxes, fees and royalties accounted for 14% of total GGS revenue. Payroll tax was the most significant tax levied by the Territory at \$309 million in 2023-24. This was followed by taxes on property, which comprised of stamp duties only, as there is no land tax levied in the Northern Territory, at \$167 million and taxes on gambling at \$113 million for the year. Income from royalties was \$275 million in 2023-24.

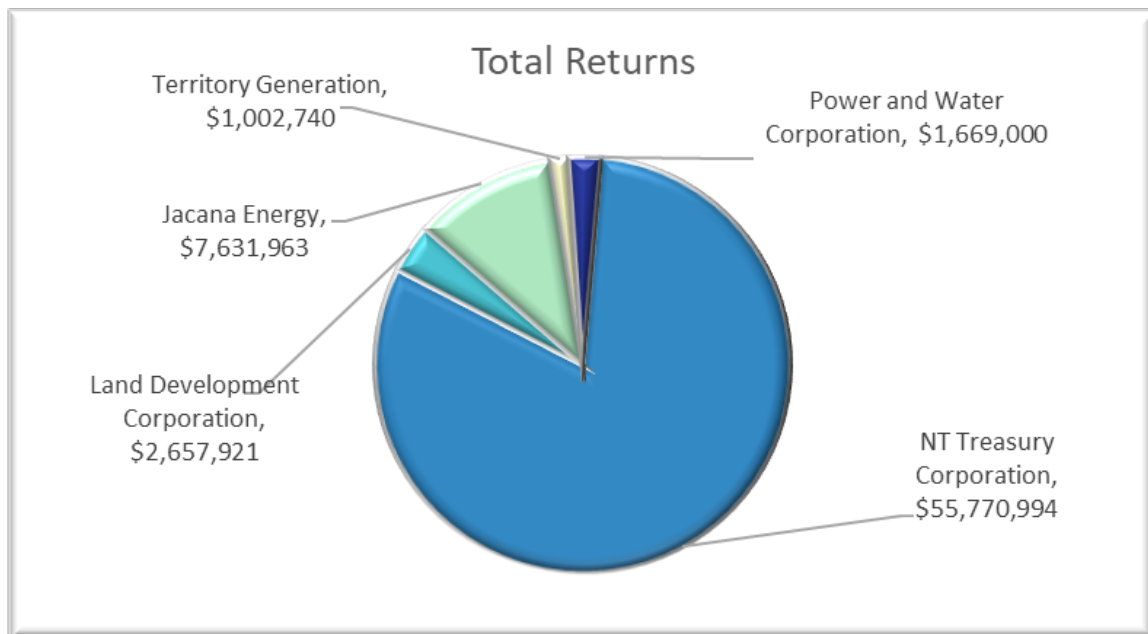
The Territory is heavily reliant on GST funding and currently has limited capacity to raise revenue from own sources, which is dependant predominantly on mining production, taxable payrolls and property sales.

The Territory's dependency on the Australian Government for more than three quarters of its revenue and the proposed changes to payroll tax (increasing the tax-free threshold and exempting wages paid to trainees and apprentices), which is the highest revenue-raising tax without changes to other Territory based taxes to at least ensure revenue neutrality, represent a significant fiscal risk for the Territory.

Treasurer's Annual Financial Statements cont...

Dividends and income tax equivalents paid by public non financial and public financial corporations, i.e. government owned corporations and government business divisions are another own-source revenue for the Government. Dividend and income tax equivalent income was 1% of total GGS revenue at \$68.7 million in 2023-24.

Figure 5: Total Returns in 2023-24



Source: NTAGO derived from the Treasurer's Annual Financial Statements

As shown in Figure 5, the Northern Territory Treasury Corporation provided the highest returns at \$55.8 million in 2023-24, followed by Jacana Energy at \$7.6 million. Government owned energy and utilities businesses paid a combined \$10.3 million in dividends and income tax equivalents.

Investments in other public sector entities, measured as the Government's share in net assets of those entities totalled \$2.8 billion at 30 June 2024.

Employee expenses

Employee expenses represented the largest expenditure category within the GGS at \$3.1 billion for 2023-24, which was \$276.9 million higher than in the prior year.

As mentioned previously, the significant increase in employee expenses was driven mainly by retrospective pay increases, overtime and agency staffing costs. Public sector staffing increased by 539 FTEs or 2.6% over the past twelve months to 21,455 FTEs in June 2024. Preventing retrospective pay increases and introducing a dollar-based cap on wage increases were recommendations made by the Fiscal Strategy Panel in *A Plan for Budget Repair* (March 2019).

The impact of the retrospective pay increases on this year's result, or what the impact on previous years' results would have been if the increases were paid in the year they applied to, was not quantified.

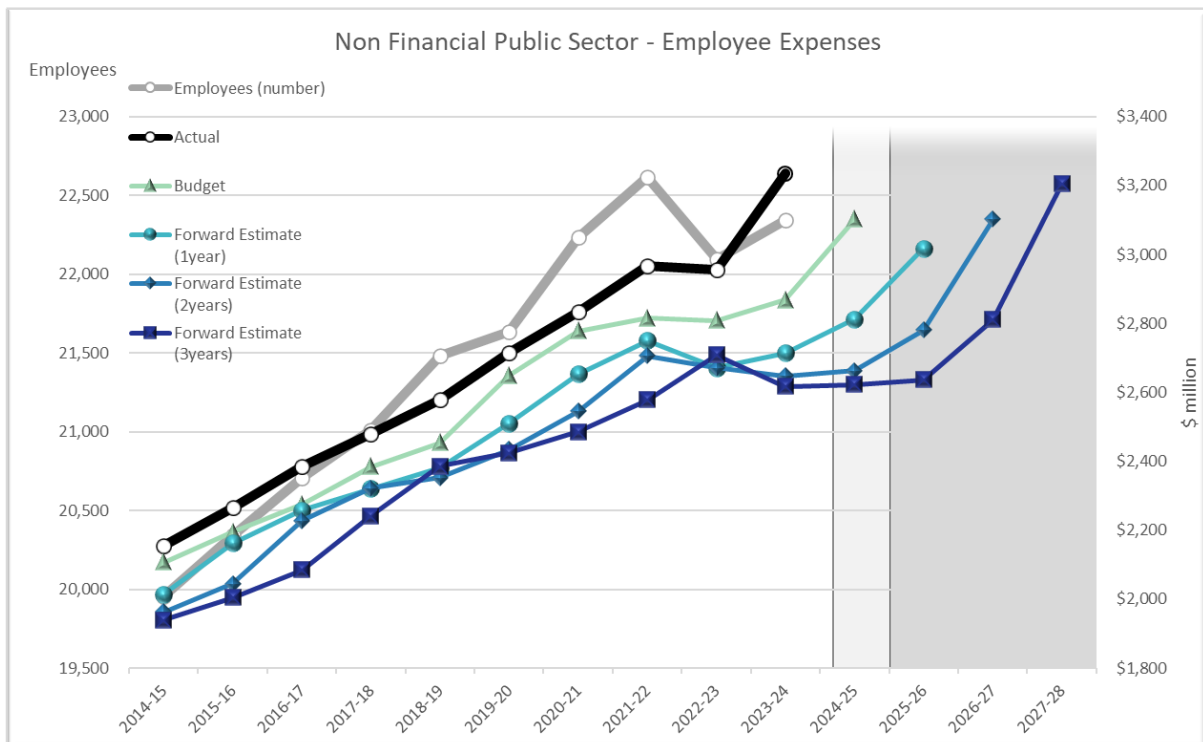
Because employee costs are such a significant operating expense for the Territory, an analysis over a longer period was warranted to minimise volatility.

Treasurer’s Annual Financial Statements cont...

It would be expected that public sector employee numbers would grow proportionately to population growth. However, public sector staffing grew by approximately 12.0% over the past ten years compared to a 3.9% growth in Territory population. Police, Fire and Emergency Services staffing grew by 18.7% over the same period, Health by 16.3% and Education by 10.1%.

Figure 6 presents a summary of the Non Financial Public Sector actual, budget and estimated employee expenses from the TAFS data for 2014-15 to 2027-28 and Budget Paper No. 2 (2024-25). Total Public Sector forward estimates are not available for analysis as the Total Public Sector includes the Northern Territory Treasury Corporation.

Figure 6: Non Financial Public Sector – Employee Expenses (\$'million)



Source: Treasurer’s Annual Financial Statements, Budget Paper 2 (2024-25) and Office of the Commissioner for Public Employment Staffing Numbers Reports

Employee expenditure increased by 50% from 2014-15 to 2023-24 and, based on the Office of the Commissioner for Public Employment Staffing Numbers Reports, the number of full-time-equivalent employee increased by 12% over the same time period.

Also of significance is the gap between actual employee expenses and budget. Actual employee expenditure has exceeded the budgeted expenditure and all forward estimates of employee expenditure for each of the years presented.

Returning the budget to surplus or at least a break-even position will require careful management of employee costs, given the Government’s role as the major employer in the Territory and that employee-related expenses have historically represented around 40% of total expenses.

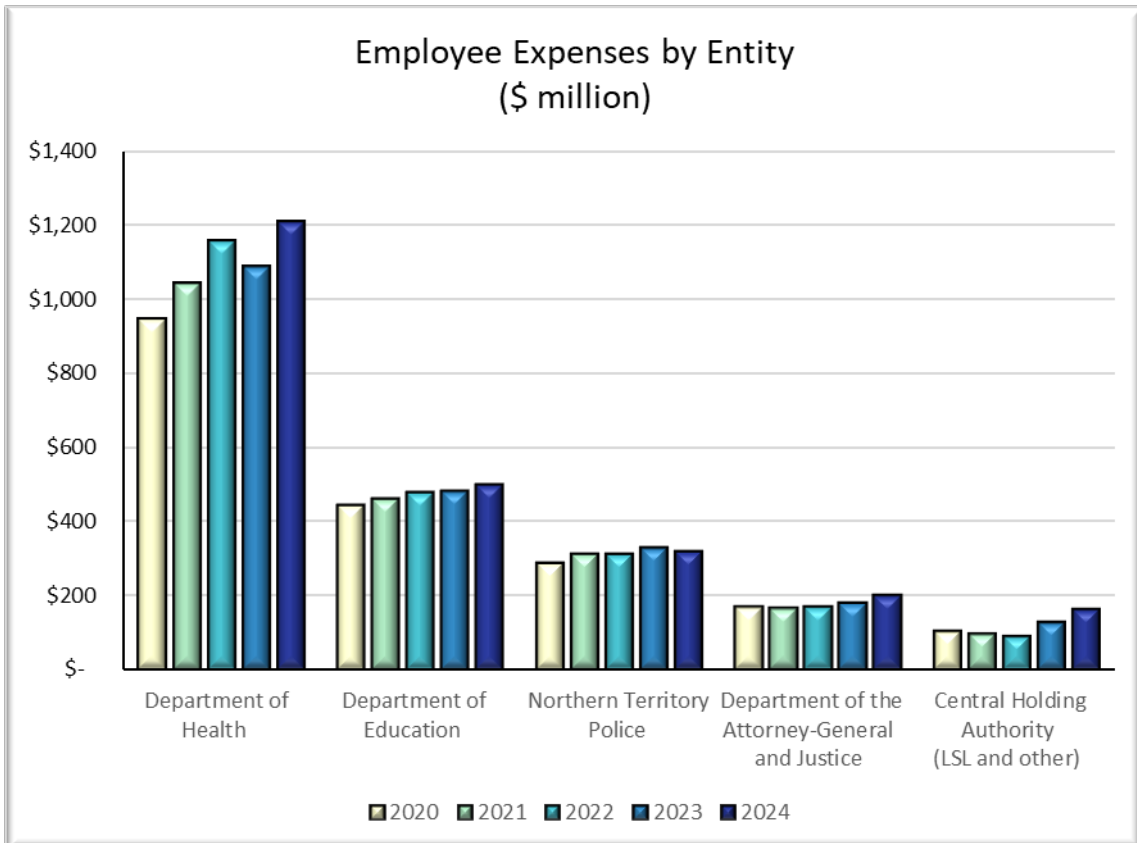
Figure 7 presents a summary of the employee expenses for the five entities with the highest employee expenses. This figure demonstrates the movement in employee expenditure within these entities over the last five years.

Treasurer’s Annual Financial Statements cont...

During the year ended 30 June 2022, the Top End Health Service, Central Australia Health Service and the Department of Health merged. The employee expenses for those three entities are reported within the Department of Health.

In 2023 the Northern Territory Police, Fire and Emergency Services was separated into two agencies, the Northern Territory Police and the Northern Territory Fire and Emergency Service. The employee expenses recorded for Northern Territory Police up to and including 30 June 2023 include the employees of Northern Territory Fire and Emergency Service.

Figure 7: Employee expenses by entity over the last five financial years



Source: NTAGO developed from Treasurer’s Annual Financial Statements consolidation data

Related to employee expenses are the liabilities for recreation and long service leave and defined benefit superannuation obligations. Recreation and long service leave provisions totalled \$384.0 million and \$422.8 million respectively as at 30 June 2024. NT Government employees are generally entitled to six weeks of recreation leave per year, as well as up to three days of ‘close down leave’ between Christmas and New Year’s Day. Superannuation liabilities are discussed later in this section.

Treasurer's Annual Financial Statements cont...

Cash balance

The GGS net operating balance deficit of \$638.4 million in 2023-24 excluded capital expenditure on the acquisition of assets, but included non-cash expenses such as changes in provisions, asset transfers for nil consideration and depreciation. After eliminating these non-cash items, the resulting cash flow from operating activities was a positive \$395.5 million in 2023-24. While the resulting cash flow was positive, it was \$402.6 million less than in the previous year, indicating that a growth in payments to employees, financial grants and purchases of goods and services outpaced any increase in receipts from the Australian Government and taxes and payments received for delivery of services collected by the NT Government.

Capital expenditure on the acquisition of assets was \$1.2 billion and was partly offset by proceeds from the sale of non financial assets of \$30 million. Capital expenditure payments related mainly to various road and infrastructure projects, some of which were in progress at 30 June 2024.

As shown in Figure 8 below once capital spend is taken into account, the resulting cash deficit in 2023-24 was \$771.4 million.

Figure 8: Resulting cash deficit

Operating revenue	\$7,683 million
<i>less</i> Operating expenses	-\$8,322 million
Net Operating balance deficit	-\$638 million
<i>add back</i> Non-cash expenses	\$1,034 million
Cash flow from operations	\$395 million
<i>less</i> Capital spend (net)	-\$1,166 million
Cash deficit	-\$771 million

Source: NTAGO developed from the Treasurer's Annual Financial Statements

Loans

The NT Government borrowed an additional \$1.2 billion to fund the GGS cash deficit. As a result, GGS loans increased to \$9.0 billion as at 30 June 2024. The new loans included \$334.0 million intended to fund the 2024-25 borrowing program, which was the main reason behind the increase of \$359.4 million in cash and deposits to \$1.4 billion as at 30 June 2024.

Treasurer's Annual Financial Statements cont...

Interest expenses

Interest expenses increased by \$43.7 million to \$403.8 million in 2023-24 and comprised:

Category	2024	2023
Interest on lease liabilities	\$71.4 million	\$65.6 million
Interest on loans and advances	\$328.5 million	\$290.3 million
Interest on service concession liabilities	\$3.9 million	\$4.2 million
	\$403.8 million	\$360.1 million

Source: Treasurer's Annual Financial Statements, Note 11

Interest on loans and advances increased by \$38.2 million in 2023-24 due to the increase in borrowings during the year.

Net debt

Net debt is equal to gross debt less related financial assets such as cash. It excludes superannuation and other liabilities. While net debt is only a partial indicator of the balance sheet, it is less volatile because it is not affected by revaluations of assets and liabilities, particularly in relation to equity investments and defined benefit superannuation obligations.

Net debt increased by \$877.9 million to \$7.2 billion as at 30 June 2024. The increase in net debt was predominantly due to the previously discussed movements in loans and cash balances.

Superannuation liabilities

Superannuation liabilities represented the second major category of GGS liabilities after borrowings. The Territory administers the following defined benefit superannuation schemes:

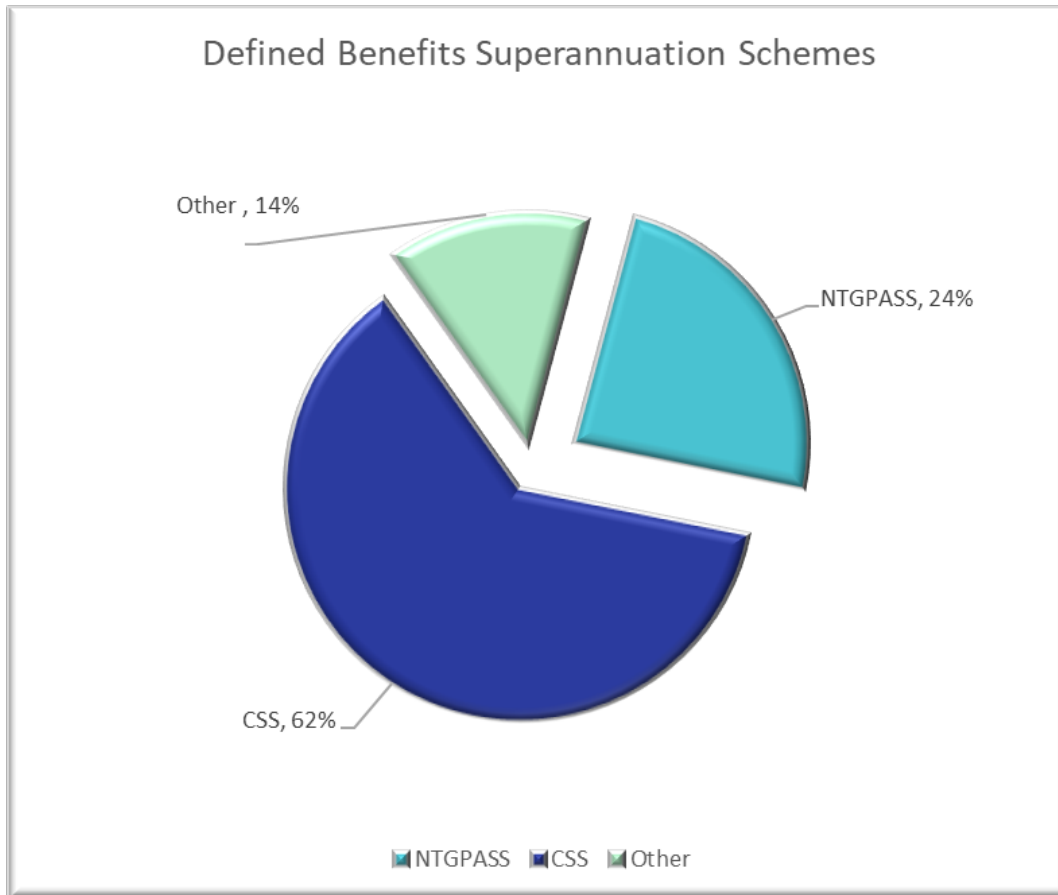
- Commonwealth Superannuation Scheme (CSS)
- Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS)
- Northern Territory Supplementary Superannuation Scheme
- Supreme Court Judges Pension Scheme
- Legislative Assembly Members' Superannuation Scheme
- Northern Territory Police Supplementary Benefit Scheme
- Administrator Pension Scheme.

The schemes closed to new members at different times, except for the Supreme Court Judges Pension Scheme which remains open. The schemes are unfunded, meaning the cost of benefits are met on an emerging basis by the Government and relevant entities from recurrent funding or operating revenue.

Treasurer's Annual Financial Statements cont...

The two largest defined benefit schemes are CSS and NTGPASS as shown below:

Figure 9: Defined Benefits Superannuation Schemes as at 30 June 2024



Source: NTAGO developed from the Treasurer's Annual Financial Statements, Note 37

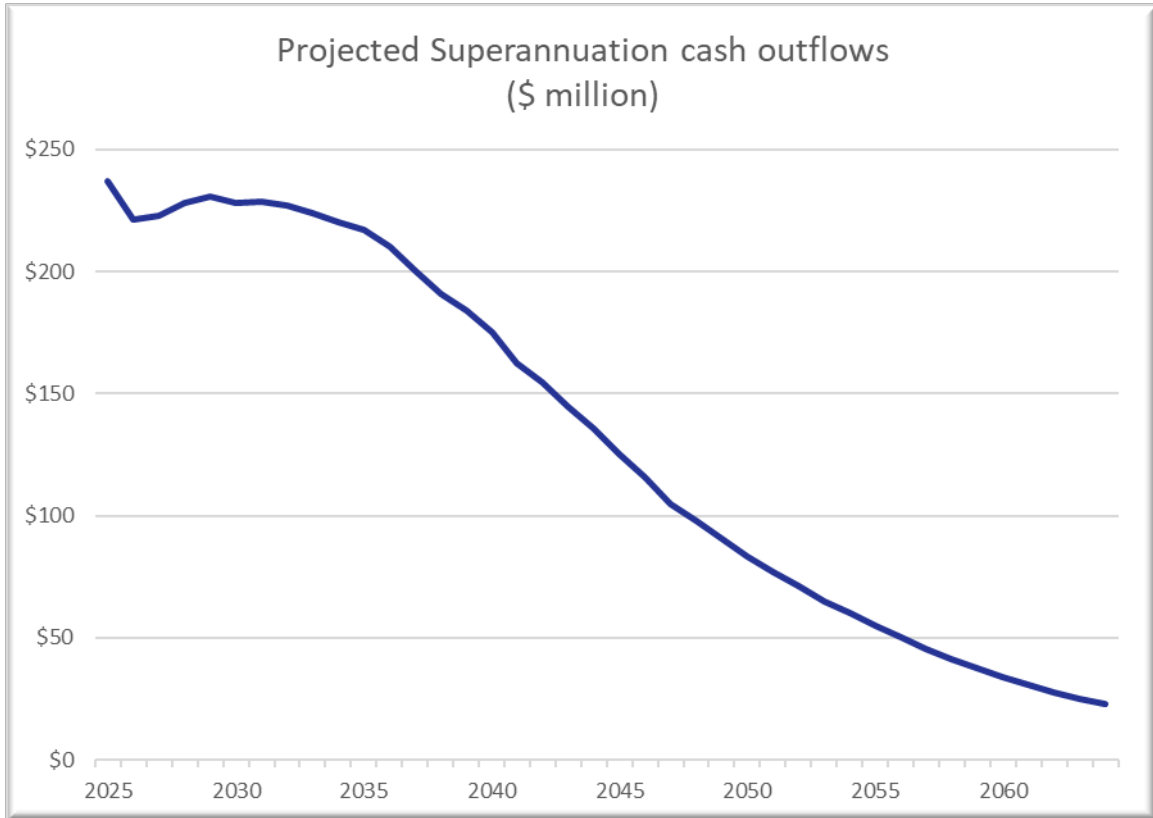
CSS was closed to new members on 1 October 1986, with police employees eligible to join the scheme until 1 January 1988. NTGPASS was closed to new members from 10 August 1999.

The defined benefit superannuation liability for all seven schemes was \$2.9 billion as at 30 June 2024 (2023: \$3.0 billion). The unfunded superannuation liability reflects the projected benefit payments, after allowing for future salary increases and discounted to present value. Demographic and actuarial/economic assumptions, which include estimates of future salary and benefits levels and the discount rate are key assumptions in calculating the liability. Changes to any of these assumptions and differences between assumed and actual experience impact the measurement and actual cashflows. The \$0.1 million decrease in 2023-24 was mainly due to an increase in the discount rate and revised demographic assumptions. There is a strong inverse relationship between the discount rate and the valuation of the liability, or in another words, the lower the discount rate used, the higher the unfunded liability.

Treasurer's Annual Financial Statements cont...

Figure 10 shows the projected cash outflows to meet the superannuation benefits of members of the seven defined benefits schemes.

Figure 10: Projected Superannuation cash outflows



Source: NTAGO developed from Actuarial Reports provided to the Department of Treasury and Finance

The projected cashflows measure the estimated payments of pension benefits in nominal or current dollars. Because of the sensitivity of the liability to changes in assumptions, the projected cashflows are helpful in estimating the impact on future budgets. The projected annual cash outflows are expected to average \$226.9 million over the next ten years.

The Territory also provides free death and invalidity cover to all public sector employees who are not members of one of the defined benefit schemes under the Northern Territory Government Death and Invalidity Scheme (NTGDIS). Most, if not all, superannuation funds offer life and disability insurance for their members at additional costs. NTGDIS benefits are payable in addition to any such cover purchased through a choice superannuation fund or commercial insurers.

The value of the liability arising from the death and disablement benefits was estimated at \$101.2 million as at 30 June 2024 (2023: \$89.9 million), which included \$14.0 million of historical claims which are yet to be paid (2023: \$14.7 million).

Treasurer's Annual Financial Statements cont...

Net financial worth

Net financial worth measures government's net holdings of financial assets. Unlike net debt, net financial worth is not affected by asset allocation decisions as all financial assets are included. Because net financial worth includes leave entitlements and superannuation liabilities as well as assets which may be used to manage these obligations, namely the Conditions of Service Reserve investments, it will be less affected than net debt by investment draw downs in the future as they will be matched, at least partly, with the fall in the corresponding liabilities.

Net financial worth deteriorated by \$829.2 million to negative \$9.5 billion when compared to 30 June 2023. Negative net financial worth indicates that liabilities exceed assets and the movement in 2023-24 corresponds with the increase in borrowings of \$1.2 billion, discussed previously, and deposits held, up by \$314.5 million, partly offset by a \$304.2 million increase in the value of equity investments and a higher cash balance, up by \$359.5 million.

Treasurer's Annual Financial Statements cont...

General Government Sector – Components of Financial Performance

	2024	2023
	\$'million	\$'million
Taxation revenue	760.9	714.6
Grants – current	5,481.6	5,241.4
Grants – capital	380.9	491.5
Sales of goods and services	438.9	434.3
Interest income	156.3	148.4
Dividend and income tax equivalent income	68.7	80.6
Other revenue	396.2	439.5
Total revenue	7,683.6	7,550.2
Employee expenses	3,133.4	2,856.5
Superannuation expenses	409.8	387.8
Depreciation	773.6	594.1
Other expenses	1,883.3	1,712.1
Interest expenses	403.8	360.1
Other property expenses	4.3	4.1
Grants – current	1,189.9	1,123.9
Grants – capital	282.6	174.6
Subsidies and personal benefit payments	241.3	205.2
Total expenses	8,322.0	7,418.4
Net operating balance	(638.4)	131.8
Other economic flows	(95.0)	48.4
Operating result	(733.4)	180.2
Net operating balance	(638.4)	131.8
Less net acquisition of non financial assets	439.9	501.7
Fiscal balance	(1,078.3)	(369.9)

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont...

General Government Sector – Components of Financial Position

	Balance at 30 June 2024	Movement for 2023-24	Balance at 30 June 2023
	\$'million	\$'million	\$'million
Cash and deposits	1,421.8	359.5	1,062.3
Advances paid	152.2	(9.9)	162.1
Investments, loans and placements	2,709.6	275.0	2,434.6
Deposits held	(917.7)	(314.5)	(603.2)
Advances received	(125.7)	87.1	(212.8)
Borrowing	(10,459.4)	(1,275.1)	(9,184.3)
Net debt	(7,219.2)	(877.9)	(6,341.3)
Other non-equity financial assets	658.4	(39.4)	697.8
Equity assets	2,764.3	304.2	2,460.1
Superannuation liabilities	(3,031.1)	55.5	(3,086.6)
Other employee entitlements and provisions	(926.5)	(40.4)	(886.1)
Other non-equity liabilities	(1,711.9)	(231.3)	(1,480.6)
Net financial worth	(9,466.0)	(829.3)	(8,636.7)
Less: Investments in other public sector entities	(2,751.8)	(299.9)	(2,451.9)
Net financial liabilities	(12,217.8)	(1,129.2)	(11,088.6)
Net carrying amounts of non financial assets	21,324.6	487.9	20,836.7
Equity investments in other public sector entities	2,751.8	299.9	2,451.9
Net worth	11,858.6	(341.4)	12,200.0

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont...

General Government Sector – Changes in Equity

	Equity at 1 July	Comprehensive Result	Equity at 30 June
2023-24	\$'million	\$'million	\$'million
Accumulated funds	127.0	(733.4)	(606.4)
Transfers from reserves	-	15.2	15.2
Other movements directly to equity	-	(34.9)	(34.9)
Total accumulated funds	127.0	(753.1)	(626.1)
Reserves			
Asset revaluation surplus	10,275.1	116.3	10,391.4
Investments in public sector entities revaluation surplus	1,779.6	295.3	2,074.9
Other reserves	18.3	0.3	18.6
Total reserves	12,073.0	411.9	12,484.9
Total equity at end of financial year	12,200.0	(341.2)	11,858.8
2022-23			
Accumulated funds	23.1	180.2	203.3
Transfers from reserves	-	1.6	1.6
Other movements directly to equity	-	(77.9)	(77.9)
Total accumulated funds	23.1	103.9	127.0
Reserves			
Asset revaluation surplus	8,869.9	1,405.2	10,275.1
Investments in public sector entities revaluation surplus	1,670.1	109.5	1,779.6
Other reserves	15.7	2.6	18.3
Total reserves	10,555.7	1,517.3	12,073.0
Total equity at end of financial year	10,578.8	1,621.2	12,200.0

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont...

Total Public Sector – Components of Financial Performance

	2024	2023
	\$'million	\$'million
Taxation revenue	749.0	704.0
Grants – current	5,429.6	5,241.3
Grants – capital	425.8	500.1
Sales of goods and services	1,154.9	1,131.2
Interest income	165.1	150.4
Other	406.5	451.3
Total revenues	8,330.9	8,178.3
Employee expenses	3,236.0	2,957.1
Superannuation expenses	428.4	404.6
Depreciation	1,007.0	811.8
Other expenses	2,473.3	2,263.5
Interest expenses	428.3	370.8
Other property expenses	4.1	4.0
Grants – current	1,126.1	1,054.7
Grants – capital	179.1	109.9
Subsidies and personal benefit payments	74.0	72.5
Total expenses	8,956.3	8,048.9
Net operating balance	(625.4)	129.4
Other economic flows	(121.4)	80.7
Operating result	(746.8)	210.1
Net operating balance	(625.4)	129.4
Less net acquisition of Non Financial assets	610.9	583.6
Fiscal balance	(1,236.3)	(454.2)

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont...

Total Public Sector – Components of Financial Position

	Balance at 30 June 2024	Movement for 2023-24	Restated Balance at 30 June 2023
	\$'million	\$'million	\$'million
Cash and deposits	1,428.3	365.2	1,063.1
Advances paid	152.2	(9.9)	162.1
Investments, loans and placements	2,709.6	275.0	2,434.6
Deposits held	(253.7)	(51.9)	(201.8)
Advances received	(182.1)	9.4	(191.5)
Borrowing	(12,720.7)	(1,594.4)	(11,126.3)
Net debt	(8,866.4)	(1,006.6)	(7,859.8)
Other non-equity financial assets	745.6	(61.3)	806.9
Equity assets	12.6	4.4	8.2
Superannuation liabilities	(3,031.1)	55.5	(3,086.6)
Other employee entitlements and provisions	(1,003.0)	(45.9)	(957.1)
Other non-equity liabilities	(2,053.7)	(275.0)	(1,778.7)
Net financial worth	(14,196.0)	(1,328.9)	(12,867.1)
Less: Investments in other public sector entities	-	-	-
Net financial liabilities	(14,196.0)	(1,328.9)	(12,867.1)
Net carrying amounts of Non Financial assets	26,054.8	987.7	25,067.1
Equity investments in other public sector entities	-	-	-
Net worth	11,858.8	(341.2)	12,200.0

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont...

Total Public Sector – Changes in Equity

	Equity at 1 July	Comprehensive Result	Equity at 30 June
	\$'million	\$'million	\$'million
2023-24			
Accumulated funds	928.5	(746.9)	181.6
Transfers from reserves	-	44.8	44.8
Other movements directly to equity	-	(35.5)	(35.5)
Total accumulated funds	928.5	(737.6)	190.9
Reserves			
Asset revaluation surplus	11,253.2	396.0	11,649.2
Other reserves	18.3	0.3	18.6
Total reserves	11,271.5	396.3	11,667.8
Total equity at end of financial year	12,200.0	(341.3)	11,858.7
2022-23			
Accumulated funds	779.8	210.1	989.9
Transfers from reserves	-	16.6	16.6
Other movements directly to equity	-	(78.0)	(78.0)
Total accumulated funds	779.8	148.7	928.5
Reserves			
Asset revaluation surplus	9,783.2	1,470.0	11,253.2
Other reserves	15.7	2.6	18.3
Total reserves	9,798.9	1,472.6	11,271.5
Total equity at end of financial year	10,578.7	1,621.3	12,200.0

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont...

Glossary of Terms Used in TAFS

General Government Sector (GGS) – all budget dependent agencies providing services free of charge or at prices below their cost of production or service cost. These agencies are mainly engaged in the delivery of goods and services outside the normal market mechanism for consumption by governments and the general public. Costs of production are mainly financed from public tax revenues. For this reason, this sector tends to be the focus of fiscal targets (deficit or surplus).

Public Non Financial Corporations Sector – trading enterprises mainly engaged in the production of goods and supply of services of a non-financial nature for sale in the market place at prices that aim to recover all or most of the costs involved in production or supply.

Non Financial Public Sector – the sector formed through a consolidation of the GGS and the Public Non Financial Corporation Sector. This sector provides the focus for the determination of net debt.

Public Financial Corporations Sector – public enterprises mainly engaged in acquiring financial assets and incurring liabilities in the financial market on their own account.

Total Public Sector – comprises the consolidation of the Non Financial Public Sector and the Public Financial Corporations Sector and represents the '*whole of Territory financial statements*'.

Net operating balance – a measure of financial performance calculated as the excess of revenues over expenses. The net operating balance is a measure of the sustainability of a government.

