



Auditor-General for the Northern Territory
Auditing for Parliament

February 2009 Report to the Legislative Assembly



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Northern Territory Auditor-General's Office

Auditing for Parliament

The Honourable the Speaker of the Legislative
Assembly of the Northern Territory
Parliament House
Darwin NT 0800

12 February 2009

Dear Madam Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits conducted during the six months to 31 December 2008 and I request that you table the report today in the Legislative Assembly.

The larger part of the report deals with the results of audits of statutory financial reports. That type of information is, by its nature, historical dealing with past financial results of Agencies and other public sector entities. The process of annual financial reporting by Agencies is an important part of their accountability to the Parliament for managing the resources under their control. This Report is intended to assist the process of accountability by providing analysis of financial results and by drawing Parliament's attention to matters of interest.

Yours faithfully,

F McGuinness
Auditor-General for the Northern Territory

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Guide to Using this Report

This report summarises the results of the following types of audits conducted during the period 1 July 2008 to 31 December 2008:

- Statutory audits of financial statements;
- End of Year Reviews;
- Information Technology Audits; and
- Controls and Compliance Audits.

This Report has 29 sections, each of which deals with a specific audit topic or with a particular Agency or Entity. Each section provides a summary of key findings, if any, my audit opinion, background information, where relevant, and recommendations.

In the case of a **financial statement audit**, an 'unqualified audit opinion' means that I am 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 I believe that the report is free of material error and that there was nothing that limited the scope of my audit. If any of these conditions should not be met, I issue a 'qualified audit opinion' and explain why.

The audit opinion and summaries of key findings represent the more important findings. 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. Reports prepared following completion of financial statement audits include a brief financial analysis of the financial statements.

Information technology audits are undertaken as stand-alone audits of key government-wide, or Agency systems. Each of the systems selected for audit during the six months ended 31 December 2008 plays an important role in processing data and providing information for the purposes of financial management and, more particularly, for the purposes of financial reporting and the preparation of the Treasurer's Annual Financial Statement.

The **end of year review** provides 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 Statement, but 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.

Guide to Using this Report cont...

Controls and compliance audits are conducted of selected systems or accounting processes and these audits are also intended to assist me in my audit of the Public Account.

Agencies and Entities are provided with the opportunity to comment on any of the matters reported. Where they choose to do so, their Responses are detailed at the end of a particular section. As I discuss my proposed comments with Agency and Entity staff during the drafting process, few ask for formal responses to be included.

Entities Referred to in this Report

By Ministerial Portfolio (as at 31 December 2008):

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Chief Minister;

Minister for Police, Fire and Emergency Services

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Treasurer;

Minister for Planning and Lands;

Minister for Infrastructure and Transport

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Minister for Housing;	
Minister for Local Government;	
Minister for Essential Services;	
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Entities Referred to in this Report cont...

By Ministerial Portfolio (as at 31 December 2008):

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Minister for Parks and Wildlife

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Nitmiluk (Katherine Gorge) National Park Board 72

Territory Wildlife Parks 112

Minister for Information, Communications and Technology Policy

Department of Business and Employment 21

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Auditor-General's Overview

Audits included in this report

This report outlines the results of audits that were conducted during the period 1 July 2008 to 31 December 2008. Excluded is discussion about the audit of the Treasurer's Annual Financial Statement, which formed part of a separate report to the Legislative Assembly in November 2008.

Almost without exception, the audits of statutory financial statement that are reported upon here were completed prior to the sudden deterioration in national and international financial markets that occurred in September 2008 and which has continued almost unabated since then.

Most public sector entities are unaffected by the uncertain financial market conditions because of the nature of the assets and liabilities that appear on their balance sheets. However, those public sector entities that control financial instruments issued by some private sector entities, or which have liabilities that are measured on the basis of the present values of their underlying cash flows, incurred losses for the year ended 30 June 2008 and it is likely the extent of those losses will increase for the year ending 30 June 2009.

It is important to recognise that the losses arising from falling asset values or increasing liabilities are unrealised and will remain so as long as the assets in question continue to be held or the liabilities remain undischarged. The crystallisation of losses will only occur in the event of assets maturing or being sold, or liabilities being settled and it is likely that many of the losses already recognised, or which might be expected to be recognised during 2008-09, will be reversed as financial markets improve and interest rates increase in future years.

It is also important to recognise that the declines in the values of financial assets or increases in the values of some liabilities do not mean that the underlying cash flows of entities are affected. Cash flows will not be affected until unrealised losses are crystallised as assets cease to be held or liabilities are required to be discharged.

Qualified audit opinions were again issued on the financial statements of the Power and Water Corporation, and NT Build. In the case of the Corporation, the qualification flows from an initial qualified opinion that I issued in respect of the 2005-06 year. The effects of that qualification have continued to affect the Corporation's financial statements, with the qualification for 2005-06 affecting opening balances for 2006-07 and comparative figures for 2007-08. The 2007-08 year is the last year affected by the qualification.

Auditor-General's Overview cont...

In the case of NT Build, the qualification reflects continuing uncertainty about whether all prescribed construction work can be identified and the associated levy collected. This is linked to the nature of the building approval processes in the Territory and is not a reflection upon the Board of NT Build. As the comments provided by the Board of NT Build and reproduced in this report point out, the Board is well aware of the problem and continues to pursue a course of action intended to remedy the matter.

Audit attention continued to be given to the security aspects of information technology systems during the latter half of 2008. This attention will be on-going given the integral part that information systems play in financial administration across the public sector. The audit approach adopted for the testing of information security was extended in 2008 and saw attempts by my authorised auditors to gain access to sensitive sites and to obtain users' system access details by the use of bogus telephone calls and "phishing" e-mails. It was pleasing to note that security was generally satisfactory although there were examples where people did not appreciate the importance of ensuring that personal information remains protected at all times.

The payment of travel entitlements to Ministers, the Leader of the Opposition, their spouses and dependant children was again the subject of audit attention and it is pleasing to report that the changes introduced by the Department of the Chief Minister have led to a significant improvement since I raised this matter in 2006.

The Community Benefit Fund was also examined in late 2008, with the audit leading to the conclusion that while the overall administration of the grant processes and the Fund were satisfactory there were weaknesses in the accounting arrangements for the Fund which, in turn, affected the reliability of information contained in the Fund's annual report to the Legislative Assembly.

Reporting on Audits Conducted in the Six Months Ended 31 December 2008

What is selected for reporting to the Legislative Assembly?

In reporting on the results of audits completed in the six months ended 31 December 2008, this Report outlines only those matters which the Auditor-General considers would contribute fresh and useful information to the Members of the Northern Territory Legislative Assembly.

Records of Parliamentary debates, requests and suggestions to the Auditor-General by Members, and public interest in issues, influence the decisions on the selection of audit topics, and matters to be reported. Matters in the Report include compliance by public sector managers with legislative requirements for financial and performance management; analysis of financial and other performance information; as well as general comment on matters arising from audits conducted.

Members have the opportunity to use the information in reviewing the performance of public sector administration, for which the Executive Government is responsible to the Parliament.

Other reporting arising from audits

More detailed findings from audits are included in reports issued to chief executive officers following the completion of each audit.

Structure of report to the Legislative Assembly

This Report presents findings in relation to the audit mandate provided by the *Audit Act*, that is audits of the Public Account and other accounts (described in Appendix 4) and audits of performance management systems (described in Appendix 5).

Entities responses

The *Audit Act* enables entities referred to in the Report to provide comments for publication. These comments, or an agreed summary, must be included in this Report. Where no comment is shown in this Report, the relevant Agency has elected not to provide a response for publication.

Auditing the Public and Other Accounts

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Department of the Chief Minister

Ministerial travel

Audit Scope and Objectives

The audit objective was to determine whether the travel entitlements paid to Ministers, the Leader of the Opposition, their spouses and dependant children during the period 1 July 2007 to 30 June 2008 were in accordance with the relevant Remuneration Tribunal Determinations (RTDs).

Audit Opinion

In my opinion, the control procedures examined as part of the audit provide reasonable assurance that payments made in relation to Ministerial Travel during the period 1 July 2007 to 30 June 2008 comply with the requirements of the RTDs.

Background

This audit covered the payment of entitlements relating to overseas, interstate and intrastate travel undertaken during the period 1 July 2007 to 30 June 2008 and included travel by Ministers, the Leader of the Opposition, their spouses and dependant children as provided for in RTD's.

Travel undertaken by Members of the Legislative Assembly, in their capacities as Ministers, or Leader of the Opposition, is administered by the Department of the Chief Minister. This travel is recorded separately from Members' travel, which is recorded on the Members' Entitlements Travel System that is maintained by the Department of the Legislative Assembly.

Department of the Chief Minister cont...

Key Findings

The audit again identified a continued and significant improvement in the Department's procedures for the administration of Ministerial Travel when compared with the position in 2005 and 2006.

In particular, I again note that the replacement of the travel allowance with an expense reimbursement regime has been accompanied by a marked reduction in the incidence of errors associated with the accidental overpayment of travel allowances in circumstances where accommodation costs were paid directly by the Department. I also noted that Goods and Service Tax input tax credits were correctly recorded for expense reimbursements and that expenses were appropriately allocated to all travellers when they related to a group of travellers.

The marked improvements in the Department's procedures have enabled me to form the opinion that the control procedures examined as part of the audit provide reasonable assurance that the payments, in relation to Ministerial Travel complied with the requirements of the RTD's. However I did note some instances where not all travel related expenditure was recorded within the database. These items were generally of a minor nature

As the database is the source documents for reports relating to Ministerial travel any errors in recorded data has the potential to affect the reliability of reports prepared in respect of Ministerial travel.

Department of Business and Employment

Information security policy and awareness

Audit Objective and Scope

The objective of this audit was to assess the level of awareness of the Government's information security policy within the service-wide information technology environment.

Opinion

The Department is responsible for the administration of significant critical information systems and key information assets. Events that occurred in May 2008 highlighted the outcomes that can arise if critical information systems should become unavailable.

The audit objective was to assess the extent to which staff were aware of the importance of security within an information technology environment.

Background and key findings

In May 2008, a significant Government-wide systems failure occurred that resulted in a large number of users being denied access to key information systems for extended periods. It has been alleged that the system failure occurred when an individual gained access to the user details of an authorised system user and used those details to gain access to sensitive system functions via a remote login.

This audit focussed on physical and logical access controls and the extent to which they might be circumvented using "social engineering" type attacks, including:

- physical attacks to assess the adequacy of procedures used to prevent inappropriate or unauthorised personnel access to restricted areas.
- telephone and email "phishing" social engineering techniques to obtain user names, passwords and other potentially sensitive information from users and service personnel.

Department of Business and Employment cont...

The results of the audit revealed weaknesses in staff awareness of the Government's information security policy within the service-wide information technology environment in that instances occurred where staff unwittingly revealed system user access details in response to either bogus telephone calls or "phishing" e-mails. Controls over physical access were satisfactory at three of the four sites tested. These results highlighted the need for an on-going focus on information security, particularly with respect to the effectiveness of security awareness initiatives.

Strengths

Notwithstanding the issues raised above, strengths were noted in the following areas:

- DBE has a central ICT Policy & Strategy unit that has a focus on security for whole of government;
- the security response from personnel prevented access by auditor staff to backup tapes held at an offsite location;
- the bogus telephone calls aroused suspicions among some individuals that resulted the issue being escalated and communicated across NT Government Agencies within 2 hours;
- physical security and personnel response limited access at the Chan Data Centre to the reception area; and
- the security response at the DCS offices at Darwin Plaza resulted in the auditor being escorted at all times while on the premises.

Department of Business and Employment cont...

The Department of Business and Employment has commented:

The Department of Business and Employment accepts the Auditor-General's recommendations and acknowledges both the security strengths and weaknesses identified. Actions in progress to address the audit findings include:

- *implementing compulsory information security induction training for new starters within the Department,*
 - *modifying the security message presented to all Government users at computer login time to reinforce appropriate security practices,*
 - *establishing a web site for security announcements to keep all staff across Government informed of current information security issues and improve awareness.*
-

Department of Health and Families

Information Security Management

Audit objectives and scope

The objective of the audit was to complete an assessment of the Information Security Framework at the Department of Health and Families (DHF) against better practice guidelines.

