



Auditor-General for the Northern Territory
Auditing for Parliament

February 2011

Report to the Legislative Assembly



ORDERED TO BE
PRINTED BY THE
LEGISLATIVE ASSEMBLY
OF THE
NORTHERN TERRITORY

ISSN 1323-7128



Auditor-General for the Northern Territory

Auditing for Parliament

February 2011 Report to the Legislative Assembly

This page deliberately left blank.

Contents

	Page
Contents	3
Transmittal letter to the Speaker	5
Auditor-General's Overview	7
Reports on the Results of Audits	11
Matters Referred to Auditor-General Pursuant to Section 6 of Public Information Act	119
Appendix 1: Audit Opinion Reports Issued Since 30 June 2010	131
Appendix 2: Status of Audits which were Identified to be Conducted in the Six Months to 31 December 2010	135
Appendix 3: Proposed Audit Activity in the Six Months Ending 30 June 2011	137
Appendix 4: Overview of the approach to auditing the Public Account and other accounts	139
Appendix 5: Overview of the approach to auditing performance management systems	141
Appendix 6: Abbreviations	143

This page deliberately left blank.



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

18 February 2011

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 2010 and I request that you table the report today in the Legislative Assembly.

This report deals largely with the results of audits of financial statements that were conducted during the period 1 July 2010 to 31 December 2010. Those audits are required by various Acts of Parliament.

Included as part of this report is my report to the Legislative Assembly as required by section 7 of the *Public Information Act*. That report is the result of a review of public information that was contained in a publicly funded document and followed the receipt of a written request by a Member of the Legislative Assembly.

Yours faithfully,

F McGuiness
Auditor-General for the Northern Territory

This page deliberately left blank.

Auditor-General's Overview

Audits included in this report

This Report outlines the results of audits conducted during the period 1 July 2010 to 31 December 2010. The results of 28 separate audits are included here, with most being the audits of financial statements undertaken in the period following the end of the 2009-10 financial year. Also included is discussion arising from the audits of the outsourcing process for public sector information technology services, together with the results of audits of controls in place in respect of a key information system and the management of a project intended to replace outdated asset management systems.

Agencies are required by Treasurer's Directions that are issued pursuant to the *Financial Management Act* to prepare financial statements that comply with Australian Accounting Standards in the same manner as corporate entities. However, Agencies are not required to submit those statements to the Auditor General unless directed to do so by the Treasurer pursuant to section 11(3) of the *Financial Management Act*. As no such direction has been given, Agencies' financial statements are not audited separately, but are reviewed as part of the audit of the Public Account and of the Treasurer's Annual Financial Statement.

Statutory bodies, Government owned corporations and Government Business Divisions are required by various Acts to prepare annual financial statements and to submit those statements to the Auditor-General. These statements are audited and audit opinions issued accordingly. Those opinions are included in the various entities' annual reports that are tabled in the Legislative Assembly. If matters of concern should be noted during the course of an audit specific comment is included in my report to the Assembly. In addition, the Northern Territory Government controls, either directly or indirectly, a small number of companies that have been incorporated pursuant to the *Commonwealth Corporations Act 2001*. In these instances the Auditor-General has been either directed by legislation (for example the *Charles Darwin University Act*) or requested by responsible Ministers to act as auditor of those companies. These audits are performed subject to the provisions of the Commonwealth legislation, with the Auditor-General being deemed by the *Corporations Act 2001* to be a Registered Company Auditor.

Auditor-General's Overview cont...

Audits by my Office are conducted in accordance with Australian Auditing Standards. Those standards are issued by the Australian Auditing and Assurance Standards Board, a Commonwealth statutory body established under the *Australian Securities and Investments Commission Act 2001*. Auditing standards issued by the Board have the force of law in respect of audits of corporations that fall within the ambit of the *Corporations Act 2001*, while the *Audit Act* also requires that I have regard to those standards.

An unqualified audit opinion indicates that the financial statements in question comply with Australian Accounting Standards. Only one qualified audit opinion was issued for 2009-10 and that was in respect of NT Build where I was unable to satisfy myself that all revenues due to the Board had been recognised in NT Build's financial statements. The nature of the building approval processes that currently apply in the Territory gives rise to some doubts as to whether NT Build has been advised of all construction work that might be said to fall within the scope of the *Construction Industry Long Service and Benefits Act*.

The Board of NT Build was well aware of the problem and, as indicated in the Board's comments that are included in this report, it continues to pursue solutions to the issue.

Finally, this report also includes my determination made under section 7 of the *Public Information Act* on whether the provisions of the Act were contravened by the contents of a publicly funded newsletter. The scope of this Act is broad and it applies to a range of individuals and organisations. The Act, when read in conjunction with guidelines issued under the Act, requires all public information to adhere to certain standards. Thus information must not promote party political interests, or include statements that are misleading or factually inaccurate, while it must also include the references to sources of data that may have been used.

It is apparent that not all those who may be affected by the Act are aware of the importance of ensuring that any information that is to be disseminated to the public is objective and that there is little scope for "journalistic licence".

It is arguable that expenditure upon the production of material that is in breach of the *Public Information Act* risks being held unlawful and may be recovered if it can be traced. This would seem to apply in this instance given that the Opposition Leader's News can be held to be in contravention of the provisions of the *Public Information Act* and, as such, expenditure incurred in the production of that document may be held to represent a misuse of public money.

Auditor-General's Overview cont...

It is notable that the Act does not include penalty provisions and there is, as a result, no sanction that can be applied against a public authority that may be found to have contravened the Act. Whether or not the Act should contain penalty provisions is a matter that the Legislative Assembly may wish to consider.

This page deliberately left blank.

Reports on the Results of Audits

This page deliberately left blank.

Cobourg Peninsula Sanctuary and Marine Park Board

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

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 2010 resulted in an unqualified independent audit opinion that was issued on 29 October 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Open Land Claim

A land claim over the Cobourg Peninsula was lodged under the *Aboriginal Land Rights (NT) Act* in 1978. As a result of that claim, the *Cobourg Peninsula Aboriginal Land, Sanctuary and Marine Park Act* was enacted. The original land claim was never withdrawn and was re-activated during 2010.

The Northern Territory Government, the Australian Government and the Northern Land Council are attempting to resolve legal issues that flow from the re-activated claim. In the meantime the *Cobourg Peninsula Aboriginal Land, Sanctuary and Marine Park Act* remains valid, the Park will continue to be jointly managed and the existing lease and concession arrangements will operate as they have done in past years.

The Department of Natural Resources, Environment, the Arts and Sport has informed the Park's concessionaires about the legal issues associated with the re-activated claim and the accompanying risks. Information pertaining to this matter is available on the Board's homepage.

Cobourg Peninsula Sanctuary and Marine Park Board cont...

Performance Overview

For the year ended 30 June 2010, income increased by \$43,000 from the prior year due to the Board receiving grants totalling \$50,000. The increase was slightly offset by a decrease in concessionaire income.

Expenditure increased by \$104,000 primarily due to Board expenses reflecting an increase in the number of Board meetings held during the year.

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Grants and subsidies	50	-
Park Income	174	292
Payments to traditional owners	(142)	(253)
Other revenue	69	69
Total Income	151	108
Expenditure		
Operational costs	(221)	(117)
Total Expenditure	(221)	(117)
Net Surplus/(Deficit)	(70)	(9)

Cobourg Peninsula Sanctuary and Marine Park Board cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	285	322
Receivables and other current assets	70	117
Less Current Liabilities	(109)	(123)
Working capital	246	316
Add Non Current Assets	-	-
Less Non Current Liabilities	-	-
Net Assets	246	316
Represented by:		
Retained surplus	246	316
Equity	246	316

Construction Division

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

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

The host Agency is the Department of Construction and Infrastructure.

Audit Opinion

The audit of the Construction Division for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 13 October 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Construction Division income for the year was \$89.76 million (2009: \$66.11 million). The increase of \$23.65 million was attributable mainly to project management fees earned as a result of an increase of \$415 million (or 52%) in the value of capital projects managed. The number and value of projects managed by Construction Division increased from 2,875 projects worth \$794 million in 2008/09 to 3,211 projects worth \$1,209 million in 2009/10.

Notwithstanding the increase in activity, the Division's net profit before tax declined by \$1.68 million to \$4.57 million in 2010 (2009: \$6.25 million). This was predominantly due to increases of \$8.69 million in employee expenses and \$13.6 million in consultancy fees paid for the year.

After taking into account income tax expense for the year the Construction Division recorded surplus of \$1.60 million which was reflected in the accumulated surplus and the value of net assets shown on the balance sheet.