Fiscal balance – a measure of financial performance sometimes referred to as Net Lending/Borrowing and calculated as the net operating balance less the net acquisition of non-financial assets. It is a measure of the extent to which a government is either putting financial resources at the disposal of other sectors in the economy or utilising the financial resources generated by other sectors. A net lending (or fiscal surplus) balance indicates that a government is saving more than enough to finance all of its investment spending. A net borrowing (or fiscal deficit position) indicates that a government's level of investment is greater than its level of savings.

Net worth – a measure of financial position calculated as total financial and non-financial assets less total liabilities and contributed capital. This measure includes non-current physical assets (land and fixed assets) and employee entitlements such as unfunded superannuation and employee leave balances. The change in net worth is the preferred measure for assessing the sustainability of fiscal activities.

Net financial worth – a measure of financial position calculated as total financial assets less total liabilities. This measure can be viewed as an alternative measure for assessing the sustainability of fiscal activities as it may be difficult to attach market values to some general government sector non-financial assets that form part of the calculation of Net Worth.

Net debt – a measure of financial position comprising certain financial liabilities less financial assets. Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, less the sum of cash and deposits, advances paid and investments, loans and placements.

Net financial liabilities – a measure that is broader than net debt as it includes significant liabilities, other than borrowings. Significant liabilities include accrued employee liabilities such as superannuation and long service leave entitlements. This measure is used only in the case of the GGS.

Batchelor Institute of Indigenous Tertiary Education

Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2023

Background

Batchelor Institute of Indigenous Tertiary Education (the Institute) is established under the *Batchelor Institute of Indigenous Tertiary Education Act 1999* (the Act). Section 46 of the Act requires the Institute to prepare financial statements within three months of the end of the Institute's financial year (31 December) and to submit those financial statements to the Auditor-General.

Scope and objectives

The objective of the audit was to complete sufficient audit procedure to enable an opinion to be expressed upon the financial statements of the Institute for the year ended 31 December 2023.

Qualified opinion

The audit of the Institute for the year ended 31 December 2023 resulted in a qualified opinion, which was issued on 27 June 2024.

Basis for qualified opinion

The accounting standards require that non-financial assets, such as property are revalued regularly to ensure that the value does not differ materially from that which would be determined using fair value at the end of the financial year. In addition, the Institute's own accounting policy requires property, plant and equipment to be revalued every five years. In 2022, the Institute failed to follow the accounting policy and did not comply with the requirement of the accounting standards in relation to the frequency of valuations because it did not revalue its property assets.

Batchelor Institute of Indigenous Tertiary Education cont...

The valuation was completed in 2023 and because the estimated impact of not revaluing the assets in 2022 was material, the audit opinion was qualified as follows:

As described in Note 16 to the financial report, property, plant and equipment was revalued in accordance with AASB 116 Property, Plant and Equipment in the financial year ended 31 December 2023 resulting in a revaluation increment of \$16,734,000. The Institute's accounting policy for Property, Plant and Equipment requires revaluation of these assets every 5 years with the revaluation due to occur during the year ended 31 December 2022 (the prior year). The revaluation was not completed in the prior year, resulting in my inability to obtain sufficient appropriate audit evidence over the Property, Plant and Equipment balances in the financial statements as at 31 December 2022 and the comparative prior year balances in the financial statements as at 31 December 2023. Had property, plant and equipment been revalued in accordance with the Institute's accounting policy, the revaluation increment of \$15,210,000 would have been recognised in the year ended 31 December 2022. Those charged with governance at the Institute decided not to restate the corresponding figures for the year ended 31 December 2022, resulting in non-compliance with the accounting policy and misstatement of the balances for property, plant and equipment; other comprehensive income and revaluation reserves as at 31 December 2022 and property, plant and equipment and other comprehensive income as at 31 December 2023.

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Institute in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to my audit of the financial report in Australia. I have fulfilled my other ethical responsibilities in accordance with the Code.

Annual report did not include audit opinion

Under the Act, the Council of the Institute must forward the Institute's annual report, including the financial statements and the report of the Auditor-General (i.e. the audit opinion) to the Minister so that it can be laid before the Legislative Assembly.

The Institute's annual report was tabled in the Legislative Assembly on 15 October 2024. However, the annual report did not include the audit opinion.

Batchelor Institute of Indigenous Tertiary Education cont...

Audit observations

Rectification of prior year matters

The audit of the financial statements for the year ended 31 December 2023 confirmed that some of the issues identified during the 2021 and 2022 audits had been addressed either fully or partially. The issues related mainly to the Institute's overarching controls that allow all other controls and processes to function effectively, for example governance, risk management and monitoring and reporting. The rectification of prior year matters enabled sufficient appropriate audit evidence for reported transactions and balances to be obtained, except for the impact of the late revaluation of property, plant and equipment as explained in the *Basis for Qualified Audit Opinion* section above.

Performance overview

The Institute reported a surplus of \$2.7 million in 2023, which was \$1.2 million higher when compared to the prior year. Revenue increased by \$2.6 million as a result of an increase in financial assistance from both Australian and Northern Territory governments of \$2.3 million and \$2.6 million respectively, partly offset by a \$2.4 million decrease in revenue from consultancy services. Expenses were \$1.5 million higher for the years due to an increase of \$1.1 million in contracted services and \$0.4 million in employee related costs.

The Institute's net asset position increased from \$33.0 million at 31 December 2022 to \$52.4 million at 31 December 2023. The most significant change impacting net assets was the increase in the value of property, plant and equipment of \$16.4 million, of which \$15.8 million related to buildings.

Batchelor Institute of Indigenous Tertiary Education cont...

Financial Performance for the year

	2023	2022
	\$'000	\$'000
Revenue from continuing operations		
Australian Government financial assistance	17,420	15,080
Northern Territory Government financial assistance	14,017	11,453
Other revenue	5,568	7,834
Total revenue from continuing operations	37,005	34,367
Less expenses from continuing operations		
Employee expenses	(19,784)	(19,409)
Depreciation and amortisation	(1,922)	(2,020)
Other expenses	(12,634)	(11,429)
Total expenses from continuing operations	(34,340)	(32,858)
Surplus/(deficit)	2,665	1,509

Batchelor Institute of Indigenous Tertiary Education cont...

Financial Position at year end

	2023	2022
	\$'000	\$'000
Cash and cash equivalents	12,662	10,313
Receivables and other current assets	5,788	4,916
Less current liabilities	(9,342)	(9,167)
Working capital	9,108	6,062
Add non-current assets	43,939	27,494
Less non-current liabilities	(608)	(516)
Net assets	52,439	33,040
Represented by:		
Reserves	47,548	30,814
Retained surplus/(accumulated deficit)	4,891	2,226
Equity	52,439	33,040

Board of the Museum and Art Gallery of the Northern Territory

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

The Board of the Museum and Art Gallery of the Northern Territory (the Board) was established pursuant to the *Museum and Art Gallery of the Northern Territory Act 2014* and is owned by the Northern Territory. The Museum and Art Gallery of the Northern Territory consists of:

- The ground and facilities prescribed by the *Museum and Art Gallery of the Northern Territory Regulations 2014* (the Regulations)
- The collection (including art works, specimens, exhibits, equipment, data and publications owned by the Northern Territory and held for the purpose of the Board)
- Any other thing prescribed by the Regulations.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Board of the Museum and Art Gallery of the Northern Territory for the year ended 30 June 2024.

Audit opinion

The audit of the Board of the Museum and Art Gallery of the Northern Territory for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 30 October 2024.

Audit observations

The audit did not identify any material weaknesses in controls.

Performance overview

The Board reported a surplus of \$1.6 million in 2023-24 compared to a loss of \$165 thousand in the prior year. Total income increased by \$2.3 million to \$13.9 million in 2023-24, despite a decrease in the sales of goods and services by \$316 thousand due to lower revenue from ticket sales after last year's *Archie 100: A Century of the Archibald Prize* touring exhibition.

The increased income was mainly due to a new five-year funding agreement with the Northern Territory Government, which saw grants and subsidies revenue increased by \$3.1 million. The funding agreement contained funding for specific projects, including preparing for the opening of the Northern Territory Art Gallery (NTAG). Because some of these projects were delayed, including the construction of the NTAG, the funding allocated to them was not spent at year end. Consequently, cash at bank was significantly higher at \$8.9 million at 30 June 2024 and the Board was able to invest the surplus cash in term deposits, earning \$354 thousand in additional interest.

Board of the Museum and Art Gallery of the Northern Territory cont...

Total expenses increased by \$1.4 million for the year. Employee expenses were \$722 thousand higher due to the recruitment of specialist roles required for the NTAG and digitisation of the art collection.

Unspent grants, donations and bequests totalled \$5.5 million at 30 June 2024 and included \$3.7 million for the NTAG's fit out as well as \$446 thousand towards the digitisation initiative and activities to increase Aboriginal engagement.

Board of the Museum and Art Gallery of the Northern Territory cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Sales of goods and/or services	384	700
Current grants and subsidies	12,788	9,637
Other	715	365
Total income	13,887	10,702
Expenditure		
Employee expenses	(7,168)	(6,446)
Supplies and services	(3,221)	(2,765)
Depreciation and amortisation	(30)	(30)
Property management	(1,832)	(1,626)
Total expenditure	(12,251)	(10,867)
Surplus/(deficit)	1,636	(165)
Other comprehensive income	-	-
Comprehensive result	1,636	(165)

Board of the Museum and Art Gallery of the Northern Territory cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	8,854	3,135
Receivables and other current assets	92	111
Current liabilities	(6,168)	(2,633)
Working capital	2,778	613
Non-current assets	103	120
Non-current liabilities	(585)	(73)
Net assets	2,296	660
Represented by:		
Accumulated funds	2,025	389
Reserves	30	30
Capital	241	241
Equity	2,296	660

Charles Darwin University

Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2023

Background

Charles Darwin University (the University) is established under the *Charles Darwin University Act 2003* (the CDU Act). The University controls the following entities:

- Bridging the Gap Foundation Limited; and
- Menzies School of Health Research.

The financial results of both controlled entities are consolidated within the financial statements of the University.

The University provides both higher education and vocational education and training (VET). Higher education funding is provided to the University by the Commonwealth Government through direct grants and through the proceeds of student loans under the auspices of the Higher Education Contribution Scheme (HECS) - Higher Education Loan Program (HELP) arrangements, commonly referred to as HECS-HELP. VET funding is provided by the Northern Territory Government (NT Government) through monies appropriated by the Legislative Assembly through the former Department of Industry, Tourism and Trade.

The University is required by the CDU Act to prepare financial statements as at 31 December each year and to submit those statements to the Auditor-General by 31 March each year.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the University and its controlled entities for the year ended 31 December 2023.

Audit opinion

The audit of the University and its controlled entities for the year ended 31 December 2023 resulted in an unmodified independent audit opinion, which was issued on 7 June 2024.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

The University (parent entity) incurred a net deficit of \$20.6 million (2022: net surplus of \$23.3 million). The net deficit for the year was driven by the incremental increase in employee related expenses and scholarships, grants and prizes granted combined with reductions in financial assistance received from the NT Government. The financial impact of the above factors was partially reduced by an increase in revenue from fees and charges.

Charles Darwin University cont...

The University's total income increased by \$17.0 million compared to the prior year. Significant movements in balances, when compared to the prior financial year, are detailed below:

- Financial assistance and grants from the Australian Government increased by \$2.6 million resulting from increased funding associated with the National Priorities and Industry Linkage Fund; Higher Education Participation and Partnership Program; Australian Research Council; and the Research Support Program and Research Training Program Scheme, partly offset by a decline in funding associated with the Higher Education Loan Program.
- Financial assistance from the NT Government decreased by \$18.6 million as the grant funding for the construction of the Education and Community Precinct received in 2023 was \$7.0 million compared to \$27.0 million received in 2022.
- Revenue from fees and charges and student payments increased by \$36.8 million reflecting the significant increase in international student revenue aligned with the University's strategy to increase student numbers together with the development of the new Education and Community Precinct.
- Other revenue decreased by \$3.9 million mainly due to decreased donations and a loss result from the annual valuation of livestock held at Katherine Rural College.

The University's expenses from continuing operations increased by \$60.8 million. The most significant movements between the current and prior financial year are summarised below.

- Employee related expenses increased by \$16.8 million reflecting increased employee numbers for both academic and general staff and a 2% increase in pay rate during the year.
- Operating and other expenses also increased by \$44.1 million due to:
 - a \$14.7 million increase in scholarships, grants and prizes paid aligned with the revenue growth strategy to increase international students and Higher Degree Research Students;
 - an increase in advertising, marketing and promotional expenses of \$5.2 million related to agents' fees and commissions for attracting international students and a \$4.5 million increase in placement fees to clear a backlog of placements for nursing and midwifery students;
 - an increase in consultant costs of \$11.6 million additional project-related activities; and
 - increases in licenses, fees and charges due to the TechnologyOne contract coming into effect in 2023. The University was paying for the use of both TechnologyOne (new system) and other legacy corporate systems in 2023.

The University (parent entity) had a net asset position of \$638.1 million as at 31 December 2023 (2022: \$671.83 million). The following represent significant movements from the prior year:

- Receivables decreased by \$8.3 million primarily due to timing of the recognition and receipt of the operating grant from the NT Government.
- Other financial assets excluding term deposits which form part of cash and cash equivalents decreased by \$10.5 million largely due to a \$13.1 million decrease in the value of the price of shares held in IDP Education Ltd.
- Property, plant and equipment increased by \$102.9 million attributable to further construction costs for the Education and Community Precinct during the year; and new right-of-use assets associated with the lease of the Brisbane campus and extensions on some existing leases.

Charles Darwin University cont...

- Trade and other payables increased by \$8.8 million due to the timing of payments to suppliers and increased accruals for placement fees and consultant fees for project-related work.
- Lease liabilities increased by \$2.7 million consistent with the increase in right-of-use assets primarily attributable to the new floor in the Brisbane campus lease and extensions of other existing leases.
- The University has drawn down \$107.0 million from its loan facility agreement with the Northern Australia Infrastructure Facility to finance the construction of the Education and Community Precinct, which, together with interest costs, has increased borrowings by \$108.4 million.
- Other current liabilities increased by \$22.0 million as the result of:
 - an increase in contract liabilities of \$12.0 million due to ongoing projects; and
 - an increase in funds held in trust by the University following the additional investment of \$10.0 million in funds by Menzies School of Health and Research.

At a consolidated level, the Group incurred a net deficit of \$18.3 million (2022: net surplus of \$22.3 million) and recorded net assets of \$674.60 million (2022: \$706.1 million). The individual results of each of the entities consolidated within the Group are analysed within the entities' individual financial statements contained in this Report (Bridging the Gap Foundation Limited and Menzies School of Health Research).

Discontinued operations

The Bridging the Gap Foundation (the Foundation) ceased to operate in November 2023. It transferred all the remaining resources to Menzies School of Health Research and the directors formally endorsed the decision to wind up the Foundation on 2 January 2024.

Underpaid wages

In 2021, the University identified that casual employees were not paid their minimum engagement hours and was considering whether casual employees were entitled to district allowance. The University estimated the potential underpayment over a six-year period to be between \$2.0 million and \$4.0 million.

Charles Darwin University cont...

Financial Performance for the year (Parent Entity)

	2023	2022
	\$'000	\$'000
Revenue from continuing operations		
Financial assistance and grants from the Australian Government	137,123	134,504
Financial assistance from the Northern Territory Government	18,450	37,057
Fees and charges	132,474	95,657
Other revenue (HECS, fees, interest)	53,967	57,841
Total revenue from continuing operations	342,014	325,059
Less expenses from continuing operations		
Employee expenses	(190,636)	(173,878)
Administration, operational and other expenses	(171,981)	(127,896)
Total expenses from continuing operations	(362,617)	(301,774)
Surplus/(deficit)	(20,603)	23,285

Charles Darwin University cont...

Financial Position at year end (Parent Entity)

	2023	2022
	\$'000	\$'000
Cash and cash equivalents	195,924	172,720
Receivables and other current assets	63,423	81,811
Less current liabilities	(154,033)	(122,822)
Working capital	105,314	131,709
Add non-current assets	679,775	576,882
Less non-current liabilities	(146,961)	(36,766)
Net assets	638,128	671,825
Represented by:		
Restricted and accumulated funds	339,803	378,990
Reserves	298,325	292,835
Equity	638,128	671,825

Charles Darwin University cont...

The Charles Darwin University has commented:

The 2023 financial analysis of Charles Darwin University (CDU) highlights several key challenges and strategic initiatives:

1. **Financial Struggles:** Like many Australian universities, CDU faces financial difficulties, with large deficits recorded in 2023 and deteriorating financial conditions expected to continue into 2024.
2. **Regional Challenges:** CDU, as a regional university, is financially challenged due to its compliance obligations, competing with metropolitan universities that have more financial resources.
3. **Grant-Inflated Surplus:** Previous surpluses were inflated by grants for the Danala I Education and Community Precinct construction, but these ended in 2023, leading to a less favourable financial outlook as the funds were allocated to capital expenses rather than operational needs.
4. **International Student Growth:** CDU aimed to increase its international student numbers to 8,000 by 2027, with significant recruitment investments in 2023. These costs included marketing, agent commissions, and scholarships.
5. **Domestic Market Decline:** Despite increased marketing expenditure, CDU saw a decrease in domestic student numbers in 2023, reflecting the overall tough market for local student recruitment.
6. **Cost Inflation:** CDU, like others, faced broad price inflation without additional funding to cover these costs, requiring the University to absorb the impact.
7. **Enterprise Agreement and Pay Increases:** CDU successfully negotiated an 8% pay increase over three years, which required funding from existing revenue.
8. **Investment in Student Services:** To improve the student experience, CDU invested in expanding student support services, which added to costs but is essential for growth.
9. **Territory-Wide Commitment:** CDU continues to focus on providing access to education across the Northern Territory (NT), investing in leadership roles in Alice Springs, Katherine, and Nhulunbuy to strengthen local connections.
10. **Vocational Training and Fee-for-Service Opportunities:** The university's investment in business development, especially in vocational training, is beginning to show returns with new fee-for-service opportunities.
11. **Modernising Business Applications:** CDU invested in modernising its business systems, including finance, payroll, HR, and student management systems, with a \$17 million expenditure in 2023. These investments, though non-core, are crucial for long-term efficiency and growth.

In summary, while CDU is navigating significant financial challenges, it is pursuing a growth strategy focused on international recruitment, local engagement, and modernising systems to improve efficiency and create new revenue streams.

Bridging the Gap Foundation Limited

Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2023

Background

Bridging the Gap Foundation Limited (the Foundation) was a company limited by guarantee. The Foundation was a fundraising arm of the Menzies School of Health Research and was a controlled entity of the Charles Darwin University within the meaning of section 41 of the *Charles Darwin University Act 2003*.

The Foundation was launched in 2018 and its purpose was to support and assist Menzies School of Health Research and other such organisations in the health, research and education sectors and to encourage and foster the interest and financial support of those persons and organisations interested in assisting and promoting these entities.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Foundation for the year ended 31 December 2023.

Audit opinion

The audit opinion on the Foundation's financial statements for the year ended 31 December 2023 resulted in an unmodified independent audit opinion, which was issued on 21 May 2024.

The audit opinion, while unmodified, did include the following Emphasis of Matter paragraph relating to the Liquidation Basis of Accounting:

I draw attention to Note 2 of the financial statements which explains that the Directors of Bridging the Gap Foundation Limited resolved to wind up the company's operations effective 2 January 2024. As a result, Bridging the Gap Foundation Limited changed its basis of accounting from the going concern basis to a liquidation basis. My opinion is not modified in respect of these matters.

Audit observations

Liquidation Basis of Accounting

In 2022, Charles Darwin University withdrew its financial support for the Foundation. In early 2023, the board of Menzies School of Health Research decided not to continue its financial support for the Foundation. The Foundation was not able to find another suitable partner to support its cause and continue its operations.

The Foundation ceased to operate in November 2023 and transferred all the remaining resources to Menzies School of Health Research. The directors formally endorsed the decision to wind up the Foundation on 2 January 2024.

Due to the above events, the directors of the Foundation determined that the going concern basis of preparation (as applied in prior years) was not appropriate for the 2023 reporting period.

Bridging the Gap Foundation Limited cont...

The directors have applied the requirements of paragraph 25 of *AASB 101 Presentation of Financial Statements* which states “*When the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern*”.

Accordingly, the financial statements of the Foundation have been prepared on a liquidation basis.

Performance overview

The Foundation recorded a deficit of \$131,310 in 2023 (2022: surplus of \$5,365).

The Foundation reported total income of \$192,555 (2022: \$405,661) derived solely from corporate and individual donations during the year. The expenses of \$323,865 comprised mainly of donations to Menzies School of Health Research and payments to Sports Education and Development Australia Pty Ltd for scholarships.

The Foundation secured a grant for 50 thousand British Pound Sterling (GBP), of which GBP 40 thousand (or approximately AUD 73 thousand) was received in July 2023. Given that the Foundation subsequently wound up its operations, the grant and its attached terms and obligations were transferred to Menzies School of Health Research in accordance with the Deed of Novation dated 15 December 2023.

The Foundation had no assets or liabilities as at 31 December 2023.

Bridging the Gap Foundation cont...

Financial Performance for the year

	2023	2022
	\$'000	\$'000
Donations and interest	193	406
Grant expense	-	-
Donations expense	(324)	(353)
Other	-	(48)
Surplus/(deficit)	(131)	5

Bridging the Gap Foundation cont...

Financial Position at year end

	2023	2022
	\$'000	\$'000
Cash and cash equivalents	-	130
Receivables and other current assets	-	1
Working capital	-	131
Add non-current assets	-	-
Net assets	-	131
Represented by:		
Retained earnings	-	131
Equity	-	131

Menzies School of Health Research

Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2023

Background

The Menzies School of Health Research (the School) was established under the *Menzies School of Health Research Act 1985* and operates as a medical research institute within the Northern Territory. The School is deemed to be controlled by Charles Darwin University by virtue of section 11(1) of the *Menzies School of Health Research Act 1985* which, at the time of the audit, specified that the Vice-Chancellor of the University will be a member of the School's Board, and that five Board members, but no more than nine Board members, will be appointed by the Council of Charles Darwin University.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the School for the year ended 31 December 2023.

Audit opinion

The audit of the School for the year ended 31 December 2023 resulted in an unmodified independent audit opinion, which was issued on 28 May 2024.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

The School reported a net surplus of \$2.4 million in 2023, which was \$1.7 million lower than in the prior year. While School's total income increased by \$0.7 million compared to the prior year expenses increased by \$2.5 million from the prior year. The combination of reduced grant income and significant increase in employee costs, particularly relating to research personnel, contributed to the decrease in the School's net surplus for the year. Significant contributing factors are outlined below:

- Australian Government grants decreased by \$5.2 million from the prior year as projects which commenced in 2022 and early 2023 were completed during the year.
- Northern Territory Government grants increased by \$2.9 million following successful grant applications.
- The School also received addition funding for its Timor-Leste research activities.
- Movements in grant income fluctuates from year to year and often reflects timing differences in the recognition of income against expenses over the life of the grants where specific performance obligations are defined.

Menzies School of Health Research cont...

- Fees, charges and other income includes course fees and charges, interest and other investment income, donations and block grant funding received through Charles Darwin University. This source of income increased slightly from the prior year due to an increase in fees and charges of \$1.0 million as a result of the growth of student numbers and additional Research and Training Program scholarship funding.
- The School earned an addition \$1.6 million in interest on investments due to higher cash balance during the year and higher interest rates but this was offset by a drop in donations of the same amount.
- Employee related expenses increased by about \$4.8 million due to additional staffing requirements for the School's research activities and pay increases.

Menzies School of Health Research cont...

Financial Performance for the year

	2023	2022
	\$'000	\$'000
Income		
Financial assistance from the Australian Government	17,870	23,034
Financial assistance from the Northern Territory Government	8,985	6,132
Other revenue	28,605	25,582
Total income	55,460	54,748
Less expenditure		
Employee expenses	(33,415)	(28,663)
Administration, operational and other expenses	(19,558)	(21,895)
Loss on disposal of assets	(70)	(1)
Total expenditure	(53,043)	(50,559)
Surplus	2,417	4,189

Menzies School of Health Research cont...

Financial Position at year end

	2023	2022
	\$'000	\$'000
Cash and cash equivalents	14,198	14,460
Receivables and other current assets	61,387	55,577
Less current liabilities	(41,731)	(38,538)
Working capital	33,854	31,499
Add non-current assets	3,329	3,022
Less non-current liabilities	(581)	(420)
Net assets	36,602	34,101
Represented by:		
Reserves	725	641
Retained earnings	35,877	33,460
Equity	36,602	34,101

Cobourg Peninsula Sanctuary and Marine Park Board

Inability to Audit the Financial Statements for the Years Ended 30 June 2023 and 30 June 2024

Background

The Cobourg Peninsula Sanctuary and Marine Park Board (the Board) was formed in 1981 under the *Cobourg Peninsula Aboriginal Land, Sanctuary and Marine Park Act 1981* to acknowledge and secure the rights of Aboriginals to occupy and use certain land on the Cobourg Peninsula, to vest that land in trust for Aboriginals, to declare that land to be a national park, to make provisions relating to the management of adjacent marine areas and related purposes.

Section 38 of the *Cobourg Peninsula Aboriginal Land, Sanctuary and Marine Park Act 1981* states:

- 1. The Board shall, within the period of 6 months immediately following the end of the financial year or such other period as the Minister determines, prepare a report on its operations during the financial year and forward it to the Minister.*
- 2. The Minister shall table the report under subsection (1), together with the financial statement and report of the Auditor-General on the financial statement required pursuant to subsection (3), in the Legislative Assembly within 6 sitting days of the Assembly after the delivery of the later of the reports to the Minister.*
- 3. Subject to subsection (2), section 10 of the Financial Management Act 1995 applies to and in relation to the Board as if its activities were a Government Business Division within the meaning of that Act.*

Audit opinion

The Board's reporting obligations, including the obligation for the financial statements to be audited, for years ended 30 June 2023 and 30 June 2024 have not been completed.

The Board obtained an approval from the Minister for Parks and Wildlife to extend the deadline to table the annual reports for 2022-23 and 2023-24 to 30 April 2025.

Cobourg Peninsula Sanctuary and Marine Park Board cont...

The Cobourg Peninsula Sanctuary and Marine Park Board has commented:

Membership of the Cobourg Peninsula Sanctuary and Marine Park Board has not been maintained pending consideration of a land claim. The Minister has granted an extension of time to table the annual reports of 2022-23 and 2023-24 to 30 April 2025.

Darwin Waterfront Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

Darwin Waterfront Corporation (the Corporation) was established pursuant to the *Darwin Waterfront Corporation Act 2006* to develop, manage and service the Darwin Waterfront Precinct (the Precinct) for the benefit of the community and to promote the Precinct as a place of residence and business and as a venue for public events and entertainment.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Darwin Waterfront Corporation for the year ended 30 June 2024.

Audit opinion

The audit of the Darwin Waterfront Corporation for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 29 October 2024.

Audit observations

Whilst the audit did not identify any material weaknesses in internal controls, it is noted that the Corporation relies on the continued financial support from the NT Government for 80% of its income.

Performance overview

The Corporation reported a deficit of \$249 thousand in 2023-24 compared to prior year's deficit of \$890 thousand. Capital grants revenue increased by \$1.5 million to \$5.2 million in 2023-24 and included funding for Damoe-Rae Park, public amenities works and cyclical maintenance. Property maintenance expenses increased by \$860 thousand for the year.

The Corporation paid \$8.0 million to the operator of the Darwin Convention Centre in 2023-24, comprising:

- Territory availability payments, of \$4.1 million (2022-23: \$3.9 million) to compensate the operator for the construction and maintenance cost of the convention centre.
- Territory operating payments, of \$3.0 million (2022-23: \$3.4 million) being the net cash shortfall arising from the operation of the convention centre during a year. The payment is capped and subject to negotiations.
- Territory incentive payments, of \$0.9 million (2022-23: \$1.0 million), which are payments per delegate that are paid annually and are adjusted against the base 2005 business case.

The NT Government funds all employee expenses including annual leave, bonuses, long service leave, superannuation guarantee levy and other employee benefits. In the 16 years since its inception, the Corporation has received \$322.8 million in NT Government grants and subsidies.

Darwin Waterfront Corporation cont...

Net assets totalled \$215.1 million as at 30 June 2024 and comprised predominantly of infrastructure assets and the convention centre. The convention centre is accounted for as a service concession asset and was valued at \$101.4 million. A corresponding service concession liability of \$55.9 million, representing the future value of the Territory availability payments payable to the operator over the remaining period of the contract, was recorded at 30 June 2024.

The Corporation's land, buildings and infrastructure assets, including the convention centre were revalued upwards by \$19.6 million in 2023-24.

Darwin Waterfront Corporation cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Sales of goods and/or services	4,518	4,312
Current grants and subsidies	25,153	23,556
Other	1,978	1,471
Total income	31,649	29,339
Expenditure		
Territory availability payments	(4,140)	(3,863)
Territory efficiency payments	-	-
Territory incentive payments	(915)	(1,034)
Territory operating payments	(3,017)	(3,388)
Agent service arrangements	(1,083)	(883)
Depreciation and amortisation	(7,878)	(7,677)
Employee expenses	(1,632)	(1,757)
Finance costs	(3,895)	(4,173)
Property maintenance	(5,923)	(5,063)
Other	(3,415)	(2,391)
Total expenditure	(31,898)	(30,229)
Deficit	(249)	(890)

Darwin Waterfront Corporation cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	12,748	9,718
Receivables and other current assets	2,415	1,953
Current liabilities	(6,291)	(5,937)
Working capital	8,872	5,734
Non-current assets	257,626	245,569
Non-current liabilities	(51,441)	(56,120)
Net assets	215,057	195,183
Represented by:		
Accumulated funds	(37,779)	(37,530)
Reserves	75,921	56,293
Capital	176,915	176,420
Equity	215,057	195,183

Data Centre Services

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

Data Centre Services is a government business division established to manage the Northern Territory Government's Data Centre and provide mainframe and mid-range hardware support to Northern Territory Government agencies.

The host Agency is the Department of Corporate and Digital Development.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of Data Centre Services for the year ended 30 June 2024.

Audit opinion

The audit of Data Centre Services for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 20 September 2024.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

Data Centre Services generated a surplus before tax of \$4.8 million in 2023-24.

While sale of goods and services of \$30.1 million (2023: \$30.5 million) decreased from the prior year by \$0.4 million, other income increased by \$0.7 million reflecting one-off recoveries of software licences. Interest income increased by \$0.3 million due to increased interest rates and a higher cash balance.

Total expenses of \$26.9 million (2023: \$25.8 million) increased from the prior year by \$1.1 million of which the significant increase in purchases of goods and services (\$1.3 million) was partially offset by a lower depreciation and amortisation which decreased by \$0.2 million as a result of assets being fully depreciated.

Data Centre Services will pay an income tax equivalent of \$1.4 million (2023: \$1.6 million) and return a dividend of \$1.7 million (2023: \$1.8 million) to the NT Government.

Net assets totalled \$31.1 million as at 30 June 2024 (2023: \$29.8 million) and included cash and deposits of \$16.1 million and property, plant and equipment of \$20.2 million, partly offset by lease liabilities of \$10.6 million.

Data Centre Services cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Sales of goods and/or services	30,103	30,492
Other	1,606	580
Total income	31,709	31,072
Expenditure		
Operational costs	(16,437)	(15,097)
Employee expenses	(6,656)	(6,729)
Depreciation and amortisation	(3,842)	(4,004)
Total expenditure	(26,935)	(25,830)
Surplus before income tax	4,774	5,242
Income tax expense	(1,432)	(1,573)
Surplus after income tax expense	3,342	3,669
Dividends	(1,671)	(1,835)
Net surplus	1,671	1,834

Data Centre Services cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	16,087	10,450
Receivables and other current assets	9,194	13,101
Current liabilities	(6,615)	(7,329)
Working capital	18,666	16,222
Non-current assets	21,543	23,424
Non-current liabilities	(9,118)	(9,896)
Net assets	31,091	29,750
Represented by:		
Accumulated funds	26,859	25,187
Capital	4,232	4,563
Equity	31,091	29,750

Land Development Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

The Land Development Corporation (the Corporation) was declared a government business division on 11 October 2011. The Corporation has advised this declaration had retrospective application from 1 July 2011. The Corporation was established to develop and manage land for: use by new and existing industries in the Territory; residential developments and associated activities; and related purposes.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Land Development Corporation for the year ended 30 June 2024.

Audit opinion

The audit of the Land Development Corporation for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 30 September 2024.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

The Corporation reported a net loss of \$0.59 million, a reduction of \$2.59 million on the prior year's result. Total income was \$3.0 million higher mainly due to increased net proceeds from land sales, partly offset by a reduction in grants and subsidies. Total expenses increased by \$5.5 million for the year and included a \$3.5 million write down of the Hidden Valley Facility and a transfer of Ankerre Park valued at \$1.9 million to Alice Springs Town Council for no consideration.

The Corporation had net asset of \$126.7 million at 30 June 2024 (2023: \$128.1 million), which included land held for development and sale (or distribution at no or nominal consideration) valued at \$139.7 million (2023: \$133.8 million).

The Corporation will pay \$1.2 million in income tax equivalents and declared a dividend of \$1.4 million in 2023-24.

Land Development Corporation cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Revenue from land sales	19,204	21,401
Cost of land sold	(11,737)	(18,638)
Net revenue from land sales	7,467	2,763
Royalties, rents and dividends	3,530	3,711
Capital grants	-	1,119
Other	2,754	3,140
Total income	13,751	10,733
Expenditure		
Depreciation and amortisation	(845)	(747)
Employee expenses	(2,564)	(2,634)
Interest	(848)	(723)
Impairment losses	(3,501)	(48)
Operational costs	(4,825)	(2,940)
Total expenditure	(12,583)	(7,092)
Surplus before income tax expense	1,168	3,641
Income tax expense	(1,227)	(1,107)
Surplus/(deficit) after income tax expense	(59)	2,534
Dividends	(1,431)	(1,291)
Net surplus/(deficit)	(1,490)	1,243

Land Development Corporation cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	12,886	25,138
Receivables and other current assets	1,091	2,338
Current inventories - land	47,529	50,373
Current liabilities	(25,557)	(31,845)
Working capital	35,949	46,004
Non-current inventories – land	92,128	83,471
Non-current assets – other	15,434	14,651
Non-current liabilities	(16,804)	(15,992)
Net assets	126,707	128,134
Represented by:		
Capital	54,402	54,339
Reserves	1,550	1,550
Accumulated funds	70,755	72,245
Equity	126,707	128,134

Motor Accidents (Compensation) Commission

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

Effective 1 January 2015, the insurance business of the Territory Insurance Office was sold to Allianz Australia Insurance Ltd and the banking business sold to People's Choice Credit Union.