The scope included high level consideration of the following:

- organisation of information security;
- asset management;
- human resources security;
- physical and environmental security;
- communications and operations management;
- access control;
- information systems acquisition, development and maintenance;
- information security incident management;
- business continuity management; and
- compliance.

The scope of the audit did not include a detailed assessment of DHF application security, vulnerability assessments, penetration testing, social engineering, business continuity policies and procedures or an assessment of other DHF IT control activities.

Audit Opinion

Based on the work performed nothing came to my attention that would indicate that processes around Information Security Management at the Department of Health and Families were not appropriate, apart from a number of findings relating to formalising information security incident management procedures, information security awareness, communication of applicable standards to system owners, and business continuity management

Department of Health and Families cont...

Background and key findings

The Department of Health and Families delivers services related to the Ministerial responsibilities of Health, Families and Children and Child Protection. The information systems infrastructure at the Department is critical in supporting treatment for clients, and subsequently, various information systems contain records of confidential client information.

The broad framework of information security management at DHF is as such:

- whole of government policies, standards and guidelines relating to the management of information security are established by ICT Policy and Strategy at the Department of Business and Employment (DBE) and approved by the Northern Territory Government Information Management Committee (NTGIMC) of which the DHF Chief Information Office is a member;
- changes or additions to policies and standards approved by the NTGIMC are communicated to DHF through the DHF Strategic Information Management Steering Committee (SIMSC) which consists of Executive representatives from each area within the Department (e.g. Acute Care, Health Services, ICT, etc); and
- below the SIMSC are Information Management groups for each area of the Department. This forms the next channel of communication to the various areas at DHF to ensure communication and alignment with whole of government policies and standards.

Strengths were noted in the following areas:

- systems and data access procedures recognise the *Northern Territory Information Act* and the DHF Privacy Policy with relation to protection of personal information from misuse, loss and unauthorised access;
- key computing facilities (e.g. Building 6 Server room at Royal Darwin Hospital) have been identified as restricted areas and controls designed to restrict access to appropriate personnel;
- change control policies and procedures, requiring identification of the risks and impacts of a change, has been designed and communicated to systems owners; and

Department of Health and Families cont...

- monthly reporting of business application servers operational status and results (e.g. capacity management, server performance and backups) is provided by service provider Fujitsu and monitored by ICT.

Audit findings conveyed to the Department's management included:

- formalised information security incident management procedures and responsibilities for the identification of a security incident, incident response, escalation and reporting have not been established.
- there are opportunities for improvement surrounding the security awareness of DHF personnel.
- while information management groups have been established as a channel to communicate changes or additions to standards and policies to the various areas throughout DHF, it was noted that system owners and data custodians were not always aware of these changes.
- while business continuity plans for an influenza pandemic have been documented, the development of a business continuity framework, business continuity plans and strategies for other plausible scenarios are still being developed.

Department of Justice

Community Benefit Fund

Audit objectives and scope

The objective of the audit was to review the Department's management of the Community Benefit Fund (the Fund) to verify compliance with the requirements of the *Gaming Machine Act*, the *Gaming Control Act* and regulations.

Audit Opinion

The audit found the Department's management of the Fund to generally be in compliance with the requirements of the *Gaming Machine Act* and Regulations. The processes and procedures for payments out of the Fund and the collection of the Levy were clearly documented with information freely available to applicants and other interested parties via the Department's internet site.

However, I was of the opinion that:

- The Department had not complied with the provisions of 68A of the *Gaming Control Act* in that it had not maintained "a fund to be known as the Community Benefit Fund". I believe that the intention of the Act is that the Department's Operating Account will include a separate set of sub-accounts that record the revenues, expenses, assets and balance of the Community Benefit Fund as an entity in its own right. The practice adopted by the Department was one in which revenues and expenses attributable to the Fund were recorded as part of the normal operations of the Operating Account. The result was that the Department was not able to provide a reliable figure that represented the balance of the Fund at any point in time, and the last annual report of the Fund may have been unreliable in that the balance of the Fund carried forward at the end of a financial year could not be reconciled with reliable accounting data.
- The Department had not complied with section 68C (1) of the *Gaming Control Act* in relation the payment of moneys into the Fund. In particular a reconciliation conducted of the Department's gaming records with the GAS transactions during the audit identified discrepancies in the CBF Levy amounts shown as received for the months of February, March, April and June totalling \$150,035.49.

Additional observations were noted where procedures could be further improved to enhance accountability.

Department of Justice cont...

Background and key findings

Previous audits of the Community Benefit Fund were conducted in 2001 and 2003.

In 2001 the Fund was managed by the then Department of Industry and Business. A number of adverse findings were reported to the Legislative Assembly by the Auditor-General in the February 2002 Report.

NT Treasury conducted a review of the fund during 2002 while also assuming responsibility for gaming regulation, including administration of the Fund.

After a follow up audit in 2003 the then Auditor-General issued the following opinion:

“Transactions through the Fund since the 2001 audit have complied with the requirements of the *Gaming Control Act* and the *Gaming Machine Act* and Regulations. In particular the process now in place for the calling for grant applications, assessment, approval and payment has been open and accountable and has addressed the issues identified in the 2001 audit.”

Responsibility for gaming regulation, including the administration of the Fund, has since been transferred to the Department of Justice.

Given previous audit observations about the administration of the Fund, the time that has elapsed since the previous audit and the transfer of responsibility for the administration of gaming legislation to another Agency, a further review was considered to be warranted.

The following table compares movements through the Community Benefit Fund for 2007-08 as shown in the Fund's published annual report with that recorded in the Department's general ledger. The third column shows amounts that have been established by audit using documents sourced during the course of the audit.

Department of Justice cont...

	CBF Annual Report	GAS General Ledger	Amounts as per supporting documents
	\$	\$	\$
Receipts			
Community benefit levy	2,425,000	2,496,095	2,346,060
Unclaimed prizes	-	22,531	Not audited
	<u>2,425,000</u>	<u>2,518,627</u>	
Payments			
Gambling amelioration	839,335	839,335	839,335
Small grants	754,698	754,698	754,698
Gambling research grants	542,230	542,230	542,230
Closing the Gap projects	202,167	202,167	202,167
Research, Policy,	129,225	137,820	Not audited
	<u>2,467,655</u>	<u>2,476,250</u>	
Net movement for year	(42,655)	(42,377)	
Add opening balance	<u>1,252,000</u>		
Balance at 30 June 2008	<u>1,209,345</u>		

As can be seen from the preceding table payments into the Fund (receipts) as disclosed in the annual report did not agree with the Department's general ledger.

Other than the above the management of the Community Benefit Fund continues to be, in the main, open and accountable due to:

- the policies and procedures for management of the Fund being documented on the Department's internet site and therefore available to all interested parties;
- guidelines and standardised application forms being available for eligible parties;
- grants distributed on a biannual basis with each round clearly advertised to the public;
- applications assessed by the CBF Secretariat using a standard checklist;
- all applicants for each round recorded on an Excel spreadsheet;
- an independent CBF committee convened to determine how the available funding will be allocated to each applicant;

Department of Justice cont...

- unsuccessful applicants advised in writing;
- successful applicants required to acquit their grant within seven months; and
- the CBF Committee being required to issue an annual report to the Minister on the operations of the Fund.

However opportunities for improvement were identified by addressing the following issues:

- no formal evidence is retained at the completion of CBF Committee process to evidence their approval of the grant recommendations to the Minister.
- no evidence that potential 'conflict of interests' are disclosed to the CBF Committee.
- The annual report was not provided to the Minister by 30 September as required by section 68(B)(4) of the *Gaming Control Act*.
- The annual report for 2007-08 contained errors.

The first two findings have the common theme of a lack of evidence of the actions of the CBF Committee. It was recommended to the Department that this would be improved if formal minutes were taken for each CBF Committee meeting. Approval of the list of recommended grant recipients and proposed action to resolve any conflicts of interest could be recorded in those minutes.

Without formal minute taking or formal sign off by the CBF Committee during the course of the year, the only accountability mechanism left is the annual report, which retrospectively reports on the past year's activities of the Fund. Failure to table this report in a timely manner further lessens the openness and accountability process for the management of the Fund.

Department of Justice cont...

The Department of Justice has commented:

The Department notes the audit finding that management of the Fund is generally in compliance with the requirements of the Gaming Machine Act and Regulations. Separate sub-accounts recording the revenues, expenses, assets and balance of the Fund have been set up, and transactions have been rectified.

All recommendations for improvement will be acted upon. A number of improved Committee procedures have already been put in place to ensure that potential conflicts of interest are recorded, and that a formal record of Committee members' grant recommendations is maintained. In addition, internal procedures have been amended to ensure that preparation, including financial clearance, of the Fund's annual report is placed on the agency's work plan.

Department of the Planning and Infrastructure

Motor Vehicle Registry

Audit Scope and Objectives

The objective of the audit was to examine the adequacy of operating systems, their associated controls and their ability to ensure accountability within the Motor Vehicle Registry Unit (MVR) of the Department.

The scope of the audit included:

- Identification of the key controls surrounding the Motor Vehicle Registration System (MOVERS);
- testing those controls considered to be important; and
- ensuring that there is consistency in the application of control processes in the major customer service centres.

Audit Opinion

In general the accounting and control procedures examined in the MVR Section of the Department provide reasonable assurance that the financial controls over accounting and material financial transactions are adequate. However, there are some issues relating to the Department's financial management activities do require attention.

Background

As part of my audit the customer service offices at Parap, Casuarina, and Darwin were visited. The support services offices based at Energy House was also visited. The remaining offices located in Palmerston, Alice Springs, Jabiru, Katherine, Nhulunbuy, Tennant Creek and Yulara were not included in this audit.

The audit did not extend an examination of functions carried out by the former Department of Corporate and Information Services now Department of Business and Employment on behalf of the MVR.

Department of the Planning and Infrastructure cont...

Key Findings

General policies and procedures

No significant changes to the MVR's policies and procedures had occurred since the previous compliance audit. However, there was no documented evidence to suggest that all policies had been reviewed for their continuing adequacy since my last audit of this area.

No one individual appeared to have responsibility for the maintenance of the general procedures relating to the operations of the MVR.

I was not able to establish whether all Customer Services Officers were familiar with the documented policies and procedures manual that is in use. This issue is pertinent when considering the processing of police outstation packets.

Support Services functions

There are some financial reports/functions within MOVERS that are handled by a Business Support Officer that might benefit from closer collaboration with the Department's Financial Services Branch

I also noted that the transaction violation files retained by the Systems Administrator contained no documented evidence of any action taken on repeat transaction violators.

Front office processes

Procedures governing the handover/takeover of cash floats were not properly followed in all instances.

Customers' cheques and credit card information were left unattended at a processing workstation during breaks and remained accessible to other staff until the documents were included with other documents for banking at the end of the day.

The Department of the Planning and Infrastructure has commented:

The Department acknowledges the issues that have been raised in the MVR audit. The Department is currently addressing the recommendations through the implementation of an audit Action Plan addressing all issues identified within the review in a timely manner.

Northern Territory Police, Fire and Emergency Services

Information Security Management

Audit objective and scope

The purpose of the audit was to complete an assessment of the information security framework at NT Police, Fire and Emergency Services (NTPFES) against better practice guidelines which include:

- organisation of information security
- asset management
- human resources security
- physical and environmental security
- communications and operations management
- access control
- information security incident management
- business continuity management

Audit Opinion

NTPFES was aware of the need to align its information security framework with good practice principles. The Agency has undertaken a security project to enhance the control environment across all areas of security including information security.

NTPFES was in the process of implementing a number of initiatives which should strengthen information security.

Opportunities for improvement were identified in a number of the areas within the better practice framework guidelines.

Northern Territory Police, Fire and Emergency Services cont...

Key findings

Opportunities for improvement were identified in a number of areas including:

- information security risk management
- security policy
- security organisation
- asset classification and control
- personnel security
- physical and environmental security
- communications and operations management
- access control
- systems development and maintenance
- business continuity planning.

Northern Territory Police, Fire and Emergency Services has commented:

NTPFES acknowledges the identified opportunities for improvement.

The NTPFES, through its Audit and Risk Assessment Committee, has recently reviewed and considered its Risk Assessment and Internal Audit Program 2007-10 to include the areas of risk identified by this audit.