Construction Division cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Current grants	10	-
Sales of goods and/or services	88,739	65,565
Other	1,015	540
Total Income	89,764	66,105
Operational costs	(18,045)	(14,881)
Employee Expenses	(35,698)	(27,008)
Consultants fees	(31,441)	(17,868)
Depreciation and amortisation	(10)	(47)
Borrowing costs	-	(52)
Total Expenditure	(85,194)	(59,856)
Net surplus/(deficit) before income tax expense	4,570	6,249
Income tax expense	(1,371)	(1,875)
Surplus/(deficit) after income tax expense	3,199	4,374
Dividends	(1,600)	(2,187)
Net Surplus/(Deficit)	1,599	2,187

Construction Division cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	21,959	10,846
Receivables and other current assets	8,374	8,646
Less Current Liabilities	(21,712)	(12,788)
Working Capital	8,621	6,704
Add Non Current Assets	107	28
Less Non Current Liabilities	(1,632)	(1,236)
Net Assets	7,096	5,496
Represented by:		
Accumulated surplus	6,893	5,293
Reserves	203	203
Equity	7,096	5,496

Darwin Bus Service

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

The Darwin Bus Service (DBS) is a GBD which, together with private sector operators, contracts for the provision of bus services to the Northern Territory Government in the Darwin and rural areas. The DBS earned its revenue for the year from charging the former Department of Planning and Infrastructure (DPI), and subsequently the Department of Lands and Planning, on a 'kilometres provided' basis. Bus fares were collected on behalf of the Department and formed part of the revenues of that Department. DBS continued to receive revenues from the Department at the contracted rate in circumstances where it may have been directed by Government to provide free services to the public on special occasions.

The host Agency was the Department of Lands and Planning.

Audit Opinion

The audit of Darwin Bus Service for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 4 November 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Darwin Bus Service profit for the year declined by \$195,000 during the year to \$426,000 (2009: \$621,000) due largely to an increase in expenses to \$7.890 million (2009: \$7.679 million).

Salaries and payroll expenses increased in line with the public sector enterprise bargaining agreement increase of 3% to \$4.007 million (2009: \$3.819 million), while increased overtime and allowances were also incurred as a result of the extra routes being operated during the year. Fleet operating expenses also increased to \$2.089 million (2009: \$1.940 million) as a result of increased repair costs.

The increase in expenses was offset by an increase in sales of goods and services by \$99,000 to \$8.013 million (2009: \$7.914 million) mainly as a result of the new Cullen Bay Charter service.

Darwin Bus Service cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Sales of goods and/or services	8,013	7,914
Other	486	653
Total Income	8,499	8,567
Expenditure		
Employee Expenses	(4,007)	(3,819)
Fleet operating expenses	(2,089)	(1,940)
Supplies and services	(932)	(1,049)
Depreciation and amortisation	(862)	(871)
Total Expenditure	(7,890)	(7,679)
Surplus/(Deficit) Before Income Tax Expense	609	888
Income tax expense	(183)	(267)
Surplus/(Deficit) After Income Tax Expense	426	621
Dividends	(214)	(311)
Net Surplus/(Deficit)	212	310

Darwin Bus Service cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	3,982	3,847
Receivables and other current assets	919	1,285
Less Current Liabilities	(1,032)	(1,415)
Working Capital	3,869	3,717
Add Non Current Assets	6,033	5,948
Less Non Current Liabilities	(223)	(198)
Net Assets	9,679	9,467
Represented by:		
Accumulated funds	9,332	9,120
Reserves	347	347
Equity	9,679	9,467

Darwin Port Corporation

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

The Darwin Port Corporation is a Government Business Division established under the *Darwin Port Corporation Act* (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 2010 resulted in an unqualified independent audit opinion, which was issued on 28 September 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Roll-On Roll-Off ("RORO") facility

During the year the Corporation agreed to repay an amount of \$2.117 million to the Commonwealth Department of Defence. That amount represented a return of part of the Department of Defence's RORO capital contribution representing the period the asset was deemed to be unusable.

The Corporation did not recognise the Department of Defence's original capital contribution as revenue when the amount was received in 2003. An adjustment was made in 2010, increasing the carrying amount of the RORO asset by \$2.117 million. As the asset was considered to be unserviceable at 30 June 2010, its value was then written down by \$2.117 million for financial reporting purposes at the end of the financial year.

Darwin Port Corporation cont...

Performance Overview

The Corporation realised a net profit for the year of \$0.331 million compared to a loss of \$1.513 million for the prior year. The improvement in the operating result was predominantly due to an overall increase in port tariffs together with an increase in the volume of cargo handled for the year.

The Corporation's net asset position increased by \$11.608 million to \$176.345 million. This was due largely to the revaluation of the Corporation's assets during the year.

Darwin Port Corporation cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Current grants	3,200	-
Sales of goods and/or services	32,726	23,852
Community Service Obligations	3,421	3,606
Other	208	94
Total income	39,555	27,552
Expenditure		
Employee Expenses	(10,796)	(8,926)
Operational costs	(11,758)	(8,269)
Repairs and maintenance expenses	(4,323)	(2,902)
Depreciation and amortisation	(7,341)	(6,066)
Roll On Roll Off Facility – impairment loss	(2,117)	-
Borrowing costs	(2,889)	(2,902)
Total expenditure	(39,224)	(29,065)
Surplus/(Deficit) Before Income Tax Expense	331	(1,513)
Income tax expense	-	-
Surplus/(Deficit) After Income Tax Expense	331	(1,513)
Dividends	-	-
Net Surplus/(Deficit)	331	(1,513)

Darwin Port Corporation cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	7,192	4,562
Receivables and other current assets	4,168	2,699
Less Current Liabilities	(8,365)	(4,655)
Working Capital	2,995	2,606
Add Non Current Assets	217,341	202,893
Less Non Current Liabilities	(43,991)	(40,762)
Net Assets	176,345	164,737
Represented by:		
Accumulated funds	(20,303)	(20,634)
Reserves	30,302	20,176
Contributed Equity	166,346	165,195
Equity	176,345	164,737

Darwin Waterfront Corporation

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

The Darwin Waterfront 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 2010 resulted in an unqualified independent audit opinion, which was issued on 2 November 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The Corporation's financial performance improved slightly from a deficit of \$4.7 million for 2008/09 to a deficit of \$3.4 million for 2009/10. That improvement reflected an increase in income as a result of higher operating grants and contributions, and a decline in the value of amounts payable to the concession holder, and finance expenses for the year.

Darwin Waterfront Corporation cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
User Charges	662	153
Operating Grants and Other contributions	17,480	14,620
Other	13	3
Total Income	18,155	14,776
Expenditure		
Territory Availability Payments	(2,494)	(2,772)
Territory Efficiency Payments	(261)	-
Territory Incentive Payments	(700)	(680)
Territory Operating Payments	(2,869)	(3,568)
Other Grants and Subsidies	(9)	(2)
Agent Service Arrangements	(913)	(12)
Depreciation and Amortisation	(4,221)	(3,171)
Employee expenses	(870)	(861)
Finance Costs	(5,896)	(7,441)
Property maintenance	(1,514)	(204)
Other	(1,813)	(731)
Total Expenditure	(21,560)	(19,442)
Net Surplus/(Deficit)	(3,405)	(4,666)

Darwin Waterfront Corporation cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	882	870
Receivables and other current assets	668	649
Less Current Liabilities	(4,592)	(4,485)
Working Capital	(3,042)	(2,966)
Add Non Current Assets	239,205	243,410
Less Non Current Liabilities	(87,034)	(87,997)
Net Assets	149,129	152,447
Represented by:		
Accumulated deficit	(7,843)	(4,438)
Contributed equity	156,972	156,885
Equity	149,129	152,447

Data Centre Services

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

Data Centre Services (DCS) is a GBD established to manage the NT Government's Data Centre, and provide mainframe and midrange support to government Agencies.

The host Agency was the Department of Business and Employment.

Audit Opinion

The audit of Data Centre Services for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 29 September 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

DCS reported a net surplus before tax and dividends of \$3.384 million. The most significant factors contributing to the increase in the net surplus before tax and dividends were:

- an increase of \$2.359 million in goods and services revenue due to the business growth in the mid-range services for application and hosting services;
- an increase of \$0.436 million in employee expenses due to a 3% salary increase for all Northern Territory Government employees. The number of employees increased slightly from 57 in 2009 to 59 in 2010; and
- a \$0.149 million decrease in depreciation and amortisation expenses due to a number of assets being fully depreciated and no longer subject to annual depreciation charges.

DCS continued to exhibit a strong net asset position of \$10.567 million as at 30 June 2010 compared with the \$9.141 million as at 30 June 2009. The increase of \$1.426 million was largely due to the retention of the net surplus for the year, after taking into account amounts payable to the Central Holding Authority as an income tax equivalent and a dividend.