By virtue of the *Motor Accidents (Compensation) Commission Act 2014*, the Motor Accidents Compensation Fund in existence at that date continues after 31 December 2014 under the name of the Motor Accidents (Compensation) Commission (the Commission).

The Commission's functions are to administer the Motor Accidents (Compensation) scheme, manage the Motor Accidents (Compensation) Fund, promote road safety, and perform any other function conferred on it under an Act. Administration of the Motor Accidents (Compensation) Fund is outsourced to Allianz Australia Insurance Ltd in accordance with a Management Agreement for a contracted value.

All liabilities of the Commission in relation to the Motor Accidents (Compensation) scheme are guaranteed by the Territory.

Scope and objectives

The objective of the audit of the financial statements was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Motor Accidents (Compensation) Commission for the year ended 30 June 2024.

Audit opinion

The audit of the financial statements of the Motor Accidents (Compensation) Commission for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 6 September 2024.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

Valuation of outstanding claims provision

The determination of the value of the outstanding claims provision of \$574.4 million, as disclosed in Note 13 to the Commission's financial statements, is a key audit matter as it involves significant assumptions and judgements by management and complex actuarial calculations.

Valuation of insurance and other recoveries receivable

The determination of the value of insurance and other recoveries receivable of \$59.7 million, as disclosed in Note 11 to the Commission's financial statements, is a key audit matter as it involves significant assumptions and judgements by management and complex actuarial calculations.

Motor Accidents (Compensation) Commission cont...

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

The Commission generated a profit of \$55.7 million in 2023-24, compared to a profit of \$106.8 million in the previous financial year.

Compulsory third party contributions increased by \$4.6 million reflecting an increased number of registered vehicles and an increase in the compulsory contribution rate. The Commission invests surplus cash in unlisted trust funds and bond. Finance income of \$72.0 million in 2023-24 comprises interest, trust distributions, fee rebates and fair value gains on those investments. Overall, finance income was \$19.8 million lower when compared to the prior year which saw a significant uplift in the fair value of investments.

Changes in actuarial assumptions can have a significant impact on the Commission's result. In 2023-24, the provision for outstanding claims increased by \$38.8 million, of which \$19.1 represented changes in assumptions. Overall, outstanding claims were estimated at \$574.4 million at 30 June 2024 (2023: \$535.7 million).

Motor Accidents (Compensation) Commission cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Compulsory third party contributions	98,334	93,734
Trust distributions	53,661	34,313
Insurance and other recoveries	5,463	-
Interest income	3,660	1,147
Bond coupons	2,927	771
Net gain on the disposal of investments	2,449	7,958
Change in fair value of investments	9,460	49,505
Other	2,903	2,335
Total income	178,857	189,763
Expenditure		
Insurance expense	(1,812)	(1,736)
Insurance and other recoveries	-	(1,764)
Claims expense	(92,735)	(48,194)
Road safety program grants	(4,410)	(5,158)
Foreign currency loss	(162)	(1,852)
Other	(24,063)	(24,232)
Total expenditure	(123,182)	(82,936)
Net profit	55,675	106,827

Motor Accidents (Compensation) Commission cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	122,989	54,294
Receivables and other current assets	1,063,218	1,023,863
Current liabilities	(91,421)	(86,237)
Working capital	1,094,786	991,920
Non-current assets	40,351	49,799
Non-current liabilities	(528,155)	(490,412)
Net assets	606,982	551,307
Represented by:		
Retained earnings	606,982	551,307
Equity	606,982	551,307

Northern Territory Legal Aid Commission

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

The Northern Territory Legal Aid Commission (Legal Aid NT) is established under the *Legal Aid Act 1990* (the Act). The function of Legal Aid NT is to provide legal assistance in accordance with the Act. Legal Aid NT commenced its activities on 1 July 1990 and is registered as a charity with the Australian Charities and Not-for-profits Commission.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Northern Territory Legal Aid Commission for the year ended 30 June 2024.

Audit opinion

The audit of the Northern Territory Legal Aid Commission for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 1 October 2024.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

Legal Aid NT incurred a net deficit of \$0.2 million for the year ended 30 June 2024 compared to a surplus of \$1.6 million in the previous financial year.

Grant revenue increased by \$2.3 million in 2023-24 and included a one-off grant from the NT Government of \$1.5 million to assist with the increased caseload in Central Australia and \$0.3 million from the Commonwealth Attorney-General's Department for assistance with complex Commonwealth criminal law cases. In addition, Legal Aid NT recognised \$0.6 million of deferred grant revenue received in prior years to cover this year's increased costs.

Total expenses increased by \$4.1 million for the year, with increase across all expenditure categories, namely employee expenses, up by \$1.8 million, legal expenses, up by \$1.2 million, and administration and other expenses, up \$1.1 million.

Net assets totalled \$5.0 million as at 30 June 2024 and included \$6.3 million in cash. Expenditure commitments for grants of legal aid, not recognised on the balance sheet, totalled \$3.2 million (as disclosed in Note 13 to Legal Aid NT's financial statements).

Northern Territory Legal Aid Commission cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Grants – Northern Territory Government	10,785	10,818
Grants – Commonwealth	9,118	7,999
Grants – other	3,574	2,330
Rendering of services	168	280
Other	660	627
Total income	24,305	22,054
Expenditure		
Administration	(2,230)	(1,513)
Employee expenses	(13,741)	(11,987)
Legal	(5,872)	(4,673)
Depreciation and amortisation	(1,296)	(1,134)
Other	(1,386)	(1,120)
Total expenditure	(24,525)	(20,427)
Surplus/(deficit)	(220)	1,627

Northern Territory Legal Aid Commission cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	6,331	6,867
Receivables and other current assets	875	737
Current liabilities	(4,040)	(4,235)
Working capital	3,166	3,369
Non-current assets	6,361	7,071
Non-current liabilities	(4,512)	(5,205)
Net assets	5,015	5,235
Represented by:		
Reserves	1,906	4,133
Accumulated funds	3,109	1,102
Equity	5,015	5,235

Northern Territory Legal Aid Commission cont...

The Northern Territory Legal Aid Commission has commented:

Legal Aid NT's cash balance includes other special purpose grant funding that has been received during the financial year. Legal Aid NT is required to continue to provide services from those special purpose grant funds in subsequent financial year/s. Grant funds that do not have a separate reserve account are consolidated and reflected in the accumulated funds account.

Northern Territory Major Events Company Pty Ltd

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

The Northern Territory Government established the Northern Territory Major Events Company Pty Ltd (the Company) with the objective of attracting major events to the Northern Territory and promoting and coordinating events such as the Darwin round of the Supercar Championship, BASSINTHEGRASS and Red CentreNATS.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Northern Territory Major Events Company Pty Ltd for the year ended 30 June 2024.

Audit opinion

The audit of the Northern Territory Major Events Company Pty Ltd for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 9 October 2024.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

The Company reported a close to a break-even result of \$3,290 in 2023-24 compared to a profit of \$0.6 million in the prior year.

The Company recorded revenue from grants of \$34.0 million for the year ended 30 June 2024 (2023: \$31.4 million).

The Company received cash grants of \$33.7 million during the year, which was an increase of \$8.3 million from the \$25.4 million received as grant funding in the prior year. The increased funding was for Parrtjima and other events.

In addition, grant monies totalling \$318 thousand (received before 1 July 2023 and recorded as unearned revenue in the prior year) were recognised as income in 2023-24 as the funds were used to facilitate events that took place during that year.

Events revenue, consisting mainly of ticket sales, hospitality revenue, sponsorship, and other merchandise sales, decreased by \$145 thousand to \$5.8 million in 2023-24 (2023: \$5.9 million). The Company received \$382 thousand less in sponsorship income but revenue collected from ticket sales was up by \$130 thousand compared to 2022-23.

Interest income earned from cash and term deposits increased by \$377 thousand due to the increasing interest rates applied to the Company's bank accounts and the maturity of term deposits during the year.

Northern Territory Major Events Company Pty Ltd cont...

Events and administration expenses incurred to deliver events and festivals for the year totalled \$36.2 million (2023: \$33.3 million). The incremental movement of operating expenditure aligns with the upward movement of grant income recognised during the year and is indicative of there being more events held during the reporting year when compared with the prior year.

Employee expenses for the year totalled \$4.9 million, which was \$0.4 million more compared to the prior year due mainly to salary increases.

Northern Territory Major Events Company Pty Ltd cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Government grants	34,040	31,444
Other income	5,800	5,943
Interest	1,380	1,002
Non-monetary income	607	651
Total income	41,827	39,040
Expenditure		
Employee expenses	(4,874)	(4,482)
Depreciation	(71)	(84)
Non-monetary expenditure	(607)	(651)
Other expenditure	(36,272)	(33,271)
Total expenditure	(41,824)	(38,488)
Profit before income tax expense	3	552
Income tax expense	-	-
Profit after income tax expense	3	552
Dividends paid or provided for ⁽¹⁾	-	-
Net profit	3	552

⁽¹⁾ No dividend has been paid or declared since the commencement of the 30 June 2024 financial year and the Directors did not recommend declaration of a dividend.

Northern Territory Major Events Company Pty Ltd cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	17,287	20,038
Receivables and other current assets	5,377	2,135
Current liabilities	(19,365)	(18,932)
Working capital	3,299	3,241
Non-current assets	177	248
Non-current liabilities	-	(16)
Net assets	3,476	3,473
Represented by:		
Event reserve	1,954	1,976
Retained profits	1,522	1,497
Equity	3,476	3,473

Northern Territory Treasury Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

The Northern Territory Treasury Corporation (the Corporation) is constituted under the *Northern Territory Treasury Corporation Act 1994* (the Act) and is the investment and borrowing agent for the Northern Territory Government.

The Under Treasurer constitutes the Corporation and is the Accountable Officer. There is an Advisory Board constituted under section 8 of the Act and the Advisory Board may, pursuant to section 11 of the Act, delegate any of its powers and functions to a member of the Advisory Board, an employee of the Corporation or an employee within the meaning of the *Public Sector Employment and Management Act 1993*.

The Corporation is a government business division and maintains its accounts in accordance with accounting principles applied generally by financial institutions. It is required to submit its financial statements for audit by the Auditor-General each year.

The host Agency is the Department of Treasury and Finance.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Northern Territory Treasury Corporation for the year ended 30 June 2024.

Audit opinion

The audit of the Northern Territory Treasury Corporation for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 20 September 2024.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

The Northern Territory Government Budget for 2023-24 estimated the Territory would need to refinance \$860 million of maturing debt and borrow an additional \$1.2 billion to deliver a total borrowing program of \$2.06 billion. Pre-funding of \$130 million was undertaken in 2022-23, thus resulting in a net borrowing requirement of \$1.97 billion for the year.

During the mid-year budget review in November 2023, the borrowing requirement was increased by \$70 million due to a net increase in loans, which increased the net borrowing requirement to \$2.04 billion.

In order to fulfill the borrowing requirement, the Corporation issued a total of \$2.4 billion of debt to institutional investors in the Australian financial markets during 2023-24 at a weighted average interest cost of 5.22%. The Corporation issued three new benchmark-sized bond series to institutional investors along with increasing three of the existing lines.

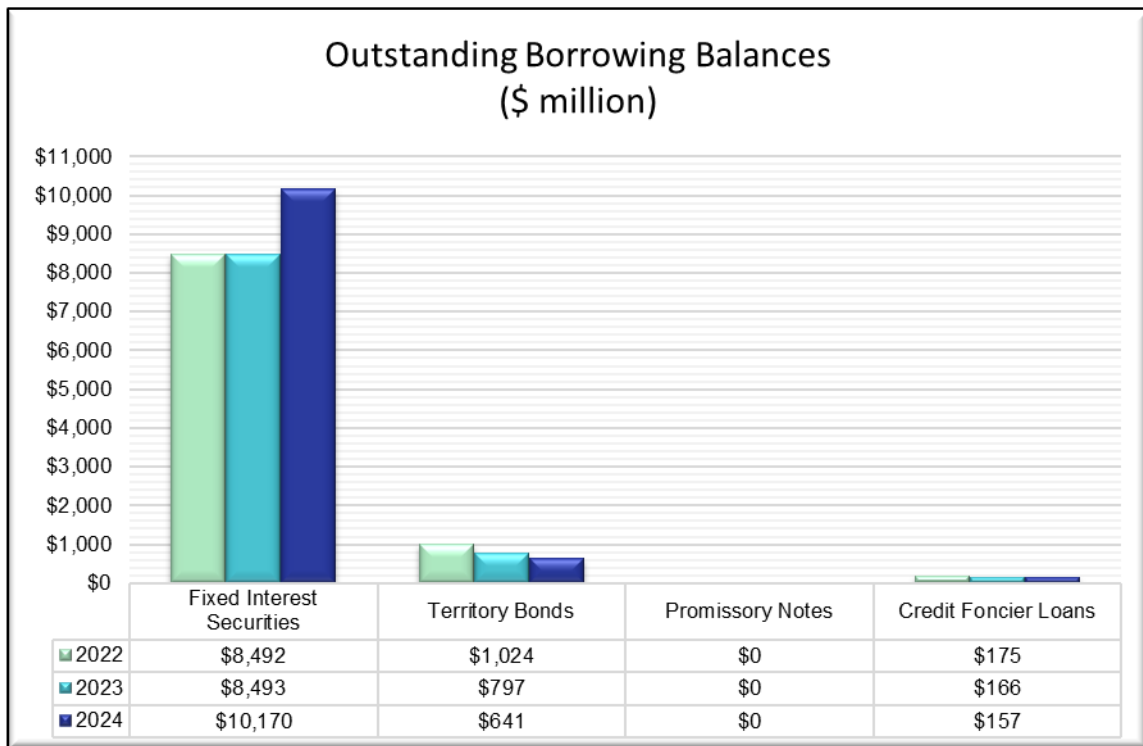
Northern Territory Treasury Corporation cont...

In addition to these institutional bond transactions, the Corporation raised \$58 million from retail investors in Territory Bonds at a weighted average interest rate of 4.39% with a term to maturity of approximately four years.

New borrowings totalled \$2.458 billion, of which \$334 million is intended to prefund the 2024-25 borrowing program. Net borrowings totalled \$10.97 billion at 30 June 2024, an increase of \$1.51 billion on last year's balance of \$9.46 billion.

Outstanding borrowing balances at 30 June 2024 (and comparative years) are presented in the chart below:

Figure 1: Outstanding borrowing balances

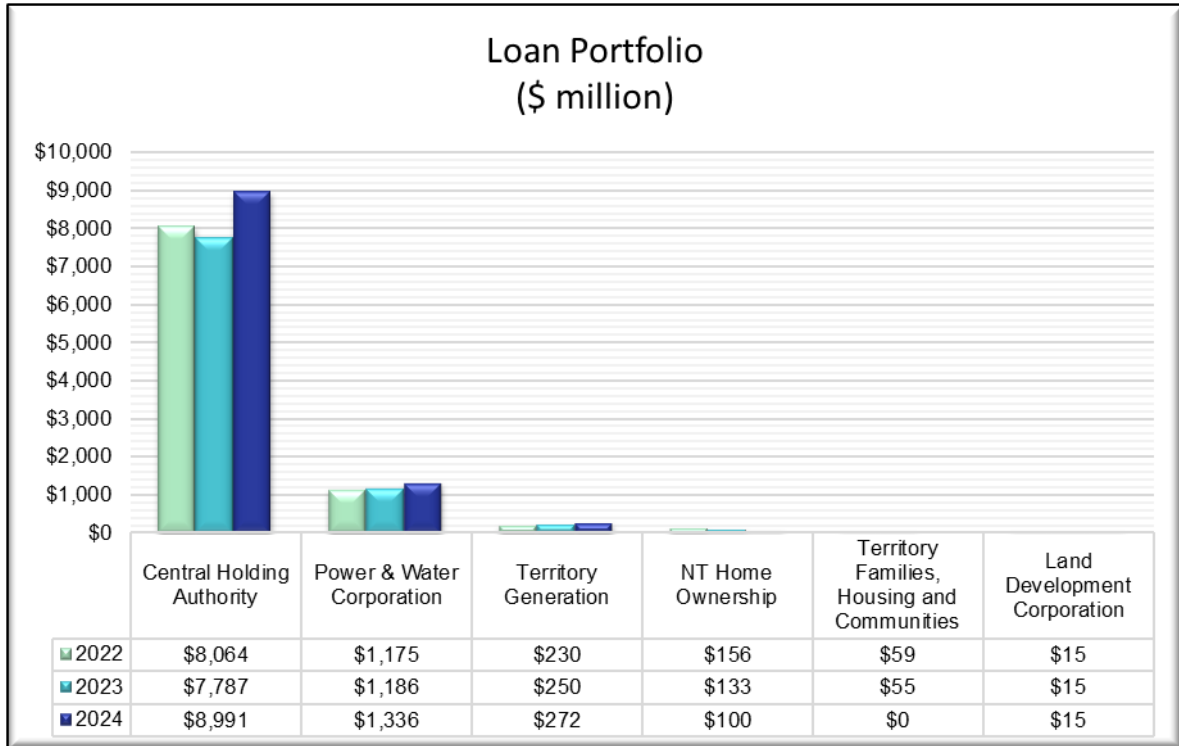


Source: NTAGO derived from Corporation data

Northern Territory Treasury Corporation cont...

Similarly, the loan portfolio also increased by \$1.29 billion for the year ended 30 June 2024 to \$10.714 billion (following an \$273 million decrease in 2023). These loans are presented in the chart below:

Figure 2: Loan portfolio



Source: NTAGO derived from Corporation data

Overall, the Corporation reported a profit before tax of \$55.77 million in the current year (2023: \$54.59 million). Income tax expense for the year was \$16.73 million compared to \$16.38 million last year.

The Corporation's profit after tax for the year was \$39.04 million compared to \$38.21 million in the prior year. The result was positively impacted by an increase in interest income of \$53.80 million primarily as a result of the increase in the Corporations' loan portfolio. The related interest expense also increased by \$52.55 million from the prior year due to the increase in the Corporations' borrowing balances. Whilst the net movement in interest income and interest expense will offset each other, the Corporations' net interest margin outcome remained a positive \$56.94 million for the year (2023: \$55.68 million net interest income) including a \$11.12 million gain on extinguishing of borrowings following an early repayment of a Department of Territory Families, Housing and Communities loan.

The weighted average cost of funds increased over the 12-month period from 3.14% in 2023 to 3.55% in 2024 as new borrowings incurred higher interest rates. The weighted average interest rate on interest earned from loans over the 12-month period increased from 3.58% in 2023 to 3.67% in 2024 as expected with the increase in interest rates.

Northern Territory Treasury Corporation cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Interest	398,926	345,123
Other	1,027	981
Total income	399,953	346,104
Expenditure		
Interest	(341,988)	(289,443)
Administration	(2,194)	(2,074)
Total expenditure	(344,182)	(291,517)
Profit before income tax expense	55,771	54,587
Income tax expense	(16,731)	(16,376)
Profit after income tax expense	39,040	38,211
Dividends	(39,040)	(38,211)
Net profit	-	-

Northern Territory Treasury Corporation cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Total assets	11,127,951	9,600,914
Total liabilities	(11,106,320)	(9,579,283)
Net assets	21,631	21,631
Represented by:		
Contributed capital	21,631	21,631
Equity	21,631	21,631

NT Build

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

NT Build was established under the *Construction Industry Long Service Leave and Benefits Act 2005* (the Act). The role of NT Build is to administer a scheme, also established under the Act, to provide construction workers with entitlements to long service leave and long service benefits.

Scope and objectives

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of NT Build for the year ended 30 June 2024.

Audit opinion

The audit of NT Build for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 9 October 2024.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

Uncertainties related to the long service leave liability

Due to the nature of the long service leave liability and the inability to complete the actuarial valuation based on long term scheme historical data, there remains a high level of uncertainty associated with this estimate. It is noted that the estimate of unreported service credits may be inaccurate. The service credit total for the first six months of 2024 is an extrapolation of past reporting patterns, introducing moderate uncertainty in this element. Any inaccuracies in the estimation of service credits will have a direct flow on to the liability estimated. The series of assumptions made regarding the benefit payments and timing of exits is uncertain and changes to these assumptions can result in significant differences in reported results. Specific sensitivities include:

- increasing or decreasing the withdrawal rates for active members by 25% would move the liability in the opposite direction by 3%.
- increasing the future benefit rate inflation by 1% would increase the liability by 4%, whilst decreasing the rate would decrease the liability by 5%.
- increasing the discount rate used in the valuation by 1% would decrease the liability by 5%, whilst decreasing the discount rate would increase the liability by 4%.

NT Build cont...

Financial analysis

NT Build reported a surplus of \$4.1 million compared to prior year's surplus of \$3.5 million. The increase in reported surplus was primarily driven by the gain on equity investments of \$6.9 million (2023: \$1.3 million) due to the positive performance of the financial market.

Levy income has also increased by 47% to \$3.4 million (2023: \$2.3 million) due to an increase in high value construction projects (i.e. construction projects in the \$30 million to \$90 million range) more than offsetting the reduction in lower value projects during the year.

Long service leave benefit payments made to workers in the Northern Territory for their long service leave benefits credited in other states are recovered from the respective states and are recorded as reciprocal income. Reciprocal income, which forms part of the balance of 'other income' was \$0.98 million for the year ended 30 June 2024 and is largely consistent with the reciprocal income reported in the prior year of \$0.9 million.

There was an increase in the value of the long service leave liability of \$0.5 million in the year ended 30 June 2024 (2023: decrease in value of \$0.4 million) as determined by the Actuary. An increase in liability results in a decrement (expense) being recorded in the statement of profit or loss and other comprehensive income, whereas a reduction in liability results in an increment (income being recorded). Explanation of the factors influencing the change in value have been reported in Note 11 to the financial statements.

NT Build's net asset position of \$46.9 million (2023: \$42.7 million) remains strong despite concerns that the levy contributions and revenue earned on investments may not be sufficient to meet long service leave payments in the longer term.

NT Build cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Contributions from levy payers	3,435	2,334
Fair value gain on equity investments	6,912	1,277
Long service scheme revaluation – current	-	390
Investment income	2,818	6,833
Reciprocal income	976	933
Other	349	391
Total income	14,490	12,158
Expenditure		
Employee expenses	(1,097)	(855)
Occupancy costs	(23)	(22)
Depreciation and amortisation	(86)	(81)
Fees and allowances	(52)	(43)
Long service leave benefit payment	(8,016)	(7,103)
Long service scheme revaluation – current	(529)	-
Other	(583)	(536)
Total expenditure	(10,386)	(8,640)
Surplus/(deficit)	4,104	3,518

NT Build cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	72	2,247
Receivables and other current assets	107,135	100,389
Current liabilities	(19,684)	(18,209)
Working capital	87,523	84,427
Non-current assets	486	494
Non-current liabilities	(41,242)	(42,258)
Net assets	46,767	42,663
Represented by:		
Implementation funding	297	297
Accumulated surplus	46,470	42,366
Equity	46,767	42,663

NT Fleet

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

NT Fleet is a government business division that is responsible for the management of the Northern Territory Government's motor vehicle fleet with the exception of vehicles controlled by Northern Territory Police, Fire and Emergency Services.

NT Fleet's revenues are derived from rental charges levied upon agencies that lease vehicles.

The host Agency is the Department of Corporate and Digital Development.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of NT Fleet for the year ended 30 June 2024.

Audit opinion

The audit of NT Fleet for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 20 September 2024.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

NT Fleet reported a net surplus before tax of \$12.5 million in 2023-2024.

Total income of \$45.4 million (2023: \$43.0 million) increased from the prior year by \$2.4 million primarily due to higher gains on disposal of assets with an increase in the number of vehicles sold from 694 to 847. Sales of goods and services (predominantly hire revenue from vehicle leases) also increased this financial year.

Total expenses of \$32.9 million (2023: \$30.4 million) increased from the prior year by \$2.5 million. The increase in expenditure arises from an increase in depreciation and amortisation of \$0.9 million primarily resulting from the additional motor vehicles acquired during the year from 514 to 771, increases in employee expenditure (\$329 thousand) due to the transfer of six additional full time equivalent employees from the Department of Corporate and Digital Development to NT Fleet and increased insurance and motor vehicle costs. This was offset by a decrease in other administrative expenses.

NT Fleet will pay an income tax equivalent expense of \$3.8 million (2023: \$3.8 million).

NT Fleet continues to maintain a positive net assets position and is currently exempt from paying dividends for three years from the year ended 30 June 2023. The dividend paid in 2022-23 of \$4.4 million was returned in 2023-24.

As at 30 June 2024, the net asset position of NT Fleet was \$123.8 million (2023: \$110.6 million).

NT Fleet cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Revenue from vehicle lease rentals	36,763	35,177
Gain on disposal of assets	7,790	6,529
Other revenues	801	1,254
Total income	45,354	42,960
Expenditure		
Operational costs	(15,406)	(14,219)
Employee expenses	(2,317)	(1,988)
Depreciation and amortisation	(15,146)	(14,214)
Total expenditure	(32,869)	(30,421)
Surplus before income tax expense	12,485	12,539
Income tax expense	(3,746)	(3,762)
Surplus after income tax expense	8,739	8,777
Dividends	4,389	(4,389)
Net surplus/(deficit)	13,128	4,388

NT Fleet cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	3,275	17,262
Receivables and other current assets	4,710	5,241
Current liabilities	(8,458)	(14,149)
Working capital	(473)	8,354
Non-current assets	124,224	102,268
Non-current liabilities	-	-
Net assets	123,751	110,622
Represented by:		
Accumulated funds	123,186	110,057
Capital	565	565
Equity	123,751	110,622

NT Home Ownership

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

NT Home Ownership is a government business division that oversees the Government's home purchase assistance initiative. NT Home Ownership has required ongoing financial support, through its host Agency, to enable it to meet its operating expenses.

The host Agency at 30 June 2024 was the Department of Territory Families, Housing and Communities. The current host Agency is the Department of Housing, Local Government and Community Development.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of NT Home Ownership for the year ended 30 June 2024.

Audit opinion

The audit of NT Home Ownership for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 4 October 2024.

Audit observations

The audit did not identify any material weaknesses in internal controls.

Performance overview

NT Home Ownership recorded a net surplus of \$1.3 million for the year ended 30 June 2024 (2023: \$4.2 million). The revaluation of properties held under a shared equity arrangement resulted in a valuation decrement of \$0.1 million. Revaluation movements represent unrealised gains or losses, which are not considered taxable. Accordingly, NT Home Ownership's taxable income for the year ended 30 June 2024 was \$1.3 million. No tax was payable due to carried forward tax losses utilised.

Total income of \$11.9 million (2023:14.4 million) has decreased from the prior year due to the gain on the revaluation of the shared equity portfolio recognised at \$2.6 million in 2023 against the revaluation decrement by \$0.1 million in 2024.

Total expenditure of \$10.6 million (2023: \$10.3 million) slightly increased from the prior year, with the most significant movements being an increase in provision for doubtful debts amounting to \$1.4 million and decreased interest expenses of \$0.9 million. The increase in provision for doubtful debts was mainly due to changes in how loans were categorised and the method of calculating the provision rate. Other administrative expenses include doubtful debts associated with advances of \$1.4 million. The reduction in interest expenses was consistent with the decrease in borrowings.

The main movement in assets is the reduction in shared equity investments due to the discharge of properties during the year amounting to \$4.7 million, the reduction in advances and investments amounting to \$18.5 million, and a reduction in cash and deposits of \$7.5 million. The main movement in liabilities is due to the repayment of borrowings and advances of \$32.1 million.

NT Home Ownership cont...

NT Home Ownership continues to report a negative working capital. In 2024, total current liabilities of \$33.0 million exceed the total current assets of \$14.2 million. This resulted in a negative working capital position as of 30 June 2024 of \$18.7 million. The negative working capital position requires close monitoring of cash, debt levels and borrowings maturities, especially as housing loan arrears have increased in the current year. The negative working capital increases the risk that NT Home Ownership may not have sufficient available funds to meet its financial obligations as they fall due and will require support from the NT Government.

NT Home Ownership cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Community service obligations	3,414	3,414
Interest revenue	8,483	8,399
Gain on revaluation of shared equity investment	-	2,624
Other	3	4
Total income	11,900	14,441
Expenditure		
Employee expenses	(290)	(251)
Borrowing cost	(5,856)	(6,774)
Supplies and services	(2,730)	(2,502)
Write-offs and impairment expense	(105)	-
Other expenses	(1,609)	(733)
Total expenditure	(10,590)	(10,260)
Surplus	1,310	4,181
Income tax expense	-	-
Surplus/deficit) after income tax expense	1,310	4,181

NT Home Ownership cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	4,652	12,120
Receivables and other current assets	9,593	10,556
Less current liabilities	(32,978)	(42,554)
Working capital	(18,733)	(19,878)
Add non-current assets	105,338	127,632
Less non-current liabilities	(67,997)	(90,455)
Net assets	18,608	17,299
Represented by:		
Accumulated funds	(4,137)	(5,446)
Capital	22,745	22,745
Equity	18,608	17,299

Power and Water Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

The Power and Water Corporation (the Corporation) is the primary provider of electricity distribution services, and the sole provider of water and sewerage services in the Northern Territory. Through its subsidiary, Indigenous Essential Services Pty Ltd, the Corporation is the primary provider of electricity, water and sewerage services in remote areas of the Northern Territory.

The Corporation became a Government Owned Corporation on 1 July 2002 following the commencement of the *Government Owned Corporations Act 2001* in December 2001.

The Corporation controls one fully owned subsidiary company (Indigenous Essential Services Pty Ltd) and holds 50 per cent of the ordinary shares issued by BGP Tenure Holdings Pty Ltd.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of Power and Water Corporation for the year ended 30 June 2024.

Audit opinion

The audit of Power and Water Corporation for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 30 September 2024.

The audit opinion, while unmodified, did include the following emphasis of matter paragraphs:

I draw attention to Notes 4.2 and 4.4 of the financial report, which describe the key sources of estimation uncertainty associated with the measurement of the make-up gas intangible asset recoverable amount, the considerations informing management's assessment of any impairment of the carrying amount of make-up gas intangible asset and the need to recognise a provision for onerous contracts, all of which may be necessary as a result of present supply constraints. Management have determined that there is no onerous contract and no impairment as the remaining term of the gas supply agreement provides sufficient time for the gas supply to be restored and the benefits from the make-up gas to be realised. My opinion is not modified in respect of this matter.

Power and Water Corporation cont...

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

Intangible assets – banked gas

The balance of intangible assets includes \$65.844 million relating to gas that has been paid for but not yet delivered under a take-or-pay condition in gas supply agreements between the Corporation and its gas suppliers.

Impairment testing is required when events occur that indicate an asset may not be fully recoverable. Because of the reduction in the gas supply, management completed impairment testing to determine if the recoverable amount is below the carrying value.

The impairment of intangible assets is a key audit matter due to the significance of the balance and the estimation of the recoverable amount. The calculations involve complex and subjective management estimates based on management's judgement of key variables and market conditions such as future commodity prices, future operating performance of the supplier and the discount rate.

Following management's assessment, no impairment has been recognised against the carrying amount of the banked gas for the year ended 30 June 2024.

Provision for onerous contracts

The Corporation entered into primarily long-term gas purchase and sale contracts. Each year, management estimates the expected lifetime revenue and costs of the contracts to determine if the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received. No provision for onerous contract has been recognised at 30 June 2024.

The assessment of whether contracts are onerous is a key audit matter because of the high degree of management judgement and estimation. Changes to the circumstances and events affecting future opportunities in the gas market may result in the Corporation recognising, adjusting or derecognising a provision for onerous contracts at each reporting date. The sources of estimation uncertainty and sensitivity analysis are disclosed in the financial statements.

Unbilled revenue

Revenue from contracts with customers, includes an estimate of unbilled gas, electricity, water, sewerage services and electricity distribution services supplied to customers between the date of the last meter reading and the year end. Unbilled revenue was estimated at \$35.713 million at 30 June 2024 as disclosed the financial statements.

The estimation of unbilled revenue is a key audit matter as it requires significant management judgement to estimate customer consumption between the last invoice date and the end of the reporting period.

The valuation of infrastructure assets is a key audit matter due to the complexity involved in determining the key assumptions used in the calculations and the sensitivity of the calculations to changes in those assumptions.

Power and Water Corporation cont...

Fair value of infrastructure assets

The Corporation's power and water services infrastructure assets totalled \$2.113 billion representing 77% of the Corporation's total property, plant and equipment as at 30 June 2024.

The power and water services infrastructure assets are carried at fair value using an income approach, where future cash flows are discounted to present value. The valuation is based on long-term price predictions and expected utilisation of the assets. Other key inputs are weighted average cost of capital and terminal growth rates.

The valuation of infrastructure assets is a key audit matter due to the complexity involved in determining the key assumptions used in the calculations and the sensitivity of the calculations to changes in those assumptions.

Classification and valuation of capital work in progress, including capitalisation of overhead costs

The Corporation has recorded capital work in progress valued at \$492.385 million as at 30 June 2024.

The valuation of capital work in progress is a key audit matter due to the judgements and assumptions involved in the valuation and the application of accounting policies that have a significant effect on the amounts recognised in the financial statements.

In addition, the Corporation has adopted an estimation methodology to identify indirect costs incurred by its corporate, power and water services divisions which are directly attributable to the acquisition, preparation or construction of capital assets. The financial effect of this methodology is a reduction in the expenses recognised in the statement of profit or loss with a corresponding increase in the value of property, plant and equipment.

The application of the methodology is a key audit matter as it requires management's assessment and judgement and has a significant effect on the amounts recognised in the financial statements.