The agency has forward programmed a series of meetings of the Security Committee to advance identified security improvements and to oversight recommendation from the Audit.

The NTPFES will continue to monitor Information Security Risk Management and strengthen processes in this area.

Cobourg Peninsula Sanctuary and Marine Park Board

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

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* to acknowledge and secure the right of Aboriginals to occupy and use certain land on the Cobourg Peninsula in the Northern Territory of Australia, to vest that land in trustees for Aboriginals, to declare that land to be a national park, making certain provisions relating to the management of adjacent marine areas and for related purposes.

Audit Opinion

The audit of the financial statements of Cobourg Peninsula Sanctuary and Marine Park Board for the year ended 30 June 2008 resulted in an unqualified independent audit opinion that was issued on 2 October 2008.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Cobourg Peninsula Sanctuary and Marine Park Board cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities		
Park Income	324	427
Payments to traditional owners	(285)	(376)
Other revenue	64	56
Total revenue from ordinary activities	103	107
Less expenses from ordinary activities		
Operational costs	(79)	(62)
Depreciation and amortisation	-	(2)
Total expenses from ordinary activities	(79)	(64)
Operating result for the year	24	43

Cobourg Peninsula Sanctuary and Marine Park Board cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets	459	382
Less Current Liabilities	(134)	(81)
Working Capital	325	301
Add Non Current Assets	-	-
	325	301
Less Non Current Liabilities	-	-
Net assets	325	301
Represented by:		
Retained surplus	325	301
Equity	325	301

Construction Division

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

Construction Division is responsible for the project management of the Government's capital works, and repairs and maintenance programs.

The host Agency during 2007-08 was the Department of Planning and Infrastructure.

Audit Opinion

The audit of Construction Division for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 14 October 2008.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Construction Division cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	50,463	43,226
Less expenses from ordinary activities		
Operational costs	(11,706)	(11,263)
Employee Expenses	(20,365)	(18,790)
Consultants fees	(11,327)	(10,481)
Depreciation and amortisation	(39)	(43)
Borrowing costs	(157)	(157)
Total expenses from ordinary activities	(43,594)	(40,734)
Net surplus before income tax expense	6,869	2,492
Less income tax expense	(2,061)	(136)
Net surplus	4,808	2,356
Less dividends	(2,404)	(1,178)
Retained surplus	2,404	1,178

The Division's net surplus increased by \$2,452,000 due principally to the increase in project management fees that flowed from an increase in the number of capital projects being managed.

As a result of the Division's improved financial performance for the year, the Division became liable to pay an income tax equivalent of \$2,061,000 in accordance with the NT Tax Equivalents Regime. It was also required to pay a dividend of \$2,404,000.

Construction Division cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	16,105	6,381
Receivables and other current assets	8,793	6,206
Less Current Liabilities	(20,508)	(8,216)
Working Capital	4,390	4,371
Add Non Current Assets	42	82
	4,432	4,453
Less Non Current Liabilities	(1,143)	(3,568)
Net assets	3,289	885
Represented by:		
Accumulated surplus	3,106	702
Reserves	183	183
Equity	3,289	885

The Division's cash balance was \$16,105,000 at 30 June compared to \$6,381,000 at the same time last year reflecting the higher revenues and an increase in deposits for the year.

Darwin Bus Service

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The Darwin Bus Service (DBS), together with private sector operators, contracts for the provision of bus services to the Northern Territory Government in the Darwin and rural area. The DBS earned its revenue from charging the Department of Planning and Infrastructure (DPI) on a 'kilometres provided' basis. Bus fares are collected on behalf of DPI and form part of the revenues of that Department. DBS continues to receive revenues from DPI at the contracted rate in circumstances where it may be directed by Government to provide free services to the public on special occasions.

The host Agency during 2007-08 was the Department of Planning and Infrastructure.

Audit Opinion

The audit of Darwin Bus Service for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 14 October 2008.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Darwin Bus Service cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	7,585	7,242
Less expenses from ordinary activities		
Employee Expenses	(3,551)	(3,374)
Supplies and services	(2,577)	(2,608)
Depreciation and amortisation	(845)	(893)
Total expenses from ordinary activities	(6,973)	(6,875)
Net surplus before income tax expense	612	367
Less income tax expense	(184)	(110)
Net surplus	428	257
Less dividends	(214)	(128)
Retained surplus	214	129

Net surplus increased by \$171,000 following an increase in the fuel subsidy during the first 6 months of the financial year.

Interest income also increased by \$36,000 as a result of a high cash balances being maintained throughout the year.

There was also a gain of \$93,000 arising from the disposal of two buses.

An increase in personnel cost of \$177,000 was mitigated by an overall decrease in fleet expenses of \$74,000. The increase in personnel costs was mainly as a result of the 4% Public Sector Enterprise Bargaining Agreement increase.

Darwin Bus Service cont...

Abridged Balance Sheet

	2880	2007
	\$'000	\$'000
Current Assets	5,036	4,970
Less Current Liabilities	(1,064)	(697)
Working Capital	3,972	4,273
Add Non Current Assets	5,364	4,845
	9,336	9,118
Less Non Current Liabilities	(179)	(175)
Net assets	9,157	8,943
Represented by:		
Accumulated funds	8,810	8,596
Reserves	347	347
Equity	9,157	8,943

Darwin Port Corporation

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The Darwin Port Corporation (the Corporation) is a Government Business Division established under the *Darwin Port Corporation Act 2005* (the Act). The Act requires the Corporation to act in a commercial manner. However, the Minister may direct the Corporation to act in a particular manner, including a non-commercial manner.

The Corporation provides commercial and non-commercial services including berth facilities, cargo handling, marine industry support, development and management of the Darwin Wharf Precinct for tourism and recreation, and provision of Port and reception facilities for cruise and naval vessel visits.

The Corporation is subject to the provisions of the National Tax Equivalents Regime.

Audit Opinion

The audit of Darwin Port Corporation for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 21 October 2008.

Key issues

The audit identified weaknesses in the sales, debtors and receipts systems, and also the purchases, creditors and payments systems.

In relation to the sales, debtors and receipts systems, it was noted that the main port and mooring basin fees and charges schedules published on the Corporation's website were not consistent with the rates that were invoiced through the Corporation's Finance One accounting system.

In relation to the purchases, creditors and payments systems, it was noted the existence of a practice of raising purchase orders subsequent to the receipt of suppliers' invoices. In addition, the purchase orders were often authorised by the same person who approved the payment of the invoice.

Darwin Port Corporation cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities		
Rendering services	18,343	12,116
Community Service Obligations	2,426	4,981
Value of services received free of charge	-	-
Interest earned	155	305
Total revenue from ordinary activities	20,924	17,402
Less expenses from ordinary activities		
Employee Expenses	(7,184)	(6,448)
Operational costs	(6,480)	(6,276)
Repairs and maintenance expenses	(2,698)	(2,067)
Depreciation and amortisation	(6,139)	(5,933)
Borrowing costs	(2,493)	(2,107)
Total expenses from ordinary activities	(24,994)	(22,831)
Net deficit before income tax expense	(4,070)	(5,429)
Less income tax benefit/(expense)	-	(9,694)
Net deficit	(4,070)	(15,123)

The Corporation's net deficit was due largely to the write off of a future income tax benefit of \$9.694 million, on the grounds of a low probability of future taxable profits that would allow the deferred tax asset to be recovered.

The Corporation's net asset position declined by \$4.042 million when compared with the position at 30 June 2007. This was primarily due to a decline in the level of the Corporation's non-current assets through the write of a future tax benefit and through the effects of depreciation of its fixed assets.

Darwin Port Corporation cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	2,562	3,320
Receivables and other current assets	3,287	2,213
Less Current Liabilities	(4,482)	(4,343)
Working Capital	1,367	1,190
Add Non Current Assets	197,580	200,890
	198,947	202,080
Less Non Current Liabilities	(38,319)	(37,410)
Net assets	160,628	164,670
Represented by:		
Accumulated funds	(19,121)	(15,051)
Reserves	20,176	20,176
Contributed Equity	159,573	159,545
Equity	160,628	164,670

The Corporation's short-term liquidity position has reduced slightly to a current ratio (the ratio of current assets to current liabilities) of 1.3 (2006: 1.59). This was predominately a result of trade receivables increasing by 62% due to an increase in eight large individual debtor balances totalling \$1.094 million, and an increase in accrued revenue of \$308,000 resulting from wharfage charges being accrued for the first time in 2007-08.

Darwin Port Corporation cont...

The Darwin Port Corporation has commented:

Key Issue 1: Sales and debtors and receipts systems

The Corporation recognises that the rates invoiced should match the published schedule of fees and charges and note that the variations found were immaterial in the whole port context. The variations found during the audit have been rectified.

Key Issue 2: Purchases, creditors and payments systems

The Corporation has implemented a procurement process consistent with the NTG procurement framework. Training has been conducted with relevant areas and continuous monitoring of appropriate documentation and approval for purchases is conducted as an ongoing basis.

Darwin Waterfront Corporation

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

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

Audit Opinion

The audit of Darwin Waterfront Corporation for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 18 November 2008.

Key issues

Darwin Convention Centre

The approach adopted by the Corporation for the valuation of the Convention Centre and the associated liability may require further consideration during 2008-09. The approach to accounting for concession arrangements such as the Convention Centre is the subject of international debate and there is at present no authoritative guidance on the matter. I expect progress to be made on the issue during 2008-09 and the Corporation's Board has advised that it will consider the issue further as authoritative guidance becomes available.

Darwin Waterfront Corporation cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	2,469	-
Less expenses from ordinary activities		
Convention Centre Payments	(935)	-
Employee expenses	(466)	-
Opening Ceremonies	(496)	-
Other	(344)	-
Total expenses from ordinary activities	(2,241)	-
Net surplus before income tax expense	228	-
Less income tax expense	-	-
Net surplus	228	-
Less dividends	-	-
Retained surplus	228	-

2007-08 was the first year in which the Corporation reported transactions in its financial report.

Darwin Waterfront Corporation cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	742	-
Receivables and other current assets	157	-
Less Current Liabilities	(1,344)	-
Working Capital	(445)	-
Add Non Current Assets	167,824	-
	167,379	-
Less Non Current Liabilities	(89,011)	-
Net assets	78,368	-
Represented by:		
Accumulated surplus	228	-
Contributed equity	78,140	-
Equity	78,368	-

The major asset and liability reported by the Corporation related to the transfer to the Corporation, by the Department of Planning and Infrastructure, of the Darwin Convention Centre together with the accompanying liability to the concession holder, Darwin Cove Convention Centre Pty Ltd.

Data Centre Services

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

Data Centre Services (DCS) manages the NT Government's Data Centre, providing mainframe and midrange support to government Agencies.

The host Agency was the Department of Corporate and Information Services (now Department of Business and Employment).

Audit Opinion

The audit of Data Centre Services for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 10 November 2008.

Key issues

No material weaknesses in controls were identified during the audit and the accounting and control procedures examined in relation to end of year financial processing were found to be generally satisfactory.

Data Centre Services cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	19,003	18,266
Less expenses from ordinary activities		
Operational costs	(8,455)	(9,753)
Employee Expenses	(4,874)	(4,738)
Depreciation and amortisation	(1,425)	(1,485)
Borrowing costs	-	(24)
Total expenses from ordinary activities	(14,754)	(16,000)
Net surplus before income tax expense	4,249	2,266
Less income tax expense	(1,275)	(680)
Net surplus	2,974	1,586
Less dividends	(1,487)	(793)
Retained surplus	1,487	793

DCS reported a net surplus before tax and dividends of \$4.249 million an increase of \$1.983 million compared with the prior year. The most significant factors that contributed to the increase in net surplus before tax and dividends were as follows:

- a \$641,000 increase in goods and services revenue due to the business growth in the provision of mid-range services and increased demand for storage and backup services.
- a \$1.25 million decrease in operational costs due to \$1.7 million of IT expenses for ePASSII development costs being capitalized in the year.