Data Centre Services cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Sales of goods and/or services	21,690	19,331
Other	196	237
Total Income	21,886	19,568
Expenditure		
Operational costs	(10,797)	(9,477)
Employee Expenses	(5,892)	(5,456)
Depreciation and amortisation	(1,813)	(1,962)
Total Expenditure	(18,502)	(16,895)
Surplus/(Deficit) Before Income Tax Expense	3,384	2,673
Income tax expense	(1,015)	(802)
Surplus/(Deficit) After Income Tax Expense	2,369	1,871
Dividends	(1,185)	(935)
Net Surplus/(Deficit)	1,184	936

Data Centre Services cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	5,542	5,045
Receivables and other current assets	5,149	3,706
Less Current Liabilities	(3,898)	(3,230)
Working Capital	6,793	5,521
Add Non Current Assets	4,035	3,850
Less Non Current Liabilities	(261)	(230)
Net Assets	10,567	9,141
Represented by:		
Accumulated funds	9,756	8,572
Capital	811	569
Equity	10,567	9,141

Department of Business and Employment

IT outsourcing project

Audit Objectives and Scope

The objective of this assessment was to review the approach taken to restructuring and re-tendering of the outsourced IT contracts, with particular emphasis on project management over the tendering process, technology governance and control, and contract management controls.

This assessment follows on from the outsourcing assessment completed in 2009 which reviewed the pre-tendering stage of the IT outsourcing contract.

Audit Opinion

As a result of the audit I formed the view that a formal and consultative approach was defined and was being followed for the IT outsourcing initiative, and the process was well managed. This view was supported by the existence of a defined governance and formal project management structure.

Background

This review had a particular focus on the transition stage of the outsourcing project and considered:

- status of the IT outsourcing project;
- assessment and selection of IT outsourcing contracts;
- contract negotiations and finalisation;
- tender disengagement and transition;
- identification and management of IT outsourcing risks; and
- project management over the IT outsourcing project.

The findings that flow from the assessment are based on a review of project documentation and discussions with a number of DBE personnel.

Department of Business and Employment cont...

Key Findings

The whole-of-government information and communication technology (ICT) service contracts, under which private providers provide a range of services to Agencies, expired during 2009-10. Under those contracts, the following services were provided by a range of private providers:

- network management;
- PABX net work management;
- fixed voice carriage;
- mobile voice and data;
- satellite voice;
- data carriage;
- internet carriage; and
- service desk management.

A new model for the provision of ICT services was approved by the Government prior to the tender for services being issued. The proposed model was intended to facilitate increased competition among service providers, reduce costs to Agencies and enhance ICT services. To assist in achieving those objectives the tendering model included a number of separate “service package bundles” aligned to meet NT Government specific service requirements.

The tender closed in September 2009 and this was followed by a significant amount of work to assess tender responses, negotiate contracts and move IT services to new service providers.

Overall I am of the opinion that the new outsourcing service model that was sought has been achieved. ICT services are being provided to the NT public sector by an increased number of providers and cost savings are expected to be of the order of \$8 million per year over the life of the contracts.

A full cost benefit analysis against planned objectives was still to be performed by the Agency at the time this audit was conducted.

Department of Business and Employment cont...

The Department Business and Employment has commented:

The department acknowledges and agrees with the audit findings. Consistent with the project schedule, a post implementation review is currently in progress and will conclude by April 2011.

Department of Construction and Infrastructure

AIS Replacement Program

Audit Objectives and Scope

The audit objective was to review the approach being taken to the replacement of a suite of programs (collectively referred to as the AMS programs) with a particular focus on project management, and consideration of governance and control, and contract management controls.

Audit Opinion

Controls over the AIS Replacement Program were considered unsatisfactory with opportunities for improvement identified in the areas of resourcing, budget monitoring and reporting, contract performance monitoring, risk and issues management, change management and project management.

Background

A business case was developed in 2005 for the replacement of the core asset management system software with the tender being issued in December 2007. The tender evaluation process identified the preferred tenderer with the contracts being exchanged on 31 March 2009.

The project identified the asset management systems as requiring replacement.

- Asset Information System;
- Electronic Fee Offer System;
- Building Asset Management System;
- Building Data collection System;
- Project Reporting System;
- Roads Information Management System;
- Development Database/Development Approval Register;
- HOMEs; and
- Plan Room Database.

Department of Construction and Infrastructure cont...

As noted below - the timetable expected a completion date of 30 April 2010 however this had been revised to December 2010.

	Commencement date	
	Initial	Revised
Project preparation and commencement	May 2009	June 2009
Business blueprint phase	June 2009	August 2009
Realisation phase	August 2009	May 2010
Final preparation phase	February 2010	October 2010
Go live and support phase	April 2010	November 2010
Completion	April 2010	December 2010

The project timeline has been further revised with the "go live and support phase" now commencing in April 2011 – 12 months behind initial schedule.

Key Findings

Resources

The resources available to the DCI project team were considered inadequate to ensure that the project will be completed by "go live" date.

The most significant risk identified by the DCI project committee for the success of the AIS replacement project was a lack of Agency resources devoted to the project. This carries with it the risk that the project may not be completed on time. The risk was escalated in February 2010 and had not yet been resolved, with "go live" six months away, at the time of the audit.

A project business case was submitted to the then Chief Executive of DCI in June 2010 requesting an increase in project resources. It is likely that if these positions are not filled, the project will be delayed to August 2011, with an accompanying increase in the cost.

Department of Construction and Infrastructure cont...

Costs

At the time of the audit the project costs had exceeded the current approved budget, and a further request for funding had been submitted.

The approved budget for the project was at \$16 million and the forecast spending was expected to be \$24 million. Of the \$8 million increase, \$3 million was expected to be obtained from sources that had not been identified at the time of the audit. The source of the balance of the required funding had not been resolved at the time of completion of the audit.

There appeared to be limited analysis of specific costs which had run over budget and there was also a limited analysis of project costs which had been incurred during the life of the project, both at the overall project and line item level.

Monitoring

There was evidence of weaknesses in the monitoring by the Agency of the contractual requirements in respect of performance and quality assurance for deliverables required to be provided by the consultant.

The project control handbook and the current contract outlined the deliverables, timelines and obligations of the consultant in respect of this project. As part of the project management process, DCI was required to perform a number of quality assurance checks to monitor compliance. Deliverables which had not been provided by the consultant by the agreed deadlines were reported to the project board.

As part of the contract monitoring process, it was evident that there were a number of issues with the consultant's ongoing performance, including:

- Building Asset Management System (BAMS) & Road Reporting, Inventory Management and System Landscape blueprints were yet to be finalised;
- the Reporting Strategy document had been delayed due to issues around the quality of the initial content; and
- there was a lack of agreement of the content of the deliverables. The blueprints that were received did not align with the expectations of DCI, leading to the blueprint phase extending from the planned 12 weeks to 12 months.

Department of Construction and Infrastructure cont...

The contract between DCI and the consultant contained penalty clauses which may be enacted in the event of the consultant not meeting its obligations. These had not been applied at the time of the audit.

Project Risks

There were risks to the project that were either not recorded on the risk register or which were not being actively monitored, while risk mitigation strategies were not routinely revised as part of the revision of the risk register. In addition, it was noted the risk mitigation strategies were not reported to the project board.

Separate issue registers were being maintained by both the consultant and by DCI although, at the time of the audit, DCI had identified a solution that, when implemented should enable project issues to be consolidated and managed.

Risks were assigned a priority based on probability and effect. While risks were discussed at the project board and steering committee meetings, it was noted that the priority score was not updated to reflect revisions to the risk rating.

Change Management Strategy

There were no resources dedicated to implementing the activities included in the people/organisational change management strategy that supports the AIS Replacement Program.

Change management should be a process implemented throughout the project management life cycle, and is critical to the long term success of the project. However, the need to address other critical project roles have limited the ability of project team staff to give change management activities the attention they deserve.

Department of Construction and Infrastructure cont...

Project Director

The governance structure did not allow the Project Director to perform the key activities expected of this role.

The role of the Project Director is to provide oversight, address issues as they arise and ensure the project remains on track. This requires that the Project Director have an appropriate level of resources at his or her disposal to enable the role to be discharged effectively. As outlined above, the resourcing constraints that have characterised this project have resulted in the Project Director acting at an operational and administrative level, dealing with routine, day to day matters to the exclusion of management tasks that sit clearly within the Project Director's area of responsibility.

The Department of Construction and Infrastructure has commented:

The findings of the audit are acknowledged and all of the audit recommendations have been implemented.

Additional resources have been recruited on a full time and part time basis to ensure that there are adequate numbers of personnel to make certain that the project will be completed by the 'go live' date.

All costs are monitored each month by the Asset Management Team and Project Board. Additional costs are submitted to the Project Board for endorsement and forwarded to the Steering Committee for approval.

Agency monitoring of the contractual requirements of the consultant have been improved. The consultant's ongoing performance has improved and all outstanding documents have now been submitted by the consultant and all retention monies on all milestone payments continue to be withheld. The consultant deliverables are being tracked and the progress of these deliverables is monitored fortnightly by the Project Board. The recovery of all additional costs due to elongation of contract is still under consideration.

Department of Construction and Infrastructure cont...

The Department of Construction and Infrastructure comments continued:

All project risks are now recorded on a single risk register are reported to the Project Board with all revisions of the risk rating updated prior to the Project Board Meetings.

The Change Manager has been recruited and is addressing the recommendations of the audit report to ensure that the organisational change management strategy will support the AIS replacement program.