Power and Water Corporation cont...

Audit observations

The audit did not identify any material weaknesses in internal controls.

Impact of estimated balances

The net results of the Corporation have fluctuated significantly over past years which may impede the ability of a user of the financial statements to ascertain whether the Corporation's underlying performance is stable, improving or worsening. The fluctuations are, for the most part, attributable to movements in estimated values which can be significantly impacted by small or large changes to assumptions. Examples of factors that can lead to material financial changes in balances include:

- Supply and demand pressures on gas resources
- Timing of investment in capital projects
- Changes to project and enterprise risk
- Changes in the weighted average cost of capital
- Likelihood and certainty of future revenue opportunities and future cash flows
- Condition and life of assets
- Impairment of assets
- Availability of finance.

The quantitative materiality of changes to estimated balances demonstrates the need for the Corporation to:

- Robustly challenge the assumptions and data used in modelling of gas-related transactions, enterprise value and expected credit losses
- Apply and test sensitivity analysis
- Report and explain the causes behind significant movements.

The impacts on profit/(loss) before tax resulting from changes to estimated values of non-current assets and the provision for onerous contracts is demonstrated in the table below. The net reversal of the impairment provision recognised in the financial statements for the year ended 30 June 2024 was \$21.4 million, whereas in the prior year, the impairment reversal recognised was \$45.9 million.

	2020	2021	2022	2023	2024
	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(loss) before tax ^(a)	212,919	(7,786)	91,470	56,489	(7,933)
Impact of impairment of non-current assets and onerous contract provisions ^(b)	217,458	(1,940)	46,640	45,872	21,428
Profit/(loss) excluding impact ^{(a) – (b)}	(4,539)	(5,846)	44,830	10,617	(29,361)

Power and Water Corporation cont...

Performance overview

PWC (parent company) reported a net loss after tax of \$7.8 million in 2023-24, compared to an after tax surplus of \$40.5 million in the prior year. The deterioration of \$48.3 million was predominantly due an increased cost of emergency gas following the curtailment of supply from PWC's main supplier.

Income of \$705.2 million increased by \$34.1 million compared to the prior year primarily due to the increase in electricity distribution revenue of \$32.1 million which was largely due to a \$15.4 million year on year increase in Australian Energy Regulator (AER) allowable revenue, and recovery of revenue of \$13.8 million due to higher consumption in the current year. Another factor contributing to the increase in income was higher water revenue, up by \$14.9 million.

Excluding the financial impacts associated with the valuation of non-current assets, expenses of \$525.6 million for the year ended 30 June 2024 increased by \$59.7 million from the prior year, primarily due to the increase in energy and materials as a result of the previously mentioned supply issues.

As mentioned in the Key Audit Matters section above, the balance of intangible assets included \$65.8 million relating to gas that has been paid for but not yet delivered under a take-or-pay condition in gas supply agreements between the Corporation and its gas suppliers, including its main supplier who was forced to restrict supply due to ongoing technical issues.

Because of the supply issues, PWC assessed whether it will be able to access the banked gas within the terms and conditions of the current gas supply agreement and whether the cost of fulfilling existing contracts will be more than what PWC will receive in return. The assessment concluded that the carrying amount of the gas banked with its main supplier was not impaired and that no onerous contracts existed at 30 June 2024. Nevertheless, PWC is seeking damages from the gas supplier for losses caused by the reduction in supply.

PWC's net assets totalled \$1.3 billion at 30 June 2024 and its working capital, i.e. the difference between the company's current assets and its current liabilities was a negative \$301.8 million. The negative working capital was primarily due to current borrowings, \$222.0 million, unspent government grants, \$127.9 million and banked gas obligations to PWC's customers, \$32.3 million. It is also noted that PWC had contractual commitments totalling \$3.436 billion at 30 June 2024, of which \$496.1 million was payable within the next 12 months.

Power and Water Corporation cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Revenue from contracts with customers	663,382	627,063
Finance revenue	3,214	4,188
Other	38,587	39,802
Total income	705,183	671,053
Expenditure		
Raw materials and consumables used	(292,388)	(255,905)
Finance costs	(61,848)	(56,524)
Repairs and maintenance expenses	(71,817)	(60,030)
Employee expenses	(74,611)	(72,684)
External service agreements	(52,429)	(38,940)
Depreciation and amortisation	(147,059)	(137,942)
Impairment of non-current assets and onerous contract provisions	21,428	45,872
Net loss on disposal of property, plant and equipment	(1,173)	(1,366)
Other expenditure	(33,219)	(37,045)
Total expenditure	(713,116)	(614,564)
Profit/(loss) before income tax expense	(7,933)	56,489
Income tax (expense)/benefit	123	(16,027)
Profit/(loss) after income tax expense	(7,810)	40,462
Dividends paid or provided for ⁽¹⁾	(2,000)	(10,000)
Net profit/(loss) after dividends	(9,810)	30,462

⁽¹⁾ Since the end of the 30 June 2024 financial year, the Directors have declared a special dividend of \$2.0 million (2023: \$2.0 million).

Power and Water Corporation cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	94,444	30,871
Receivables and other current assets	156,510	183,608
Current liabilities	(552,769)	(513,510)
Working capital	(301,815)	(299,031)
Non-current assets	3,296,022	3,018,028
Non-current liabilities	(1,716,066)	(1,474,204)
Net assets	1,278,141	1,244,793
Represented by:		
Retained profits	725,208	734,364
Contributed equity	44,336	44,336
Asset revaluation reserve	508,597	466,093
Equity	1,278,141	1,244,793

Indigenous Essential Services Pty Ltd

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Indigenous Essential Services Pty Limited (the Company) is a not-for-profit entity formed on 26 June 2003, which provides electricity, water and sewerage services to remote communities in the Northern Territory. The Company commenced operations on 1 July 2003 and is a proprietary company (limited by shares) pursuant to the *Corporations Act 2001* that is controlled by Power and Water Corporation (PWC). PWC is a Government Owned Corporation pursuant to the Northern Territory's *Government Owned Corporations Act 2001*.

PWC guarantees the solvency of the Company and provides corporate support for all management and accounting services.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of Indigenous Essential Services Pty Ltd for the year ended 30 June 2024.

Audit opinion

The audit of Indigenous Essential Services Pty Ltd for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 30 September 2024.

The audit opinion, while unmodified, did include the following Material Uncertainty Related to Going Concern paragraph:

I draw attention to Note 1.1 of the financial report, which describes the Company's economic dependency on the Northern Territory Government to fund its future capital expenditure as well as a significant portion of its operating expenses and the commitment by its parent company to provide financial support should the Company not be able to pay its debts as and when they fall due. My opinion is not modified in respect of this matter.

Audit observations

The Company is a subsidiary of Power and Water Corporation (PWC) and, under current structural arrangements, is fully reliant on PWC for the provision of personnel, systems, policies, processes, controls and management decisions about day-to-day activities.

Issues previously reported to management

The importance of operating the Company as a separate entity was brought to management's attention in prior years, recognising the challenges of remote operations and governance issues.

Documents issued in the name of the parent entity.

Some documents and instructions relating to the Company reference the details of the parent entity rather than the Company.

Indigenous Essential Services Pty Ltd cont...

The matter was previously reported in letters dated 16 June 2021, 24 November 2021, 22 June 2022, 23 November 2022, 16 June 2023 and 9 November 2023. The review of purchases and procurement during the interim audit process for the 30 June 2024 financial statements identified some transaction documents were still raised in the name of the parent entity rather than the Company.

As the Company operates in its own right, any legal documents relating to it have to be originated or processed in the entity name.

In the absence of a clear separation of two related entities' transactions, legal issues could arise and raise the risk of commitments and obligations being recorded in the wrong entity.

Service Level Agreement (SLA)

As previously reported in the letter to management dated 16 June 2023 (and previous letters), the Service Level Agreement (SLA) between IES and PWC provided by management related to the 2012-2014 financial years. The current operational arrangements are not covered by an up-to-date legal contract.

Management's response to the letter of 16 June 2023 was:

"Management has taken action to update the SLA with the parent entity. The updated SLA was due to be finalised in the first half of FY2022-23. However, this was delayed pending a response from the Department of Treasury and Finance regarding advice on governance options for the delivery of essential services in remote communities. This has been resolved and a recommendation to develop a service level agreement between IES and PWC was provided. Management will resume activities to update and formalise the SLA between the Company and parent entity.

Further, a working group has been established to commence updating the SLA, at the request of the shareholding Minister."

The absence of an up-to-date SLA may result in the Company being unable to enforce its rights with respect to the expected level of service provided by the parent entity. Additionally, resolution of any disputes may be complicated by the fact that there is no accurate point of reference in the outdated SLA document relating to current operational arrangements.

Sublease arrangement

The Company recognised lease balances relating to solar plants located in two locations. The contracting party in the lease agreement was recorded as Power and Water Corporation rather than the Company (IES). Management has acknowledged that there was no separate sublease agreement signed between the Company and PWC.

This matter was previously reported in letters dated 22 June 2022 and 16 June 2023.

To comply with AASB 16 *Leases*, an entity must have sufficient control over the leased asset in order for the balances to be recognised in the financial statements. In the absence of an agreement, the Company is unable to demonstrate control over the assets, even though the balances are recognised in the books of the Company.

Indigenous Essential Services Pty Ltd cont...

Capitalisation of property, plant and equipment

Four out of eight samples selected for audit relating to assets transferred from capital work in progress to the fixed assets register were capitalised late by between 143 days and 283 days.

There is a risk that the depreciation expense is not calculated accurately in the relevant period due to the delays in the capitalisation process. The carrying value of the appropriate assets in the fixed asset register are likely to be misstated as well.

Performance overview

The Company reported a net loss of \$13.1 million (2023: loss of \$9.3 million).

The primary cause of the increased loss was a decrease in total revenue of \$6.7 million primarily due to a decrease in grant income of \$6.4 million, (2024: \$117.0 million, 2023: \$123.4 million).

Distillate expenditure was the single largest factor influencing the movement, with a decrease of \$6.4 million primarily driven by a significantly lower average fuel price when compared to the prior year (average diesel price per litre: 2024: \$1.21, 2023: \$1.40).

A proportion of PWC's corporate overheads are also charged to the Company and a proportion of costs are capitalised.

Indigenous Essential Services Pty Ltd cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Revenue from contracts with customers	46,693	47,109
Grants – recurrent	75,141	86,385
Grants – capital	41,874	36,982
Other revenues	1,255	1,180
Total income	164,963	171,656
Expenditure		
Raw materials and consumables	(49,372)	(51,469)
Contract labour expenses	(7,773)	(8,113)
Repairs and maintenance	(21,174)	(21,741)
Corporate allocation costs	(6,116)	(6,080)
Agents – community contract fees	(17,848)	(16,693)
Depreciation and amortisation	(60,991)	(58,790)
Finance costs	(2,474)	(2,397)
Other costs	(12,280)	(15,652)
Total expenditure	(178,028)	(180,935)
Deficit	(13,065)	(9,279)

Indigenous Essential Services Pty Ltd cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	37,665	63,540
Receivables and other current assets	29,308	23,308
Current liabilities	(58,718)	(93,655)
Working capital	8,255	(6,807)
Non-current assets	960,144	736,167
Non-current liabilities	(65,051)	(51,309)
Net assets	903,348	678,051
Represented by:		
Accumulated funds	155,778	167,734
Asset revaluation reserve	747,570	510,317
Equity	903,348	678,051

Power Generation Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

Power Generation Corporation trading as Territory Generation (the Corporation) was established pursuant to the *Power Generation Corporation Act 2014* primarily to generate, acquire and supply electricity, and to acquire, transport and supply energy sources from which electricity may be generated.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of Power Generation Corporation for the year ended 30 June 2024.

Audit opinion

The audit of Power Generation Corporation for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 11 September 2024.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

Carrying value of property, plant and equipment and calculation of impairment

Property, plant and equipment totalling \$401.4 million at 30 June 2024 represents a significant balance. The net asset impairment of \$0.1 million disclosed in the statement of profit or loss and other comprehensive income also represents a significant balance. Significant management judgement is applied in determining the value in use of property, plant and equipment and any related impairment adjustment attributable to each cash generating unit.

The valuation of property, plant and equipment is a key audit matter due to the complexity in the evaluation of the recoverable amount of the assets which requires significant judgement in determining the key assumptions supporting the expected future cash flows of the Corporation, the utilisation of the relevant assets and the useful lives of property, plant and equipment.

The utilisation and useful life of each asset can change significantly as a result of technical innovations or other events.

Estimation and valuation of decommissioning provision

A provision of \$5.8 million as at 30 June 2024 associated with decommissioning the Ron Goodin Power Station represents a significant balance.

The estimation of future decommissioning costs requires significant judgement as decommissioning is an evolving activity and there is limited historical precedent against which to benchmark estimated future costs.

Power Generation Corporation cont...

Recoverability of deferred tax assets

A deferred tax asset of \$20.7 million represents a significant balance in the Corporation's financial statements. Recognition of the deferred tax asset is influenced by management's assessment of the ability of the Corporation to realise the asset.

Unbilled revenue

Unbilled revenue of \$19.9 million represents an estimate of the value of electricity generated and sent out but not billed as at 30 June 2024. Management's estimate is based upon information provided by the market operator, Power and Water Corporation.

Audit observations

The audit did not identify any material weaknesses in controls.

Performance overview

The Corporation recognised a profit after income tax expense of \$8.1 million during the year ended 30 June 2024 compared to \$2.0 million for the year ended 30 June 2023. The combination of the increase in total revenue and reduction of impairment losses contributed to the increase in the Corporation's result.

Significant contributing factors to the Corporation's improved result are explained below:

- The continued influx of solar generators into the market and the preference of end users for renewable energy to reduce users' costs have impacted the Corporation's electricity sales during the year. The Corporation's total generated and billed Mega Watt Hours (MWh) of 1.43 million MWh during the year is slightly lower than the prior year's electricity sent-out of 1.46 million MWh. This reduction in demand was offset by an upward movement in average tariff rates from \$194/MWh in prior year to \$213/MWh during the year. The above events increased the Corporation's electricity sales by 8.3% from \$283.4 million in the prior year to \$307.0 million for the year ended 30 June 2024.
- Whilst the amount of gas consumed for every MWh generated remained consistent with the prior year, the average bundled price of gas increased by about 4.8% driven by quarterly consumer price index escalation adjustments. The average bundled price of gas during the year amounted to \$8.74 per bundle compared to \$8.34 per bundle in 2023.
- Repairs and maintenance costs and depreciation charges also increased by \$4.7 million and \$5.0 million respectively, due mainly to planned works budgeted in 2022-23 that were completed in 2023-24, and additional depreciation charges from capitalised construction costs during the year. Additional depreciation charges were also recognised for the renewal of the head office premises for another five years and new right-of-use assets from two leased engines at Channel Island Power Station.

Cash flows

The Corporation continued to generate positive cash flows of \$18.3 million from its operating activities during the year however the net operating cash flows were lower than the positive cash flows of \$27.5 million in the prior year reflecting increasing input costs.

Power Generation Corporation cont...

The Corporation obtained further borrowings of \$22 million in March 2024 and cash flows further increased due to an additional equity injection from its shareholder of \$4.5 million in May 2024. The cash received from these sources was used to fund the Corporation's capital expenditure projects costing \$56.9 million during the year.

Overall, the Corporation recognised a net decrease in cash and cash equivalents of \$15.5 million in 2024.

Cash dividends

The Corporation's Directors declared, and paid, a dividend of \$1 million during the year and have declared a dividend of \$1 million to be paid during the financial year ending 30 June 2025.

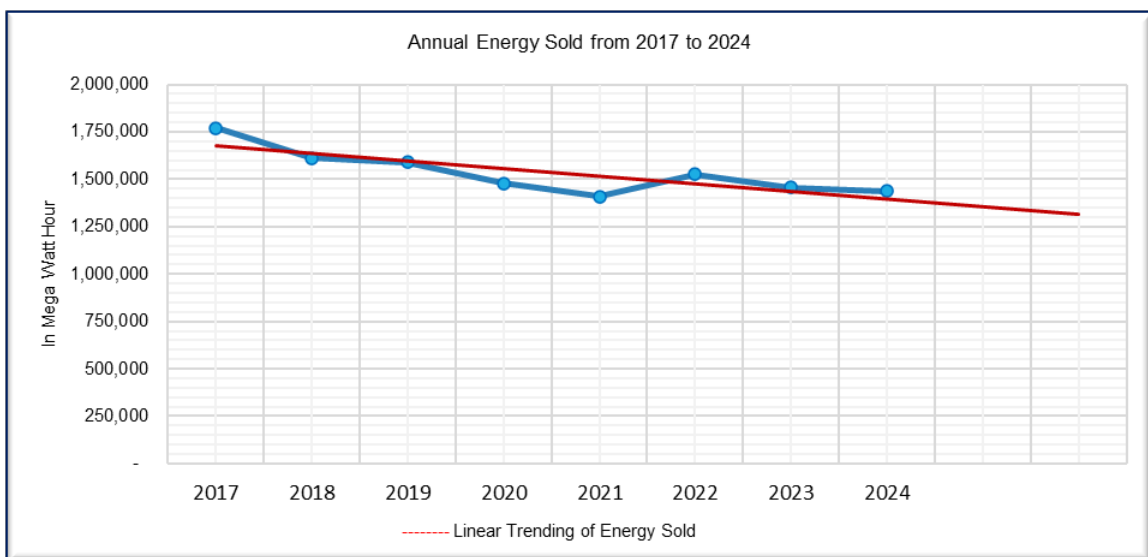
Going concern

As indicated in the prior year, there has been a considerable shift in the approach to renewable energy electricity generation and consumption over the last few decades. This was propelled by a global drive to address climate change and rising electricity costs. In 2017, the NT Government committed to a target of 50% renewable energy by 2030, that is, 50% of the actual electricity consumed in the Northern Territory will need to be from renewable sources by 2030.

Following the publication of the NT Government's Road to Renewable Report in 2017, the Corporation has acknowledged that it will not have a major role in solar power generation. The Corporation does recognise that the renewable energy system will not work without the Corporation's involvement, as the primary generator and provider of ancillary services, in ensuring stability of the renewable energy system.

Consistent with observations from prior years, the influx of solar generators and the preference of end users for renewable energy impacted the Corporation's electricity sales during the year. The Corporation's annual sales of energy (in MWh) have continued downward as illustrated below:

Figure 1: Annual energy sold from 2017 to 2024



Source: NTAGO derived from the Corporation's data

Note: There were Commonwealth and NT Government imposed movement restrictions during the last quarter of 2020, full financial year of 2021 and first six months of 2022 due to COVID-19 Pandemic.

Power Generation Corporation cont...

The continued growth of solar installations by households and commercial entities over the future years will have a significant impact on the Corporation's commercial environment and cash flows resulting from the reduction in its overall market share.

Whilst to date, the implementation of strategic initiatives to reduce and manage costs have enabled the Corporation's operations to remain financially sustainable, it is apparent that a reduction of market share will have a significant effect on the Corporation's longer term prospects as a going concern. Continued oversight and management of the Corporation's cash flow position and operating model will be essential to ensure the Corporation's future financial viability.

Power Generation Corporation cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Electricity sales	307,032	283,376
Deferred grant income	4,218	4,186
Interest revenue	2,510	1,770
Other revenue	303	3,204
Total income	314,063	292,536
Expenditure		
Cost of energy	(265,626)	(246,650)
Administrative expenses	(25,263)	(24,571)
Finance costs	(8,985)	(8,601)
Impairment reversal/(expense)	(107)	(4,652)
Other expenses	(2,469)	(2,328)
Total expenditure	(302,450)	(286,802)
Profit before income tax expense	11,613	5,734
Income tax expense	(3,505)	(3,729)
Profit after income tax expense	8,108	2,005
Dividends paid or provided for ⁽¹⁾	(1,003)	(8,465)
Net profit/(loss) after dividends	7,105	(6,460)

⁽¹⁾ Since the end of the 30 June 2024 financial year, the directors have declared a dividend of \$1.0 million (2023: \$1.0 million).

Power Generation Corporation cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	61,179	76,708
Receivables and other current assets	65,857	56,961
Current liabilities	(56,824)	(61,823)
Working capital	70,212	71,846
Non-current assets	422,129	382,015
Non-current liabilities	(338,422)	(311,547)
Net assets	153,919	142,314
Represented by:		
Retained earnings/(deficit)	(64,281)	(71,386)
Reserves	107	107
Contributed equity	218,093	213,593
Equity	153,919	142,314

Power Retail Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

Power Retail Corporation trading as Jacana Energy (the Corporation) was established pursuant to the *Power Retail Corporation Act 2014* to supply electricity to consumers, buy and sell electricity, and supply services designed to improve the efficiency of electricity supply and the management of demand for electricity.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of Power Retail Corporation for the year ended 30 June 2024.

Audit opinion

The audit of Power Retail Corporation for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 11 September 2024.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

Accuracy of unbilled consumption

Revenue from sale of goods includes estimated values for unbilled revenue from electricity totalling \$37.7 million. The estimated values are based upon unbilled days and average kWh per day supplied to customers between the date of the last meter reading and the year-end. The Corporation changed its unbilled revenue model this year to calculate kWh per day using consumption data from market operators in addition to using information from the billed consumption report produced by the revenue information system.

The recognition of unbilled revenue and contract assets is considered to be a key audit matter due to the significance of unbilled revenue to the financial statements and the complexity and estimation required in determining the consumption levels relating to unbilled revenue based on historical use.

Audit observations

The audit did not identify any material weaknesses in controls.

Performance overview

The Corporation generated a profit after income tax of \$11.2 million (2023: profit of \$6.7 million after tax) reflecting an increase of revenue of \$44.9 million partially offset by increases in direct costs of \$30.6 million and other expenses of \$7.2 million.

Power Retail Corporation cont...

Electricity revenue increased by \$12.4 million (3.0%) from \$413.7 million to \$426.2 million. There was a 2.7% increase in average variable tariffs and fixed tariffs in accordance with the *Electricity Reform Act 2000* when compared to the prior year and there was also a slight increase in sales volume. These increases were partly offset by a decrease in unbilled revenue of approximately \$3.9 million resulting from changes to the model used to calculate unbilled revenue in the current year.

When compared to the prior year, community service obligation (CSO) revenue increased by \$31.0 million from \$90.4 million to \$121.4 million, equivalent to a 34.3% increase. The increase was in response to higher costs of delivering electricity than forecast together with the receipt of CSO 'true-up revenue' for the 2023 financial year (\$3.2 million) and some under-budgeted network charges in Jacana Energy's 2023-24 Statement of Corporate Intent.

Energy costs of sales increased by \$30.6 million from \$475.2 million to \$505.8 million, an increase of 6.4%. The increase arose from a \$42.0 million increase in generation costs, system control costs and network charges partly offset by an \$11.3 million decrease in renewable energy certificate costs.

Employee benefits expense increased by \$0.8 million (7.4%) from \$10.0 million to \$10.8 million. The average number of employees decreased by 6 however salaries increased by 2% from the prior year due to a change in staff mix and salary escalation in accordance with the current enterprise agreement.

Other expenses increased by \$7.2 million (84.7%) from \$8.5 million to \$15.6 million. The increase is directly associated with the one-off adjustment of \$5.8 million during the year relating to the impairment of old legacy debt arising from 2020 onwards that had not been previously provided for.

Income tax increased by \$1.7 million due to the increase in profitability of the Corporation.

The Corporation is in a net asset position of \$65.0 million as at 30 June 2024 in comparison to a net asset position of \$57.2 million as at 30 June 2023. The following significant movements were noted:

- Cash and cash equivalents increased by \$23.1 million from \$39.1 million to \$62.2 million. The increase in cash and cash equivalents is largely attributable to the reformed CSO billing and collections pattern and the CSO true-up for the 2023 financial year. Payment for renewable energy certificates has decreased as Jacana has entered forward contracts for large-scale generation certificates to lock the price and settle its obligation to the Clean Energy Regulator.
- Trade and other receivables decreased by \$7.7 million from \$75.2 million to \$67.5 million. The decrease of trade receivables results from more timely collection of receivables and a \$2.9 million reduction in the balance of unbilled consumption at 30 June 2024 as a result of applying the new model. The provision for impaired receivables also reduced.
- Trade and other payables increased by \$5.9 million (12.3%) from \$47.9 million to \$53.8 million primarily due to increases in goods and services tax payable of \$4.8 million and accrued network and system control charges of \$1.8 million.

Power Retail Corporation cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Sale of goods	421,630	410,043
Community service obligations	121,381	90,353
Interest revenue	2,570	1,049
Other income	4,519	3,716
Total income	550,100	505,161
Expenditure		
Energy cost of sales	(505,818)	(475,206)
Depreciation	(853)	(813)
Employee expenses	(10,754)	(10,010)
External service agreements	(932)	(899)
Other expenses	(15,892)	(8,555)
Total expenditure	(534,249)	(495,483)
Profit before income tax expense	15,851	9,678
Income tax expense	(4,683)	(3,006)
Profit after income tax expense	11,168	6,672
Dividends paid or provided for ⁽¹⁾	(3,336)	(558)
Net profit after dividends	7,832	6,114

⁽¹⁾ Since the end of the 30 June 2024 financial year, the directors have proposed a dividend of \$5.6 million (2023: \$3.3 million).

Power Retail Corporation cont...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	62,241	39,138
Receivables and other current assets	72,120	83,013
Current liabilities	(77,250)	(72,072)
Working capital	57,111	50,079
Non-current assets	11,883	11,360
Non-current liabilities	(3,972)	(4,249)
Net assets	65,022	57,190
Represented by:		
Accumulated funds	17,356	9,524
Capital	47,666	47,666
Equity	65,022	57,190

Territory Wildlife Parks

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024

Background

Territory Wildlife Parks is a government business division that operates the Territory Wildlife Park at Berry Springs and the Alice Springs Desert Park. Territory Wildlife Parks has required ongoing financial support, through its host Agency, to enable it to meet its operating expenses.

The host Agency at 30 June 2024 was the Department of Environment, Parks and Water Security. The current host Agency is the Department of Tourism and Hospitality.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of Territory Wildlife Parks for the year ended 30 June 2024.

Audit opinion

The audit of Territory Wildlife Parks for the year ended 30 June 2024 resulted in an unmodified independent audit opinion, which was issued on 14 October 2024.

The audit opinion, while unmodified, did include the following emphasis of matter paragraph:

I draw attention to Note 1 to the financial statements which describe Territory Wildlife Parks' economic dependency on funding from the Northern Territory Government for its continued existence and ability to carry out its normal activities and functions. My opinion is not modified with respect to that matter.

Audit observations

Whilst the audit did not identify any material weaknesses in internal controls, it is notable that Territory Wildlife Parks has recorded financial deficits since its inception and that it continues to rely upon financial support in the form of community service obligation (CSO) payments to enable it to operate and manage its cash flow requirements.

Territory Wildlife Parks cont...

Performance overview

Financial performance analysis

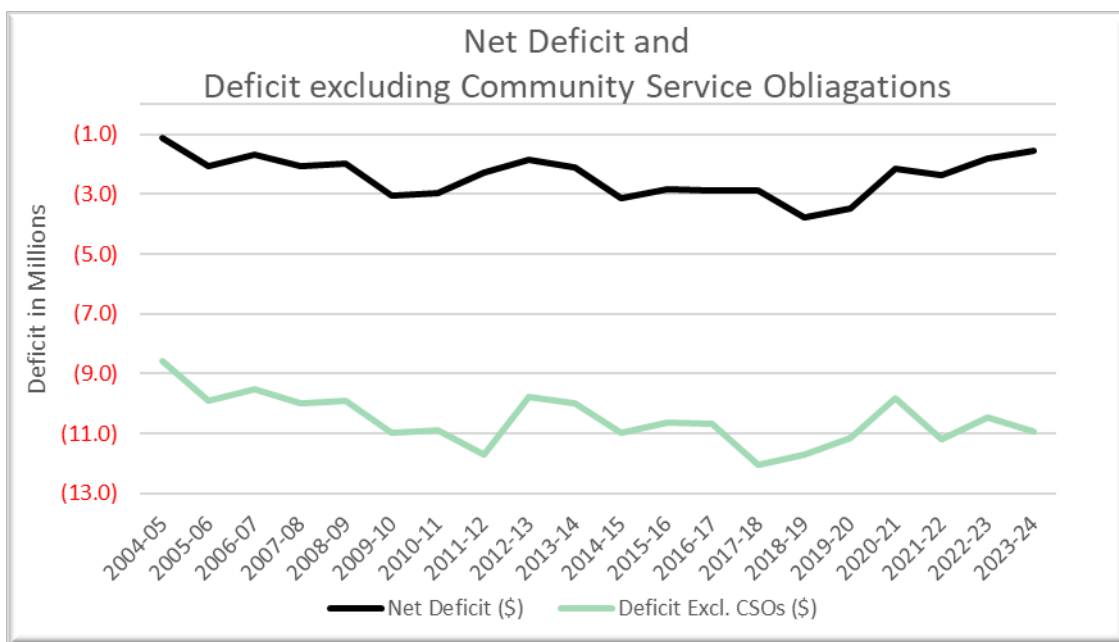
Territory Wildlife Parks financial performance for 2023-2024 saw a marginal improvement compared to the prior year, with the net deficit improving from \$1.82 million in 2023 to \$1.57 million in 2024. The \$253 thousand (13.9%) deficit reduction was primarily driven by a slight increase in total income and cost savings in specific expense categories (e.g. advertising, information technology and zoology expenses).

Total income for the year rose by \$680 thousand (5.6%) to \$12.90 million. This was largely attributed to the increase in grants and subsidies, which grew by \$140 thousand (149%), to \$234 thousand for the expansion of the Alice Spring Desert Park breeding programs, and a rise in CSO funding by \$691 thousand (8%) to replace the existing diesel train fleet at the parks with electric trains. However, these gains were partially offset by a \$223 thousand (6.9%) decline in the sales of goods and services as visitor numbers decreased from 118,400 in the prior year to 103,500 in the financial year ended 30 June 2024.

Territory Wildlife Parks has received \$163 million in CSO funding from its host agencies over the past 20 years.

Information in the following tables was sourced from the published annual reports of the current and former host agencies.

Figure 1: Territory Wildlife Parks deficit excluding Community Service Obligations



Source: Annual reports of the current and former host agencies (visitor numbers were not subject to audit.)

Territory Wildlife Parks cont...

Figure 2: Territory Wildlife Parks visitor numbers



Source: Annual reports of the current and former host agencies

The entity's total expenditure increased by \$427 thousand (3%) to \$14.47 million. Employee expenses were a significant contributor to this rise, increasing by \$466 thousand (6.4%), which is reflective of salary adjustments and the determinations made by the Commissioner for Public Employment, where shift allowance payments were backdated to April 2022.

Financial position analysis

The entity's financial position at 30 June 2024 reflects a slight contraction compared to the prior year, with total net assets declining from \$30.47 million in 2023 to \$29.39 million in 2024, a decrease of \$1.07 million (3.5%). This decline is primarily attributed to the sustained operating deficits, which have impacted the accumulated funds balance.

Total assets reduced by \$1.26 million (3.9%) from \$32.44 million in 2023 to \$31.19 million in 2024. This decrease is mainly due to a \$1.81 million (5.9%) reduction in Property, Plant, and Equipment as depreciation of \$2.32 million exceeded asset additions of \$0.51 million.

On the other hand, current assets saw an increase of \$554 thousand (35.1%), rising from \$1.58 million to \$2.13 million. The growth was mainly due to a notable increase in receivables, which rose by \$427 thousand (298%) from \$143 thousand in 2023 to \$570 thousand in 2024. Out of the \$427 thousand increase in receivables \$311 thousand relates to prepayment for the acquisition of electric trains and trailers through NT Fleet. Cash and deposits also increased by \$158 thousand (11.9%), improving the entity's liquidity position slightly.

Total liabilities decreased by \$186 thousand (9.4%) from \$1.98 million in 2023 to \$1.79 million in 2024. Current liabilities fell by \$179 thousand (10.5%) due to a \$108 thousand (10.5%) decline in employee provisions at year end. The decrease in employee provisions is due to 18 staff leaving in 2024 (\$168 thousand decrease) replaced by 15 new employees this year that have much lower entitlements of approximately \$34 thousand.

Non-current liabilities remained relatively stable, with only a minor decrease of \$7 thousand (2.5%) in borrowings and advances.

Territory Wildlife Parks cont...

The decrease in net assets has been reflected in the equity section, with accumulated funds declining from \$(43.46) million in 2023 to \$(45.02) million in 2024, due to the ongoing operating deficit. Capital contributions increased by \$495,000 being equity transfers in (contribution of assets) from the Northern Territory Government.

Overall, the entity's balance sheet position weakened slightly in 2024, driven by declining asset values of Property, Plant and Equipment and continued operating deficits.

Net working capital

Territory Wildlife Parks has reported negative working capital since 2008 to 2023. In 2024 the working capital has improved and is positive as total current assets of \$2.1 million (2023: \$1.6 million) exceeded current liabilities of \$1.5 million (2023: \$1.7 million) by \$0.6 million (2023: deficit of \$0.1 million).

Territory Wildlife Parks cont...

Financial Performance for the year

	2024	2023
	\$'000	\$'000
Income		
Community service obligations	9,348	8,657
Sales of goods and/or services	3,016	3,239
Other	537	325
Total income	12,901	12,221
Expenditure		
Employee expenses	(7,723)	(7,257)
Depreciation and amortisation	(2,315)	(2,283)
Property management	(1,191)	(1,172)
Repairs and maintenance	(626)	(739)
Other expenses	(2,613)	(2,590)
Total expenditure	(14,468)	(14,041)
Deficit	(1,567)	(1,820)

Territory Wildlife Parks cont ...