Data Centre Services cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	4,507	4,052
Receivables and other current assets	3,391	2,918
Less Current Liabilities	(4,475)	(2,933)
Working Capital	3,423	4,037
Add Non Current Assets	4,885	2,610
	8,308	6,647
Less Non Current Liabilities	(197)	(167)
Net assets	8,111	6,480
Represented by:		
Accumulated funds	7,636	6,149
Capital	475	331
Equity	8,111	6,480

DCS continued to demonstrate a strong net asset position as at 30 June 2008.

The improvement in the value of net assets when compared with the prior year reflected the increase in the value of non-current assets as a result of the capitalisation of system development costs of \$1.7 million

The Data Centre Services has commented:

Data Centre Services acknowledges the Auditor-General's unqualified audit opinion.

Department of Local Government, Housing and Sport: Territory Housing

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

Territory Housing controls and manages the Government's rental housing stocks and the mortgage assets arising from housing sales.

The host Agency in 2007-08 was the Department of Local Government, Housing and Sport (now the Department of Local Government and Housing).

Audit Opinion

The audit of Territory Housing for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 10 November 2008.

Key issues

Territory Housing's end of the year accounting and control procedures were found to be generally satisfactory.

However, system issues affecting the Tenancy Management System (TMS), which resulted in large reconciling items between TMS and the general ledger, were noted again in 2007-08.

Department of Local Government, Housing and Sport: Territory Housing cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$,000	\$'000
Revenue from ordinary activities		
Rendering of services	32,477	42,435
Interest revenue	21,557	15,083
Community Service Obligations (CSO)	115,499	30,082
Gain on sale of assets	3,141	5,773
Gain on revaluation of investments	2,462	4,546
Other revenues from ordinary activities	46,106	31,484
Total revenue from ordinary activities	221,242	129,403
Less expenses from ordinary activities		
Employee Expenses	(14,477)	(11,177)
Repairs and maintenance	(19,373)	(17,107)
Depreciation and amortisation	(20,233)	(19,129)
Borrowing costs	(33,375)	(25,933)
Rates	(18,544)	(16,402)
Other expenses on ordinary activities	(83,869)	(13,627)
Total expenses from ordinary activities	(189,871)	(103,375)
Net surplus	31,371	26,028

Department of Local Government, Housing and Sport: Territory Housing cont...

Territory Housing reported a net surplus of \$31.37 million which was an improvement on prior year's surplus of \$26.03 million. Factors that contributed to the 2007-08 surplus included:

- a \$69.3 million capital grant received for the Indigenous Housing Program;
- a \$36 million NT Government grant associated with the Closing the Gap project;

these were off set by:

- an increase in grant and subsidies expenses of \$63 million, an increase in other operational costs of \$7.4 million primarily due to Remote Housing Reform, and a \$10.4 million expense incurred upon the extinguishment of loans from the NT Treasury Corporation.

Department of Local Government, Housing and Sport: Territory Housing cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	59,999	73,650
Receivables and other current assets	19,697	9,458
Less Current Liabilities	(21,065)	(13,216)
Working Capital	58,631	69,892
Add Non Current Assets	1,549,686	1,491,523
	1,608,317	1,561,415
Less Non Current Liabilities	(274,162)	(328,326)
Net assets	1,334,155	1,233,089
Represented by:		
Accumulated surplus	10,361	(21,010)
Reserves	1,281,260	1,207,229
Contributed equity	42,534	46,870
Equity	1,334,155	1,233,089

Territory Housing recorded a strong net asset position as at 30 June 2008, which increased from \$1,233 million at 30 June 2007 to \$1,334 million at 30 June 2008. The increase was due largely to the net effect of \$73 million stemming from the revaluation of land and buildings, together with a decrease in borrowings.

Department of Local Government, Housing and Sport: Territory Housing cont...

**The Department of Local Government, Housing and Sport:
Territory Housing has commented:**

Financial Analysis: Territory Housing reported a net surplus of \$31.37 million which is an improvement from prior year's surplus of \$26.03 million.

Territory Housing has continued to show strong improvements in its financial performance posting a net surplus of \$31.37 million in 2007-2008. The most significant factors contributing to the current year's surplus were:

- \$69.3 million of capital grant received for the Indigenous Housing Program;
- \$36 million of NT Government grants associated with the Closing the Gap project;

these were off set by:

- a corresponding increase in grant and subsidies expenses of \$63 million, increase in other operational costs by \$7.4 million primarily attributable to the Remote Housing Reform, and \$10.4 million loss incurred on the extinguishment of a Treasury Corporation loan.

Financial Analysis: Territory Housing recorded a strong net assets position as at 30 June 2008 from \$1,233 million in prior year to \$1,334 million this year.

Territory Housing's increase in net assets is predominantly represented by the \$73 million net revaluation increment for land and buildings, and decrease in borrowings, and increase in net surplus.

Key Issue: Territory Housing's end of the year accounting and control procedures were found to be generally satisfactory. However, past and current audits have indicated that there are system issues that would benefit from further enhancement.

Territory Housing agrees and systematic solutions continue to be investigated to resolve this long-standing issue.

Desert Knowledge Australia

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

Desert Knowledge Australia (DKA) was established under the *Desert Knowledge Australia Act 2003* (the Act), which came into force on 18 September 2003. DKA is a body corporate that has been declared by its enabling Act to be excluded from the provisions of the *Commonwealth Corporations Act 2001*. The objectives of DKA are centred on a range of activities intended to promote economic and social development in desert and arid land areas.

DKA is managed by a Board, the members of which hold office in accordance with the provisions of the Act.

Audit Opinion

The audit of the Desert Knowledge Australia for the year ended 30 June 2008 resulted in the issue of an unqualified independent audit opinion on 24 November 2008.

Key issues

While no matters of significance were raised as a result of the audit, a number of minor matters were again brought to the attention of the Board.

Desert Knowledge Australia cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	1,423	1,324
Less expenses from ordinary activities		
Salaries	(663)	(528)
Depreciation and amortisation	(80)	-
Board costs	(81)	(49)
Consultants	(21)	(59)
Media/marketing/advertising	(90)	(71)
Motor vehicles	(47)	(7)
Travel	(37)	(29)
Desert Knowledge Precinct	(117)	(21)
Desert Knowledge Symposium	(47)	-
Other	(141)	(131)
Total expenses from ordinary activities	(1,324)	(895)
Retained surplus	99	429

The increase in revenue was due largely to the rent received from the Business Innovation Centre, increased interest received, income from the Desert Knowledge Symposium, and Indigenous Education and Employment Taskforce partner income.

The increase in expenses was due largely to depreciation and amortisation of building and leasehold rights, employment of a business manager, and costs incurred in maintaining the Business Innovation Centre. The retained surplus must be considered in conjunction with the unexpended tied funding carried forward by DKA and which was \$110,751 at 30 June 2008 (2007: \$1,100,751). This amount relates to the following projects:

Desert Knowledge Australia cont...

Projects	2008	2007
	\$	\$
Indigenous Employment and Education Taskforce	29,000	30,000
Business & Innovation Centre	-	1,000,000
Desert Governance	11,000	-
Nevada Institute Seed Fund	70,751	70,751
Total	110,751	1,100,751

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets	790	1,852
Less Current Liabilities	(102)	(343)
Working capital	688	1,509
Add Non Current Assets	3,605	250
Net assets	4,293	1,759
Represented by:		
Contribution	2,434	-
Accumulated surplus	1,859	1,759
Equity	4,293	1,759

During the year the Minister for Planning and Lands granted to DKA a lease over 72 hectares upon which the Desert Knowledge Precinct is situated. The value of the leasehold rights of \$676,909 was based on the cost recorded in the NT Government's land register and was recognised by DKA as a contribution from the NT Government. Also in 2008, the NT Government transferred the control of the Business Innovation Centre to DKA. The total cost of the building was \$3,007,499 of which DKA contributed \$1, 250,000, with the balance of \$1,757,499 being met by the NT Government.

Government Printing Office

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The Government Printing Office (GPO) is a Government Business Division that provides printing services to the Government and its Agencies all Agencies are expected to use the GPO for their printing and publication needs. The GPO is required to outsource a proportion of its work to private sector printing firms.

The host Agency was the Department of Corporate and Information Services (now Department of Business and Employment).

Audit Opinion

The audit of the Government Printing Office for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 10 November 2008.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Government Printing Office cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	6,013	6,203
Less expenses from ordinary activities		
Operational costs	(3,175)	(3,350)
Employee Expenses	(2,402)	(2,416)
Depreciation and amortisation	(291)	(287)
Total expenses from ordinary activities	(5,868)	(6,053)
Net surplus before income tax expense	145	150
Less income tax expense	(43)	(45)
Net surplus	102	105
Less dividends	(50)	(53)
Retained surplus	52	52

The net surplus before tax and dividends declined by \$5,000 (3.3%) from prior year and this was attributable to a decline in revenue of \$190,000 (3.1%) and a corresponding decline in expenses of \$185,000 (3.1%). The factors that contributed to the decreases in revenue and expenses were:

- \$182,000 (3%) decline in sales of goods and services due to a decline in demand from the NT Government Agencies for printing services;
- \$182,000 (5.6%) decline in purchases of goods and services. This decrease was consistent with the decline in revenue for the year; and
- \$6,000 (100%) decline in the gain on disposal of assets.

Government Printing Office cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets	3,358	2,837
Less Current Liabilities	(937)	(743)
Working Capital	2,421	2,094
Add Non Current Assets	767	1,035
	3,188	3,129
Less Non Current Liabilities	(167)	(160)
Net assets	3,021	2,969
Represented by:		
Accumulated funds	2,648	2,596
Capital	373	373
Equity	3,021	2,969

GPO continued to display a strong net asset position as at 30 June 2008 and the improvement upon the position at 30 June 2007 was due to the retention of the net surplus after tax and dividends.

The Government Printing Office has commented:

Government Printing Office acknowledges the Auditor-General's unqualified audit opinion.

Jabiru Town Development Authority

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The Jabiru Town Development Authority (the Authority) has overall responsibility under the *Jabiru Town Development Act* for maintenance and development of the town of Jabiru, the issue of sub-leases of land and for administration, management and control of the town. A Headlease Agreement between the Authority and the Commonwealth over the town is due to expire in 2021.

The NT Government provided loan funds of \$8.4 million for over-designed services, mainly water supply and sewerage facilities which were constructed to facilitate expansion of the town to its final estimated population. During the period January 1984 to June 1986 the Authority's debt to the NT Government increased to \$8.8 million due to the capitalisation of net unpaid interest. In August of 1986 the Government granted the Authority a moratorium on future interest and loan repayments on existing loans. That moratorium continued to apply at 30 June 2008.

A 1985 Cost Sharing Agreement set out the principles for the allocation between participating parties of expenditure required for the town development. The participating parties were principally Energy Resources Australia Limited, the NT Government, the Commonwealth Government and the Authority.

Audit Opinion

The audit of the Jabiru Town Development Authority for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 11 December 2008.

Key issues

The audit opinion report while not qualified included the following emphasis of matter:

"Without qualification to the opinion expressed above, attention is drawn to the following matter. Under the heading of Basis of Accounting and Going Concern in Note 1(a), the Authority refers to its expectation of the continuation of the moratorium on the Authority's future interest and repayment of loans due to the Northern Territory Government totalling \$8,804,916. Without this moratorium, there would be significant uncertainty whether the Authority would be able to continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report."

Jabiru Town Development Authority cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	258	231
Less expenses from ordinary activities		
Administration expenses	(588)	(209)
Amortisation of town infrastructure	(63)	(62)
Total expenses from ordinary activities	(651)	(271)
Net loss	(393)	(40)

The main reason for this increase in the loss for the year when compared with the prior year was an increase in expenses, in the form of contributions by the Authority to Jabiru Town Council, of \$383,652 for emergency works and infrastructure works carried out by the Council during the year (nil in prior year). There was no material movement in income for the year.