The Executive Director of the Division has been appointed Project Director. This will provide the command and control centre recommended in the audit without losing the operational expertise of current personnel.

Additionally, in January 2011, PricewaterhouseCoopers (PwC) undertook a review, to provide a current health check on the project. This review included timelines, increases, deliverables and current risks. PwC have validated the original scope against what is being currently delivered, looked at potential for a reduction in scope and reviewed future planning.

While there is still room for improvement, with constant monitoring and consolidated reviews the project will proceed under a strong governance, sound project management and robust contract management framework.

Department of Justice

Review of IT controls over IJIS

Audit Objectives and Scope

An information technology audit of the Integrated Justice Information System (IJIS) was conducted recently at Department of Justice (DOJ).

The objective of this audit was to assess the security management controls maintained by DOJ over the IJIS application, with particular reference to the following areas:

Scope Area	Controls Area
Information Security Governance	Information security policy and procedures
	Information security roles and responsibilities
	User awareness and training for information security
	Security management over third party service providers
Logical Security and User Access Management	Information Security Architecture
	Security administration processes
	User identification and authentication controls
	Security event monitoring and incident management
	Remote access management
	Controls against malicious/viral code
Change Management	Security configuration change management processes
Physical Security and Operations	Physical and environmental security of core IT assets including data backup media
	Backup and recovery

Department of Justice cont...

Audit Opinion

Security controls have been established within the IJIS application. However opportunities exist to improve the security management framework, risk assessment and security governance processes.

Background

IJIS was implemented in 1992 and is a computer system used for the recording and management of justice information by several Northern Territory Government Agencies, including DOJ, NT Police Fire and Emergency Services (NTPFES) and Department of Lands and Planning.

IJIS operates on the Data Centre Services (DCS) mainframe and has approximately 2,700 users, the majority of whom are from NTPFES.

Key Findings

Information Security Governance

Security governance over the mainframe, database and network which support the IJIS system is managed by DCS.

DOJ has implemented the DOJ Users of ICT policy, which contains a number of general security policy requirements focused on end users. There is no overarching security management framework or overarching security policy within DOJ which aligns to the whole of Government policies and standards and which addresses key elements of an effective information security management system, including security risk management, information classification, security training and compliance management.

Department of Justice cont...

A number of deficiencies existed within the security governance process, including:

- policies did not address all DOJ security management responsibilities;
- IJIS information had not been classified and an information security risk assessment had not been undertaken for the IJIS application to determine the level of security required and sufficiency of controls;
- IJIS change control policies and procedures had not been defined within DOJ to address DOJ specific responsibilities for managing risks around changes to the IJIS application; and
- compliance management plans had not been defined to measure and follow up adherence to the existing security policies and procedures

Security training and awareness was addressed through a combination of formal induction training for new employees and code of conduct training. Completion of this training was not monitored formally nor was it enforced. Training was also supplemented by login banners within the IJIS system intended to remind users of their responsibilities under the Criminal Code for protection of information.

Testing also identified instances of criminal history checks not having been performed for new employees who will gain access to sensitive information within IJIS and across DOJ.

Fujitsu provide application and database maintenance services for IJIS, in accordance with the Whole of Government mainframe application support contract. Under this contract, Fujitsu has committed to complying with a number of contractual information security requirements. The requirement for Fujitsu to provide an agreed security plan to NTG under the whole of Government agreement had not yet been finalised.

Department of Justice cont...

Logical Security and User Access Management

User access policies, procedures and standards were not adequately documented, such as authorisation of new access, access transfer and the regular review of user access.

DOJ did not have specific security incident handling procedures which would address malicious user activity within IJIS. Reliance is largely placed on the whole of government incident management procedures for non-application security incidents.

Limited security event monitoring within the IJIS application has been established. However, processes had not been defined for the monitoring and follow-up of events. There was also no formal risk assessment to support the level of event monitoring.

Security Change Management

Formal change management controls exist within DOJ and DCS to reduce the risk of unauthorised or inappropriate changes being applied to the IJIS computer environment.

Physical Security and Operations

Backup and recovery controls for IJIS include full and incremental data and system backups, which are managed by DCS. A backup rotation strategy had been implemented although it was noted that recoverability of backup data has not been tested for the IJIS application within the past 12 months.

Physical site security risk assessments had not been undertaken to ensure that physical security controls over sensitive records and office areas are appropriate.

The Department of Justice has commented:

Information Security Governance

The Department of Justice (DoJ) has recently completed a Business Process Improvement study (the review) across the integrated justice continuum. This has been completed as part of the IJIS Modernisation Strategy. The review highlighted the requirement to implement enterprise-wide standards and procedures for the NT integrated justice model. To work efficiently and effectively, it was recommended that a common and consistent set of standards and guidelines be established to support the processes interacting with IJIS. The 'standards' framework will encompass processes, procedures, information, security and infrastructure.

The review identified that standards do exist relative to the IJIS system and relate purely to the application and its technical platform.

Department of Justice cont...

The Department of Justice comments continued:

The findings and recommendations of the review were presented to and accepted by the inter-departmental IJIS Steering Committee on 13 December 2010. The IJIS Steering Committee will prioritise the findings in line with the IJIS Modernisation Strategy. This recommendation will be given a priority. DoJ recognises that this is a significant risk whilst also representing a significant body of work. DoJ anticipates the work required to be completed by 30 November 2011.

The DoJ Orientation Program provides new employees with a high level, whole of departmental overview. The DoJ Orientation Program is compulsory for all new starters and attendance is recorded. New employees are then provided with workplace specific inductions. New employees that have a work requirement to access IJIS are given a “workplace” induction where specific guidance given regarding access to IJIS, data and system security relating to highly sensitive information and associated work practices. New and existing employees are reminded of their obligations under PSEMA and are further advised and agree/acknowledge those requirements when logging into IJIS.

DoJ is currently reviewing the job descriptions for employees that are required to access IJIS, to ensure they include the requirement for a criminal history. Specific Divisions within DoJ do undertake criminal history checks for personnel accessing IJIS, however, in some cases due to an immediate business requirement, they may not be undertaken prior to commencement.

The length of time taken to perform and be advised of the outcome of a criminal history check can be significant (up to 7 weeks) and this delay impacts on DoJ being in a position to ensure criminal history checks are completed prior to a new employee accessing IJIS. DoJ is currently considering alternative temporary employment mechanisms that may allow for a register of cleared potential employees to be maintained, in order to address this risk.

DoJ acknowledges that its ability to direct the finalisation of the Fujitsu Security Plan is limited as DoJ has no direct contract management relationship with Fujitsu however, DoJ has and continues to liaise with Department of Business and Employment (DBE) to encourage the finalisation of the Fujitsu Security Plan.

Department of Justice cont...

The Department of Justice comments continued:

DBE advises:

- *that they manage the Whole of Government Mainframe Application Maintenance and Support Contract;*
- *irrespective of whether there is an updated security plan the Contract is the document that binds Fujitsu to their security commitments not the plan;*
- *the lack of a security plan for 2010 does not reduce Fujitsu's accountability for complying with NTG whole of Government security requirements;*
- *Clause 36.9 – Priority of Documents - of the General Conditions of the Contract provide that the Contract overrides a document as per the following:*

“36.9 - Priority of Documents

(a) If there is any inconsistency between any of the terms of these General Conditions, the Schedules and any document referred to in or incorporated into this Agreement, the order of priority for the purposes of construction is:

(i) the General Conditions;

(ii) the Schedules; and

(iii) any other document referred to in or incorporated by reference into this Agreement (including the Disengagement Plan and the Procedures Manual).”

- *the Security Plan forms part of the Procedure Manual; and*
- *this is not a reason for Breach under the Contract as the requirements for security as contained in the General Conditions and Schedules 2, 5, 7, 8, 10 and 18 all have priority over the security plan.*

DBE further advise that Fujitsu have been requested to update the security plan in accordance with NTG requirements.

Logical Security and User Access Management

IJIS currently produces a number of reports that detects irregularities and improper transactions with the IJIS. DoJ acknowledges that the current practice is to run and review these reports on an ad-hoc basis. DoJ has implemented a process where scheduled reports are run and reviewed. The schedule is based on a random date and time selection for security reasons.

Department of Justice cont...

The Department of Justice comments continued:

Security Change Management

As discussed earlier, the 'standards' framework to be developed by late 2011 will encompass processes, procedures, information, security and infrastructure relative to the IJIS system.

Physical Security and Operations

The Department of Business and Employment (DBE) manage the mainframe back-ups on behalf of DoJ.

DBE's Data Centre Services (DCS) advise they manage the backups via an IT package known as ControlM and all jobs are tracked for successful completion. Recovery of any failed backup is performed using a combination of documented fixes or callout to technical staff if required. DCS backup the databases using specific toolsets designed to maintain the integrity of the data if the need arises for a restore. All other system datasets are backed up using the recommended IBM utilities fit for purpose and guarantee integrity. Dual backups are taken in the event of a media or hardware failure. To date no backup has been abandoned requiring DoJ to be informed. The recoverability of the data is tested regularly on request from DoJ or the service provider that manages the application development for mainframe applications.