Financial Position at year end

	2024	2023
	\$'000	\$'000
Cash and cash equivalents	1,492	1,334
Receivables and other current assets	640	244
Less current liabilities	(1,520)	(1,699)
Working capital	612	(121)
Add non-current assets	29,054	30,866
Less non-current liabilities	(273)	(280)
Net assets	29,393	30,465
Represented by:		
Accumulated funds	(45,022)	(43,455)
Capital	35,719	35,224
Asset revaluation surplus	38,696	38,696
Equity	29,393	30,465

Accounting for Assets on Leased Land

Department of Infrastructure, Planning and Logistics

Background

The Department of Treasury and Finance is responsible for establishing mandatory accounting requirements and guidance for application by all Northern Territory Government (NT Government) agencies. As explained in the Treasurer's Direction – Infrastructure, released in May 2024, the infrastructure program:

- a) incorporates capital works (both major and minor), repairs and maintenance, capital grants, infrastructure-related expenses and forward works
- b) excludes purchases of capital items
- c) is reviewed annually as part of the budget development process.

Capital grants are contributions made by the Territory Government for the purchase, construction or upgrade of significant assets owned by a party other than the Territory Government.

It is not unusual for the NT Government to pay for the construction of infrastructure assets on land that is not owned by the NT Government. As an example, funding arrangements with local government bodies for the construction of assets generally result in the local government body receiving the funding and taking responsibility for the construction/acquisition of the asset or the former Department of Infrastructure, Planning and Logistics (the Agency) managing the construction/acquisition of the asset and then gifting the asset to the local government body. The NT Government also funds the construction and maintenance of aerodromes, barge landings and roads on Aboriginal Land. In some circumstances, funding is received from the Australian Government towards construction and ongoing maintenance of these assets.

Within urban areas, transactions relating to ownership of land and commercial leasing arrangements generally occur promptly and with limited complexity. Outside urban areas, ownership and control of land and assets can be more complex requiring agencies to seek legal assistance from the Commercial Division of the office of the Solicitor for the Northern Territory.

The *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRA), Schedule 1 references the boundaries of Aboriginal Land. The ALRA establishes formal road reserves and includes provisions for three functions relating to aerodromes, roads and barge landings. The Agency has some responsibilities in relation to these functions and negotiations about NT Government involvement have occurred with relevant Land Councils.

There are 14 barge landings in discreet areas. There is a masterplan for the upgrade of all 14 with two prioritised due to government policy.

Aerodromes are harder to manage and attribute responsibility. There are ongoing maintenance requirements (such as maintaining the height of surrounding trees). Stakeholders include the Civil Aviation Safety Authority and Traditional Owners. There are different uses of the aerodromes including Regular Passenger Transport flights and aeromedical retrieval flights. There are formalised management and maintenance responsibilities (with local government entities).

Accounting for Assets on Leased Land cont...

Existing roads are maintained under section 14 of the ALRA. Roads cannot be upgraded without consent from the relevant Land Trust (Land Council). Consideration has been given to moving toward recoverable road works where roads are privately owned.

There are projects to realign roads which will result in a land swap on realignment.

Some projects constitute standard repairs and maintenance capital works. The Australian Government has contributed funding to some road projects on Aboriginal Land such as some projects associated with Closing the Gap and some instances where the roads constituted a public thoroughfare. The Agency works with relevant Land Trusts to establish formal agreement by project.

The NT Government's intranet site contains guidance on a page entitled: *Six rules for land use outside Darwin*. The guidance states that government policy prohibits capital expenditure on Aboriginal Land until land use tenure is resolved but does not reference the source of the prohibition. The guidance requires consideration to be given to whether any land use proposal involves Aboriginal Land, native title or community living area¹ title:

- Land use on Aboriginal Land requires negotiation of a section 19 Lease from the relevant Aboriginal Land Trust or, where the town is subject to a township lease held by the Executive Director of Township Leasing (EDTL), a sub-lease from the EDTL. Aboriginal Land refers to land held by an Aboriginal Land Trust under the ALRA.
- Any land use proposal outside of Darwin and not on Aboriginal Land may involve native title implications. Native title is the recognition in Australian law that some Aboriginal and Torres Strait Islander people continue to hold rights and interests in land and water. Native title refers to land which may be subject to existing native title rights and interests and is generally land where native title has not been extinguished by grant of tenure or public works. It may include land the subject of a determination of native title or the subject of a registered native title determination application under the Commonwealth *Native Title Act 1993*.
- Areas designated as community living areas may be held under a Special Purpose Lease, a Crown Lease Perpetual or Freehold title. Community living areas are small Aboriginal living areas excised from pastoral leases that are held by an incorporated Aboriginal association or corporation.

From 2011, the NT Government has entered new arrangements requiring the land on which existing assets and/or new assets are to be built to be subject to leasing arrangements that are aligned with the use and economic life of the infrastructure. Australian Accounting Standard *AASB 117 Leases*, paragraph, 4 defines the Lease Term as the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option. In most cases this is expected to result in 40 year lease arrangements being entered into for Aboriginal Land on which NT Government infrastructure assets are situated.

A Policy Brief entitled *Issue Liabilities – 3: Accounting for Long Term Leases on Aboriginal Land* has been issued to assist agencies in accounting for long term leases on Aboriginal Lands.

¹ The management of community living areas is the responsibility of the Department of Housing, Local Government and Community Development

Accounting for Assets on Leased Land cont...

Agency representatives advised that accounting for assets on Aboriginal Land is undertaken in accordance with the Department of Treasury and Finance's Policy Brief entitled *Issue Assets – 2 Assets on Aboriginal Land*.

This policy brief was issued to assist agencies in accounting for building and infrastructure assets on Aboriginal Lands. Information from this policy brief is presented verbatim below:

The building and infrastructure assets on Aboriginal Lands have historically been maintained on the Balance Sheet of the Northern Territory Government, on the grounds that the NTG had control over the economic benefits flowing from these assets.

From 2011, the NTG has begun to enter into new arrangements whereby the land on which there is existing assets and/or new assets are to be built is to be underpinned by leasing arrangements appropriate to the use and economic life of the infrastructure.

Under this approach it could be asserted that the entering of these leases crystallises the recognition of the Aboriginal Land Trusts' ownership of these assets. This would result in the de recognition of existing assets and Agencies funding the construction of new infrastructure would not be entitled to recognise the outlay as assets (amounts would have to be expensed as costs were incurred).

The accounting standard AASB 116 Property, Plant and Equipment requires that an item of property, plant and equipment be recognised as an asset if, and only if:

- *it is probable that future economic benefits associated with the item will flow to the entity; and*
- *the cost of the item can be measured reliably.*

The key issue is whether the future economic benefits that arise from infrastructure or other assets constructed by the Northern Territory can be deemed to flow to Agencies.

This issue has been dealt with by the International Public Sector Accounting Standards Board in its Consultation Paper Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements in which three key criteria have been established.

- *Control - the ability of an Agency to utilise the asset's present service capacity and to determine the nature and manner of use of the present service capacity embodied in the asset. It can be argued that an asset constructed on Aboriginal Land by the Northern Territory is controlled by the Territory because it is used for purposes determined by the Territory. The Territory can determine the level and nature of services to be provided and at the same time the Territory can determine who can receive the services provided by an asset.*
- *Economic ownership - which is based on a risks and rewards approach. Unlike the control approach that focuses on the power to direct how the resource is used, the risks and rewards approach focuses on an entity's exposure to the underlying economic attributes that contribute to an asset's value to the entity. It can be argued that the risks of ownership reside with the Territory. At the same time the Territory receives the benefits of ownership through the ability of the assets to contribute to Agencies' achievement of their objectives.*

Accounting for Assets on Leased Land cont...

- *Access - the ability of an entity to restrict or deny access of others to benefits that might flow from an asset. It can be argued that the Territory can restrict, deny or otherwise regulate the access to those benefits.*

When taken together there is [sic] a strong case for recognised infrastructure and other improvements on Aboriginal Land to be recognised as assets on the balance sheets of the Northern Territory.

By virtue of the economic benefits flowing to the Agency and that the risks and rewards of ownership reside with the NTG, agencies are to continue to recognise Government assets on Aboriginal Land as Agency assets.

The Policy Brief does not address instances where NT Government funds the acquisition/construction of assets on land that is not subject to a lease arrangement such as community living areas or land that may have native title implications. Such instances appear to constitute capital grants however the position adopted by the Agency in accounting for such costs is to capitalise the costs as assets of the NT Government on the premise that the landowner is unlikely to restrict access to, and use of the asset, as the landowner will be receiving benefit from the asset.

Scope and objectives

Section 15 of the Audit Act 1995 provides that “*the Auditor-General may conduct an audit of performance management systems of any Agency or other organisation in respect of the accounts of which the Auditor-General is required or permitted by a law of the Territory to conduct an audit*”.

The objective of an audit conducted under Section 15 includes “*determining whether the performance management systems of the Agency or organisation in respect of which the audit is being conducted enable the Agency or organisation to assess whether its objectives are being achieved economically, efficiently and effectively*”.

This audit was intended to obtain an understanding of how the NT Government accounts for the construction and subsequent repair and maintenance of infrastructure assets situated on leased land. This concentrated on the performance management systems and processes in place at the Agency responsible for construction and ongoing maintenance of infrastructure assets.

In conducting a performance management system audit, the Auditor-General may not question the merits of policy objectives of the Government. To that end, this audit did not intend to examine the legality or appropriateness of decisions to incur expenditure for the construction of infrastructure assets on leased land or land held by a party other than the NT Government.

This audit was scheduled in 2020 and was intended to consider the accounting processes and controls in place within the Agency as at 31 January 2020 as they applied to accounting for infrastructure assets on leased land or land held by a party other than the NT Government.

Accounting for Assets on Leased Land cont...

Five announcements were selected from the 2019-2020 infrastructure budget for testing as part of the audit and inquiries relating to those announcements were directed to senior personnel within the Agency. Those inquiries identified that two announcements represented projects and three represented programs of work extended across future years. Of the two projects, only one had progressed in the year ended 30 June 2020. As a result, it was decided that undertaking detailed testing of the projects and programs would add little value to Parliamentary oversight and enquiries would be limited to understanding the nature of each project/program and whether there was a methodology for accounting for the expenditure. To that end, the scope changed from an audit to an inquiry with no opinion provided as a result.

The conclusion of the inquiry was significantly impacted by resourcing constraints within the Northern Territory Auditor-General's Office. The audit of the performance management systems supporting *Infrastructure Program Development, Budgeting and Reporting* (reported in the Report to the Legislative Assembly tabled in November 2023) examined similar criteria to this audit and recommendations to improve the infrastructure program development, budget and reporting identified from the audit of *Infrastructure Program Development, Budgeting and Reporting* have not been revisited as part of this inquiry.

Observations

Capital infrastructure assets constructed on leased Aboriginal Land include assets such as airstrips, barge landings and roads. The following announcements identified in the 2019-20 budget related to remote infrastructure projects have been accounted for consistently with the Policy Briefs released by the Department of Treasury and Finance and the accounting policy/approach established by the Agency and the Department of Treasury and Finance.

- Project A – Lift and seal a selected section of road between Ramingining and Central Arnhem Road \$3,340,000 [Project]

Agency representatives advised: *The project was identified for consideration in the infrastructure budget when the Traditional Owners submitted a request to elevate the road. The cost of elevating the road was funded by the Northern Territory Government through the capital works program. The project was included in the Roads & Bridges Strategy, a component of the 10 Year Infrastructure Plan. There are some projects added to the Infrastructure Plan at the request of stakeholders. These requests may be directed at the Agency or through Members of the Legislative Assembly. There is a rolling investment program on key routes throughout the Northern Territory. There are also corridor strategies. Some improvements and works to roads are funded through the Black Spot Program (funded by the Commonwealth). The primary driver for these projects is safety and efficiency. Other projects may have economic growth as the primary driver.*

Funded by: Australian and NT Governments

Asset recognition: The road formation works have been recognised as a Northern Territory Government asset with a 999 year useful life. Earthworks or road formation are generally recognised as non-depreciable components or components with extremely long useful lives to reflect that they are in the nature of land.

Accounting for Assets on Leased Land cont...

- Project B – Upgrade and seal Maningrida-Ramingining Road \$976,000 [Project]

Agency representatives advised: *The project was instigated at the request of Power and Water Corporation. The project was expected to result in dust mitigation as the dust was affecting the solar panels.*

Funded by: NT Government

Asset recognition: The works have been recognised as a Northern Territory Government asset with a 40 year useful life.

- Project C – Central Arnhem Road – upgrade and seal priority sections \$11,250,000 [Program]

Agency representatives advised: *The early works for this project were in progress at the commencement of the audit with the project being a 10-year works program. The upgrade of the Central Arnhem Road is intended to respond to growth in the area and improve crash statistics. The upgrades are also intended to reduce the amount of time the road is not available to vehicles above a certain weight.*

Funded by: Australian and Northern Territory Governments

Asset recognition: The works have been recognised as a Northern Territory Government asset with a 40 year useful life

- Project D – sealing Port Keats Road between Wadeye and Palumpa, and upgrading Saddle Rail Creek Crossing \$1,625,000 [Program]

Agency representatives advised: *These projects related to the corridors on the Port Keats (Wadeye) roads and upgrading the crossing at Saddle Rail Creek. Agency representatives advised that Yellow Creek needed two bridges. Input through Local Decision Making identified a request for improvements between Wadeye and Emu Point. The works are intended to provide improved access to schools, the airport and services.*

Funded by: Australian and Northern Territory Governments

Asset recognition: The works have been recognised as a Northern Territory Government asset with a 70 year useful life

- Project E – Upgrade roads on the Tiwi Islands to support economic and social development \$6,250,000 [Program]

Agency representatives advised: *The Corridors Plan relates to access to Melville Island and the College. These Tiwi Island projects are on the Recoverable Works program. The costs of the works will be recovered from the Tiwi Islands Regional Council. There are existing agreements for the recovery of these costs.*

Funded by: Tiwi Islands Regional Council

Asset recognition: ALRA established native title over land in the Tiwi Islands.

Accounting for Assets on Leased Land cont...

Summary

The Northern Territory Government has policies and processes in place to ensure consistent accounting for the construction and subsequent repair and maintenance of infrastructure assets situated on leased land.

Areas of uncertainty for reporting include where Northern Territory Government assets are situated on land where a lease arrangement is yet to be negotiated and agreed; community living areas and land that may have native title applications. There is limited opportunity for the Agency to influence the pace of such agreements and the approach to assume certain characteristics of control exist seems reasonable.

Recommendations

As no testing was undertaken during this inquiry, no recommendations were made.

Achievement of Objectives for Grant Activities

Department of Industry, Tourism and Trade Index

The report on this audit is structured as follows:

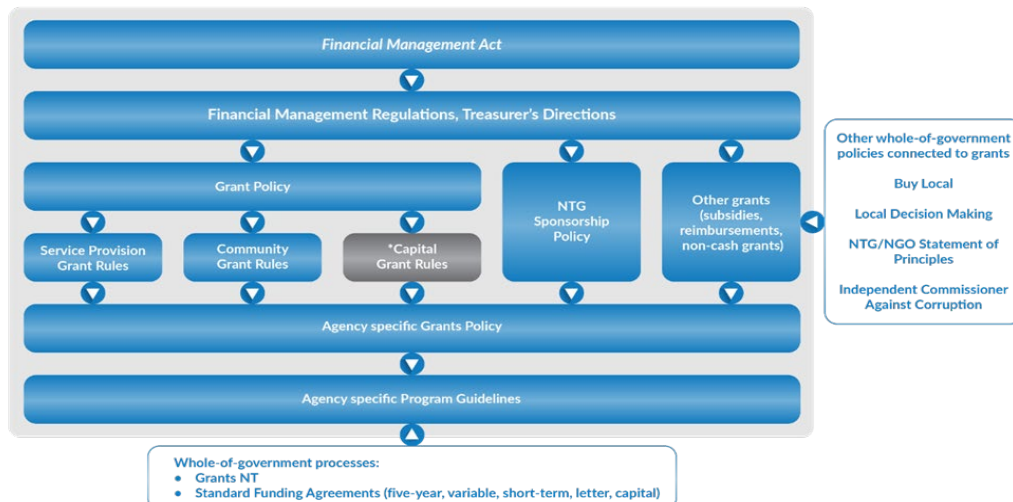
Background	142
NTG Grant Framework (the Framework)	142
NTG Grants System	144
Scope and objectives	145
Audit opinion	145
Audit Observations	146
System and processes	146
Effective planning	150
Achieving outcomes	154
Program evaluation	155
Testing	156
Cost of administering grants	157
Conclusion	157

Background

NTG Grant Framework (the Framework)

The Northern Territory Government Grant Policy (the Policy) outlines the financial management and accountability framework for grants.

Figure 1: NTG Grants Framework



Source: Northern Territory Government Grant Policy, June 2022.

Achievement of Objectives for Grant Activities cont...

The Policy establishes the overarching principles to be applied when managing grants. The policy provides guidance on planning, sourcing, management, performance monitoring, reporting requirements and standard grant funding agreements. Agencies need to ensure any agency specific grant management policies and program guidelines align to the Policy.

The Policy states:

“The NT Government needs to ensure public funds achieve the best value for the Territory, an accountable use of public money, and deliver the best outcomes for individuals, families and communities.”

Section 4 outlines that agencies must put practices and procedures in place to ensure grants administration is consistent with the eight key principles for grants management. The eight key principles are:

1. The funded activity should provide the **best value** for the Northern Territory.
2. **Clear objectives** – allow for a better understanding of the outcomes of a grant program. This makes it easier to develop performance indicators and a monitoring and evaluation framework.
3. **Planning and consistency** – assists the implementation of a grants program by having the appropriate processes, resources and mechanisms in place.
4. **Proportionality** – involves adopting processes to match the nature, scale, complexity and risks of the grant or grant program. Grants and grant programs which are considered low financial value or risk should have simpler requirements, specification, monitoring and administrative support than those of higher value or risk.
5. **Collaboration and partnership** – effective collaboration, shared understanding of expectations and positive working relationships with grant recipients will increase the likelihood of a grant or grant program meeting its objectives.
6. **Accountability and record keeping** – all those involved in the grant process are accountable and need to be able to justify the use of public resources. However, the funded organisation is accountable for the management and delivery of agreed outcomes.
7. **Probity and transparency** – to promote transparency, grant program guidelines, including the criteria, assessment and other processes, should be made public where appropriate and depending on the contestability of the grants process. For probity, the processes undertaken in grant programs should be consistent with the grant program guidelines and other relevant policies.
8. **Sustainability** – management of grants and the allocation of resources should support sustainable outcomes and long-term goals, including building the capacity of service providers.

The Policy covers the full cycle from planning to sourcing and management of grants. Section 5 outlines the planning, sourcing and management stages, each with associated activities.

Achievement of Objectives for Grant Activities cont...

Figure 2: Grant funding cycle



Source: Northern Territory Government Grant Policy, June 2022.

The Program Planning Stage includes establishing the need and objectives/outcomes of a grant or grant program, aligned to agency or NTG strategic objectives.

The Management of the Funding Agreement Stage requires periodic evaluations against key performance indicators or measures to understand if the objectives of the grant or grant program have been achieved. This is expected to be achieved through:

- Performance monitoring (Section 6.1 of the Policy)
- The establishment of and adherence to reporting requirements (Section 6.2 of the Policy)
- Application of the NTG Program Evaluation Framework (Section 5 of the Policy).

NTG Grants System

GrantsNT is a NTG grant management system that is mandated to be used by NTG agencies and grant applicants/recipients to manage grant funding activities. It has been observed that other systems are used by some agencies.

The Department of Industry, Tourism and Trade (the Agency) has used both a licensed web-based software application called 'Smarty Grants' and GrantsNT for the administration of grant application, assessment and approval processes. The Smarty Grants application has been used by the Agency since 2014 and has third party grant functionality.

The functionality of GrantsNT was enhanced during 2021 enabling sport voucher and third-party grant functionality. Further enhancement to the system capability is continuing with the addition of the development of community benefit fund functionality.

Achievement of Objectives for Grant Activities cont...

Scope and objectives

Section 15 of the *Audit Act 1995* provides that “*the Auditor-General may conduct an audit of performance management systems of any Agency or other organisation in respect of the accounts of which the Auditor-General is required or permitted by a law of the Territory to conduct an audit*”.

The objective of an audit conducted under Section 15 includes “*determining whether the performance management systems of the Agency or organisation in respect of which the audit is being conducted enable the Agency or organisation to assess whether its objectives are being achieved economically, efficiently and effectively*”.

The audit assessed the performance management systems in place at the Agency that enable management to evaluate whether its objectives, as associated with its grants and grant programs, are being delivered economically, efficiently and effectively.

Grants are “*the distribution of public money made by the NT Government (an agency) to an external entity or individual (a grant recipient) to provide a diverse range of services, events, activities, outcomes and initiatives, which are directed at achieving agency outcomes*” (source: NTG Grant Policy, June 2022).

The audit assessed if the Agency’s performance management systems apply the Northern Territory Government Grants Framework when evaluating whether the objectives of grants and grant programs are being delivered.

When reviewing the performance management systems in place at the Agency, the audit assessed:

- The systems and processes in place to effectively manage grants and grant programs in accordance with the Northern Territory Government Grants Framework.
- The processes in place at the Agency to determine what grants and grant programs will be offered.
- The Agency’s processes to ensure intended outcomes of grants and grant programs are achieved.
- The Agency’s use of performance assessments to evaluate grants and grant programs.
- The economic delivery of grant services.

The audit focused on grant processes in place at the Agency during the period 1 July 2023 to 31 January 2024. Due to the structure of some grants and because some grant programs run over multiple years, the audit involved examining grant activities from a prior period.

Audit opinion

The audit assessed the performance management systems in place at the Agency that enable management to evaluate whether its objectives, as associated with its grants and grant programs, are being delivered economically, efficiently and effectively.

The Agency has implemented components of a performance management system however opportunities were identified to improve processes and compliance with established frameworks to enable the Agency to evaluate whether its objectives, as associated with its grants and grant programs, are being delivered economically, efficiently and effectively.

Achievement of Objectives for Grant Activities cont...

Recommendations

Opportunities recommended to the Agency in order to improve the GrantsNT program management system and processes are presented below:

- Undertake overdue reviews of the Agency's Grants Policy and Grants Procedure.
- Ensure the frequency and regularity of audits is consistent with Agency requirements.
- Ensure the responsibilities of, and authority held, by the Grants and Business Performance business unit are communicated and enabled across the Agency.
- Transition all grants into GrantsNT and introduce processes to ensure consistent recordkeeping.
- Introduce a process to record the rationale for issuing funding directly to a recipient rather than through an open application process.
- Finalise the Agricultural Value Add Opportunities Grant Program Plan.
- Implement a process to document the approval and exemption from the Agency's Grants Policy and Grants Procedure.
- Monitor and assess the performance of a grant recipient or individual grant.
- Design and implement an evaluation plan that can be used on any program.
- Enhance grant agreements by including relevant key performance indicators.
- Confirm recipients' compliance with funding acquittal requirements.
- Retain adequate and appropriate documentary to support the treatment of a supply arrangement as either grant funded or procured.
- Implement a process to monitor the costs associated with the administration of grants.

Audit Observations

System and processes

Policies and procedures

To apply the NTG Grant Framework (the Framework), the Agency has policies and procedures in place which are accessible through the Agency's intranet. These documents include the Agency's:

- Grants Policy
- Grants Procedure
- Grant Program Plan Template

The Agency's Accounting and Property Manual also includes content related to the Framework.

The Framework requires agencies to put in place practices and procedures to ensure grants administration is consistent with the eight key principles for grants management. Section 6 of the Agency's Grants Policy reflects the eight key principles from the Policy presented earlier in this report.

Both the Agency's Grants Policy and Grants Procedure were approved on 26 September 2022 and are overdue for their scheduled annual review.

Achievement of Objectives for Grant Activities cont...

Responsibility for overseeing the implementation of the NTG Grant Framework

Each business unit is responsible for planning, sourcing and managing grant activities.

Oversight and governance of the implementation of the NTG Grant Framework within the Agency is shared between various roles and responsibilities throughout the Agency. The roles and responsibilities are documented in the Agency's Grants Procedure. Key roles and responsibilities are presented in Table 1 below.

Table 1: Grant Management Roles and Responsibilities

Role	Responsibilities
Delegate(s)	<ul style="list-style-type: none"> ▪ Review and make decisions relating to grants and/or grants programs ensuring such decisions are documented appropriately. ▪ Authorise/approve grant program establishment, commitment of funds and/or expenditure in line with the Agency's Financial Delegations No. 5.9.1.
Program area	<ul style="list-style-type: none"> ▪ Determine the outcomes to be achieved via the grant program. ▪ Monitor committed and expended funds to ensure program remains within budget. ▪ Make decisions relating to appeals/grievances relating to the grant/grant program. ▪ Administer any relevant documentation that is required to support delivery of the program to relevant governance groups or Ministers. ▪ Monitoring performance of grant programs. ▪ Provide direction on the actions to be taken when a grant program is approaching its budgeted program expenditure.
Grant Administrators	<ul style="list-style-type: none"> ▪ Provide regular reporting to program areas to enable financial monitoring. ▪ Support potential grant recipients in advice and eligibility. ▪ Undertake actions in the relevant systems in line with written approvals provided by delegate. ▪ Assess applications in line with program eligibility criteria. ▪ Coordinate assessment panels for competitive grants programs. ▪ Make recommendation to delegate to support grant award. ▪ Undertake administration in GrantsNT to support program delivery.

Achievement of Objectives for Grant Activities cont...

Role	Responsibilities
Grants and Business Performance	<ul style="list-style-type: none"> ▪ Best practice advice on grants systems and processes and the use of relevant systems, tools and templates. ▪ Manage approved agency grants systems, working as System Owner for GrantsNT for the agency. ▪ Manage, report and administer spot audits. ▪ Create and update program reporting, evaluation and analysis dashboards. ▪ Provide advice and support to Executive Management, program areas and grants administrators.
Relationship Manager e.g., key contracts for Industry Support, Grants, Small Business Champions	<ul style="list-style-type: none"> ▪ Promote and facilitate grant opportunities.
Solicitor for the Northern Territory	<ul style="list-style-type: none"> ▪ Provide legal advice.

Source: *The Agency's Grants Procedure September 2022*

“*Grants and Business Performance*” is a business unit of 15 staff within the Business and Workforce Division of the Agency. Its responsibility applies to all grants and grants programs within the Agency, regardless of the source of funding or division. Currently the Grants and Business Performance business unit services the grant programs within the Business and Workforce Division of the Agency.

Each business division is responsible for complying with the Agency's Grants Policy and Grants Procedure. There have been no internal audits assessing compliance with grant management during the period within the scope of the audit.

Grant systems at the Agency

Apart from the NTG grants systems mentioned in the *Background* section of this report, the Agency also uses Microsoft Excel for the management of some grants. The Excel application is used for computation, organisation, analysis and storage of data.

At the time of the audit, the Business and Workforce Division provided a listing of active grants from 1 July 2023 to 31 January 2024 managed by that division and recorded in Smarty Grants and Excel. The completeness of the listing could not be ascertained.

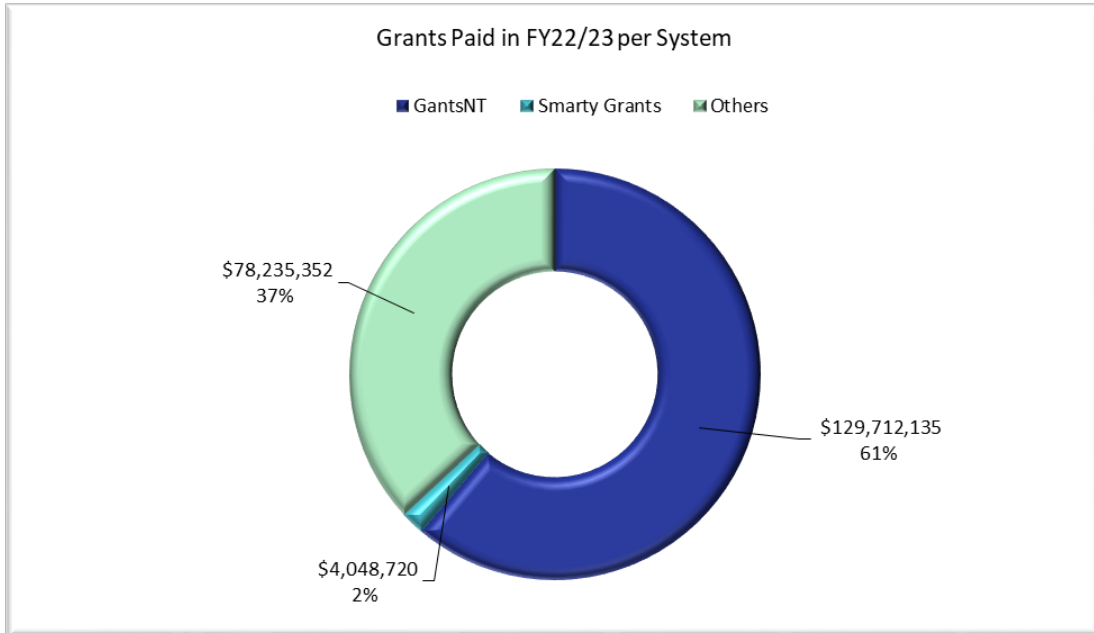
The GrantsNT system allows various levels of access to be assigned to a particular user however the user roles do not correlate to the roles in the Agency's Grants Procedure.

The Department of Corporate and Digital Development (DCDD) manages security, user, and system access to GrantsNT. DCDD initiates the review of the User Security Role Report by contacting a grant delegate in each business division of the Agency via email to provide an update to the User Security Role Report, to which the grant delegate responds accordingly.

Achievement of Objectives for Grant Activities cont...

All grants within the NTG are to be administered using the NTG Grant Framework and are required to be recorded in the GrantsNT system as outlined in the background section of this report. Examination of the grant payments paid by the Agency between 1 July 2022 to 30 June 2023 identified 39% of grant payments are made outside of GrantsNT, as shown in Figure 3.

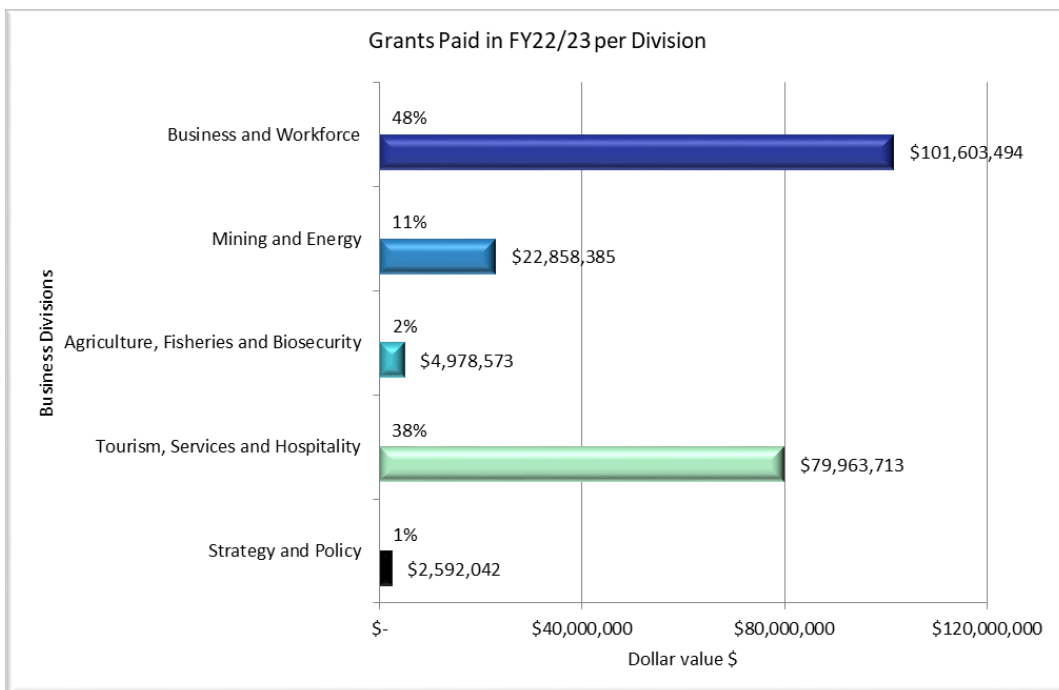
Figure 3: Grants paid in FY22/23 by System



Source: Derived from a listing of all grants paid between 1 July 2022 to 30 June 2023 provided by the Agency

Figure 4 shows the grants paid, per division, for the financial year ended 30 June 2023.

Figure 4: Grants paid per division



Source: Derived from a listing of all grants paid between 1 July 2022 to 30 June 2023 provided by the Agency

Achievement of Objectives for Grant Activities cont...

Within the Agency, the role of the Finance unit in managing grants is limited to grant program reconciliation, financial reporting and budget management.

Training and resources

The NTG Grant Framework and related documents such as the NTG Community Grant Rules, NTG Service Provision Grant Rules and the Agency's Grants Policy and Grants Procedure are available on the Agency's intranet and are accessible by all Agency employees.

Training was conducted by the Business and Workforce Division on 6 December 2023 on Grants and Funding Agreements with the following objectives:

- Understanding of how to structure a funding program
- Knowledge about key aspects of funding agreements
- Ability to identify key risks
- Options for how to address risks
- Tips about what to do when things go wrong.

The training focused on the following subjects:

- Governance Framework
- Designing the Program
- Administering the Program including grant agreements and when things go wrong
- Program Evaluation and Analysis.

The training sessions were open to all staff in the Agency and were attended by representatives from other divisions within the Agency such as Tourism, Strategy and Policy, and Industry Strategy.

DCDD provides online training for the use of GrantsNT for new users. When requested, the Business and Workforce Division of the Agency provides support and assistance for users of GrantsNT within the Agency.

Effective planning

The planning of grant programs is influenced by both internal and external factors which include:

- Sector or Community Pressure: The demands from the sector or community can drive the Agency to develop specific program objectives.
- Ministerial Instructions: Directives from ministers play a significant role in shaping grant program initiatives.
- Opportunities Identified by Small Business Champions: Small Business Champions, who are employees of the Agency, actively promote and facilitate grant opportunities. They also serve as relationship managers, assisting in the identification of the types of support accessible to Northern Territory businesses.

These factors collectively contribute to the strategic planning and implementation of grant programs, ensuring they align with the needs and opportunities within the community and broader governmental directives.