Jabiru Town Development Authority cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets	3,340	3,677
Less Current Liabilities	(8)	(15)
Working Capital	3,332	3,662
Add Non Current Assets	832	895
	4,164	4,557
Less Non Current Liabilities	(8,805)	(8,805)
Net assets	(4,641)	(4,248)
Represented by:		
Accumulated deficit	(4,641)	(4,248)
Equity	(4,641)	(4,248)

Legislative Assembly Members' Superannuation Trust

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The provision of superannuation benefits to Members of the Legislative Assembly was affected by two Acts passed by the Legislative Assembly during 2005-06. The first, the *Legislative Assembly Members' (Scheme Closure) Act* closed the defined benefits scheme to new members. Members of the Legislative Assembly who were re-elected at the general election held on 18 June 2005 continue as members of the defined benefit scheme. The second Act, the *Legislative Assembly Members' Superannuation Contributions Act*, established a new superannuation arrangement for Members elected to the Legislative Assembly for the first time at the general election on 18 June 2005. The new arrangement provides for the payment of the 9% superannuation guarantee to the Member's superannuation fund of choice and, in the absence of a nomination of a fund by a Member, to a default fund.

The triennial Actuarial Review of the defined benefit scheme was carried out as at 30 June 2007. The estimated value of vested benefits (the value of members' rights that were not conditional upon continued scheme membership) of the defined benefit scheme at 30 June 2008 were \$52.304 million.

Audit Opinion

The audit of the Legislative Assembly Members' Superannuation Trust for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 8 October 2008.

Key issues

The audit did not identify any matters of consequence.

Legislative Assembly Members' Superannuation Trust cont...

Financial analysis

Abridged Statement of Changes in Net Assets

	2008	2007
	\$'000	\$'000
Net investment revenue		
Sundry income	20	124
Interest and distributions	7,092	4,126
Changes in net market value of investments	(12,670)	4,077
Member contributions	308	311
Member surcharge contributions	86	110
Territory contributions	2,537	1,982
Benefits paid	(2304)	(1,991)
Superannuation contribution surcharge	(54)	(120)
Other expenses	(3)	(3)
Revenue less expenses before income tax	(4,988)	8,616
Less income tax expense	(6)	(457)
Change in net assets	(4,994)	8,159

A significant factor in the lower level of financial performance experienced for 2007-08 was the volatility of national and international financial markets that resulted in a decline of \$12.7 million in the net market value of the Trust's investments.

Member surcharge contributions of \$86,035 (2007: \$109,504) were received as deduction from former members who received lump sum benefit payments upon resignation.

Legislative Assembly Members' Superannuation Trust cont...

Abridged Statement of Net Assets

	2007	
	\$'000	\$'000
Current Assets		
Cash at bank and other assets	1,812	204
Investments	50,263	56,880
Total Assets	52,075	57,084
Less Liabilities	(1,083)	(1,098)
Net assets	50,992	55,986
 Vested benefits	 52,304	 49,513

Vested benefits are the value of benefits payable on voluntary withdrawal from the scheme at that date.

Due to the lower level of investment performance for the year, net assets now represent 97.5% of vested benefits (2007: 113.1%).

Northern Territory Treasury has commented:

With respect to your report on the 2007-08 financial statements for NTGPASS, LAMS and the Police Supplementary Superannuation Scheme, you note the decline in the net market value of each scheme's investments due to the national and international market volatility. This volatility is continuing and all three schemes continue to experience negative investment returns, however it is important to note that their performance is in line with other similar schemes in Australia.

Nitmiluk (Katherine Gorge) National Park Board

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The Nitmiluk (Katherine Gorge) National Park Board (the Board) was formed in 1989 under the *Nitmiluk (Katherine Gorge) National Park Act* to acknowledge and secure the right of Aboriginals who are the traditional Aboriginal owners of certain land in the Northern Territory of Australia, and certain other Aboriginals, to occupy and use that land, to establish a National park comprising that land to be known as the Nitmiluk (Katherine Gorge) National Park, to provide for the management and control of that Park and certain other land, and for related purposes.

Audit Opinion

The audit of the financial statements of Nitmiluk (Katherine Gorge) National Park Board for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 3 October 2008.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Nitmiluk (Katherine Gorge) National Park Board cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$,000	\$'000
Revenue from ordinary activities		
Park income	859	846
NT Government funding sundry income	38	37
Total revenue from ordinary activities	897	883
Less expenses from ordinary activities		
Operational costs	(895)	(882)
Total expenses from ordinary activities	(895)	(882)
Retained surplus	2	1

Park income earned for 2006-07 was \$889,000, essentially unchanged from the previous year, and this was reflected in payments to both the Traditional Owners and the Parks and Wildlife Commission.

Nitmiluk (Katherine Gorge) National Park Board cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets	470	316
Less Current Liabilities	(448)	(296)
Working Capital	22	20
Add Non Current Assets	-	-
	22	20
Less Non Current Liabilities	-	-
Net assets	22	20
Represented by:		
Accumulated surplus	22	20

Northern Territory Government and Public Authorities Employees' Superannuation Fund

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS) was established by the *Superannuation Act* (the Act). The Scheme was closed to new members on 9 August 1999. The basis of closure of the Scheme was challenged by the Community and Public Sector Union (CPSU) and a test case was heard in the Northern Territory Supreme Court in May 2008 which resulted in the dismissal of the CPSU's claim.

The NTGPASS is a defined benefit scheme which means that the benefits payable by the Scheme are linked to years of membership and salary levels.

The future liability of the Government, and each year's emerging cost, for providing benefits to withdrawing members is calculated by an appropriately qualified actuary and I have relied upon the work performed by that actuary when conducting my audit. The last actuarial review of the scheme was performed as at 30 June 2007.

The unfunded liability of the scheme at 30 June 2008, after taking into account the value of assets held by the scheme at that date, was \$755.6 million, compared with an unfunded liability of \$677.8 million at 30 June 2007.

Audit Opinion

The audit of Northern Territory Government and Public Authorities Employees' Superannuation Fund for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 14 October 2008.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified. However, the volatility that existed in both national and international financial markets during 2007-08 resulted in a significant decline of \$51.5 million in the net market value of the Scheme's investments.

Northern Territory Government and Public Authorities Employees' Superannuation Fund cont...

Financial analysis

Abridged Statement of Changes in Net Assets

	2008	2007
	\$'000	\$'000
Net investment revenue	(51,210)	89,893
Member contributions	38,742	39,683
Member surcharge payments received	452	280
Territory contributions	63,688	47,360
Transfers and rollovers	52,570	51,054
Benefits expense	(144,371)	(104,322)
Other expenses	(185)	(430)
Revenue less expenses before income tax	(40,314)	123,518
Less income tax expense	(7,081)	(6,100)
Change in net assets	(47,395)	117,418

Benefit expenses for the year increased significantly as a result of increases in retirement benefits by \$16.8 million to \$50.4 million, and withdrawal benefits by \$24.9 million to \$88.4 million.

The higher benefit expenses for the year, when considered in conjunction with unrealised loss associated with the decline in the net market value of the Scheme's investments, explain the decline in the value of the Scheme's net assets for the year.

Northern Territory Government and Public Authorities Employees' Superannuation Fund cont...

Abridged Statement of Net Assets

	2008	2007
	\$'000	\$'000
Cash at bank and other assets	33,957	15,314
Investments	638,360	682,131
Total assets	672,317	697,445
Less Liabilities	(57,210)	(34,943)
Net assets	615,107	662,502
 Vested benefits	 1,370,740	 1,340,300

Vested benefits are the value of benefits payable on voluntary withdrawal from the scheme at that date.

Northern Territory Treasury has commented:

With respect to your report on the 2007-08 financial statements for NTGPASS, LAMS and the Police Supplementary Superannuation Scheme, you note the decline in the net market value of each scheme's investments due to the national and international market volatility. This volatility is continuing and all three schemes continue to experience negative investment returns, however it is important to note that their performance is in line with other similar schemes in Australia.

Northern Territory Legal Aid Commission

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The NT Legal Aid Commission (the Commission) is established under the *Legal Aid Act*.

Audit Opinion

The audit of Northern Territory Legal Aid Commission for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 24 November 2008.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

However, it was noted that the grants in aid provision, which is an estimate of the value of work performed for the Commission by the legal profession at year end but not yet billed, was based on completion percentage of 19% which has remained unchanged from the prior two years. There was no current data to support the continued use of 19% as a basis for making the grants in aid provision for the 2007/08 year. It was recommended to the Commission that it should consider reviewing the use of this percentage in line with the actual percentages achieved in prior years and current legal expenses payment practice. Supporting data should then be obtained to support the percentage to be used in the future.

Northern Territory Legal Aid Commission cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	8,821	7,776
Less expenses from ordinary activities		
Administration	(1,392)	(1,159)
Employee Expenses	(4,189)	(3,605)
Legal	(2,219)	(2,328)
Depreciation and amortisation	(236)	(224)
Other	(799)	(587)
Total expenses from ordinary activities	(8,835)	(7,903)
Net (deficit)/surplus	(14)	(127)

The increase in revenue was mainly due to an increase in Commonwealth funding that included \$625,000 under the NT Emergency Response. The increase in revenue was offset by the increase in salaries and employee benefits of \$584,321 arising as a result of the EBA increase in late 2007 and an increase in employees to 61 (2007: 52). An increase of \$232,139 in administration expenses and \$212,097 in other expenses was also noted.

Northern Territory Legal Aid Commission cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets	3,554	3,982
Less Current Liabilities	(1,090)	(1,087)
Net Current Assets	2,464	2,895
Add Non Current Assets	1,527	1,175
	3,991	4,070
Less Non Current Liabilities	(178)	(122)
Net assets	3,813	3,948
Represented by:		
Reserves	2,472	2,740
Retained earnings	1,341	1,208
Equity	3,813	3,948

During the year the Commission spent \$463,649 on additions to a property which it controls in Alice Springs. Following a revaluation of the property in May 2008 the land value was increased by \$10,000, while the value of the building, that had increased with the capitalisation of the \$463,649 of additions, declined by \$129,892.

Northern Territory Major Events Company Pty Ltd

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The Northern Territory Government established the Northern Territory Major Events Company Pty Ltd (the Company) with the principal responsibility for attracting major events to the Northern Territory and promoting and coordinating such events.

Following the holding of the 2002 round of the V8 Supercar Championship in Darwin, the rights to run the event in Darwin were transferred from Hidden Valley Promotions Pty Ltd (HVP) to the Company together with the remaining assets and liabilities of HVP.

As the 2008 event was held over the weekend commencing 4 July 2008 and the 2007 event was held over the weekend commencing 22 June 2007 no event was held during the financial year ended 30 June 2008.

Audit Opinion

The audit of Northern Territory Major Events Company Pty Ltd for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 17 December 2008.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Northern Territory Major Events Company Pty Ltd cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue before government grants	1,545	5,120
Less expenses from ordinary activities		
Employee Expenses	(1,199)	(559)
Depreciation	(12)	(6)
Other	(3,072)	(7,476)
Total expenses from ordinary activities	(4,283)	(8,041)
Net loss before government grants	(2,738)	(2,921)
Government grants	3,953	2,490
Net profit/(loss)	1,215	(431)

This operating result directly reflects the Company's exposure to significant revenue and expenditure recognition issues surrounding the timing of the V8 Supercar championships. The 2008 event was held in July 2008, with no event being held during the financial year ended 30 June 2008. The effect of the timing of events resulted in a \$1.65 million increase in the 2007-08 year profits, with only 13% of expenditure and 26% of revenue being recognised in that year. For the 2008 event all ticket sale revenue and the majority of expenses incurred will be recorded in the 08/09 year.

Northern Territory Major Events Company Pty Ltd cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets	4,376	2,680
Less Current Liabilities	(2,624)	(2,136)
Net current assets	1,752	544
Add Non Current Assets	44	37
Net assets	1,796	581
Represented by:		
Retained profits	1,796	581
Contributed equity (\$2)	-	-
Equity	1,796	581

Northern Territory Police Supplementary Benefit Scheme

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The Northern Territory Police Supplementary Benefit Scheme (NTPSBS) differs from other superannuation schemes discussed in this report in that it was established under a Trust Deed rather than by legislation and is intended to supplement pensions payable from the Commonwealth Superannuation Scheme (CSS) for members of the Northern Territory Police, Fire and Emergency Services.

Eligibility for membership of the CSS ceased from 1 January 1988 and all members of the police force recruited after that date were required to join the NT Government and Public Authorities Superannuation Scheme, until that scheme's closure to new members in 1999. The NTPSBS is therefore closed to new members and membership of the scheme is declining steadily as a consequence. At 30 June 2008 there were 112 (121 in 2007) members and 136 (133 in 2007) pensioners.