DoJ recently required a restore to a particular time and date for the Visual Age Generator to Enterprise Generation Language migration project and a second following a change control that required a point in time restore. Both of these restoration activities from backup were successful.

DoJ has a scheduled quarterly data recoverability program in place to ensure effective data recovery for IJIS is maintained.

In terms of physical security, there has been significant relocation of staff and the ICT office area is not longer a 'walk through' environment.

Desert Knowledge Australia

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

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 2010 resulted in an unqualified independent audit opinion, which was issued on 17 November 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Total revenue for the year declined from \$4.9 million in 2008/09 to \$3.7 million in 2009/10. That decline reflects the inclusion in revenues for 2008-09 of solar equipment having a value of \$1.9 million.

Total expenditure has increased by \$737,781 from \$2,018,438 to \$2,756,219. The increase was due to:

- the employment of four additional staff members; and
- expenses that were a direct consequence of grants received.

The above movement in revenue and expenses has resulted in a decreased net surplus of \$964,696 for the year ended 30 June 2010 (2009: \$2,921,892).

Desert Knowledge Australia cont...

Unexpended Specific Purpose Grants

This decreased net surplus should be considered in conjunction with carried forward unexpended tied funding of \$2,240,991 (2009: \$1,337,543).

Included in liabilities

Projects	2010	2009
	\$	\$
Outback Business Network Project	307,653	262,360
Desert Governance	340,000	-
Desert Leadership	100,000	-
Nevada Institute Seed Fund	-	-
Total	747,653	262,360

Included in Equity

Projects	2010	2009
	\$	\$
Outback Business Network Project	1,422,587	1,005,432
Desert Governance	-	-
Desert Leadership	-	-
Nevada Institute Seed Fund	70,751	70,751
Total	1,493,338	1,076,183

Total Unexpended Specific Purpose Grants

Projects	2010	2009
	\$	\$
Outback Business Network Project	1,730,240	1,266,792
Desert Governance	340,000	-
Desert Leadership	100,000	-
Nevada Institute Seed Fund	70,751	70,751
Total Unexpended Specific Purpose Grants	2,240,991	1,337,543

Desert Knowledge Australia cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Other income	955	407
Interest revenue	51	92
Grants – NT Government	848	946
Grants – Other	1,522	1,782
Transfer to unexpended grants	(485)	(262)
Donation of assets	830	1,975
Total Income	3,721	4,940
Expenditure		
Salaries	(1,103)	(911)
Depreciation and amortisation	(193)	(133)
Board costs	(50)	(70)
Consultants	(84)	(66)
Media/marketing/advertising	(97)	(118)
Motor vehicles	(60)	(53)
Travel	(100)	(61)
Desert Knowledge Precinct	(215)	(119)
Desert Knowledge Symposium	(1)	(1)
OBN Partner Payments	(667)	(355)
Other	(186)	(132)
Total Expenditure	(2,756)	(2,019)
Net Surplus/(Deficit)	965	2,921

Desert Knowledge Australia cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	3,174	2,177
Receivables and other current assets	267	132
Less Current Liabilities	(1,345)	(279)
Working capital	2,096	2,030
Add Non Current Assets	6,083	5,447
Net Assets	8,179	7,477
Represented by:		
Equity Contribution	2,434	2,434
Accumulated surplus	5,745	5,043
Equity	8,179	7,477

Government Printing Office

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

The Government Printing Office (GPO) is a GBD 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 Business and Employment.

Audit Opinion

The audit of the Government Printing Office for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 28 September 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The Government Printing Office reported a net surplus before tax and dividends of \$240,000 (2009: \$18,000). The increase over the prior year was attributable to higher sales revenues and a decrease in expenses, with the latter being attributable to declines in employee expenses and depreciation expense for the year.

Government Printing Office cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Sales of goods and/or services	5,820	5,713
Other	97	118
Total Income	5,917	5,831
Expenditure		
Operational costs	(3,198)	(3,194)
Employee Expenses	(2,349)	(2,405)
Depreciation and amortisation	(130)	(214)
Total Expenditure	(5,677)	(5,813)
Surplus/(Deficit) Before Income Tax Expense	240	18
Income tax expense	(72)	(5)
Surplus/(Deficit) After Income Tax Expense	168	13
Dividends	(84)	(6)
Net Surplus/(Deficit)	84	7

Government Printing Office cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	3,003	2,669
Receivables and other current assets	741	861
Less Current Liabilities	(898)	(904)
Working Capital	2,846	2,626
Add Non Current Assets	429	560
Less Non Current Liabilities	(163)	(158)
Net Assets	3,112	3,028
Represented by:		
Accumulated funds	2,739	2,655
Capital	373	373
Equity	3,112	3,028

Jabiru Town Development Authority

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

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.

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.

The NT Government provided loan funds of \$8.4 million for construction of water supply, sewerage and associated infrastructure assets. Those assets 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 interest payments and principal repayments on existing loans. That moratorium continued to apply at 30 June 2010.

Audit Opinion

The audit of the Jabiru Town Development Authority for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 7 December 2010.

Jabiru Town Development Authority cont...

Key Findings

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.”

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Grants	29	31
Interest	110	145
Total Income	139	176
Expenditure		
Administration expenses	(202)	(193)
Amortisation of town infrastructure	(63)	(63)
Impairment Loss	(60)	-
Total Expenditure	(325)	(256)
Net Surplus/(Deficit)	(186)	(80)

Jabiru Town Development Authority cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	3,347	3,305
Receivables and other current assets	15	18
Less Current Liabilities	(112)	(9)
Working Capital	3,250	3,314
Add Non Current Assets	647	769
Less Non Current Liabilities	(8,805)	(8,805)
Net Assets	(4,908)	(4,722)
Represented by:		
Accumulated deficit	(4,908)	(4,722)
Equity	(4,908)	(4,722)

Legislative Assembly Members' Superannuation Trust

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

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 have been re-elected at the general elections held in 2005 and 2008 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 2010. 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 2010 were \$66.811 million.

Audit Opinion

The audit of the Legislative Assembly Members' Superannuation Trust for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 8 October 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The value of vested benefits as at 30 June 2010 had increased to \$66.811 million (2009: \$54.626 million). Net asset of the Trust were \$46.739 million and this represented 70 percent of the value of vested benefits as at 30 June 2010. This can be compared with the position as at 30 June 2009 where the value of the net assets represented 76.4 percent of the value of vested benefits.

Legislative Assembly Members' Superannuation Trust cont...

Net assets of the Trust increased by \$5.026 million. The improvement in the performance of investments was due largely to the appreciation in the value of investments for the year. There were no Member surcharge contributions during the year, as no active members left the fund during the year.

Abridged Statement of Changes in Net Assets

	2010	2009
	\$'000	\$'000
Income		
Interest and distributions	1,295	5,324
Changes in net market value of investments	4,273	(13,636)
Member contributions	190	199
Member surcharge contributions	-	503
Territory contributions	2,000	2,790
Total Income	7,758	(4,820)
Expenditure		
Benefits paid	(2,457)	(4,140)
Superannuation contribution surcharge	(22)	(31)
Other expenses	(3)	(3)
Total Expenses	(2,482)	(4,174)
Revenue Less Expenses Before Income Tax	5,276	(8,994)
Less income tax expense	(250)	(285)
Change in Net Assets	5,026	(9,279)

Legislative Assembly Members' Superannuation Trust cont...

Abridged Statement of Net Assets

	2010	2009
	\$'000	\$'000
Cash at bank and other assets	531	533
Investments	46,659	41,609
Total Assets	47,190	42,142
Less Liabilities	(451)	(429)
Net Assets	46,739	41,713
 Vested benefits	 66,811	 54,626

Nitmiluk (Katherine Gorge) National Park Board

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

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 those Aboriginals who are the traditional 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 2010 resulted in an unqualified independent audit opinion, which was issued on 26 October 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The revenue for the year was consistent with the prior year's revenue and this is attributable to consistent visitor numbers during the year.

All revenue has been distributed and recorded as expenses to the Traditional Owners, who received 64% of the revenue with NRETAS receiving the remaining 36% of the revenue.

The assets (\$0.37 million) and the liabilities (\$0.37 million) reflect the amounts receivable from concessionaires which are to be paid to the Traditional Owners and NRETAS.

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

Financial Performance for the year

	2010	2009
	\$,000	\$'000
Income		
Park income	1,118	1,119
Less Payments to Traditional Owners	(689)	(681)
Less Payments to parks and Wildlife Commission of the NT	(429)	(460)
NT Government funding sundry income	45	45
Total Income	45	23
Expenditure		
Operational costs	(45)	(45)
Total Expenditure	-	(45)
Net Surplus/(Deficit)	-	(22)

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

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents		
Receivables and other current assets	374	650
Less Current Liabilities	(374)	(650)
Working Capital	-	-
Add Non Current Assets	-	-
Less Non Current Liabilities	-	-
Net Assets	-	-
Represented by:		
Accumulated surplus	-	-

Northern Territory Government and Public Authorities Employees' Superannuation Fund

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

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 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 2010.