The Agency's Grants Policy, Grants Procedure and Grant Program Template reflect the grant planning process.

Achievement of Objectives for Grant Activities cont...

Six current grants were selected for testing, one under each of the following grant programs:

- Industry Support Program
- Training Organisation Support Program
- Aboriginal Workforce Grant
- Territory Small Business Roadhouse to Recovery
- Aboriginal Business Development Program
- Business Innovation Program 2.0 – Round 3.

To assess the effectiveness of planning for the awarding and distribution of grants, the audit considered processes that covered the key principles from Section 4 of the Policy and Section 6 of the Agency's Grants Policy. The results are shown in Table 2 below.

Table 2: Key Principle from Section 4 of the Policy (NTG) and Section 6 of the Agency's Grants Policy

Key Principle from section 4 of the Policy	Agency application
1. The funded activity should provide the best value for the Northern Territory	Four out of the six grants examined were subject to an open application process. Two grants were pre-approved to a single recipient. For the sample of grants tested, there was no documented explanation as to why or when a grant would be issued directly to a recipient rather than through an open application process.
2. Clear objectives – allow for a better understanding of the outcomes of a grant program. This makes it easier to develop performance indicators and a monitoring and evaluation framework	All the grants examined had an executed agreement based on the NTG template. The objectives, performance measurements, special conditions and reporting requirements are outlined in the agreement. The objectives outlined in the agreement are aligned with the Agency's objectives.
3. Planning and consistency – assists the implementation of a grant program by having the appropriate processes, resources and mechanisms in place	Grant management is decentralised. Views were expressed that further centralisation and consistency would be beneficial to the Agency. The Agency's Grants Policy and Procedures require all grants delivered by the Agency to use GrantsNT unless approval has been obtained for the exemption however there were active and current grants managed outside of GrantsNT. The use of GrantsNT was not consistent. As an example, reporting and records management were processed outside GrantsNT for two of the grants selected for testing.

Achievement of Objectives for Grant Activities cont...

Key Principle from section 4 of the Policy	Agency application
<p>4. Proportionality – involves adopting processes to match the nature, scale, complexity and risks of the grant or grant program. Grants and grant programs which are considered low financial value or risk should have simpler requirements, specification, monitoring and administrative support than those of higher value or risk</p>	<p>The extent of the information required, the frequency, and the details of grant reporting required from the recipients are based on the requirements of each grant and documented in the grant agreement. The extent of the process and requirements were commensurate with the nature, scale, complexity and risks of each grant program.</p>
<p>5. Collaboration and partnership – effective collaboration, shared understanding of expectations and positive working relationships with grant recipients will increase the likelihood of a grant or grant program meeting its objectives</p>	<p>There is a dedicated grant administrator (also referred as the grant manager) for each grant. For four of the six grants tested, grant managers met with grant recipients on a regular basis. Meeting dates were documented in GrantsNT. Minutes of meetings with grant recipients for these four grants were not recorded in GrantsNT but had been documented and retained in the Agency’s records management system, Content Manager. For the remaining two grants, there were no meeting requirements, which was appropriate given the nature of the grants. These grants were short-form agreements providing monetary assistance to the recipients for acquiring professional services or the supply and installation of goods.</p>
<p>6. Accountability and record keeping – all those involved in the grant process are accountable and need to be able to justify the use of public resources. However, the funded organisation is accountable for the management and delivery of agreed outcomes</p>	<p>There were financial delegations in place for all the grants examined and the grant agreements specify the required performance and financial information. Records associated with grants were kept either in GrantsNT or Content Manager.</p>

Achievement of Objectives for Grant Activities cont...

Key Principle from section 4 of the Policy	Agency application
<p>7. Probity and transparency – to promote transparency, grant program guidelines, including the criteria, assessment and other processes, should be made public where appropriate and depending on the contestability of the grants process. For probity, the processes undertaken in grant programs should be consistent with the grant program guidelines and other relevant policies</p>	<p>The grant program guidelines, requirements and application process were published in GrantsNT, NTG and/or in the partner organisation's website. This was observed for the four grants examined which were subject to an open application process. For the remaining two grants which were pre-approved to a single recipient the criteria, assessment and other processes, were not made public. The Agency published the program name, recipient and total grant expenditure in its annual report.</p>
<p>8. Sustainability – management of grants and the allocation of resources should support sustainable outcomes and long-term goals, including building the capacity of service providers.</p>	<p>Based on a sample of grants tested, the objectives associated with the grant funding aligned to the Agency's strategic outcomes.</p>

The six current grants selected for testing were not subject to the Agency's Grants Policy, Grants Procedure and Grant Program Template because these grants were already in place when the template was developed.

To assess compliance with the Agency's Grants Policy, Grants Procedure, and Grant Program Template for newly developed grant programs, two more recent grants were examined with the following results:

- **Alcohol Secure and Safety Grant:** This program was identified as a newly established grant however the Grant Program Plan was not prepared. Management explained this was due to the urgency of implementing the program at the time. Given the Grants Policy, the Grants Procedures and supporting templates were in place to ensure scarce resources are applied in a manner that delivers outcomes that are in the best value for Territory, failure to comply with the requirements may result in unintended consequences.
- **Agricultural Value Add Opportunities Grant:** The Grant Program Plan for this initiative was initially developed on 24 January 2024, and revised on 1 February 2024. The plan remains in draft form and lacked documentation in the evaluation plan section, including the identification of key performance indicators or measures to evaluate the success of the grant program. Furthermore, the data sources and methods of analysis intended for use in the evaluation of the grant were not outlined. Despite these shortcomings, the program received approval from senior executives of the Agency on 26 February 2024.

Achievement of Objectives for Grant Activities cont...

Achieving outcomes

As identified above, grant planning and management is the responsibility of each business unit.

The objective, performance measurements and reporting requirements are contained in individual grant agreements. To ensure the objectives of each grant are met, the Agency Grants Procedure documents the requirement to monitor the grant at multiple stages, particularly at the conclusion of each milestone identified in the grant agreement.

Each grant program owner is responsible for the ongoing monitoring of the progress of the grant program. This includes monitoring funds committed and expenditure. Where a grant program is approaching its budgeted expenditure limit, the grant program owner is to provide direction to Grant Administrators on actions to undertake such as cessation of the grant program and communication pending exhaustion of funds.

The extent of monitoring and the level of information required will vary depending on the specific grant and grant program and is determined during the grant planning stage. Additionally, the timing of monitoring activities is contingent upon the milestones outlined in the agreement, encompassing both performance and financial elements.

As part of the monitoring procedure, the Agency mandates the completion of performance reports. These reports must align with the grant program guidelines and agreements, maintain a consistent format for all recipients within a grant program, and be measured using quantitative data, including key performance indicators.

To verify the completion of each milestone, the Agency requires the submission of specific documents.

Each reporting date or milestone is monitored using GrantsNT (for grants recorded in GrantsNT). Reports are prepared by the recipient and record the recipient's performance against the key performance indicators and deliverables in the grant agreement. The performance documented in the reports is assessed by the grant manager and marked as 'meets requirements' if appropriate.

If an issue or concern is identified as it relates to delivery of the activity or function, the Grant Administrator will discuss the matter with the recipient and document a record of the discussion together with a plan of action for resolution, as appropriate.

The recordkeeping of all reporting submissions from grant recipients is inconsistent, with records kept in GrantsNT, the email mailbox of Grant Administrators and the Content Manager.

The Agency mandates audits to be undertaken at various stages of the grant program's progress. The frequency and scope of these audits are proportionate to the level of risk associated with the grant and are determined during the grant planning stage. Each program area is accountable for conducting audits of grant program elements. There are two types of audits:

- Desktop Audits: Conducted in-house by and determined by the Strategy, Performance and Governance division in the Agency.
- Spot Audits: Physical audits, including drive-by and onsite inspections (conducted by the program area at the grant recipient level).

Achievement of Objectives for Grant Activities cont...

The Agency's Grants Procedure states:

"A minimum of 10% of successfully awarded applications to be audited capped at 100. Where the program has more than 1500 successfully awarded applications, the sample population is determined by a Sample Size Calculator.

Desktop and Spot audits all count towards the final sample number required and includes audits done on applicants, registered business/works completed and assessors.

In addition, some grant programs may be subject to internal audit, or external audit. Grant programs that are considered higher risk may undertake addition[sic] spot audits or focus audit on areas where there is greater risk."

There is currently no system or process in place to monitor compliance with this requirement or a documented process to assess the overall performance of either individual grant recipients or grant agreements under the same grant program.

Internal audits completed over recent years evaluated the User Choice, Community Benefit Fund and Global Trade Scheme grant programs.

Section 9.13 'Reporting' in the Agency's Grants Procedure states *"Provide reporting to relevant stakeholders to inform them of the grant program progress and success"*.

Monthly financial reports detailing grant expenditures in each division are prepared by the Finance unit and are provided to senior management. There is currently no monitoring or reporting of grant activity by business division or program area to senior executives to assess the achievement of broader objectives. The current practice of internal reporting from the program area to senior executives of the Agency on the program's progress and success is ad hoc and subjectively determined by the program area.

Section 9.13 Reporting in the Agency's Grants Procedure further states *"To ensure transparency, all grant programs administered by the department are to be reported in the Agency Annual Report. Individual grants awarded in the previous year should be available on the website and maintained for some time thereafter"*.

The reporting of all grant programs, as required by Section 9.13 of the Agency's Grants Procedure, has been duly completed and is currently accessible on the Agency's website at <https://industry.nt.gov.au/publications/corporate/annual-reports>. This is an effective transparency measure and represents better practice.

Program evaluation

The Agency's Grants Procedure states:

"All programs in the department must be periodically evaluated"; and

"An Evaluation Plan should have been developed in the Program Planning phase for the grant program".

Five out of the six grant programs examined for testing have been ongoing for a few years and do not have an Evaluation Plan developed in the Program Planning Phase. One grant program, the Territory Small Business Roadhouse to Recovery Program, has been completed/closed and no formal program evaluation was conducted. Of the grant programs selected for testing as part of this audit, only the Aboriginal Business Development Program had a mid-term review conducted by the Agency.

Achievement of Objectives for Grant Activities cont...

The Aboriginal Business Development Program can provide potential and existing Aboriginal businesses in the Northern Territory with an injection of capital to either help commence operations, purchase assets and/or receive professional advice/support to help their businesses grow.

The objectives of the program are to:

- increase the number of Aboriginal owned and operated businesses
- support business growth and sustainability
- support the creation of new enterprises across industries
- increase the knowledge and skills of emerging Aboriginal business owners
- create new employment, economic and skill development opportunities for Aboriginal businesses, owners and staff.

The mid-term review was initiated to assess the effectiveness and alignment of the Aboriginal Business Development Program against its intended objectives. The resulting report highlighted areas of ambiguity, misunderstanding, and uncertainty within the current guidelines governing the administration of the program. Consequently, the primary aim of the mid-term review was to identify opportunities to mitigate ambiguity and enhance the clarity of parameters governing the Aboriginal Business Development Program, ensuring consistent grant administration across all locations within the Northern Territory.

The mid-term review was conducted as a desktop review encompassing all relevant materials from the past five years. The resulting report stated that the Aboriginal Business Development Program had not been reviewed for a long period of time. Previous reviews were conducted by external consultants over a decade ago and no records of these reviews could be found.

Findings from the review resulted in 24 recommendations aimed at addressing the highlighted issues and improving the efficacy of the Aboriginal Business Development Program. At the time of this audit, the Agency had progressed a number of the recommendations.

Testing

For all six grants tested, agreements were in place that identified the grant objective, reporting requirements, meeting requirements and payments. The agreements identified key performance indicators to measure the recipient's performance except for two grants which only have reporting and monitoring requirements.

There were no exceptions identified in the review of the key performance indicators and reporting received from the recipients for four of the six grants selected for testing. The key performance indicators in place were appropriately specific, measurable, achievable, relevant and timebound.

For one grant, the required funding acquittal statement was not provided within 30 days of the grant purpose completion by the grant recipient. There was no further documentation to demonstrate if follow up was performed and if non-compliance was accepted by the Agency.

One grant did not have minutes recorded of meetings held with the recipient.

One grant activity was historically delivered as a procured supply arrangement. Review of the available resources and flowcharts distinguishing grants from procurement did not demonstrate whether the grant should be delivered using the Procurement Framework or the Grant Framework. If using the Grant Framework, approval or exemption under the Procurement Framework may be required. No documentation was available to justify the current treatment of the supply as a grant.

Achievement of Objectives for Grant Activities cont...

Cost of administering grants

The cost of grant administration has been limited to the costs recorded for the administration of GrantsNT as documented in DCDD's Cost Allocation Model and the subscription cost of Smarty Grants.

Shared services, including support for GrantsNT is provided by DCDD. Each service provided by DCDD has a service statement that describes what services are provided and who can be contacted in relation to the service statement.

The methodology for allocating costs associated with the administration of GrantsNT is documented in DCDD's Cost Allocation Model. Costs are allocated to agencies based on each agencies' proportion of the entire value of grants processed (percentage of dollar value of grants processed).

Table 3: DCDD cost allocation model – 2023-24 unit cost

Service	Product name	Stats / Cost driver description	Cost
Across Government Systems	GrantsNT	% of \$ value of grants processed	\$1,020.56

Source: NTG Intranet - DCDD cost allocation model, December 2023 (<https://ntgcentral.nt.gov.au/our-government/corporate-and-digital-services/dcdd-services-charging-model>)

There is no other budget or resource allocation specifically recorded for the administration of the grants at the Agency.

The Agency does not review the cost of GrantsNT applied by DCDD.

Table 4 below shows the cost of maintaining the grants systems as provided by the Agency.

Table 4: Costs for maintaining the Grants Systems

Grant System	Cost	Comments
GrantsNT	July to December 2023: \$86,742 (FY2022: \$155,743)	% of \$ value of grants processed
Smarty Grants	\$25,909	Subscription cost
Excel spreadsheet	Unknown	Cannot be determined.

Source: Provided by Agency. GAS reports

Conclusion

The audit assessed the performance management systems in place at the Agency that enable management to evaluate whether its objectives, as associated with its grants and grant programs, are being delivered economically, efficiently and effectively.

The Agency has implemented components of a performance management system however opportunities were identified to improve processes and compliance with established frameworks to enable the Agency to evaluate whether its objectives, as associated with its grants and grant programs, are being delivered economically, efficiently and effectively.

Project Management Review NTG Pay

Department of Corporate and Digital Development Background

The Department of Corporate and Digital Development (DCDD) is responsible for the delivery of information technology projects across the NTG. This includes the responsibility for development and delivery of the NTG Pay system during the 2023 calendar year. NTG Pay is the government's purchase-to-pay system and has replaced the:

- Electronic Invoice Management System (EIMS) front end
- GAS Purchase Order module
- GAS Purchase Order Wizard.

NTG Pay has the following modules:

MODULE	MODULE USE
Home	landing page, links to relevant modules and reference
Purchase	create purchase requisitions
Tasks	review and approve transactions (purchase requests and invoices)
Search	find NTG Pay transactions
Procurement	view agency purchases, create spend plans and view contract spend
Invoicing	non-invoice payments (NIPs) and recipient-created tax invoices (RCTIs) only
Accounts payable	Invoice management and run accrual reports

Source: NT Government Intranet (NTG Pay – Purchase to Pay)

DCDD use the following definitions for project, program and program management².

A project is a temporary structure that is created for the purpose of delivering one or more business products according to an agreed business case.

A program is a temporary, flexible organisation structure created to coordinate, direct and oversee the implementation of a set of related projects and activities in order to deliver outcomes and benefits related to the organisation's strategic objectives.

Project management is the planning, delegating, monitoring and control of all aspects of the project, and the motivation of those involved to achieve the project objectives within the expected performance targets for: time; cost; quality; scope; benefits and risks.

According to DCDD, "NTG Pay provides similar functions to EIMS, but with enhanced features offering an improved user experience and more efficient invoicing."³

² <https://dcdd.nt.gov.au/ict-project-management-framework>

³ <https://ntgcentral.nt.gov.au/news/articles/ntg-pay-to-replace-eims>

Project Implementation Review NTG Pay cont...

In relation to the time-line of the NTG Pay Project, DCDD identified that the Project had an original timeline of 1 November 2021 to 21 November 2022 with an original budget of \$4.4 million.

NTG Pay went live on 5 September 2023 with a cost, as at 31 October 2023, of \$4.6 million.

Scope and objective

The objective of this review was to assess the following project management aspects related to the NTG Pay Project (also known as NTG Pay) at DCDD:

- the technical risks of the NTG Pay Project such as security design, data conversion and system interfaces;
- whether the NTG Pay Project met specified or defined objectives/goals;
- whether the expected benefits were achieved;
- the user's satisfaction with the new application;
- budgeted cost compared to actual cost;
- whether the project was completed within original timeframes; and
- whether there are any outstanding issues.

The review examined the design of DCDD's project management systems in relation to the above review objectives and verified the controls in place in April 2024.

Opinion

Based on the scope of review and testing performed, except for some opportunities to improve project management controls to ensure the overall success of the end-to-end project management phases, nothing has come to the attention of audit to indicate that DCDD has not progressed the project deliverables in accordance with the planned objectives and budget, including the identification and management of risks.

Observations

DCDD have implemented project management controls to ensure consistent execution and management of new NTG ICT projects. There was evidence of active involvement of project stakeholders and the project board as oversight during the project phases.

A project management framework was in place however consideration should be given to updating the framework to document requirements and include guidance for:

- performance of the user satisfaction survey as part of the post implementation review;
- monitoring of expenses and thresholds; and
- documentary sign off on relevant project documents.

There are also opportunities to enhance processes to determine whether NTG Pay met the intended objectives and benefits as defined in the initial project documentation.

Project Implementation Review NTG Pay cont...

The Department of Corporate and Digital Development has commented:

The Department of Corporate and Digital Development will consider the suggested enhancements during the next review of the Project Management Framework.

Agency Compliance Audit

Selected Agencies

Background

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

- the maintenance of registers of financial interests, contingencies, guarantees and indemnities;
- validation of accounts payable and claims for payment, including funds availability;
- compliance with the *Procurement Act 1995*, Regulations made under that Act and Procurement Rules;
- the maintenance of registers of losses, and whether investigation, and reporting and recovery of losses accorded with the requirements of Treasurer's Directions;
- ensuring that expenditure on official travel, telephones and hospitality was properly authorised, recorded and acquitted;
- the recording and accounting for trust monies;
- the legal and statutory arrangements governing the recovery of certain debts, the retention of financial management records, the granting of ex-gratia payments and the maintenance of Registers of Fees and Charges;
- the control of physical assets; and
- budget management, including financial and performance reporting.

Agency compliance audits are undertaken annually between January and June. No agency compliance audit was conducted at Northern Territory Fire and Emergency Services as the agency was not functional during that period.

Audits were performed in each of the following agencies during the six months between 1 January 2024 and 30 June 2024:

- Aboriginal Areas Protection Authority;
- Department of Corporate and Digital Development;
- Department of Education;
- Department of Environment, Parks and Water Security;
- Department of Health;
- Department of Industry, Tourism and Trade;
- Department of Infrastructure, Planning and Logistics;
- Department of Territory Families, Housing and Communities;
- Department of the Attorney-General and Justice;
- Department of the Chief Minister and Cabinet;

Agency Compliance Audit cont...

- Department of the Legislative Assembly;
- Department of Treasury and Finance;
- Northern Territory Electoral Commission;
- Northern Territory Police;
- Office of the Independent Commissioner Against Corruption; and
- Ombudsman's Office.

Scope and objectives

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

Audit opinions

The audits found that, in general, the accounting and control procedures examined within agencies provided reasonable assurance that the responsibilities of each Accountable Officer, as set out in Treasurer's Directions and Procurement Governance Policy and Procurement Rules, will be met if those systems continue to operate in the manner identified in the audit.

The following comments relate to two agencies. Significant improvement was noted at the Department of the Attorney-General and Justice this year, however a qualified audit opinion was issued at the Department of Environment, Parks and Water Security as detailed below.

Department of the Attorney-General and Justice

Significant weaknesses in internal control were identified during the prior year's Agency Compliance Audit at the former Department of the Attorney-General and Justice resulting in a qualified audit opinion being issued in 2023.

Agency personnel have made considerable progress since the last Agency Compliance Audit to address these control weaknesses, although some legacy issues relating to 'Deposits Held' and 'Accountable Officers Trust Accounts' were still to be resolved. The audit opinion provided to the Accountable Officer of the Department of the Attorney-General and Justice was not qualified this year.

Agency Compliance Audit cont...

Department of Environment, Parks and Water Security

A qualified audit opinion was issued to the Accountable Officer of the Department of Environment, Parks and Water Security. The qualification is reproduced below and is accompanied by the explanation provided in the *Basis for Qualified Opinion*.

Qualified Audit Opinion

The criteria I used in forming my opinion were the control objectives identified by the Financial Management Act 1995, Treasurer's Directions, the Procurement Act 1995, Regulations, Procurement Governance Policy and Procurement Rules. In my opinion, except for the matters described in the Basis for Qualified Opinion paragraph, in all material respects:

- *the controls within the system were suitably designed to achieve the control objectives identified in the in-scope Treasurer's Directions, Procurement Act 1995, Regulations, Procurement Governance Policy and Procurement Rules;*
- *the controls operated effectively as designed throughout the period from 1 July 2023 to 31 January 2024.*

Basis for Qualified Opinion

Significant weaknesses in internal control were identified during the Agency Compliance Audit.

The Audit and Risk Committee's Terms of Reference had not been reviewed since 20 August 2021 and the Committee had met only once during the period 1 July 2023 to 31 January 2024. The lack of current Terms of Reference for the Committee and oversight by the Committee may lead to failure to detect errors or irregularities and identify improvement opportunities for the Agency's internal controls. The internal audits scheduled did not address risk areas identified in the Strategic Risk Register, consequently it was difficult to demonstrate how management had obtained assurance that mitigation strategies intended to be put in place to address strategic risks had been implemented and were operating effectively.

There had been no independent review of corporate credit card transactions since the 2019-20 financial year despite this being a requirement of Treasurer's Direction C3.3.5.

The fraud risk assessment and Fraud and Corruption Control Plan had not been reviewed or updated since 2021. The Fraud Risk register included risks for which the mitigating control relies on the Auditor-General conducting compliance audits of the Agency. As there is no legislative mandate requiring the Auditor-General to conduct any form of audit or review at each Agency every year, there is a risk of overreliance on the identified mitigating control. Where the relevant mitigating control is identified as being an audit or review of transactions/balances or compliance, such audits and reviews should form part of the Agency's internal audit plan.

The matters above, together with the controls weaknesses relating to non-compliance with the across-government payment policy; the Corporate Credit Card Policy and Procedures; and travel requirements resulted in the Auditor-General being unable to obtain sufficient assurance that some specific control objectives identified by the *Financial Management Act 1995*, Treasurer's Directions were achieved during the period from 1 July 2023 to 31 January 2024.

Agency Compliance Audit cont...

Audit observations

Whilst none of the exceptions identified in the audits were indicative of pervasive across-government weaknesses leading to material misstatements of the Treasurer's Annual Financial Statements, a number of controls weaknesses and issues were identified at many agencies during the agency compliance audits. These matters are presented below.

'Deposits held' and 'Accountable Officers Trust Accounts'

At one agency, four 'Deposits Held' accounts had legacy issues that require resolution and the reconciliation of the 'Mediation Standards Board' account had not occurred at the time of the audit.

Corporate credit cards

At one agency:

- Supporting documentation for 1,023 transactions (30% of total transactions) was not submitted in the Expense8 (corporate credit card) system. Agency representatives had identified that, of the 1,023 transactions, 1,013 are split transactions which do not record a date of submission resulting in an overstatement of the non-compliance rate. The Agency has committed to working with the Department of Corporate and Digital Development to modify the Expense8 report to provide more useful exception reporting.
- The supporting documentation for 854 transactions (25% of total transactions) was not submitted within seven days of being posted to the Expense8 system.
- 1,026 transactions (30% of total transactions) were not authorised by the financial verifier in the Expense8 system.
- 105 transactions (3% of total transactions) were not authorised by the financial verifier within seven days of being submitted in the Expense8 system.

One agency requires that a payment made using a corporate credit card is to be submitted by the cardholder within six days from the date of appearing in Expense8. The NT Government Corporate Credit Card policy provides that transactions, once submitted by the cardholder, should be approved/verified by the verifier within one week. A review of the 'EXP804 Unsubmitted/Unverified expenses report' as at 4 March 2024 identified:

- 634 transactions were detailed as pending submission by cardholders for more than 6 days from the date of appearing in Expense8. Of these transactions:
 - 49 transactions, initially submitted by the cardholder but rejected by the verifier, had not been re-submitted to the verifier.
 - The oldest pending submission was dated back to January 2022.
 - 13 card holders were identified with more than 10 transactions pending submission.
- 196 transactions were observed pending verification more than one week from the date of being submitted in Expense8. Of these transactions:
 - 10 transactions were outstanding from August 2022 to December 2022.
 - One verifier was identified to have 21 transactions pending verification and had the highest number of unverified transactions.

Agency Compliance Audit cont...

- Review of information contained in the register of corporate credit cards and EXP804 reports (Used cardholder codes and limit worksheet) identified three cards that were not recorded in the corporate credit card register.

At another agency, analysis of the 138 payments from the 'Unsubmitted Unverified Expenses Report', identified that the supporting documentation for 96 transactions (30% of total transactions) was not submitted in the Expense8 system and the supporting documentation for 34 transactions (25% of total transactions) was not submitted within seven days of being posted to the Expense8 system. Treasurer's Direction C3.3.5 states "*the agency should ensure periodic monitoring and review of corporate credit card transactions; purchase descriptions and excessive charges is undertaken (and where necessary promptly followed up) by an independent officer*". There had been no independent review of corporate credit card transactions since the 2019-20 financial year at this agency, although a high-level review of transactions was conducted in 2021-2022.

Fraud risk assessment

At one agency, no fraud risk assessment had been conducted in the last two years and no fraud control plan was in place.

At another agency, the agency performed its most recent fraud risk assessment on 23 February 2021 with the output scheduled for review every two years. The agency was currently reviewing the fraud control measures however the review had not been finalised and had been overdue since 23 February 2023. The agency's Fraud and Corruption Control Plan was approved on 16 July 2021 and was scheduled for review every two years. The agency was currently reviewing its fraud control measures however the review had not been finalised at the time of the audit and had been overdue since 16 July 2023.

Internal audit

At one agency, the following shortcomings were observed with the Agency's internal audit function:

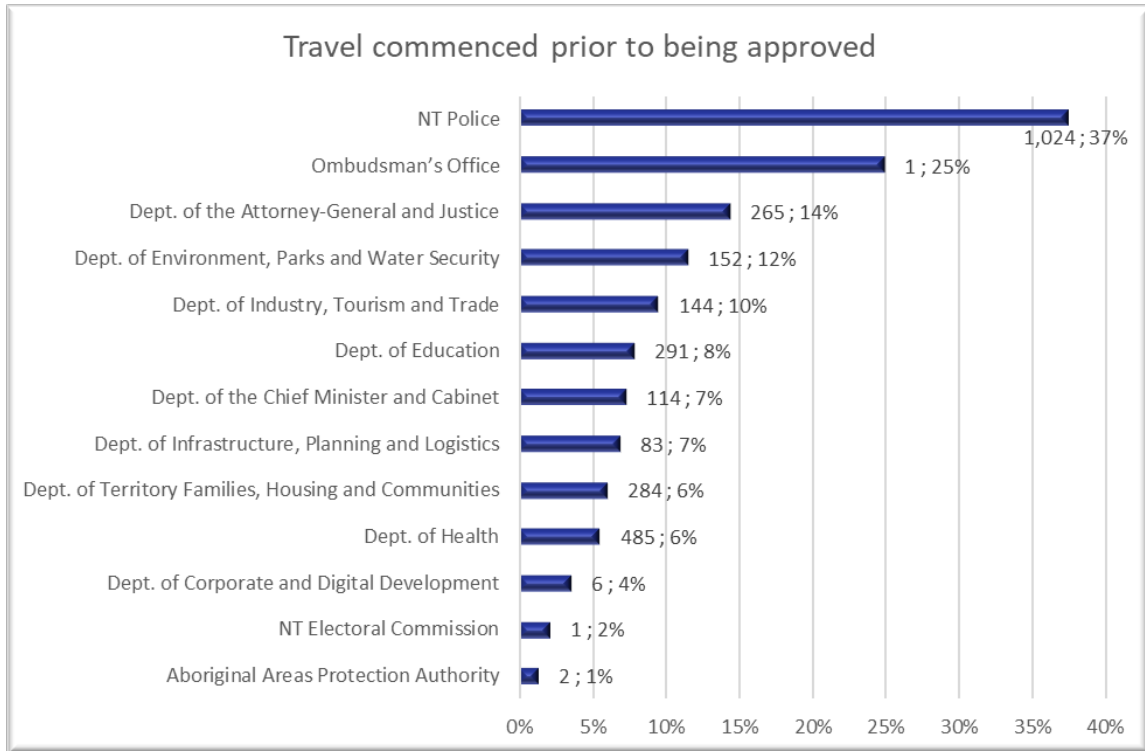
- The Terms of Reference for the Audit and Risk Committee were approved on 20 August 2021 and were scheduled for review every 2 years. At the time of the audit, the agency was reviewing the Terms of Reference and the composition of the Audit and Risk Committee however, this had not been finalised and had been overdue since 20 August 2023.
- The Audit Committee met once during the 2023-2024 financial year to 30 April 2024. The Terms of Reference required the Committee to meet at least four times per year.
- The internal audits scheduled in the 2023-24 Audit Plan did not address the risk areas identified in the Agency's Strategic Risk Register.
- There had been no independent review of corporate credit card transactions since the 2019-20 financial year. Treasurer's Direction C3.3.5 states "*the agency should ensure periodic monitoring and review of corporate credit card transactions; purchase descriptions and excessive charges is undertaken (and where necessary promptly followed up) by an independent officer*". This had not occurred at the time of the audit and the review was not included in the 2023-24 Audit Plan.

Agency Compliance Audit cont...

Travel expenditure and acquittal

Review of the TR10 - Travel Policy Compliance report for travel events between 1 July 2023 and 31 January 2024 identified that 27,709 travel events were undertaken by employees of agencies and there were 2,852 instances where the travel commenced prior to being approved.

Figure 1: Travel commenced prior to being approved

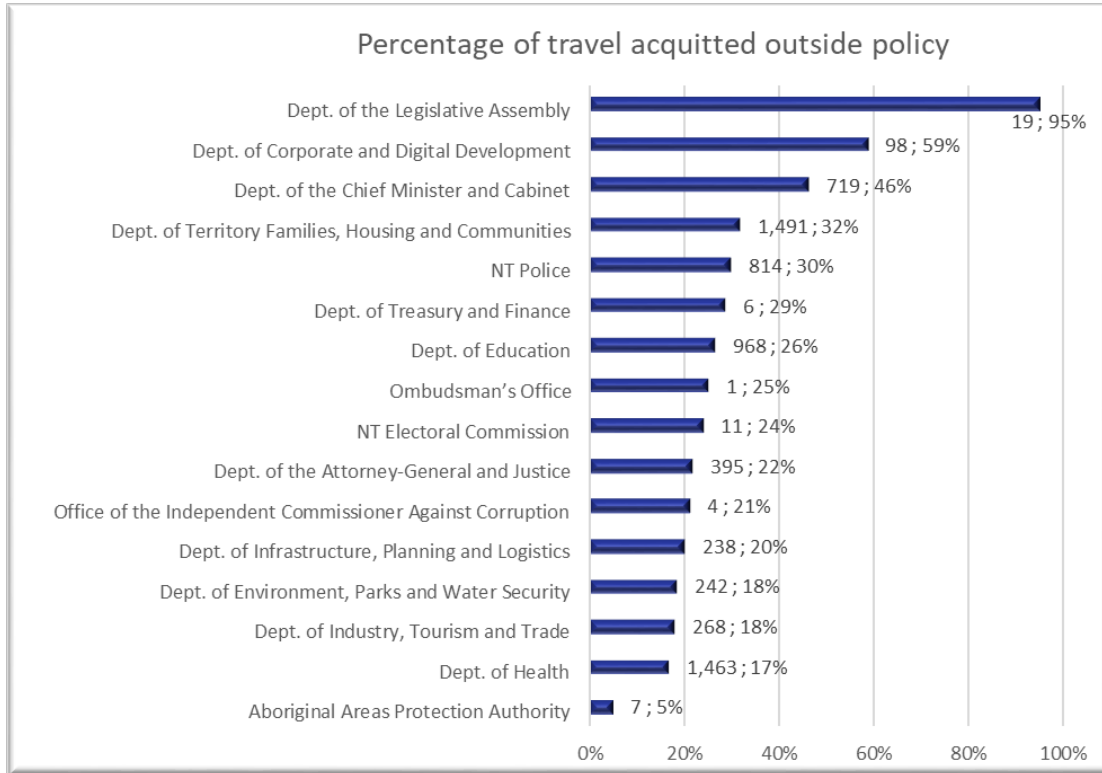


Source: NTAGO derived from the Department of Corporate and Digital Development's "TR10 – Travel Policy Compliance report" extracted on 27 May 2024

Agency Compliance Audit cont...

Additionally, the report identified 6,744 (24%) travel events that were identified as ‘Travel Acquitted Outside Policy’ (i.e., that the travel was not acquitted within 10 working days after returning to the workplace), as shown in the figure below.

Figure 2: Percentage of travel acquitted outside policy



Source: NTAGO derived from the Department of Corporate and Digital Development's "TR10 – Travel Policy Compliance report" extracted on 27 May 2024

There were also 58 instances where the travel event was identified as ‘Travel Acquitted Before Arrival’ (i.e., where the acquittal was completed before the travel had concluded) and four identified as ‘Travel Acquitted Before Departure’ (i.e., where the acquittal was completed before the travel had commenced).

Some agencies identified incorrect travel acquittal and approval dates within the TR10 report and have reported the inaccuracies in the report to the Department of Corporate and Digital Development as that Department has ownership of the report.