Members finance a share of scheme benefits by contributing one per cent of their salary to the fund, which is managed by the Trustees. Each member has an accumulation account in the fund representing the member's contributions and interest earnings.

A member qualifies for a supplementary benefit if:

- the member is at least 50 years of age or has at least 25 years CSS contributory service when ceasing to be a member of the scheme; and
- the member becomes entitled to a CSS age retirement pension, early retirement pension, deferred pension or postponed pension on or after ceasing to be a member of the scheme.

The supplementary benefit is based on the amount of the member's CSS employer-financed pension and the member's age when ceasing to be a member of the NT Police Force or a CSS contributor, whichever occurs later. Upon qualification for a supplementary benefit, the member's accumulated contributions and interest are paid to the Territory, which is responsible for the payment of the supplementary benefit.

Northern Territory Police Supplementary Benefit Scheme cont...

The supplementary benefit is paid as a lifetime indexed pension, which commences when the CSS employer-financed pension begins to be paid. A supplementary pension may be commuted to a lump sum equal to ten times the annual amount of supplementary pension. Where a member ceases membership and is not entitled to a supplementary benefit, an amount equal to the member's contributions with interest is paid to the member.

Audit Opinion

The audit of the Northern Territory Police Supplementary Benefit Scheme for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 6 October 2008.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified. However, net investment revenue declined sharply when compared with the prior year as a result of the volatility that characterised both national and international financial markets during 2007-08.

Northern Territory Police Supplementary Benefit Scheme cont...

Financial analysis

Abridged Statement of Changes in Net Assets

	2008	2007
	\$'000	\$'000
Net investment revenue	(352)	463
Contribution revenue	108	118
Benefits		
Refunds of accumulated contributions	(3)	(151)
Payment of accumulated contributions to the Territory	(256)	(445)
Superannuation contribution surcharge	(3)	(4)
Other expenses	(2)	(2)
Revenue less expenses before income tax	(508)	(21)
Less income tax expense	(1)	(1)
Change in net assets	(509)	(22)

Northern Territory Police Supplementary Benefit Scheme cont...

Abridged Statement of Net Assets

	2008	2007
	\$'000	\$'000
Cash at bank and other assets	98	166
Investments	3,068	3,532
Total assets	3,166	3,698
Less Liabilities	(330)	(353)
Net assets	2,836	3,345
 Vested benefits	 33,600	 31,450

Vested benefits are the value of benefits payable on voluntary withdrawal from the scheme at that date.

Northern Territory Treasury has commented:

With respect to your report on the 2007-08 financial statements for NTGPASS, LAMS and the Police Supplementary Superannuation Scheme, you note the decline in the net market value of each scheme's investments due to the national and international market volatility. This volatility is continuing and all three schemes continue to experience negative investment returns, however it is important to note that their performance is in line with other similar schemes in Australia.

Northern Territory Treasury Corporation

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The Northern Territory Treasury Corporation (the Corporation) is the investment and borrowing agent for the Northern Territory. Its transactions are material to the Public Account and a very high degree of assurance as to financial regularity is required.

The powers and obligations of the Corporation are to be found in the *Northern Territory Treasury Corporation Act* (the Act). The Under Treasurer constitutes the Corporation and is the Accountable Officer. There is an Advisory Board constituted under section 8 of the Act to which may be delegated any of the powers and functions under the enabling Act.

The Corporation is a Government Business Division and maintains its accounts in accordance with accounting principles generally applied in commercial practice and submits financial statements for audit by the Auditor-General each year.

Audit Opinion

The audit of Northern Territory Treasury Corporation for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 1 October 2008.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

The nature of the Corporation's activities, which sees its assets dominated by loans to the Northern Territory, and to entities controlled by the Northern Territory, means that the values of the corporation's assets were not affected by the volatility that characterised national and international financial markets during 2007-08.

Northern Territory Treasury Corporation cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	174,063	162,296
Less expenses from ordinary activities		
Interest	(146,898)	(136,660)
Administration	(2,186)	(1,988)
Total expenses from ordinary activities	(149,084)	(138,648)
Net surplus before income tax expense	24,979	23,648
Less income tax expense	(7,494)	(7,094)
Net surplus	17,485	16,554
Less dividends	(17,485)	(16,554)
Retained surplus	-	-

Northern Territory Treasury Corporation cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Total Assets	2,392,061	2,357,167
Less Total Liabilities	(2,369,971)	(2,334,733)
Net assets	22,090	22,434
Represented by:		
Contributed capital	18,714	18,714
Reserves	3,376	3,720
Equity	22,090	22,434

NT Build

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

NT Build is the name of the Board established under the *Construction Industry Long Service Leave and Benefits Act 2005* (the Act) which came into force on 1 July 2005. The role of the Board is to administer a scheme also established under the Act to provide for entitlements to long service leave and long service leave benefits for construction workers.

On 1 July 2007 the Board determined that benefits to claimants would be paid at the rate of \$867 per week and that rate was increased by the Board to \$927 per week from 1 July 2008.

Audit Opinion

The audit of NT Build for the year ended 30 June 2008 resulted in a qualified independent audit opinion, which was issued on 19 November 2008.

Key issues

Qualification

I issued a qualified audit opinion on the financial statements of NT Build for the year ended 30 June 2008. The qualification reported within the audit opinion follows:

“The statutory obligation to notify NT Build of the commencement of a project rests with the developer. NT Build has implemented a number of mechanisms to help monitor compliance and identify leviable projects and consequently those liable to pay the levy, including monitoring projects where building permits under the Building Act are issued. It is noted that not all types of construction work carried out in the Territory requires a building permit.

Due to the nature of the approval process within the Northern Territory construction industry, there exists some uncertainty regarding the ability of NT Build to identify all construction and maintenance projects that fall within the scope of the Construction Industry Long Service Leave and Benefits Act. As such, I am unable to satisfy myself as to the completeness of the \$8,173,283 disclosed as ‘Contributions from levy payers’ in the income statement.”

NT Build cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	7,459	5,524
Less expenses from ordinary activities		
Employee Expenses	(578)	(506)
Occupancy costs	(80)	(77)
Depreciation and amortisation	(73)	(73)
Fees and allowances	(22)	(32)
Long service leave benefit payments	(199)	(152)
Long service scheme expense – current year	(2,161)	(2,860)
Long service scheme expense – prior year	-	(2,600)
Other	(317)	(415)
Total expenses from ordinary activities	(3,430)	(6,715)
Net (deficit)/surplus before income tax expense	4,029	(1,191)

Whilst \$199,000 of LSL benefit payments were made during the year an additional \$2,161,000 was accrued based on an actuarial assessment of NT Build's liability during the year.

NT Build cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets	13,165	6,801
Less Current Liabilities	(402)	(557)
Working Capital	12,763	6,244
Add Non Current Assets	159	232
	12,922	6,476
Less Non Current Liabilities	(7,426)	(5,010)
Net assets	5,496	1,466
Represented by:		
Implementation funding	297	297
Accumulated surplus	5,199	1,169
Equity	5,496	1,466

The liability for accrued long service leave benefits was estimated to be \$7.426 million at 30 June 2008. That amount represents the net present value of future payments expected to arise from the service of eligible workers up to 30 June 2008.

NT Build cont...

NT Build has commented:

The NT Build Board notes the audit findings and accepts the qualification of the audit opinion.

In support of the recommendation, NT Build advises that we continue to work closely with the Department of Planning and Infrastructure to pursue suitable amendments to both the Building Act and the Planning Act in order to strengthen NT Build's ability to maximise levy compliance.

As noted in the recommendation, it is acknowledged that changing the current building approval regime to include the payment of the levy will have a limited effect. This is due to the fact that the building approval regime does not have Territory wide application, nor does it apply to all categories of "construction" (eg; civil works and some maintenance and remote area works) as defined by the Construction Industry Long Service Leave and Benefits Act. The Board accepts therefore that the recommended legislative action alone will not remove the uncertainty noted by the Auditor-General.

Although a level of uncertainty may always exist, the Board remains confident that a high level of compliance is being achieved through NT Build's continued use and refinement of a range of mechanisms that identify construction projects throughout the Northern Territory.

NT Fleet

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

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 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 was the Department of Corporate and Information Services (now Department of Business and Employment).

Audit Opinion

The audit of NT Fleet for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 10 November 2008.

Key issues

No material weaknesses in controls were identified during the audit and the accounting and control procedures examined in relation to end of year financial processing were found to be generally satisfactory.

NT Fleet cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities		
Revenue from vehicle lease rentals	35,551	33,625
Gain on disposal of assets	1,773	1,518
Other revenues	459	198
Total revenue from ordinary activities	37,783	35,341
Less expenses from ordinary activities		
Operational costs	(9,293)	(9,942)
Employee Expenses	(2,120)	(2,060)
Depreciation and amortisation	(15,622)	(14,447)
Borrowing costs	(285)	(56)
Total expenses from ordinary activities	(27,320)	(26,505)
Net surplus before income tax expense	10,463	8,836
Less income tax expense	(3,139)	(2,651)
Net surplus	7,324	6,185
Less dividends	(3,662)	(3,093)
Retained surplus	3,662	3,092

NT Fleet cont...

The net surplus before tax and dividends of \$10.46 million is an increase of \$1.62 million over the previous year. The most significant factors that contributed to the increase were:

- the gain on the disposal of assets increased by \$0.26 million due to unexpected higher returns at auctions for commercial vehicles;
- the \$1.9 million (5.7%) increase in sales of goods and services is in line with the increased size of the vehicle fleet (2,462 vehicles in 2006/2007 to 2,509 vehicles in 2007/2008) as well as an increase in the lease rate of approximately 4.3%; and
- motor vehicle expenses decreased from \$8.2 million to \$7.7 million (6%) in 2007/2008 due to the abolishment of the Hire Duty levy (1.8%) payable to NT Treasury and reduced repairs and maintenance costs.

NT Fleet cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	8,775	4,353
Receivables and other current assets	1,307	631
Less Current Liabilities	(12,071)	(8,403)
Working Capital	(1,989)	(3,419)
Add Non Current Assets	83,085	80,995
	81,096	77,576
Less Non Current Liabilities	(4,122)	(4,173)
Net assets	76,974	73,403
Represented by:		
Accumulated funds	76,537	72,875
Capital	437	528
Equity	76,974	73,403

NT Fleet continues to display a strong net asset position as at 30 June 2008.

This is a \$3.6 million (5%) improvement on the prior year and is largely due to the net surplus after tax and dividends.

NT Fleet has commented:

NT Fleet acknowledges the Auditor-General's unqualified audit opinion.

Power and Water Corporation

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The Power and Water Corporation (the Corporation) is the primary provider of electricity generation and distribution services, and the sole provider of water and sewerage services in the Northern Territory.

From 1 July 2002 the Corporation became a government owned corporation under the *Government Owned Corporations Act*.

The Corporation controls three fully owned subsidiary companies: Darnor Pty Ltd; Gasgo Pty Ltd; and Indigenous Essential Services Pty Ltd.

Audit Opinion

The audit of Power and Water Corporation for the year ended 30 June 2008 resulted in a qualified independent audit opinion, which was issued on 30 September 2008.

Key issues

Qualification

I issued a qualified audit opinion on the comparative balances within the financial statements of the Corporation and the consolidated entity for the year ended 30 June 2008 as I believe the net loss for the year ended 30 June 2007 to be overstated. As a result of audit procedures conducted for the year ended 30 June 2007 an amount of \$43.72 million of the impairment loss recognised in the year ended 30 June 2007 was identified as being attributable to the years ended on or before 30 June 2006.

Power and Water Corporation cont...

Qualification cont...

The qualification reported within the audit opinion follows:

“Application of AASB 136 Impairment of Assets to the results reported for the comparative year ended 30 June 2007.

In accordance with AASB 136 Impairment of Assets, the Corporation performed an impairment test and determined that the recoverable amount of the Corporation's and consolidated entity's water system assets was \$251.80 million as at 30 June 2007. A write down of \$88.57 million was applied to the water system assets for the year ended 30 June 2007. Had \$43.72 million of the write down been appropriately applied in the previous year, the impact on the income statement for the year ended 30 June 2007 would have been to recognise an impairment loss of \$44.84 million rather than an impairment loss of \$88.57 million. Accordingly, the net loss for the year ended 30 June 2007 reported for the Corporation and the consolidated entity would have been \$25.59 million and \$25.48 million respectively.”