The unfunded accrued liability of the scheme at 30 June 2010, after taking into account the value of assets held by the scheme at that date, was \$758.1 million, compared with \$702.8 million at 30 June 2009.

Audit Opinion

The audit of Northern Territory Government and Public Authorities Employees' Superannuation Fund for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 6 October 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Net assets of the fund increased by \$121.91 million to \$654.43 million (2009: \$532.5 million) mainly due to the increase in market value of investments by \$67.7 million.

Benefits expense decreased for the year and this was largely due to a low number of members leaving the fund in 2010 compared to the prior year.

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

Abridged Statement of Changes in Net Assets

	2010	2009
	\$'000	\$'000
Income		
Interest and distributions from investments	422	538
Movement in net market value of investments	67,701	(100,694)
Member contributions	42,158	42,624
Member surcharge payments received	269	219
Territory contributions	38,205	50,060
Transfers and rollovers	63,940	33,837
Total Income	212,695	26,584
Expenses		
Benefits expense	(86,766)	(103,974)
Other expenses	(165)	(98)
Total Expenses	(86,931)	(104,072)
Revenue Less Expenses Before Income Tax	125,764	(77,488)
Less income tax expense	(3,855)	(5,103)
Change in Net Assets	121,909	(82,591)

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

Abridged Statement of Net Assets

	2010	2009
	\$'000	\$'000
Cash at bank and other assets	26,432	43,199
Investments	667,268	556,566
Total assets	693,700	599,765
Less Liabilities	(39,275)	(67,249)
Net Assets	654,425	532,516
 Vested benefits	 1,495,180	 1,376,860

Northern Territory Legal Aid Commission

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

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 2010 resulted in an unqualified independent audit opinion, which was issued on 6 December 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The Commission reported a loss of \$849,866 (2009: \$83,953) largely due to an increase in salary and employee benefit expenses that flowed from general salary increases coupled with an increase in the number of employees to 65 (2009: 61).

Total revenue increased due to an increase in the value of grants received from the NT Government and increases in recovered costs and client contributions.

Northern Territory Legal Aid Commission cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Grants – NT Government	3,954	3,767
Grants – Commonwealth	4,547	4,530
Grants – Other	79	47
Rendering of Service services	298	198
Other	127	211
Total Income	9,005	8,753
Expenditure		
Administration	(1,389)	(1,290)
Employee Expenses	(5,372)	(4,642)
Legal	(1,898)	(1,848)
Depreciation and amortisation	(255)	(256)
Other	(941)	(801)
Total Expenditure	(9,855)	(8,837)
Net Surplus/(Deficit)	(850)	(84)

Northern Territory Legal Aid Commission cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	1,507	1,627
Receivables and other current assets	1,644	1,721
Less Current Liabilities	(1,191)	(945)
Net Current Assets	1,960	2,403
Add Non Current Assets	1,186	1,617
Less Non Current Liabilities	(190)	(214)
Net Assets	2,956	3,806
Represented by:		
Reserves	912	2,472
Retained earnings	2,044	1,334
Equity	2,956	3,806

Northern Territory Major Events Company Pty Ltd

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

The Northern Territory Government established the Northern Territory Major Events Company Pty Ltd with the principal responsibility for attracting major events to the Northern Territory and promoting and coordinating events such as the Darwin round of the V8 Supercar Championship.

Audit Opinion

The audit of Northern Territory Major Events Company Pty Ltd for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 20 December 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The Company activities for the year resulted in a small loss of \$39,268 and this was attributable to the timing of V8 Supercar events in 2008/09 and 2009/10 which, in turn, affected the amounts of revenue and expenses recognised in each of the two years.

Northern Territory Major Events Company Pty Ltd cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Government grants	4,957	7,710
Sales of goods and/or services	3,543	6,043
Other	112	125
Total Income	8,612	13,878
Expenditure		
Employee Expenses	(1,573)	(2,029)
Depreciation	(12)	(12)
Other	(7,066)	(13,016)
Total Expenditure	(8,651)	(15,057)
Surplus/(Deficit) Before Income Tax Expense	(39)	(1,179)
Income tax expense	-	-
Surplus/(Deficit) After Income Tax Expense	(39)	(1,179)
Dividends	-	-
Net Surplus/(Deficit)	(39)	(1,179)

Northern Territory Major Events Company Pty Ltd cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	2,104	2,674
Receivables and other current assets	734	803
Less Current Liabilities	(2,291)	(2,903)
Net current assets	547	574
Add Non Current Assets	31	43
Net Assets	578	617
Represented by:		
Retained profits	578	617
Contributed equity (\$2)	-	-
Equity	578	617

Northern Territory Police Supplementary Benefit Scheme

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

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 2010 there were 90 members (97 in 2009) and 158 pensioners (149 in 2009).

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 2010 resulted in an unqualified independent audit opinion, which was issued on 8 October 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The net assets of the Scheme increased for the year compared with a decline for the prior for the prior year. This improvement is a reflection of the improvement in investment returns that has occurred in the period following the global financial crisis of 2008 and 2009 and which saw a significant improvement in the total value of investments held by the Scheme. The value of vested benefits at 30 June 2010 was \$43.3 million (2009: \$38.4 million).

Benefits payments decreased to \$235,887 (2009: \$275,444) as a result of a smaller number of members leaving the Scheme in 2009-10.

Northern Territory Police Supplementary Benefit Scheme cont...

Abridged Statement of Changes in Net Assets

	2010	2009
	\$'000	\$'000
Income		
Interest	6	6
Movement in net market value of investments	270	(355)
Contribution revenue	101	106
Total Income	377	(243)
Expenses		
Benefits		
Refunds of accumulated contributions	(37)	(48)
Payment of accumulated contributions to the Territory	(199)	(227)
Superannuation contribution surcharge	(2)	(2)
Other expenses	(2)	(2)
Total Expenses	(240)	(279)
Revenue Less Expenses Before Income Tax	137	(522)
Income tax expense	(1)	(1)
Change in Net Assets	136	(523)

Northern Territory Police Supplementary Benefit Scheme cont...

Abridged Statement of Net Assets

	2010	2009
	\$'000	\$'000
Cash at bank and other assets	209	130
Investments	2,583	2,514
Total assets	2,792	2,644
Less Liabilities	(343)	(331)
Net Assets	2,449	2,313
 Vested benefits	 43,251	 38,374

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

Northern Territory Treasury Corporation

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

The Northern Territory Treasury 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 applied generally by financial institutions. It is required to submit its 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 2010 resulted in an unqualified independent audit opinion, which was issued on 28 September 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Profit before income tax was \$22.6 million for the year ended 30 June 2010, an increase from the prior year result of \$19.1 million.

That increase reflects:

- an increase in interest income as a result of an increase in the total value of loans made, particularly loans to the Power and Water Corporation to finance major capital works; and
- an increase in interest expense flowing from the increased levels of borrowing that were required in order to fund the increased values of loans made by the Corporation.

Northern Territory Treasury Corporation cont...

The Corporation provided for a dividend of \$15.802 million which is 100 per cent of its net profit for the year.

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Interest	172,279	159,704
Other	471	471
Total Income	172,750	160,175
Expenditure		
Interest	(148,001)	(139,016)
Administration	(2,174)	(2,086)
Total Expenditure	(150,175)	(141,102)
Surplus/(Deficit) Before Income Tax Expense	22,575	19,073
Income tax expense	(6,773)	(5,722)
Surplus/(Deficit) After Income Tax Expense	15,802	13,351
Dividends	(15,802)	(13,351)
Net Surplus/(Deficit)	-	-

Northern Territory Treasury Corporation cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Total Assets	2,907,334	2,392,912
Less Total Liabilities	(2,885,704)	(2,371,282)
Net Assets	21,630	21,630
Represented by:		
Contributed capital	21,630	18,714
Reserves	-	2,916
Equity	21,630	21,630

NT Build

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

NT Build is the name of the Board established under the *Construction Industry Long Service Leave and Benefits 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.

Audit Opinion

The audit of NT Build for the year ended 30 June 2010 resulted in a qualified independent audit opinion, which was issued on 29 October 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The total revenue recognised by NT Build for the year declined by \$1.03 million to \$10.1 million. Underpinning that decline was a fall in revenue in the form of contributions from levy payers, which declined from \$11.85 million in 2008-09 to \$8.33 million in 2009-10, reflecting a subdued level of construction activity during the year.

The fall in revenue from levies was offset by an increase in investment income, and by an increase in the value of investments during the year. At the 30 June 2010 the value of the Board's investments, which took the form of cash, cash equivalents and managed trust investments was \$29.8 million, an increase of \$8.4 million when compared with the position as at 30 June 2009.

Qualification

I issued a qualified audit opinion on the financial statements of NT Build for the year ended 30 June 2010. The qualification that formed part of the audit opinion was as follows:

NT Build cont...

“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 liable 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 require 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 \$8,332,922 recognised as ‘Contributions from levy payers’ in the income statement.”