For the TR10 report to be a useful tool to help agencies monitor compliance with the NT Government travel through highlighting non-compliant travel events, the reporting of false exceptions is misleading and needs to be minimised. As an example, if a travel event is incorrectly being reported as ‘Travel Acquitted Outside Policy’ when the event was acquitted in a timely manner, or the travel was reported as being commenced prior to approval when the travel was approved in advance, the genuine non-compliant travel events are not apparent to a user of the report.

Agency Compliance Audit cont...

Expenditure

At one agency,:

- Three hospitality expenses from a sample of five hospitality expenditure transactions were recorded as entertainment expenditure. In particular:
 - The approval obtained for two hospitality transactions where alcohol was included, was not in accordance with section 4(e) of the Agency's Hospitality Policy.
 - One transaction was approved after the expense had been incurred.
 - Inconsistencies were identified between the Financial Delegations, Hospitality Policy and Hospitality approval form in relation to the appropriate approval for hospitality expenditure, where alcohol is included.
- Of five travel expenditure transactions tested:
 - One instance was identified where the actual travel cost exceeded the estimated amount approved, yet no further approval had been obtained.
 - The actual costs incurred for two travel requisitions were not updated in the Movement Requisition on acquittal.
- Of 25 payment transactions reviewed, the approval for the payment of one sponsorship expenditure transaction was obtained from a delegate who did not possess the appropriate level of authority. In addition, the agreement for this sponsorship payment was not signed by the Agency's delegate.

At a different agency, from a sample of three hospitality expenditure transactions tested, retrospective approval was obtained after the expenditure was incurred for one transaction and the goods and services tax amount recorded in the general ledger did not agree to the supporting documentation provided for another transaction.

Internal policy documentation

At one agency, there was no evidence to demonstrate that several internal policies and procedures had been reviewed on a regular basis or by the time specified by the agency in the document. These policies and procedures are:

- The Fraud Control Policy and Fraud Control Plan was approved on 19 February 2021 and is required to be reviewed every six months. Evidence of regular review was unable to be provided.
- The procurement complaints management process was last reviewed in June 2021. The information contained in the document stated that a review was required by December 2021. Evidence supporting this review was unable to be provided.
- The Hospitality Policy, approved in February 2021, was last updated in August 2021. The document states it is to be reviewed annually. There was no evidence to suggest this had occurred.

At another agency, several instances were identified where information contained in the Agency's Corporate Services Handbook, approved in October 2021, was either inaccurate, outdated, or absent. This matter was also raised at the conclusion of the 2023 agency compliance audit at this Agency.

Agency Compliance Audit cont...

At a third agency, the:

- Fraud Control Plan had not been finalised. This matter was previously reported to the Accountable Officer in correspondence dated 26 May 2022 and 30 May 2023.
- Delegation Manual is subject to review every 6 months or after a significant change in legislation or departmental structure. The document was last reviewed in February 2022.
- agency had developed a Risk Management Toolkit for use by directors, business managers and staff to support effective and compliant management of risks in the Agency. The document was due for review on 1 January 2020 and had not been reviewed.
- Risk Management Policy is intended to be reviewed at least once every two years; however, the latest version of Risk Management Policy was dated in 2018, with the next review being scheduled in the 2024-25 financial year.

Loss following prepayment for goods

Treasurer's Direction A2.9 states:

As a general rule payment will not be made in advance of the receipt of goods or services. However, payments in advance may occur in certain circumstances.

Prepayments are considered to be appropriate where:

- *it is a requirement of the procurement process (for example, memberships, subscriptions and airline bookings); or*
- *there is an identifiable benefit to the Territory.*

Other relevant factors in assessing the appropriateness of making a prepayment include:

- *delivery of goods or services is assured;*
- *value of the prepayment – additional care should be exercised as the value of the prepayment increases;*
- *previous relationship with the supplier (for example, a history of prompt delivery and problem free dealings indicates that a high standard of service should continue);*
- *supplier's creditworthiness and the likelihood of recovery in the event of failure by the supplier to deliver the goods or services; and*
- *other identifiable benefit to the Territory.*

One agency incurred a \$300,000 loss relating to a payment in advance to supply and install office furniture within an NT Government building. The write-off documentation stated that \$1.16 million was paid to the supplier in July 2020 "to ensure consistency of future products by sourcing all desks in one bulk order; to enable the contractor to secure the furniture at an improved price point by aggregating into a single order; and purchasing desks at 2020 prices". The supplier entered administration in October 2022, 2 years 3 months after the payment was made without all of the furniture being supplied to the Agency resulting in a \$300,000 loss being incurred by the Agency for the furniture not delivered.

Agency Compliance Audit cont...

Accounting for fixed assets

At one agency:

- there was not a final approved assets revaluation policy.
- with the exception of cultural assets, management was not able to provide a reconciliation schedule between the fixed assets register, valuation reports, and revaluation journal entries related to the 30 June 2023 revaluation.
- review of the register of cultural assets demonstrated that the register did not contain the minimum information required by Appendix B of Treasurer's Direction A2.2.
- review of the fixed asset register identified one asset that had not been depreciated in the current financial year. On further inquiry, it was identified that this was due to the remaining useful life of the asset being incorrectly updated in the system as one year instead of 12 years.
- the fixed assets register includes assets valued at less than \$10,000.
- management was unable to provide documentary evidence to substantiate the write-off of items of plant and equipment.

Errors were also identified in the accounting for fixed assets at two other agencies.

Guarantees and Indemnities

At one agency, the register of guarantees and indemnities included a guarantee that no longer applied and one indemnity entered during the year was not included in the register.

Procurement

There are five fundamental principles that govern how NT Government agencies use public money irrespective of the value or urgency of the transaction.

1. Value for Territory – Procurement expenditure that delivers procurement outcomes while meeting the NT Government's economic, social, environmental and cultural objectives.
2. Ethical Behaviour and Fair Dealing – Procurement activities instil confidence in business, industry and the public as to the probity, accountability and efficacy of the NT Government Procurement Framework.
3. Open and Effective Competition – Procurement activities foster a competitive and innovative business environment to drive opportunities for the Territory.
4. Enhancing the Capabilities of Territory Enterprises and Industries – Procurement activities support the growth, development, and sustainability of Territory enterprises and industries.
5. Environmental Protection – Procurement activities promote the protection of the environment through harm minimisation and sustainable practices.

When spending public money, an NT Government agency's role goes beyond reporting accurate accounts of how they have used public funds. No matter the size or complexity of transactions, spending of public money requires:

- **Accountability:** Ensuring public funds are used for the mandated role and the expected performance has been achieved. Aligning public spending to the agency's objectives helps the public and Parliament to understand why money has been spent and what has been achieved.

Agency Compliance Audit cont...

- **Transparency:** Reasons for awarding funding should be clearly explained and well documented. Without clear records about reasons for decisions, decision-makers may not be able to provide sufficient confidence that they are acting impartially, are effectively managing public funds, and that project benefits will be delivered.
- **Unbiased approach:** Applying a consistent procurement approach with clear criteria. Applicants should go through the same process and the criteria should be applied consistently across all applications.

Rather than being seen as an administrative burden, appropriate procurement processes and records help to support the quality of the decisions made and public's confidence in those decisions.

Procurement Rules (Section 5) describe the mandatory requirements that agencies must (should by exception) follow when undertaking procurement activities. Procurement Rules *Exceptions and Exemptions* (Rule 7 and Section 6) provides limited exceptions and exemptions from specific rule requirements that may be approved where their use is defensible.

An agency must maintain appropriate records of procurement activities in accordance with NT Government records management standards and guidelines for a period of at least three years after the contract award.

Audits undertaken have identified non-compliance based on a small sample of transactions.

Non-compliance with legislated procurement requirements

At one agency, of a sample of 25 procurement related transactions tested, one Tier 2 procurement was not included in the Agency Purchase Requisition Online (APRO) report demonstrating that the procurement had not been recorded in APRO.

At another agency, from a sample of 30 procurement related transactions:

- One sample had no supporting documentation stored in NTGPROCURE or the agency's database.
- In one instance, the Procurement Assessment Recommendation (PAR) approved by the delegate was approved after the award date on APRO.
- For one sample, the PAR, Authority to Invite Quotations (ATIQ) and Notice of Acceptance (NOA) were approved after the award date recorded in APRO.
- Three samples were identified where the ATIQ template for Tier 1 and Tier 2 had been used for procurement over an estimated \$100,000 value, however Procurement Rule 5.5 mandate a Project Specific Procurement Plan to be prepared for procurements at Tier 3 or above (>\$100,000).
- There were two samples where Procurement Rules 1.6 E6.2.1 (a) and (b) were not adhered to. These rules specify that direct contracting can only be adopted for Tier 1 and Tier 2 when purchasing for goods and services that are low risk, freely available 'off the shelf' and purchased locally. These two samples related to suppliers from interstate.

Agency Compliance Audit cont...

- In three samples, the estimated value in APRO system was inconsistent with the procurement documents as follows:
 - The estimate was incorrectly loaded from the Project Specific Procurement Plan by adding the Total of the "Initial value plus the extension value" of \$3,400,000 with the "extension value" of \$1,700,000.
 - Differences between the amount estimated values in APRO report and the supporting documents.

APRO record:	\$38,697,840.00	\$355,000,000.00
Supporting documents:	\$386,978.40	\$354,854.00

At another agency, of a sample of 25 procurement related transactions tested:

- Two Tier 1 transactions were identified where the approval to seek quotes was granted after the quotes had been obtained.
- The approval to accept a quote was provided after the work had been completed for one Tier 1 transaction.
- The approval to accept a quote for one Tier 1 transaction was provided after the notification of acceptance had been sent to the supplier.
- The approval for variations and additional costs incurred over the quoted amount was obtained after payment was made for one Tier 1 transaction.
- The approval to use the 'direct purchasing' method for one transaction, with a value of \$1,050.50, did not comply with section 2.4.1 of the Agency's Procurement Delegations which specifies that 'direct purchasing' can only be used for transactions with a value lower than \$1,000.
- The procurement outcome approval form was unable to be provided for two Tier 2 transactions.
- For six transactions, the awarded contract value exceeded the financial limit of the Tier used to apply the procurement rules based on the initial estimated contract value. This non-compliance affected four Tier 2 transactions, one Tier 3 transaction and one Tier 4 transaction. Of these six instances, two were noted where the awarded contract values were 347% and 264% higher than the estimated costs, respectively.
- The conflict-of-interest forms signed by four employees, had not been completed correctly, as the completed forms did not indicate whether a conflict of interest existed or not.
- The payment of one invoice was identified as being paid later than the required 20 days.

Agency Compliance Audit cont...

Procurement recommendations

All Agencies should consider the root cause of any non-compliance with mandated NT Government policies and agency procedures, and consider what additional processes are needed to strengthen procurement practices:

1. Policies and procedures need to be accessible and pragmatic.
2. Policies and procedures need to be implemented from the top down and applied consistently within the agency.
3. Policies and procedures need to be reviewed and updated regularly and kept front of mind by referring to them often.
4. Policies and procedures need to be reinforced with regular training or knowledge sharing sessions. The more familiar personnel are with the requirements, the less likely they will be to make mistakes.
5. Compliance with policies and procedures needs to be checked.
6. Action needs to be taken to address non-compliance where non-compliance is detected.

Prompt payment of invoices

Many agencies could not demonstrate adherence to the NT Government Procurement Policy requiring undisputed invoices to be processed within the required 20 day (under \$1 million) and 30 day (over \$1 million) periods.

Where an Agency Compliance Audit identified that an agency had exceeded the specified payment days in 10% or more of the payments, the matter was reported to the Accountable Officer for their attention.

Whilst there are valid reasons why this measure cannot always be achieved, some agencies were reminded to revisit their internal payment processes to improve compliance levels.

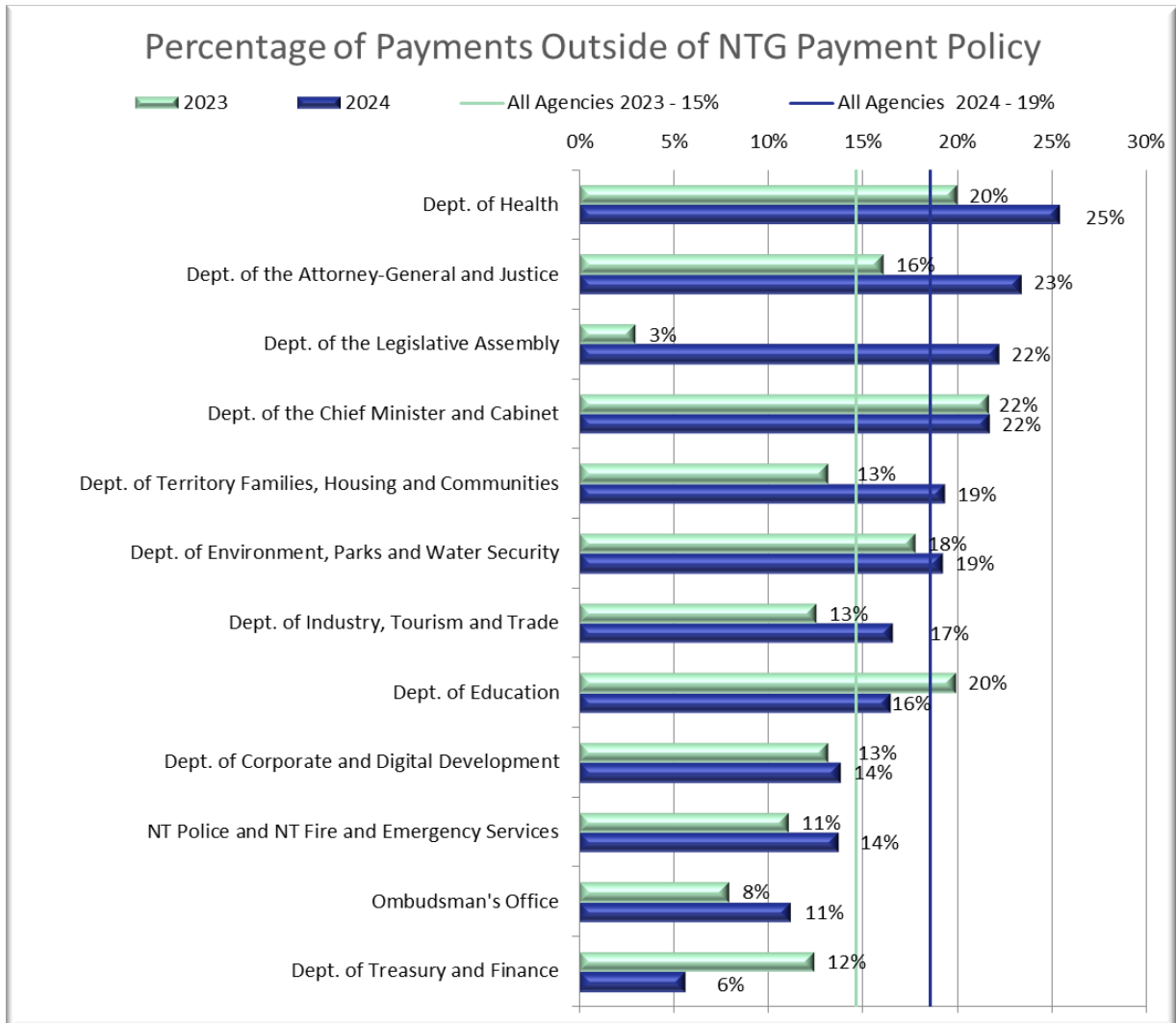
There are some payments captured within the "AP06 report" that are not required to be paid within the 20 and 30 day periods. These include grants to schools, employee reimbursements (Non-Invoice Payments) and Fares Out of Isolated Locations.

Personnel within agencies stated that there were several instances where an agency had forwarded an invoice to DCDD and the system parameters have estimated the received date for the invoice (based on the invoice date plus 5 days). The date calculated by the system was not reflective of the actual date of receipt or of the invoice being sent to Accounts Payable which was often much later. Agencies have stated that they have discussed the errors within the "AP06 report" with DCDD.

The percentage of payments processed outside of the NT Government's Payment Policy for the period 1 July 2023 to 31 January 2024, where the percentage paid outside policy terms is 10% or over in 2023 or 2024, is presented in the following chart.

Agency Compliance Audit cont...

Figure 3: Percentage of payments outside the NT Government Payment Policy



Source: NTAGO derived from the Department of Corporate and Digital Development's "AP06 – Invoice Processing report" extracted on 1 February 2024

Penalty interest late payments – former Department of Territory Families, Housing and Communities

The Agency Compliance Audit at the former Department of Territory Families, Housing and Communities identified that, between 1 January 2022 and 31 January 2023, 13% of undisputed invoices were settled outside established payment terms. In 2024, the AP06 report identified that, between 1 July 2023 and 31 January 2024, 19% of undisputed invoices were settled outside established payment terms.

In addition to non-compliance with the NT Government Payment Policy, late payment of non-disputed invoices results in an increased risk that, should suppliers make valid claims, the Agency may be required to pay penalty interest on the late payments. Review of the Agency's trial balance (as at 31 January 2024) identified that the Agency recorded \$51,315.60 as 'Penalty Interest Late Payments'. As a result, further analysis was undertaken.

Agency Compliance Audit cont...

On 1 March 2024, Agency management was asked to clarify the origin of the 'Penalty Interest Late Payments'. On 8 March 2024, management advised that most of the late payment fees were for invoices belonging to 2022 and the first quarter of 2023. Agency management further stated that the delays were caused because a supplier of property management services had posted and emailed invoices to the incorrect area within the Agency, including to a defunct email address.

Additional information provided by management included final notices dated 3 October 2023 for numerous properties with the invoices including costs relating to:

1. Admin contributions from 1 March 2023 to 30 November 2023
2. Sinking Contributions from 1 March 2023 to 30 November 2023
3. Admin Final notice fees with due dates of 20 January 2023, 3 April 2023, 3 July 2023 and 3 October 2023.

On 13 March 2024, management further explained that:

1. Previously the invoices were sent by the supplier to the Agency's 'generic' email accounts and the invoices were then forwarded to the payment teams. The 'generic' email address within the Agency was closed with the payments being brought into the standard Agency processes. Upon closure of the generic email address, a rule was implemented which caused a return email to be sent to suppliers advising that the email account was no longer used. Nevertheless, at least one supplier continued to use the defunct email address.
2. Processes within the agency did not alert management that no invoices had been received for the properties for nine months. In addition to the absence of processes, high staff turnover and a high volume of properties also impacted management's oversight.
3. Agency management interpreted that the agency (not the supplier) was 'at fault' and paid approximately \$7,000 in interest.

When asked for an explanation of the difference between the \$7,000 penalty interest identified by management as being paid to the supplier and the \$51,315.60 recorded in the Agency's ledger, management advised that there was a miscoding in the ledger due to "*the invoices not apportioning the interest and body corporate expense*". Resolution of the issue resulted in approximately \$40,000 of body corporate fees being removed from the 'Penalty Interest Late Payments' account. As at 31 March 2024, the 'Penalty Interest Late Payments' account recorded \$11,871.92.

Agency Compliance Audit cont...

The Department of Children and Families (on behalf of the former Department of Territory Families, Housing and Communities) has commented:

The Department acknowledges and accepts the findings from the Agency Compliance Audit.

The Department of Corporate and Digital Development has commented:

The Department of Corporate and Digital Development will work with agencies on improving the concerns raised with particular reports identified in the audit.

The Department of Education and Training (on behalf of the former Department of Education) has commented:

We acknowledge the findings regarding travel acquittals and payments outside of NT Government policy as presented in the tables. We are committed to the timeframes outlined in NT Government policy and will seek to further strengthen our internal controls in this area.

The Department of Health has commented:

Accounts Payable

The Department of Health acknowledges the findings and is committed to ensuring payments occur within NTG payment terms. The Department experienced an escalation in payment delays during the transition period to NTGPay but have observed improvements as users became more familiar with the new system. To address the issue of overdue payments, the Department is implementing streamlined processes and improving executive level reporting on payment time frames.

The Department of Lands, Planning and Environment (on behalf of the former Department of Environment, Parks and Water Security) has commented:

With respect to the finding that the Department's Audit and Risk Committee (ARMC) did not meet during the audit period. I can confirm that this committee met regularly prior and was temporarily in obeisance while it was being reformed with new members and an independent chair. Meetings resumed in July this year.

With regard to the finding that the internal audit program did not include matters on the Agency's Strategic Risk Register I can confirm that the register was considered when the draft Internal Audit Plan was developed and tabled at the meeting in July but a decision deferred until post the NT General Election.

Strategic risks and mitigation of those risks in this agency are considered in audits, but also through review of policy and procedure, new projects (such as the Environmental Data Management projects) and through performance management responsibilities.

Agency Compliance Audit cont...

The Department of Lands, Planning and Environment (on behalf of the former Department of Environment, Parks and Water Security) has commented (cont...):

With respect to the finding that a separate review of corporate credit card transactions had not been completed, this was completed before the end of the 2023-24 financial year. It is the Treasurer's Direction C3.3.5 recommendation only that a separate review is a mitigating control option. This is not mandated. Other controls are in effect such as an assessment of sample transactions within broader internal audits (e.g. the Value for Territory Audit), a high level review of corporate credit card expenses and limits, and verification of each transaction by an officer separate to the cardholder.

Both the Fraud and Corruption Control Plan and Fraud and Corruption Risk Assessment were updated and approved by Governance Board on 3 July 2024.

Finally with respect to travel approvals, this is an area of sustained focus within the Agency that is challenged by the nature of travel (very remote field work, opportunistic travel and changing travel arrangements dictated by weather, access approvals and logistics). As a result the agency allows for a range of approval methods and a number of the non-compliances listed as not being approved prior to travel commencing were approved through other methods, including via memo, emails or operational business systems. Prior approval documentation was not interrogated by the audit team.

The Department of Mines and Energy, Department of Trade, Business and Asian Relations, and the Department of Agriculture and Fisheries (on behalf of the former Department of Industry, Tourism and Trade) have commented:

The few issues raised in the former agency will be reviewed to ensure future compliance.

Northern Territory Police has commented:

Thank you for your letter dated 8 November 2024 which included a summary of your findings related to the Northern Territory Police Force to be tabled in the November 2024 Report to the Legislative Assembly.

I appreciate the opportunity to comment, however, I wish to make no comment at this time.

End of Year Review

Selected Agencies

Background

The purpose of conducting end of year reviews of the Public Account is to provide support to the audit of the Treasurer's Annual Financial Statements (TAFS) through reviewing the reasonableness of agencies' end of year financial data that is consolidated into the TAFS by the Department of Treasury and Finance. The review methodology involves reviewing the reasonableness and effectiveness of agencies' end of financial year reporting and controls relevant to accounting processes and practices and reviewing material financial transactions that have occurred within the agencies.

Findings and observations from these reviews may also provide matters for Accountable Officers to consider when they are preparing their representations to their relevant Ministers.

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

- Aboriginal Areas Protection Authority
- Department of Corporate and Digital Development
- Department of Education
- Department of Environment, Parks and Water Security
- Department of Health
- Department of Industry, Tourism and Trade
- Department of Infrastructure, Planning and Logistics
- Department of Territory Families, Housing and Communities
- Department of the Attorney-General and Justice
- Department of the Chief Minister and Cabinet
- Department of the Legislative Assembly
- Department of Treasury and Finance
- Northern Territory Electoral Commission
- Northern Territory Fire and Emergency Service
- Northern Territory Police
- Office of the Independent Commissioner Against Corruption
- Ombudsman's Office.

Scope and objectives

The objective of each end of year review was to review the adequacy of selected aspects of end of financial year reporting and controls over accounting and material financial transactions at each agency. The reviews are undertaken under section 13 of the *Audit Act 1995* in order to support the audit fieldwork and resultant independent audit opinion issued upon the TAFS.

End of Year Review cont...

The reviews were not directed to auditing financial information presented within each agencies' annual report.

Observations

Whilst an audit opinion is not expressed on the financial statements of each agency, the Authorised Auditor assigned to each agency provided a representation to my Office at the completion of each review confirming that the reviewed financial information entered by each agency into the APEX system for the purpose of preparing the TAFS for the year ended 30 June (effectively a trial balance) contained no material misstatements.

Reviews conducted at most agencies identified no material or significant weaknesses in controls. The table below summarises the number of findings reported to Accountable Officers at the conclusion of the review conducted at their agency.

Table 1: Number of issues raised

Number of Issues Raised	Number of Agencies 2024	Number of Agencies 2023
0	3	4
1	3	3
2	5	2
3	2	3
4	2	1
5	1	2
8	1	-
14	-	1
Total Agencies	17	16
Total Issues Raised	40	44

Source: NTAGO derived from management letters issued

Reviews at agencies identified findings that were raised in relation to the general control environment. In particular it was noted that:

- There were instances where journals were submitted by agencies after Period 14 had closed on 17 July 2024. In many instances, established month-end processes in place at the agencies should have identified the need for these journals and enabled them to be processed within the normal month-end close timeframe. The processing of journals by agencies after the mid-July ledger close date has, in the past, affected the timely completion of the audit of the TAFS and may result in material unanticipated changes to forecast results.
- Two agencies had negative capital, one of \$90.9 million and the other of \$2.4 million. The negative Capital was a result of equity withdrawals by the Central Holding Authority (CHA), however the net assets in both agencies were still positive due to the accumulated funds of each agency (\$117.9 million and \$4.2 million respectively) exceeding the negative capital balance.

End of Year Review cont...

Treasury stated that prior to withdrawing capital from agencies, Treasury ensures that agencies remain solvent at the net asset level. Agencies may from time-to-time report negative capital where surplus cash has been withdrawn by the CHA to meet whole of government liquidity requirements. The new cash policy relating to cash levels ensures solvency and does not consider the composition of equity (i.e. the split between capital and accumulated funds) given that the CHA is the only owner.

- The Department of Corporate and Digital Development (DCDD) initiate Bi-Annual Security Reviews confirming the appropriateness of user access to the Personnel Information and Payroll System (PIPS) and the Government Accounting System (GAS). PIPS controls access to employee and employment data in PIPS, myHR, and BOXI-HR reports. GAS is the financial system.

Some agencies did not respond to one, or more, of the security review requests. Reasons provided by various agency representatives for the lack of any response included:

- DCDD emailed an invalid address with the reminder emails also being sent to the same invalid address and the non-delivery report (often referred to as a 'bounce message') not being actioned by DCDD
 - DCDD emailed a valid email address where an out-of-office notification was enabled but the out-of-office notification was not actioned by DCDD
 - DCDD emailed a valid email address, but the recipient was not responsible for monitoring access to the system and the recipient did not respond to the email or forward the email to an appropriate individual at the agency
 - DCDD emailed a valid email address but the recipient simply failed to respond.
- The contingent liability register at one agency was incomplete.
 - One agency's creditors listing includes payables dating back to 2011.
 - Three agencies posted journals after the ledger cut-off on 17 July 2024. The last journal was posted on 26 August 2024.
 - One agency had asset components that had not been revalued within the last five years.
 - Deficiencies were identified relating to the revaluation of infrastructure assets, recognition of land assets and the transfer of construction work in progress at one agency.
 - There was a significant increase in unprocessed purchase orders liability due to system error during implementation of NT Government Pay at one agency.
 - At one agency the 'Budget to Actual' and 'Actual to Actual' analysis in the Agency's financial statements is inaccurate.
 - The following deficiencies relating to fixed assets were identified at one agency:
 - Adjustments relating to fixed asset impairments were not completed in the agency's fixed asset register.
 - 492 assets in the data set provided to the valuer had no build date or handover date resulting in the valuer having made assumptions regarding these dates and noting, in the valuation report that the lack of basic information in so many locations was of concern.

End of Year Review cont...

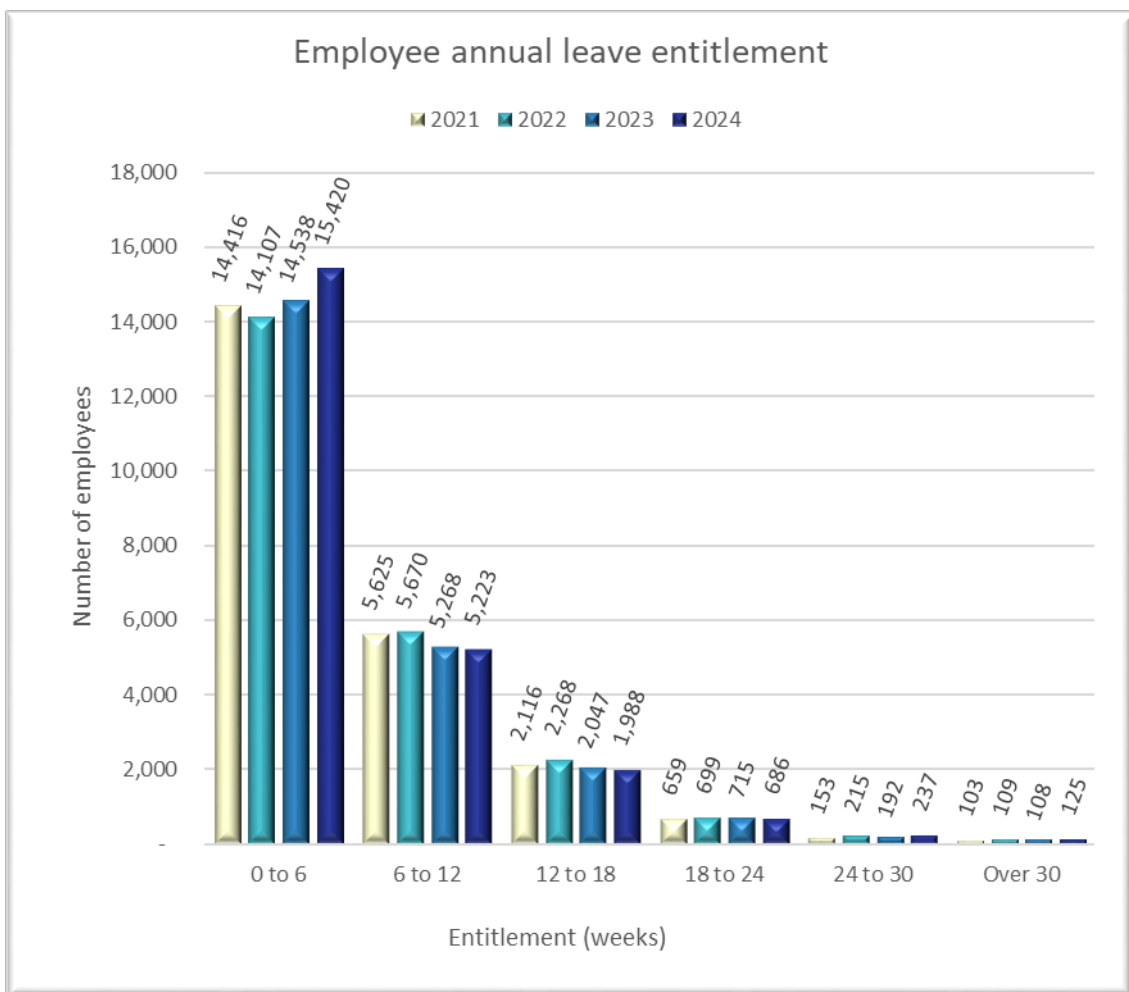
- The useful life of one asset (from a sample of five) was not consistent with the agency’s accounting policy.

Excess annual leave entitlements

At 30 June 2024 3,306 agency employees (12.8%) were identified with annual leave entitlements greater than 441 hours, or 12 weeks (2023: 3,062 employees (13.4%)), as shown in Figure 1.

The highest annual leave balance for an individual employee was 2,495 hours which represents approximately 66 weeks of annual leave entitlement not considering additional annual, long service and personal leave accrued and public holidays declared during the 66 weeks. In 2023, the same employee was entitled to 2,519 hours (approximately 67 weeks) of annual leave.

Figure 1: Employee annual leave entitlements - by number of employees

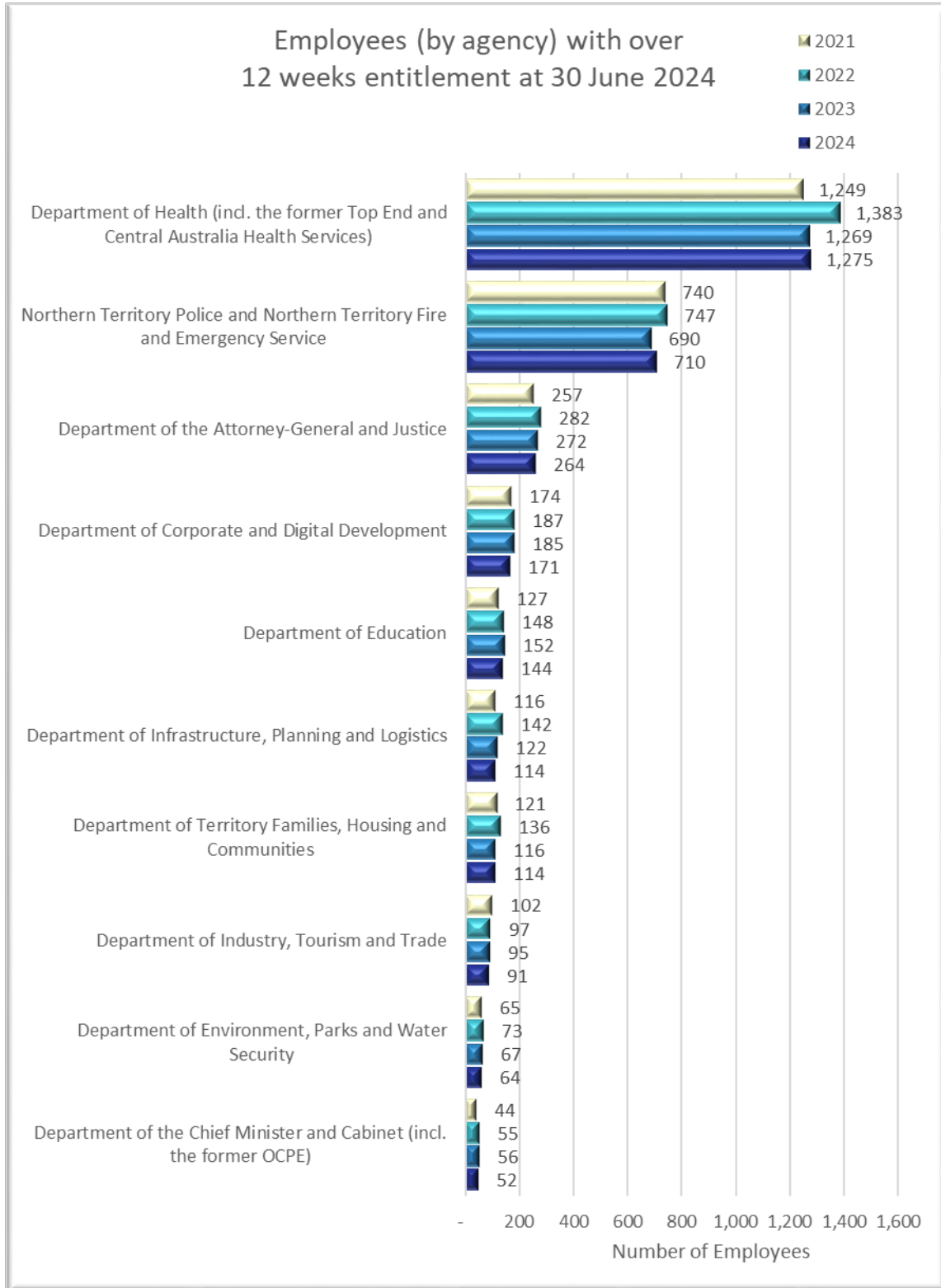


Source: NTAGO derived from the Department of Corporate and Digital Development’s “EEN01 – Employee’s Leave Detail Listing” extracted on 2 July 2024

End of Year Review cont...