Power and Water Corporation cont...

Financial analysis

Abridged Income Statement of the Consolidated Entity

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	600,222	527,028
Less expenses from ordinary activities		
Raw materials and consumables used	(255,316)	(234,525)
Finance costs	(28,063)	(24,808)
Repairs and maintenance expenses	(41,508)	(36,203)
Employee expenses	(73,573)	(63,434)
Property costs	(5,706)	(4,945)
Information technology and communication	(7,607)	(7,689)
Insurance costs	(2,518)	(3,630)
Depreciation and amortisation	(58,919)	(61,156)
Impairment of non current assets	-	(146,431)
Other expenses	(44,906)	(42,987)
Total expenses from ordinary activities	(518,116)	(625,808)
Net (loss)/profit before income tax expense	82,106	(98,780)
Less income tax benefit/(expense)	(24,640)	29,576
Net profit	57,466	(69,204)
Less dividends	-	-
Retained profit	57,466	(69,204)

The improved operating result reflects the effect of the prior year's asset impairment write down of \$146.4 million and the receipt in 2007-08 of a capital contribution of \$50 million from the NT Government.

Power and Water Corporation cont...

Abridged Balance Sheet of the Consolidated Entity

	2008	2007
	\$'000	\$'000
Current Assets	179,919	122,414
Less Current Liabilities	(167,252)	(134,478)
Working Capital	12,667	(12,064)
Add Non Current Assets	1,191,205	1,064,189
	1,203,872	1,052,125
Less Non Current Liabilities	(589,502)	(496,715)
Net assets	614,370	555,410
Represented by:		
Retained profits	615,680	558,214
Reserves	(1,310)	(2,804)
Equity	614,370	555,410

Net cash generated by the Corporation's operations for the year was \$141.1 million and this was supplemented by the net proceeds of borrowings totalling \$78.9 million. The funds were used to acquire property, plant and equipment totalling \$173 million, with the balance being represented by the increase in the Corporation's cash balances at 30 June 2008.

Power and Water Corporation cont...

The Power and Water Corporation has commented:

No issues were raised from the audit of the financial statements for the 12 months to 30 June 2008.

The audit qualification applied to this years accounts stems solely from the 30 June 2007 comparatives included in the financial statements. This qualification relates to the audit qualification from the 30 June 2006 year which, under accounting standards introduced under Australian equivalents to International Financial Reporting Standards (AIFRS), takes several years to flow through the financial statements.

As such, 2007/08 is the final year that will be impacted by the 30 June 2006 audit qualification.

The Corporation also notes that the financial performance for the 12 months to 30 June 2008 was positively impacted by a \$50 million capital contribution from the Northern Territory Government that was received in June 2008 and contributed to the high year end cash balance.

Territory Discoveries

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

Territory Discoveries was established to increase the exposure of, and potential economic returns to, the NT tourism industry, particularly small to medium sized operators. Territory Discoveries develops travel, tour and accommodation packages for sale in the domestic and international markets. It promotes the sale of these packages through the retail travel network and direct to the consumer via a range of advertising and marketing mechanisms including brochure production, internet sites and trade and consumer journals.

Territory Discoveries' host Agency is Tourism NT.

Audit Opinion

The audit of Territory Discoveries for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 4 November 2008.

Key issues

Territory Discoveries' end of the year accounting and control procedures were found to be generally satisfactory.

However, it was noted that key financial reconciliations had not been performed for several successive months. Weaknesses in systems intended to ensure that financial reconciliations are performed and reviewed regularly are viewed by audit as representing an increased level of risk that errors or irregularities may remain undetected and thus issues requiring attention may not be dealt with promptly.

Territory Discoveries cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$'000	\$'000
Revenue from ordinary activities	8,708	8,154
Less expenses from ordinary activities		
Operational costs	(5,253)	(4,892)
Employee Expenses	(3,411)	(2,881)
Depreciation and amortisation	(2)	(13)
Total expenses from ordinary activities	(8,666)	(7,786)
Net surplus before income tax expense	42	368
Less income tax expense	-	-
Net surplus	42	368
Less dividends	-	-
Retained surplus	42	368

The significant expense increases were salaries and wages, which rose to \$3.411 million (2007: \$2.881 million), and the purchases of goods and services, which increased to \$5.253 million (2007: \$4.892 million).

Total revenue increased by \$0.554 million, with the main increase noted being sales of goods and services to \$5.394 million (2007: \$5.184 million).

Territory Discoveries cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	9,631	10,563
Receivables and other current assets	333	193
Less Current Liabilities	(6,742)	(7,584)
Working Capital	3,222	3,172
Add Non Current Assets	3	5
	3,225	3,177
Less Non Current Liabilities	(24)	(18)
Net assets	3,201	3,159
Represented by:		
Accumulated losses	(2,476)	(2,518)
Contributed equity	5,677	5,677
Equity	3,201	3,159

Territory Discoveries has commented:

Tourism NT also identified the non-performance of financial reconciliations for several successive months as a problem prior to the audit and implemented procedures to ensure they were performed monthly from April 2008.

Territory Insurance Office

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

The Territory Insurance Office (TIO) is a wholly owned entity of the NT Government which operates under its own enabling Act and has its own Governing Board although it may be directed by the Minister. TIO's mandate limits its conduct of insurance business to the Northern Territory and it also manages the Northern Territory Government's motor vehicle third party insurance arrangements under the *Motor Accidents (Compensation) Act*. TIO also provides financial services, which include deposit taking, lending, management of the HomeNorth Scheme for Territory Housing, and acting as an agent for financial planning services.

Recent amendments to the *Territory Insurance Act* have established the Motor Accidents Compensation Fund (MAC Fund) and other requirements around the operation of the fund. On establishment of the MAC Fund on 1 July 2006 all assets allocated for the MAC business became part of the MAC Fund. The establishment of the MAC Fund did not create a trust and TIO, and the Members are not trustees in relation of the MAC Fund.

The liabilities of TIO that arise from insurance contracts or from deposits made with TIO are guaranteed by the Northern Territory.

Audit Opinion

The audit of the Territory Insurance Office for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 29 September 2008.

Territory Insurance Office cont...

Key issues

During 2007-08 the Treasurer issued a Determination pursuant to section 7 of the *Territory Insurance Office Act* requiring TIO to comply with prudential standards issued by the Australian Prudential Regulatory Authority (APRA) as modified to address specific factors affecting TIO. Thus while TIO may lie outside the jurisdiction of APRA, the effect of the Treasurer's Determination is to subject TIO to the same level of prudential regulation that applies to other insurers and authorised deposit-taking institutions.

For the purposes of the Determination, the Auditor-General has been deemed to be the "approved auditor". Accordingly, I conducted reviews of both the insurance and banking functions of TIO during 2007-08 to assess the extent to which TIO met the requirements of the APRA prudential standards. Following that review I advised the Treasurer and the Board of TIO that I was generally satisfied that TIO had met the requirements of the APRA prudential standards.

Territory Insurance Office cont...

Financial analysis

Abridged Income Statement

	TIO Insurance & Banking		MAC Fund		TIO	
	2008	2007	2008	2007	2008	2007
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Underwriting result						
Net premium revenue	51	49	43	40	94	89
Net claims expense	(36)	(24)	(25)	(33)	(61)	(57)
Acquisition costs	(6)	(6)	(1)	-	(7)	(6)
Underwriting result	9	19	17	7	26	26
Other revenues and expenses						
Interest receivable	51	44	6	3	57	47
Change in value of investments	(10)	(3)	(36)	(1)	(46)	(4)
Other investment income	4	12	31	45	35	57
Total investment revenue	45	53	1	47	46	100
Other revenue	8	7	-	-	8	7
Borrowing costs	(38)	(33)	-	-	(38)	(33)
Other costs and depreciation	(22)	(18)	(10)	(11)	(32)	(29)
Net other revenues and expenses	(7)	9	(9)	36	(16)	45
Net profit before tax	2	28	8	43	10	71

Territory Insurance Office cont...

The net profit after tax of TIO's insurance and banking operations declined from \$20.5 million for 2006-07 to \$1.6m for 2007-08, while the MAC Fund also reported a decreased result of \$7.9 million compared to \$42.5 million for the previous year. Overall the consolidated result for the year was a decline in the net profit after tax from \$63.1 million for 2006-07 to \$9.5 million for 2007-08.

The decrease in net profit after tax is a reflection of wider, systemic issues affecting national and international financial markets and which have resulted in significant declines in the values of financial assets. In the case of TIO the decline of \$46.5 million in the values of financial assets held for trading was the principal factor in the deterioration in reported financial performance for the year. The loss incurred by TIO for the year as result of declines in asset values is unrealised and, to the extent that those asset continue to be held by TIO, that loss might be expected to be recovered progressively as financial markets stabilise and ultimately recover.

Territory Insurance Office cont...

Abridged Balance Sheet

	TIO Insurance & Banking		MAC Fund		TIO	
	2008	2007	2008	2007	2008	2007
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Assets						
Cash and cash equivalents	20	24	7	6	27	30
Trade and other receivables	39	39	2	1	41	40
Other financial assets	171	227	308	304	479	531
Intangible assets	1	1	-	-	1	1
Investment property	-	-	37	41	37	41
Loans	526	519	-	-	526	519
Reinsurance and other recoveries	25	18	25	26	50	44
Property, plant and equipment	45	38	1	-	46	38
Deferred reinsurance expense	20	18	-	-	20	18
Deferred acquisition costs	4	3	-	-	4	3
Deferred tax assets	7	3	-	-	7	3
Total Assets	858	890	380	378	1,238	1,268
Liabilities						
Outstanding claims liability	(113)	(105)	(231)	(234)	(344)	(339)
Trade and other payables	(26)	(26)	(3)	(6)	(29)	(32)
Deposits	(373)	(376)	-	-	(373)	(376)
Other financial liabilities	(1)	(1)	-	-	(1)	(1)
Tax liabilities	(7)	(13)	-	-	(7)	(13)
Provisions	(5)	(4)	-	-	(5)	(4)
Unearned premium liability	(45)	(45)	(21)	(20)	(66)	(65)
Securitisation liabilities	(182)	(223)	-	-	(182)	(223)
Subordinated loans	(21)	(20)	-	-	(21)	(20)
Total Liabilities	(773)	(813)	(255)	(260)	(1,028)	(1,073)
Net Assets	85	77	125	118	210	195

Territory Wildlife Parks

Audit findings and Analysis of the financial statements for the year ended 30 June 2008

Background

This Government Business Division operates the Territory Wildlife Park at Berry Springs and the Alice Springs Desert Park. The parks have required significant financial contributions from the Government, by way of Community Service Obligations to enable them to meet their operating expenses.

The host Agency is the Department of Natural Resources, Environment and the Arts.

Audit Opinion

The audit of Territory Wildlife Parks for the year ended 30 June 2008 resulted in an unqualified independent audit opinion, which was issued on 9 October 2008.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Territory Wildlife Parks cont...

Financial analysis

Abridged Income Statement

	2008	2007
	\$,000	\$'000
Revenue from ordinary activities (excl CSO)	2,645	2,588
Less expenses from ordinary activities		
Employee Expenses	(5,963)	(5,761)
Depreciation and amortisation	(1,895)	(1,461)
Other expenses	(4,765)	(4,896)
Total expenses from ordinary activities	(12,623)	(12,118)
Net deficit before CSO	(9,978)	(9,530)
Community Service Obligation funding	7,915	7,830
Net deficit	(2,063)	(1,700)

Total revenue for the year (including revenue received in the form of community service obligations) increased by \$142,000, or 1.4%, for the year. In the case of the Territory Wildlife Park at Berry Springs, revenue increased by \$472,000, while the Alice Springs Desert Park declined by \$330,000 for the year.

The number of visitors to the Alice Springs Desert Park decreased by 8,421 or 10%, while the Territory Wildlife Park experienced an increase of 6,984 visitors or 9.9% when compared to the previous year.

Territory Wildlife Parks cont...