NT Build cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Contributions from levy payers	8,333	11,848
Other	1,773	(712)
Total Income	10,106	11,136
Expenditure		
Employee Expenses	(594)	(494)
Occupancy costs	(58)	(76)
Depreciation and amortisation	(67)	(71)
Fees and allowances	(16)	(40)
Long service leave benefit payments	(536)	(319)
Long service scheme expense	(3,805)	(5,982)
Other	(405)	(341)
Total Expenditure	(5,481)	(7,323)
Surplus/(Deficit) Before Income Tax Expense	4,625	3,813

NT Build cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	17,641	15,074
Receivables and other current assets	13,747	7,822
Less Current Liabilities	(564)	(312)
Working Capital	30,824	22,584
Add Non Current Assets	18	88
Less Non Current Liabilities	(16,908)	(13,363)
Net Assets	13,934	9,309
Represented by:		
Implementation funding	297	297
Accumulated surplus	13,637	9,012
Equity	13,934	9,309

NT Build cont...

NT Build has commented:

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

Throughout the 2009-2010 reporting period, NT Build continued to work closely with the Department of Lands and Planning 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.

In this regard, NT Build made a submission in response to a Ministerial discussion paper entitled Building Regulation in the NT issued for comment by the building industry and the community. The NT Build Board's submission, forwarded to the Building Industry Reference Group (BIRG), supported the proposal that the building regulatory provisions be amended to require evidence that a Project Notification Form has been lodged with NT Build before a Building Permit is issued. Such an amendment would greatly enhance levy compliance within the building control areas, (representing the majority of leviable construction works).

While the Board notes the change to the current building approval regime will have a limited effect, it will enable NT Build to better concentrate its resources on identifying both leviable construction undertaken throughout the non-controlled remote areas of the Northern Territory, including on mining sites, and on other categories of "construction" (e.g.; civil works and some maintenance) as defined by the Construction Industry Long Service Leave and Benefits Act not covered under the building regulatory provisions. It is understood the final BIRG report, incorporating comments on all submissions received in response to the discussion paper, has been completed and is currently under consideration by the Northern Territory Government.

Notwithstanding the above the Board remains confident that a high level of compliance is being achieved, although a level of uncertainty may always exist. As a consequence, NT Build continues to utilise and refine a range of mechanisms to identify construction projects throughout the Northern Territory.

In any event, where non payment is being detected the Board is taking a rigorous approach to debt collection including legal action where necessary. Further, through the Board's strategic audit and levy compliance program routine audits of selected construction projects are being conducted to ensure that levy payers are declaring and remitting the correct amount of levy.

NT Fleet

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

NT Fleet is a GBD that is responsible for the management of the Northern Territory Government's motor vehicle fleet other than vehicles controlled by the 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 Business and Employment.

Audit Opinion

The audit of NT Fleet for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 29 September 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Total revenue recorded by NT Fleet for the year was \$46.78 million, an increase of \$6.07 million from 2009 due mainly to an increase in the value of sales of goods and services. The strong growth in revenue resulted in a net surplus before tax and dividends of \$13.19 million, an increase of \$3.22 million from the previous year.

Factors that contributed to the increase in overall revenue and net surplus before tax and dividends were:

- gains on disposal of assets increased from \$1.30 million to \$3.95 million due to increased sales of vehicles together with favourable sale prices and
- a 9% increase in sales of goods and services revenue to \$42.50 million compared with \$39.09 million for the prior year due to the increase in the fleet size (2,665 vehicles in 2008/09 to 2,745 in 2009/10).

NT Fleet cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Revenue from vehicle lease rentals	42,504	39,097
Gain on disposal of assets	3,952	1,300
Other revenues	322	313
Total Income	46,778	40,710
Expenditure		
Operational costs	(10,951)	(10,572)
Employee Expenses	(2,312)	(2,094)
Depreciation and amortisation	(20,054)	(17,787)
Borrowing costs	(267)	(284)
Total Expenditure	(33,584)	(30,737)
Surplus/(Deficit) Before Income Tax Expense	13,194	9,973
Income tax expense	(3,958)	(2,992)
Surplus/(Deficit) After Income Tax Expense	9,236	6,981
Dividends	(4,618)	(3,491)
Net Surplus/(Deficit)	4,618	3,490

NT Fleet cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	9,934	5,952
Receivables and other current assets	2,066	929
Less Current Liabilities	(13,226)	(10,154)
Working Capital	(1,226)	(3,273)
Add Non Current Assets	89,499	87,904
Less Non Current Liabilities	(3,160)	(4,136)
Net Assets	85,113	80,495
Represented by:		
Accumulated funds	84,646	80,028
Capital	467	467
Equity	85,113	80,495

NT Home Ownership

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

NT Home Ownership is a GBD that was formerly part of Territory Housing and which was established in 2008 to provide housing assistance to Territorians through means such as loans, grants and subsidies with the objective of increasing home ownership opportunities for low to middle income earners.

Audit Opinion

The audit of NT Home Ownership for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 15 October 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

NT Home Ownership reported a surplus before tax at 30 June 2010 of \$4.1 million compared to \$7.5 million last year. The principal factors that contributed to the surplus were:

- \$7.7 million interest income derived largely from loans and a \$4.1 million gain on revaluation of investments; offset by
- interest expense of \$7.8 million on loans from NT Treasury Corporation.

NT Home Ownership recorded net assets as at 30 June 2010 were valued at \$33.6 million, which comprised:

- \$128.0 million representing loans to home purchasers;
- \$50.0 million investments, representing minority interest holding in houses;
- cash and deposits of \$15.2 million; offset by
- borrowings and advances of \$159.6 million from Treasury Corporation.

NT Home Ownership cont...

Financial Performance for the year

	2010	2009
		\$,000
Income		
Other income	32	25
Interest revenue	7,684	9,822
Community Service Obligations (CSO)	1,239	781
Gain on sale of investments	1,518	1,459
Gain on revaluation of investments	4,054	6,406
Total Income	14,527	18,493
Expenditure		
Employee expenses	(209)	(145)
Administration fees	(2,049)	(2,055)
Borrowing costs	(7,761)	(8,474)
Other expenses on ordinary activities	(387)	(269)
Total Expenditure	(10,406)	(10,943)
Surplus/(Deficit) Before Income Tax Expense	4,121	7,550
Income tax expense	(20)	(2,265)
Income tax adjustment 2008/09	1,921	-
Surplus/(Deficit) After Income Tax Expense	6,022	5,285
Dividends	(23)	(2,642)
Net Surplus/(Deficit)	5,999	2,643

In 2008-09 the Income Tax expense was based on total income including revaluations however the revaluations should have been excluded from the liability calculations. The opening balance of the Provision for Income Tax has been adjusted.

NT Home Ownership cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	15,152	21,938
Receivables and other current assets	2,005	5,004
Less Current Liabilities	(7,067)	(11,649)
Working Capital	10,090	15,293
Add Non Current Assets	176,683	169,716
Less Non Current Liabilities	(153,145)	(159,621)
Net Assets	33,628	25,388
Represented by:		
Accumulated surplus	10,883	2,643
Contributed equity	22,745	22,745
Equity	33,628	25,388

Power and Water Corporation

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

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

The Corporation became a Government Owned Corporation on 1 July 2002 following the commencement of 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, and holds 50% of the ordinary shares issued by BGP Tenure Holdings Pty Ltd.

For the purposes of financial reporting the accounts of the Corporation and its subsidiaries are consolidated with inter-entity transactions and balances being eliminated in the process to arrive at a set of consolidated financial statements which are then audited.

Audit Opinion

The audit of Power and Water Corporation for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 17 September 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The activities of the Corporation and its subsidiaries for the year resulted in a loss of \$248.8 million, compared with a profit of \$121.1 million for the prior year. That result was achieved after:

- recognising revenues totalling \$733.2 million (826.9 million for the prior year). The decline in revenues reflected a decline in developer, customer and other capital contributions, and was affected by the recognition in 2008-09 of an increase in the value in infrastructure assets following the reversal of earlier impairment losses. Those declines were sufficient to offset the increase of \$115.0 million in revenues from the sale of goods that were the result of tariff increases that came into effect for 2009-10;

Power and Water Corporation cont...

- recognising expenses totalling \$982.0 million (\$705.8 million for the prior year). The largest contributor to the increase in expenses for the year was an amount of \$319.8 million that represented the decline in the value of electricity generation and network assets. That decline reflects in the likelihood that the Corporation will not be able to achieve a commercial return on its investments in electricity infrastructure assets under the prevailing tariff regime.
- Total expenses were also affected by material increases of \$52.8 million in respect of energy and materials, \$11.3 million for finance expenses that reflect the need by the Corporation to increase its level of borrowings to finance capital expenditure, \$16.5 million in depreciation and amortisation, and \$21.6 million representing the value of assets transferred to other entities for no financial consideration.

Power and Water Corporation cont...