Figure 2 shows the number of employees with annual leave entitlements over 12 weeks in agencies that have more than 20 employees.

Figure 2: Employees with annual leave entitlements over 12 weeks



Source: NTAGO derived from the Department of Corporate and Digital Development's "EEN01 – Employee's Leave Detail Listing" extracted on 2 July 2024

End of Year Review cont...

The risks of allowing employees to accrue significant annual leave balances are that:

- Cash flows may be impacted if employees were to leave the Agency unexpectedly.
- Not taking leave is detrimental to employees' performance and wellbeing resulting in work, health and safety risks.
- Operational risks can arise associated with rosters, staff scheduling and service delivery.
- There is the potential that leave may have been taken by an employee, but the leave application forms were not submitted and/or approved correctly.
- There is a financial risk associated with many staff taking their full leave entitlements at the same time.
- There is an increased risk that fraud may occur and not be detected.

End of Year Review cont...

The Department of Children and Families (on behalf of the former Department of Territory Families, Housing and Communities) has commented:

The Department acknowledges and accepts the findings from the End of Year Review.

The Department of Corporate and Digital Development has commented:

The Department of Corporate and Digital Development is reviewing all agency contacts for accuracy prior to the next bi-annual security review. This will incorporate any updates required due to the machinery of government changes.

The Department is monitoring its employees' excess leave entitlements. Managers monitor excess leave through their workforce dashboards on NTG Central and agree on excess leave management plans with affected staff.

The Department of Education and Training (on behalf of the former Department of Education) has commented:

We acknowledge that there are a number of staff with annual leave entitlements over 12 weeks and we will continue to actively work with staff to manage excess leave arrangements, ensuring that planned and taken leave is in place to reduce leave balances.

The Department of Health has commented:

Recreation Leave balances

The Department of Health acknowledges the reported recreation leave balances, and the challenges of balancing leave arrangements with critical frontline service delivery. The Department will continue to manage excess leave balances through staff leave planning with oversight through executive level reporting.

The Department of Mines and Energy, Department of Trade, Business and Asian Relations, and the Department of Agriculture and Fisheries (on behalf of the former Department of Industry, Tourism and Trade) have commented:

The one issue raised in the former agency regarding excessive annual leave entitlements will continue to be managed.

End of Year Review cont...

The Department of Treasury and Finance has commented:

The Department of Treasury and Finance (DTF) acknowledges the observations of the audit. DTF continues to review Treasurer's Directions to bring them to contemporary standards and resolve compliance deficiencies across government. Review of Treasurer's Directions are prioritised in terms of risk to the Treasurer's Annual Financial Statements, and to address material issues across government, new government policy requirements and changes to Australian Accounting Standards. The audit observations will be used to inform any future changes to Treasurer's Directions

Northern Territory Police has commented:

The Northern Territory Police Force acknowledges the key findings and will continue to enhance internal controls to better meet legislative requirements and manage excess annual leave entitlements.

Matters Referred to the Auditor-General Pursuant to Section 6 of the *Public Information Act 2010*

Background

The *Public Information Act 2010* (the Act), as in force at 10 April 2019, and the associated Regulations, provide for the review of public information produced by public authorities. A public authority is defined in Section 5 of the Act as:

- an Assembly member;
- the holder or occupier of any of the offices of a Minister, the Speaker, the Leader of the Opposition or any other office of the Legislative Assembly;
- the holder or occupier of an office established by or under a law of the Territory;
- a person appointed or engaged to perform work for a public authority;
- an Agency;
- a body (whether incorporated or not) established by or under a law of the Territory;
- a body corporate to which one or both of the following apply:
 - the capital of the body corporate is owned by one or more public authorities;
 - one or more public authorities have a total of more than one-half of the voting power in the management of the body corporate;
- a body corporate that is a subsidiary of a public authority (whether or not through any interposed entity).

Excluded from the definition are:

- holders or occupiers of:
 - judicial office;
 - an office as a member of a tribunal established under a law of the Territory;
 - the office of the Auditor-General;
- a local government council;
- Jacana Energy;
- the Power and Water Corporation;
- Territory Generation; and
- a person or body prescribed by regulation.

Matters Referred to the Auditor-General Pursuant to Section 6 of the *Public Information Act 2010* cont...

Section 4(1) of the Act defines public information as '*information given by a public authority to the public by using money or other property of the Territory*'. Exemptions from this definition are:

- information given to members of the electorate of an Assembly member if the preparation and giving of the information is funded by an allowance payable to the Member for the electorate under a law of the Territory; and
- a media release of a Member of the Legislative Assembly (whether or not in his or her capacity as an Assembly member); and
- information prescribed by regulation.

The Act does place a limit on the scope of what might be considered to be public information in that Section 4(2) provides that a '*public authority gives information to the public when it makes the information available to the public generally (rather than any particular members of the public) through any medium*'.

Section 6(1) of the Act provides that the Auditor-General must, upon the receipt of a written request of a Member of the Legislative Assembly, or may, on the initiative of the Auditor-General, conduct a review of that information to determine whether the provisions of the Act have been contravened, with regard to the Public Information Regulations.

The Auditor-General may determine that the Act is contravened in relation to particular public information if the Auditor-General is satisfied one or more of the following applies to the information:

- the information promotes particular party political interests;
- the information includes statements that are misleading;
- the information is an advertisement that includes an image of a minister or a minister's message;
- for public information that is not an advertisement – the information includes an image of a minister or a minister's message other than:
 - the Chief Minister; or
 - the relevant minister;
- the information includes facts (including comparisons), statistics or data that are not presented accurately; or
- the information fails to specify the source, or a means for identifying a source, of any facts (including comparisons), statistics or data.

The Auditor-General may also determine this Act is contravened in relation to particular public information if the Auditor-General is satisfied the content of the information is not for the purpose of the public interest.

There have been two matters referred since the May 2024 Report to the Legislative Assembly.

Matters Referred to the Auditor-General Pursuant to Section 6 of the *Public Information Act 2010* cont...

Referral of a complaint to the Auditor-General – Curfew Laws

On 22 May 2024, a Member of the Legislative Assembly broadly referred to the Auditor-General a '*media release and other government communication issued by the Lawler Government on and around 21 May 2024 concerning the assertion Curfew Laws Passed to Keep Territorians Safe*'. The referral requested the Auditor-General to consider whether the media release contravened the provisions of the Act.

Review of allegation

Information contained in media releases is exempt from the Act under section 4(1)(b) of the Act. Upon being notified of the exemption, the referring party provided a list of articles and material produced by various media outlets related to the *Police Legislation Amendment Bill 2024* (colloquially referred to as the 'Curfew Laws').

After examining the content of the articles and material in the second communication, the Auditor-General determined that the information was not public information as defined by the Act as the information had not been given using money or other property of the Territory. As a result, the Auditor-General determined that the provisions of the *Public Information Act 2010* do not apply to the referred material.

Conclusion

Following from the above, it was concluded that the provisions of the *Public Information Act 2010* did not apply to any of the information referred.

Recommendation

Given the conclusions above, no recommendations were made.

Matters Referred to the Auditor-General Pursuant to Section 6 of the *Public Information Act 2010* cont...

Referral of a complaint to the Auditor-General – New Home Grants

On 3 October 2024, a Member of the Legislative Assembly wrote to the Auditor-General alleging contraventions of the provisions of the Act.

The allegation was that a Facebook post published on or around 1 October 2024 on the *Lia Finocchiaro MLA* Facebook page contravened the provisions of the Act, in particular Section 6(2)(a), which states that the Act is contravened if the information promotes particular party political interests. The post, relating to the New Home Grants scheme, included the image of a house with the Country Liberal Party logo and colour scheme (house logo).

Image 1: Facebook post, dated 1 October 2024



Source: *Lia Finocchiaro MLA Facebook page*

Matters Referred to the Auditor-General Pursuant to Section 6 of the *Public Information Act 2010* cont...

The allegation also noted that similar posts using the same image had been posted on the *Marie-Clare Boothby MLA* and *Jo Hersey-Member for Katherine* Facebook pages.

The referrer also referenced posts made on the *Tanzil Rahman* and *Steve Edgington MLA* Facebook pages, which did not include the house logo, but included other generic images with information and links to apply for the New Home Grants scheme.

Review of allegation

I conducted a review to determine whether information presented within the posts showing the house logo on the *Lia Finocchiaro MLA*, *Marie-Clare Boothby MLA* and *Jo Hersey-Member for Katherine* Facebook pages contravened the provision of the Act, in particular section 6(2)(a), which states that the Act is contravened if the information promotes particular party political interests.

After examining the content of the referred information and making enquiries of the respective parties, I found that:

- each party administers their respective Facebook page;
- whilst other parties may have access to the Facebook pages, Ms Finocchiaro, Ms Boothby and Ms Hersey themselves generated the posts in question;
- the house logo was not created using public monies or property; and
- the posts were made using personal mobile phones.

Based on the above evidence, I formed the view that the referred matter is outside of the Act. While in each case information was given by a public authority, the posts which displayed the house logo were exempt from the provisions of the Act under Section 4(1) because it was not given using money or other property of the Territory.

Conclusion

Following from the above, I concluded that the information did not meet the definition of public information as defined by the Act.

Recommendation

Section 8(3) of the Act permits me to make recommendations. However, any recommendations under that Section are limited to:

- the withdrawal of the public information; or
- that specified changes be made to the content of the public information.

Given the conclusion, I make no recommendations in relation to this referred matter.

Appendices

Appendix 1: Guide to Using this Report

Auditing

There are two general varieties of auditing undertaken in the Northern Territory Public Sector, independent auditing and internal auditing. Only independent audits are undertaken through the Northern Territory Auditor-General's Office. The Auditor-General and personnel of the Office attend meetings of agencies' audit and risk committees where invited, but only in the role of observer.

Independent audit (also known as external audit)

Independent audits are generally undertaken in order for an entity to achieve compliance with statutory or legal arrangements. Independent audits may be mandated by legislation or be required by a contractual arrangement. The audit work and resultant opinion is undertaken by an individual or entity independent of the agency or entity subjected to audit. These audits can take the form of financial statements audits, compliance audits or performance management system audits.

Internal audit

Treasurer's Direction Part 3, Section 2 requires an Accountable Officer to ensure his/her Agency has an adequate internal audit capacity. Internal audit is a management tool designed to provide assurance to Accountable Officers that systems and internal controls operating within agencies are adequate and effective. The Accountable Officer is ultimately responsible for selection of audit topics, risk management and audit frameworks and the delivery of internal audit services.

Types of Financial Reports

Australian Accounting Standard AASB 1053 *Application of Tiers of Australian Accounting Standards* applies to:

- each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001*;
- general purpose financial statements of each reporting entity;
- financial statements that are, or are held out to be, general purpose financial statements; and
- financial statements of General Government Sectors (GGSs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The differential reporting framework consists of two Tiers of reporting requirements for preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards (incorporates International Financial Reporting Standards (IFRSs) and include requirements that are specific to Australian entities); and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. A Tier 2 entity is a '*reporting entity*' as defined in Statement of Accounting Concept (SAC) 1 *Definition of the Reporting Entity* that does not have 'public accountability' as defined in AASB 1053 and is not otherwise deemed to be a Tier 1 entity by AASB 1053.

Tier 1 reporting requirements apply to Australian Government, state, territory and local governments.

Appendix 1: Guide to Using this Report cont...

Types of Assurance Engagements

The amount of audit work performed, and the resultant independent opinion, varies between an audit and a review. The level of assurance provided by the opinion is either reasonable or limited.

Reasonable assurance

A reasonable assurance engagement is commonly referred to as an audit. A reasonable assurance engagement is an assurance engagement where the auditor is required to perform sufficient work to reduce the risk of misstatement to an acceptably low level in order to provide a positive form of conclusion.

Limited assurance

A limited assurance engagement is commonly referred to as a review. A limited assurance engagement is an assurance engagement where the assurance practitioner's objective is to perform sufficient audit procedures to reduce the risk of misstatement to a level that is acceptable in the circumstances but where the risk is not reduced to the level of a reasonable assurance engagement. A negative opinion is provided that states that nothing has come to the attention of the reviewer that indicates material misstatement or non-compliance with established criteria.

Audit Opinions

There are 2 overarching categories of audit opinion, an unmodified audit opinion (sometimes referred to as a 'clean' opinion) and a modified audit opinion.

Unmodified Audit Opinion

Unmodified opinions provide a reasonable level of assurance from the auditor that the financial statements present a true and fair reflection of an entity's results for the period reported.

Notwithstanding an audit opinion may positively attest to the truth and fairness of the financial statements, additional paragraphs may be included in the audit opinion in relation to a matter the auditor believes requires emphasis.

Emphasis of Matter

An 'Emphasis of Matter' paragraph means a paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report. The inclusion of an emphasis of matter paragraph in the audit opinion is intended to draw the reader's attention to the relevant disclosure in the financial report.

Other Matter

An 'Other Matter' paragraph means a paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial report that, in the auditor's judgement, is relevant to users' understanding of the audit, the auditor's responsibilities and/or the auditor's report.

Australian Auditing Standard ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* deals with the auditor's responsibility to communicate key audit matters in the auditor's report. The purpose of communicating key audit matters is to enhance the communicative value of the auditor's report by providing additional information to intended users of the financial report to assist them in understanding those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period.

Modified Audit Opinion

Australian Auditing Standard ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*, paragraph 2, establishes 3 types of modified opinions, namely, a qualified opinion, an adverse opinion and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon:

- d) the nature of the matter giving rise to the modification, that is, whether the financial report is materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and
- e) the auditor's judgement about the pervasiveness of the effects or possible effects of the matter on the financial report.

Qualified Opinion

An auditor shall express a qualified opinion when:

- a) the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial report; or
- b) the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be material but not pervasive. [ASA 705, paragraph 7]

Adverse Opinion

An adverse opinion is expressed when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial report. [ASA 705, paragraph 8]

Disclaimer of Opinion

An auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be both material and pervasive. [ASA 705, paragraph 9]

The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial report due to the potential interaction of the uncertainties and their possible cumulative effect on the financial report. [ASA 705, paragraph 10]

Appendix 1: Guide to Using this Report cont...

Assurance Engagements Conducted by the Auditor-General

The types of assurance engagements conducted through the Auditor-General's Office include:

- Statutory Audits of Financial Statements;
- End of Year Reviews;
- Information Technology Audits;
- Controls and Compliance Audits; and
- Performance Management System Audits.

Statutory Financial Statements Audits

Statutory audits of financial statements are conducted on the full financial reports of government business divisions, government owned corporations and other government controlled entities that prepare statutory financial statements.

Agencies are required, by Treasurer's Directions issued pursuant to the *Financial Management Act 1995*, to prepare financial statements that comply with Australian Accounting Standards. Agencies are not, however, required to submit those statements to the Auditor-General unless directed to do so by the Treasurer pursuant to section 11(3) of the *Financial Management Act 1995*. As no such direction has been given, agencies' financial statements are not audited separately, but are reviewed as part of the audit of the Public Account and of the Treasurer's Annual Financial Statements.

In the case of a financial statement audit, an '*unqualified audit opinion*' means that the Auditor-General is satisfied that the agency or entity has prepared its financial statements in accordance with Australian Accounting Standards and other mandatory financial reporting requirements or, in the case of acquittal audits, the relevant legislation or the agreement under which funding was provided. It also means that the Auditor-General believes that the report is free of material error and that there was nothing that limited the scope of the audit. If any of these conditions should not be met, a '*modified audit opinion*' is issued together with an explanation of why a modified audit opinion was issued.

Within this report, the audit opinions, key audit matters and summaries of audit observations represent the more important matters relating to each audit. By targeting these sections, readers can quickly understand the major issues faced by a particular agency or entity or by the public sector more broadly.

Information Technology Audits

Information technology audits are undertaken as stand-alone audits of key agency or across-government systems. Systems selected for audit may directly have an important role in processing data and providing information for the purposes of financial management or may be non-financial systems that are of critical importance to the delivery of government services such as those related to health, justice and education.

A number of financial information technology systems are audited specifically to provide assurance to the Auditor-General and the Legislative Assembly on the completeness and accuracy of information used for the purposes of financial reporting and the preparation of the Treasurer's Annual Financial Statements.

Appendix 1: Guide to Using this Report cont...

End of Year Reviews

End of Year Reviews provide an audit focus on year-end balances particularly within agencies. The nature of the review is determined annually whilst planning the audit of the Treasurer's Annual Financial Statements and includes testing of transactions occurring around year-end to provide a degree of confidence about the data provided to Treasury and which will form part of the overall reporting on the Public Account.

Whilst these audits are primarily intended to inform the Auditor-General's opinion on the Treasurer's Annual Financial Statements, the results from these audits may also assist Accountable Officers by identifying departures from the requirements of Australian Accounting Standards and the Northern Territory government's Financial Management Framework and misstatements in recorded financial transactions and balances. Resulting reports to Accountable Officers contain recommendations to enhance the agencies' financial management processes.

Controls and Compliance Audits

Controls and Compliance Audits are conducted of selected systems or accounting processes to determine whether the systems and processes achieve compliance with legislated or otherwise mandated requirements. These audits are primarily intended to assist in the audit of the Public Account as they provide the Auditor-General and the Legislative Assembly with assurance that adequate financial and governance controls are designed, implemented and operating effectively across government.

Controls and Compliance Audits can assist Accountable Officers by identifying weaknesses in financial and governance processes and controls that, if left unaddressed, may contribute to regulatory non-compliance, financial mismanagement or inefficient operations, or the realisation of other risks to the agency.

Performance Management System Audits

The audit process determines whether existing systems or practices, or management controls over systems, are adequate to provide relevant and reliable performance information that will assist intended users of the information make decisions relating to accountability and the achievement of results. These audits are also intended to provide the Legislative Assembly with assurance that audited agencies have appropriate systems and processes in place to effectively monitor and manage projects, programs and policy directions.

Performance management system audits are not directed at assessing the extent to which an agency has achieved a particular outcome however they can assist Accountable Officers by identifying opportunities to enhance their ability to effectively monitor and manage the implementation of projects, programs and policies to ensure the intended outcomes are achieved.

Public Information Act 2010 Referrals

The *Public Information Act 2010* requires the Auditor-General, upon receipt of a written request of an Assembly member, or on the Auditor-General's initiative, to conduct a review of particular public information to determine whether the Act is contravened in relation to the information. If review of the information suggests a contravention, a preliminary opinion is issued to the public authority that gave the relevant public information. When preparing the report about the review, any comments provided by the public authority following the preliminary opinion are taken into consideration. The associated reports are included in reports to the Legislative Assembly.

Appendix 2: Status of Audit Activity

Non-routine audits and reviews previously identified

Listed below is the status, as at 31 October 2024, of non-routine audits and reviews identified as not yet complete in Appendix 4 of the May 2024 Report to the Legislative Assembly:

Department of Infrastructure, Planning and Logistics

Accounting for Assets on Leased Land Refer page 135

In addition to the routine audits, primarily being agency compliance audits, end of year audits of agencies and audits of financial statements, the following audits and reviews were identified in Appendix 5 of the May 2024 Report to the Legislative Assembly as scheduled to be conducted during the 6 months to 30 June 2024:

Department of Industry, Tourism and Trade

Achievement of objectives for grant activities Refer page 142

Department of Corporate and Digital Development

Manual Payroll Calculations Not yet completed

Project Management Review – NTG Pay Refer page 158

Selected Agencies

Funded Bank Accounts Cancelled

Routine audits and reviews yet to be reported

The following statutory financial statements audits are yet to be finalised:

	Reporting Year	Comment
Cobourg Peninsula Sanctuary and Marine Park Board	30 June 2023	Not yet commenced ¹
Cobourg Peninsula Sanctuary and Marine Park Board	30 June 2024	Not yet commenced ¹
Desert Knowledge Australia	30 June 2024	Completed ²
Nitmiluk (Katherine Gorge) National Park Board	30 June 2024	In progress
NT Police Supplementary Benefit Scheme	30 June 2024	In progress

¹ The Board obtained an approval from the Minister for Parks and Wildlife to extend the deadline to table the annual reports for 2022-23 and 2023-24 to 30 April 2025.

² The audit was completed on 22 November 2024, which was after the report's cut-off date.

Appendix 3: Engagement Letter

Services provided by the Northern Territory Auditor-General's Office (the NTAGO)

It is quite common for auditors to issue audit engagement letters to their clients. Auditors have the responsibility to agree with management, and where appropriate with those charged with governance, the terms of the audit engagement, including the objectives and scope of the audit, the extent of the auditor's responsibilities and the form of any reports.

In the public sector there is generally no requirement for Auditors-General to issue letters of engagement as the roles and responsibilities are set out in relevant legislation. For example, the financial reporting framework is mandated and the *Audit Act 1995* (the Audit Act) gives the Auditor-General full and free access to all necessary accounts and records.

Meeting the Legislative Assembly's expectations

The principal legislation that governs the conduct of audits in the Northern Territory public sector is the Audit Act, which:

- requires me to audit the Public Account and other accounts, namely the accounts of Territory controlled entities in such manner as I think fit having regard to recognised professional standards and practices;
- specifically requires me to audit the Treasurer's Annual financial Statements;
- provides for the Chief Minister to direct me to carry out an audit which I have the power under the Act to carry out;
- permits me to conduct an audit of performance management systems of any Agency or other organisation in respect of the accounts of which I am required or permitted by a law of the Territory to conduct an audit; and
- extends the functions of the Auditor-General to an organisation in which the Territory, an Agency or a Territory controlled entity has an interest, at the request of a Minister.

Financial and compliance audits

Financial and compliance audits are conducted by the NTAGO in accordance with legislated requirements and Australian Auditing Standards. The main purpose of an audit is to add credibility to a financial report by providing an independent audit opinion. When reading an opinion, it is essential to have a clear understanding of what it provides and what a financial statements audit covers.

Audit is a form of assurance providing reasonable assurance on financial information. Auditor's reports can provide users with confidence that the financial statements are free of material error and comply with legislation and applicable accounting standards. It does not:

- provide a guarantee of absolute accuracy of the financial and non-financial information;
- express a view on the adequacy of the organisation's systems or the efficiency and effectiveness with which management conducts its affairs; or
- provide any assurance about the organisation's future viability.

Appendix 3: Engagement Letter cont...

An auditor cannot obtain absolute assurance because there are inherent limitations in an audit that affect the auditor's ability to detect material misstatements. These limitations result from factors such as:

- the use of testing;
- the inherent limitations of internal control (for example, the possibility of management override or collusion); and
- the fact that most audit evidence is persuasive rather than conclusive.

It is also important to understand that the organisation's management, not the auditor, is responsible for:

- maintaining adequate accounting records and preparing the financial report; and
- maintaining a system of internal controls to prevent or detect errors or irregularities.

I recognise that, in the public sector, financial report audit opinions by themselves will not meet the Legislative Assembly's expectations. Firstly, because the principal objective of most public sector Agencies is to provide services rather than to generate profits, their financial reports give only limited information about their performance. Secondly, the Legislative Assembly and the community have higher expectations of probity and proper conduct in public sector Agencies.

Accordingly, a financial statements audit in the public sector also has regard to:

- agency performance;
- wastage of public resources;
- probity or financial prudence in the management of financial resources; and
- compliance by Agencies with legislative requirements and government policies and procedures.

Audit of performance management systems

The *Audit Act 1995* also permits me to conduct an audit of performance management systems of Agencies or entities or other organisations in respect of the accounts or financial report of which I am required or permitted by a law of the Territory to conduct an audit.

The conduct of these audits is governed by Part 3 of the *Audit Act 1995*. These audits may be separate audits or they may be undertaken as part of another audit. The objective is to determine whether the performance management systems of the Agency or organisation enable the Agency or entity to assess whether its objectives are being achieved economically, efficiently and effectively. It is important to note that the provisions of the *Audit Act 1995* do not countenance audits of economy, efficiency or effectiveness.

Performance management systems audits can be conducted at a corporate, output or category of cost level. The NTAGO has developed a framework for its approach to the conduct of performance management systems audits.

Appendix 3: Engagement Letter cont...

Over the years, the NTAGO has encouraged improved reporting of performance by Agencies and other Government entities. It has also encouraged Agencies and other entities to report performance indicators that address the criteria of economy, efficiency and effectiveness. In applying the audit framework referred to above, the Office continues to apply the following definitions that are contained in Australian Auditing Standard ASAE 3500 *Performance Engagements*:

- Economy – the performance principle relating to the minimisation of the costs of resources, within the operational requirements of timeliness and availability of required quantity or quality.
- Efficiency – the performance principle relating to the minimisation of inputs employed to deliver the intended outputs in terms of quality, quantity and timing.
- Effectiveness – the performance principle relating to the extent to which the intended objectives at a program or entity level are achieved.

Quality management systems

In acknowledgement of the fact that most audits are conducted using professional services firms under period panel contract arrangements, the NTAGO necessarily places reliance on quality management systems, policies and procedures within those firms which are the responsibility of each Lead Authorised Auditor. Australian Auditing Standards place obligations on audit partners to establish and maintain a system of quality management. Confirmation is sought from Lead Authorised Auditors that:

- a) their firm has quality management systems in place that comply with the requirements of Australian Auditing Standards;
- b) personnel within the firms comply with Australian Auditing Standards, relevant ethical requirements, and applicable legal and regulatory requirements; and
- c) the reports recommended to be issued by the Lead Authorised Auditor are appropriate in the circumstances.

Within the context of the Lead Authorised Auditor's system of quality management, audit teams have a responsibility to implement quality management systems and procedures that are applicable to the audit engagement and provide the Lead Authorised Auditor with relevant information to assess and ensure the effectiveness of the firm's system of quality management.

Whilst the Lead Authorised Auditor is responsible for the overall quality on each audit task assignment they undertake, the Auditor-General is ultimately responsible for the quality management systems, policies and procedures of the NTAGO.

The NTAGO has a quality management framework documenting the quality managements systems, processes and procedures in place to ensure compliance with Australian Auditing Standards.

Reporting to the Legislative Assembly

Auditor-General's reports to the Legislative Assembly present the findings of my financial report audits of Agencies and other public sector entities. These reports address high-level issues on Agency operations. Minor matters are reported only where they are symptomatic of a larger problem or where it is considered that insufficient attention has been given by the Agency to addressing issues raised.

Appendix 3: Engagement Letter cont...

Management letters to agencies

A more detailed report is issued to the Accountable Officers of agencies on matters identified during audits and these may include recommendations for operational improvements. These matters are in addition to any matters that may be included as part of the Independent Audit Report.

Procedural fairness

The Audit Office submits its draft reports to the relevant Accountable Officers and staff in their Agencies to ensure factual accuracy and to provide an opportunity for Agencies to submit comments on my findings for inclusion in my reports to the Legislative Assembly.

Enhancing the value of the audit function

As part of the discharge of my role, I will seek to maximise the value to the Agency, the Government and the Legislative Assembly of all audit work including where appropriate the framing of recommendations to address:

- improvement in the framework of accountability;
- opportunities for cost savings and efficiency gains; and
- recognition of good practice in use by Agencies, entities and units of administration.

Audit fees

Audit fees are not charged by the Audit Office for audits of Agencies. In these circumstances the costs of the audit are met from monies appropriated by the Legislative Assembly.

In most instances, where an audit is performed in respect of an organisation that is a statutory entity or where the audit is performed for a third party, for example, audits of acquittals of expenditure on behalf of the Commonwealth, the costs of the audit are recovered directly from the organisation in question.

Independence

Independence is the hallmark of audit. It is a fundamental concept that requires me to approach my work with integrity and objectivity. I must both be, and be seen to be, free of any interest which is incompatible with objectivity. It is essential therefore that I am independent of the Agencies being audited and free of interests that could be incompatible with integrity and objectivity.

Appendix 4: Abbreviations

AASB	Australian Accounting Standards Board
AER	Australian Energy Regulator
ALRA	<i>Aboriginal Land Rights (Northern Territory) Act 1976</i>
APES	Accounting Professional and Ethical Standard
APRA	Australian Prudential Regulation Authority
APRO	Agency Purchase Requisition Online
ASA	Australian Auditing Standard
ASAE	Australian Standard on Assurance Engagements
ATIQ	Authority to Invite Quotations
AUD	Australian Dollar
CDU	Charles Darwin University
CHA	Central Holding Authority
CPS	Cross-Industry Prudential Standard
CSO	Community Service Obligations
CSS	Commonwealth Superannuation Scheme
DCDD	Department of Corporate and Digital Development
EDTL	Executive Director of Township Leasing
EIMS	Electronic Invoice Management System
GAS	Government Accounting System
GBP	Great Britain Pound
GFS	Government Finance Statistics
GGG	General Government Sector
GPS	General Insurance Prudential Standard
GST	Goods and services tax
HECS	Higher Education Contribution Scheme
HELP	Higher Education Loan Program
ICT	Information and communication technology
IES	Indigenous Essential Services
IT	Information Technology
NOA	Notice of Acceptance
NT	Northern Territory
NTAG	Northern Territory Art Gallery
NTAGO	Northern Territory Auditor-General's Office

Appendix 4: Abbreviations cont...

NTG	Northern Territory Government
NTGDIS	Northern Territory Government Death and Invalidation Scheme
NTGPASS	Northern Territory Government and Public Authorities' Superannuation Scheme
PAR	Procurement Assessment Recommendation
PIPS	Personnel Information and Payroll System
PWC	Power and Water Corporation
SLA	Service Level Agreement
TAFR	Treasurer's Annual Financial Report
TAFS	Treasurer's Annual Financial Statements
VET	Vocational education and training

Contents by Entity

	Page
Aboriginal Areas Protection Authority	
Agency Compliance Audit	161
End of Year Review	178
Batchelor Institute of Indigenous Tertiary Education	
Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2023	44
Board of the Museum and Art Gallery of the Northern Territory	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	49
Bridging the Gap Foundation Limited	
Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2023	59
Charles Darwin University	
Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2023	53
Cobourg Peninsula Sanctuary and Marine Park Board	
Inability to Audit the Financial Statements for the Years Ended 30 June 2023 and 30 June 2024	67
Darwin Waterfront Corporation	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	69
Data Centre Services	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	73
Department of Corporate and Digital Development	
Agency Compliance Audit	161
End of Year Review	178
Project Management Review NTG Pay	158
Department of Education	
Agency Compliance Audit	161
End of Year Review	178

	Page
Department of Environment, Parks and Water Security	
Agency Compliance Audit	161
End of Year Review	178
Department of Health	
Agency Compliance Audit	161
End of Year Review	178
Department of Industry, Tourism and Trade	
Achievement of Objectives for Grant Activities	142
Agency Compliance Audit	161
End of Year Review	178
Department of Infrastructure, Planning and Logistics	
Accounting for Assets on Leased Land	135
Agency Compliance Audit	161
End of Year Review	178
Department of Territory Families, Housing and Communities	
Agency Compliance Audit	161
End of Year Review	178
Department of the Attorney-General and Justice	
Agency Compliance Audit	161
End of Year Review	178
Department of the Chief Minister and Cabinet	
Agency Compliance Audit	161
End of Year Review	178
Department of the Legislative Assembly	
Agency Compliance Audit	161
End of Year Review	178
Department of Treasury and Finance	
Agency Compliance Audit	161
End of Year Review	178
Indigenous Essential Services Pty Ltd	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	114

	Page
Land Development Corporation	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	76
Menzies School of Health Research	
Audit Findings and Analysis of the Financial Statements for the Year Ended 31 December 2023	63
Motor Accidents (Compensation) Commission	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	79
Northern Territory Electoral Commission	
Agency Compliance Audit	161
End of Year Review	178
Northern Territory Fire and Emergency Services	
End of Year Review	178
Northern Territory Legal Aid Commission	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	83
Northern Territory Major Events Company Pty Ltd	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	87
Northern Territory Police	
Agency Compliance Audit	161
End of Year Review	178
Northern Territory Treasury Corporation	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	91
NT Build	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	96
NT Fleet	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	100
NT Home Ownership	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	103

	Page
Office of the Independent Commissioner Against Corruption	
Agency Compliance Audit	161
End of Year Review	178
Ombudsman's Office	
Agency Compliance Audit	161
End of Year Review	178
Power and Water Corporation	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	107
Power Generation Corporation	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	119
Power Retail Corporation	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	125
Territory Wildlife Parks	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	129
Treasurer's Annual Financial Statements	
Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2024	23
Matters Referred to the Auditor-General Pursuant to Section 6 of the <i>Public Information Act 2010</i>	186
Curfew Laws	188
New Home Grants	189