Abridged Balance Sheet

	2008	2007
	\$'000	\$'000
Current Assets	1,102	1,108
Less Current Liabilities	(1,286)	(982)
Working Capital	(184)	126
Add Non Current Assets	36,011	37,516
	35,827	37,642
Less Non Current Liabilities	(183)	(183)
Net assets	35,644	37,459
Represented by:		
Accumulated losses	(3,891)	(1,828)
Contributed equity	15,170	14,922
Asset revaluation reserve	24,365	24,365
Equity	35,644	37,459

As a result of the 2007-08 operating activities, total cash receipts declined by 1%, or \$95,000, over the previous year. However, total payments also declined for the year by 4.7%, or \$532,000, when compared with the prior year. This resulted in a positive net cash inflow from operations of \$119,000 for the year.

Appendix 1: Audit Opinion Reports Issued Since 30 June 2008

	Date 2007-08 Financial Statements tabled to Legislative Assembly	Date of Audit Report Year ended 30 June 2008	Date of Audit Report Year ended 30 June 2007
Sec 9 Financial Management Act			
Treasurer's Annual Financial Statement	30 October 08	21 October 08	11 October 07
Government Business Divisions; Sec 10 Financial Management Act			
Construction Division	27 November 08	14 October 08	8 October 07
Darwin Bus Service	27 November 08	14 October 08	8 October 07
Darwin Port Corporation	27 November 08	21 October 08	25 October 07
Data Centre Services	27 November 08	10 November 08	18 October 07
Government Printing Office	27 November 08	10 November 08	18 October 07
Northern Territory Treasury Corporation	30 October 08	1 October 08	27 September 07
NT Fleet	27 November 08	10 November 08	18 October 07
Territory Discoveries	27 November 08	4 November 08	16 October 07
Territory Housing	27 November 08	10 November 08	17 October 07
Territory Wildlife Parks	21 October 08	9 October 08	7 November 07
Government Owned Corporation; Sec 42 Government Owned Corporations Act			
Power and Water Corporation	30 October 2008	30 September 08	27 September 07

Appendix 1: Audit Opinion Reports Issued Since 30 June 2008 cont...

	Date 2007-08 Financial Statements tabled to Legislative Assembly	Date of Audit Report Year ended 30 June 2008	Date of Audit Report Year ended 30 June 2007
Entities to which Sec 10 <i>Financial Management Act</i> applies as though a GBD			
Cobourg Peninsula Sanctuary and Marine Park Board	25 November 08	2 October 08	19 November 07
Jabiru Town Development Authority	Not yet tabled	11 December 08	9 January 08
Nitmiluk (Katherine Gorge) National Park Board	25 November 08	3 October 08	16 November 07
NT Grants Commission	25 November 08	16 September 08	25 October 07
Surveyors Board of the NT	28 October 08	23 September 08	4 December 07
Territory Insurance Office	30 October 2008	29 September 08	27 September 07

Appendix 1: Audit Opinion Reports Issued Since 30 June 2008 cont...

	Date 2007-08 Financial Statements tabled to Legislative Assembly	Date of Audit Report Year ended 30 June 2008	Date of Audit Report Year ended 30 June 2007
Other Entities/Separate Acts/Trust Deeds			
Common Funds of the Public Trustee	Not yet tabled	16 December 08	Not yet completed
Darnor Pty Ltd	N/A	4 September 08	14 September 07
Darwin Waterfront Corporation	27 November 08	18 November 08	15 October 07
Desert Knowledge Australia	27 November 08	24 November 08	5 November 07
Gasgo Pty Limited	N/A	4 September 08	14 September 07
Indigenous Essential Services Pty Ltd	N/A	30 September 08	14 September 07
Legislative Assembly Members' Superannuation Trust	30 October 2008	8 October 08	8 October 07
Northern Territory Government and Public Authorities Employees Superannuation Fund	30 October 2008	14 October 08	9 October 07
Northern Territory Major Events Company Pty Ltd	N/A	17 December 08	26 November 07
Northern Territory Police Supplementary Benefits Scheme	N/A	6 October 08	8 October 07
NT Legal Aid Commission	Not yet tabled	24 November 08	21 November 07
NT Build	Not yet tabled	19 November 08	20 November 07
Victoria Daly Shire Council (Prospective Council)	N/A	23 December 08	N/A

Appendix 1: Audit Opinion Reports Issued Since 30 June 2008 cont...

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 30 June 2008	Date of Audit Report Year ended 30 June 2007
Inter-Government Statements By Legislation			
Local Government Financial Assistance	ASAP	19 November 08	12 November 07
<i>AusLink (National Land Transport) Act 2005 – National Highways and Roads of National Importance</i>	31 December 08	18 December 08	21 December 07
<i>AusLink (National Land Transport) Act 2005 – Road Safety (Black Spot)</i>	31 December 08	18 December 08	21 December 07
<i>AusLink (National Land Transport) Act 2005 – Port Keats Road Upgrade</i>	31 December 08	18 December 08	21 December 07
<i>AusLink (National Land Transport) Act 2005 – Outback Highway – Plenty Highway</i>	31 December 08	18 December 08	21 December 07
<i>AusLink (National Land Transport) Act 2005 – Roads to Recovery</i>	31 October 08	29 October 08	29 October 07
<i>AusLink (National Land Transport) Act 2005 – Supplementary AusLink Roads to Recovery</i>	31 October 08	29 October 08	29 October 07
<i>Interstate Road Transport Act 1985</i>	31 December 08	18 December 08	21 December 07

Appendix 1: Audit Opinion Reports Issued Since 30 June 2008 cont...

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 30 June 2008	Date of Audit Report Year ended 30 June 2007
Inter-Government Statements By Agreement			
Commonwealth-State Housing Agreement	31 December 08	10 December 08	19 December 07
National Disaster Relief and Recovery Arrangements	31 December 08	16 December 08	11 December 07
	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 31 December 2007	Date of Audit Report Year ended 31 December 2006
By Agreement			
Department of Education, Employment and Workplace Relations	30 June 08	3 July 08	29 June 07
By Legislation			
Vocational Education and Training Financial Data	14 July 08	29 July 08	13 July 07

N/A – Not applicable

Not yet completed – as at 31 December 2008

Not yet tabled – as at 31 December 2008

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Appendix 2: Status of Audits which were Identified to be Conducted in the Six Months to 31 December 2008

In addition to the routine audits, primarily being end of financial year audits of Agencies and of financial statements, and follow-up of outstanding issues in previous audits, the following audits, were identified in Appendix 3 of the August 2008 as being scheduled for the period.

Department of the Chief Minister

Ministerial Travel	Refer page 19
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Department of Corporate and Information Services

Information security policy & awareness and social engineering	Refer page 21
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Department of Health and Community Services

Information Security Management	Refer page 24
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Department of Justice

Community Benefit Fund	Refer page 27
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Northern Territory Police, Fire and Emergency Services

Information Security Management	Refer page 34
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Appendix 3: Proposed Audit Activity in the Six Months Ending 30 June 2009

In addition to the routine audits, primarily compliance audits of selected agencies, interim audits of entities requiring financial statement opinions and follow up of outstanding issues in previous audits, the following audit has been scheduled for the period.

Department of Business and Employment

Territory Business Centre

Department of Health and Families

Rights of private practice at Royal Darwin Hospital

Selected Agencies

Acquisition of capital equipment

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Appendix 4: Overview of the approach to auditing the Public Account and other accounts

The requirements of the *Audit Act* in relation to Auditing the Public Account and other accounts are found in:

- Section 13, which requires the Auditor-General to audit the Public Account and other accounts, with regard to:
 - the character and effectiveness of internal control, and
 - professional standards and practices.
- Section 25, which requires the Auditor-General to issue a report to the Treasurer on the Treasurer's Annual Financial Statement.

What is the Public Account?

The Public Account is defined in the *Financial Management Act* as:

- the Central Holding Authority, and
- Operating accounts of Agencies and Government Business Divisions.

Audit of the Public Account

Achievement of the requirements of section 13, including the reference to the character and effectiveness of internal control, as defined, can occur through:

- annual financial statement audits of entities defined to be within the Public Account, in particular Government Business Divisions, which have a requirement for such audits under the *Financial Management Act*; and
- an audit approach which the Northern Territory Auditor-General's Office terms the Agency Compliance Audit. This links the existence of the required standards of internal control over the funds administered within the Public Account, to the responsibilities for compliance with required standards as defined for Accountable Officers.

Appendix 4: Overview of the approach to auditing the Public Account and other accounts cont...

Areas of internal control requiring a more in-depth audit, because of materiality or risk, can also be addressed through:

- specific topic audits of the adequacy of compliance with prescribed internal control procedures. These can be initiated as a result of Agency Compliance Audits, or pre-selected because of the materiality or inherent risk of the activity; and
- reviews of the accounting processes used by selected Agencies at the end of the financial year, to detect if any unusual or irregular processes were adopted at that time.

Other accounts

Although not specifically defined in the legislation, these would include financial statements of public entities not defined to be within the Public Account, as well as the Trust Accounts maintained by Agencies.

Audit of the Treasurer's Annual Financial Statement

Using information about the effectiveness of internal control identified in the overall control environment review, Agency Compliance Audits and financial statement audits, an audit approach is designed and implemented to substantiate that balances disclosed in the Statement are in accordance with the disclosure requirements adopted by the Treasurer, and are within acceptable materiality standards.

The audit report on the Statement is issued to the Treasurer. The Treasurer then tables the audited Statement to the Parliament, as a key component of the accountability of the Government to the Parliament.

Appendix 5: Overview of the approach to auditing performance management systems

Legislative Framework

A Chief Executive Officer is responsible to the appropriate Minister under section 23 of the *Public Sector Employment and Management Act* for the proper, efficient and economic administration of his or her agency. Under section 13 (2)(b) of the *Financial Management Act* an Accountable Officer shall ensure that procedures “in the agency are such as will at all times afford a proper internal control”. Internal control is further defined in section 3 of the Act to include “the methods and procedures adopted within an agency to promote operational efficiency, effectiveness and economy”.

Section 15 of the *Audit Act* complements the legislative requirements imposed on Chief Executive Officers by providing the Auditor-General with the power to audit 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.

A performance management system is not defined in the legislation, but section 15 identifies that: “ the object of an audit conducted under this section includes determining whether the performance management systems of an 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.”

Operational Framework

The Northern Territory Auditor-General's Office has developed a framework for its approach to the conduct of performance management system audits, which is based on our opinion that an effective performance management system would contain the following elements:

- identification of the policy and corporate objectives of the entity;
- incorporation of those objectives in the entity's corporate or strategic planning process and allocation of these to programs of the entity;
- identification of what successful achievement of those corporate objectives would look like, and recording of these as performance targets;
- development of strategies for achievement of the desired performance outcomes;

Appendix 5: Overview of the approach to auditing performance management systems cont...

- monitoring of the progress with that achievement;
- evaluation of the effectiveness of the final outcome against the intended objectives; and
- reporting on the outcomes, together with recommendations for subsequent improvement.

Performance management system audits can be conducted at a corporate level, a program level, or at a category of cost level, such as capital expenditure. All that is necessary is that there be a need to define objectives for intended or desired performance.

Appendix 6: Abbreviations

APRA	Australian Prudential Regulatory Authority
CBF	Community Benefit Fund
CSO	Community Service Obligation
DBE	Department of Business and employment
DBS	Darwin Bus Service
DCS	Data Centre Services
DHF	Department of Health and Families
DKA	Desert Knowledge Australia
DPI	Department of Planning and Infrastructure
GAS	Government Accounting System
GBD	Government Business Division
GPO	Government Printing Office
ICT	Information and Communications Technology
IT	Information Technology
MAC Fund	Motor Accidents Compensation Fund
MOVERS	Motor Vehicle Registration System
MVR	Motor Vehicle Registry
NTGIMC	Northern Territory Government Information Management Committee
NTGPASS	Northern Territory Government and Public Authorities Superannuation Scheme
NTPFES	NT Police, Fire and Emergency Services
NTPSBS	Northern Territory Police Supplementary Benefit Scheme
RTD	Remuneration Tribunal Determinations
SIMSC	Strategic Information Management Steering Committee
TAFS	Treasurer's Annual Financial Statement
TIO	Territory Insurance Office
TMS	Tenancy Management System

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