Financial Performance for the year of the Consolidated Entity

	2010	2009
	\$'000	\$'000
Income		
Sale of goods	514,860	399,828
Rendering of services	94,875	92,244
Finance revenue	3,011	3,047
Other	120,469	331,803
Total Income	733,215	826,922
Expenditure		
Raw materials and consumables used	(365,728)	(312,897)
Finance costs	(43,964)	(32,618)
Repairs and maintenance expenses	(74,859)	(64,251)
Employee expenses	(88,492)	(71,904)
External service agreements	(24,675)	(25,575)
Depreciation and amortisation	(89,077)	(72,558)
Impairment of non current assets	(319,751)	(5,718)
Other expenses	(83,012)	(68,356)
Total Expenditure	(1,089,558)	(653,877)
Surplus/(Deficit) Before Income Tax Expense	(356,343)	173,045
Income tax benefit/(expense)	107,591	(51,903)
Surplus/(Deficit) After Income Tax Expense	(248,752)	121,142
Dividends	-	-
Net Surplus/(Deficit)	(248,752)	121,142

Power and Water Corporation cont...

Financial Position at year end of the Consolidated Entity

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	168,319	103,697
Receivables and other current assets	99,193	85,171
Less Current Liabilities	(159,704)	(166,897)
Working Capital	107,808	21,971
Add Non Current Assets	1,486,083	1,479,330
Less Non Current Liabilities	(1,105,821)	(764,479)
Net Assets	488,070	736,822
Represented by:		
Retained profits	488,070	736,822
Reserves	-	-
Equity	488,070	736,822

Territory Discoveries

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

Territory Discoveries is a GBD 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 2010 resulted in an unqualified independent audit opinion, which was issued on 23 September 2010.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Territory Discoveries reported a net profit of \$107,000 (2009: net loss of \$139,000). Total expenses for the year were to \$6.923 million (2009: \$7.584 million) predominantly due to a decrease in marketing, and information technology charges, and employee expenses

Total revenue decreased to \$7.030 million (2009: \$7.445 million) mainly due to decreases in the sale of goods and services which included holiday sales, partnership marketing revenue, participation fees and fees from a service level agreement with Tourism NT.

Territory Discoveries cont...

Financial Performance for the year

	2010	2009
	\$'000	\$'000
Income		
Government grants	1,738	1,913
Sales of goods and/or services	3,904	4,036
Community Service Obligations	903	833
Other	485	663
Total Income	7,030	7,445
Expenditure		
Operational costs	(3,836)	(4,298)
Employee expenses	(3,011)	(3,283)
Depreciation and amortisation	(1)	(2)
Other	(75)	(1)
Total Expenditure	(6,923)	(7,584)
Surplus/(Deficit) Before Income Tax Expense	107	(139)
Income tax expense	-	-
Surplus/(Deficit) After Income Tax Expense	107	(139)
Dividends	-	-
Net Surplus/(Deficit)	107	(139)

Territory Discoveries cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	7,607	8,469
Receivables and other current assets	117	187
Less Current Liabilities	(4,541)	(5,586)
Working Capital	3,183	3,070
Add Non Current Assets	-	1
Less Non Current Liabilities	(15)	(9)
Net Assets	3,168	3,062
Represented by:		
Accumulated losses	(2,509)	(2,615)
Contributed equity	5,677	5,677
Equity	3,168	3,062

Territory Insurance Office

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

The Territory Insurance Office (TIO) is established by the *Territory Insurance Office Act*. The functions of TIO are to:

- act as an insurer in respect of the assets and prospective liabilities of the Territory and statutory corporations;
- transact workers compensation insurance in respect of persons required by the *Workers Rehabilitation and Compensation Act*, or any Act replacing that Act, to insure;
- administer a motor accident compensation scheme in accordance with an Act or an agreement between the Office and the person or body responsible for the scheme;
- provide such financial services as are approved by the Minister;
- transact such general business of insurance as the Minister directs; and
- promote and participate in the promotion of road and industrial safety.

The liabilities of TIO that arise from contracts of insurance, entered into by TIO, from deposits made with TIO and from liabilities that arise from motor accident compensation activities conducted by TIO are guaranteed by the Northern Territory.

Audit Opinion

The audit of the Territory Insurance Office for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 30 September 2010.

Key Findings

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.

Territory Insurance Office cont...

In April 2009 the Treasurer issued a revised Determination to take into account amendments to the APRA prudential standards. The revisions to the Treasurer's Determination were primarily administrative and did not require material changes in prudential standards or compliance processes.

For the purposes of the Determination, the Auditor-General has been deemed to be the "appointed auditor" consistent with the requirements imposed upon general insurers that are subject to direct supervision by APRA. Accordingly, I conducted reviews of both the insurance and banking functions of TIO during 2009-10 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 Performance for the year

	TIO Insurance & Banking		MAC Fund		TIO	
	2010	2009	2010	2009	2010	2009
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Underwriting result						
Net premium revenue	59	52	51	46	110	98
Net claims expense	(61)	(50)	(44)	(47)	(105)	(97)
Acquisition costs	(4)	(8)	(1)	(1)	(5)	(9)
Underwriting result	(6)	(6)	6	(2)	-	(8)
Other revenues and expenses						
Interest receivable	45	54	6	7	51	61
Change in value of investments	5	(8)	12	(34)	17	(42)
Loss on disposal of investments	1	(6)	3	(15)	4	(21)
Other investment income	5	4	15	14	20	18
Total investment revenue	56	44	36	(28)	92	16
Other revenue	7	8	1	-	8	8
Borrowing costs	(30)	(39)	-	-	(30)	(39)
Other costs and depreciation	(22)	(25)	(11)	(11)	(33)	(36)
Net other revenues and expenses	11	(12)	26	(39)	37	(51)
Net profit (loss) before tax	5	(18)	32	(41)	37	(59)

In line with the general improvement that followed the financial crisis that affected the national and international economies in 2008 and 2009, TIO's performance has also improved. The combination of an increase in premium revenues, and increases in the market values of managed fund investments had a positive impact on TIO's profitability in 2009-10.

The after-tax profit from banking, general insurance and the MAC Fund for the 2010 financial year were \$2.68 million, \$0.6 million and \$32.2 million, respectively. This compares to an after-tax loss from banking, general insurance and the MAC Fund for the 2009 financial year of (\$15,000), (\$11.8 million) and (\$41.1 million), respectively.

Territory Insurance Office cont...

Financial Position at year end

	TIO Insurance & Banking		MAC Fund		TIO	
	2010	2009	2010	2009	2010	2009
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Assets						
Cash and cash equivalents	28	24	2	9	30	33
Trade and other receivables	50	45	3	1	53	46
Other financial assets	225	196	342	293	567	490
Intangible assets	1	-	-	3	0	3
Investment property	-	-	1	-	2	-
Loans	564	544	-	-	564	544
Reinsurance and other recoveries	30	25	32	28	62	51
Property, plant and equipment	14	14	32	32	46	46
Deferred reinsurance expense	27	25	-	-	27	25
Deferred acquisition costs	5	2	-	-	5	4
Current tax assets	1	3	-	-	1	-
Deferred tax assets	6	7	-	-	6	7
Total Assets	951	885	412	366	1,363	1,249
Liabilities						
Outstanding claims liability	(131)	(114)	(268)	(256)	(399)	(368)
Trade and other payables	(37)	(31)	(2)	(3)	(39)	(34)
Deposits	(531)	(448)	-	-	(531)	(448)
Other financial liabilities	(1)	(1)	-	-	(0)	(1)
Tax liabilities	(2)	(2)	-	-	(2)	(2)
Provisions	(5)	(5)	-	-	(5)	(5)
Unearned premium liability	(58)	(53)	(24)	(23)	(83)	(76)
Securitisation liabilities	(86)	(134)	-	-	(86)	(134)
Total Liabilities	(851)	(788)	(294)	(282)	(1,145)	(1,068)
Net Assets	100	97	118	84	218	181

Territory Wildlife Parks

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Background

This GBD operates the Territory Wildlife Park at Berry Springs and the Alice Springs Desert Park. The parks have required significant financial contributions, through their host Agency, in the form of Community Service Obligations to enable them to meet their operating expenses.

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

Audit Opinion

The audit of Territory Wildlife Parks for the year ended 30 June 2010 resulted in an unqualified independent audit opinion, which was issued on 30 September 2010.

Key Findings

The audit did not identify any material weaknesses in controls. However the GBD has recorded deficits since its inception and it continues to rely upon the receipt of Community Service Obligation funding from the NT Government to enable it to manage its cash flow requirements. Territory Wildlife Parks incurred a \$3 million loss for 2009/10 year compared to loss of \$2 million in 2008/09.

Performance Overview

The revenue for 2009/10 (\$9.9 million) was virtually unchanged from the prior year (\$9.9 million). The major revenue item was the Community Service Obligation of \$7.9 million, unchanged from the prior year.

Sale of goods revenue relating to mainly the park entry fees was \$1.9 million for the current year which was a marginal decline from the prior year. That decline was as a result of the reduced visitor numbers which were 140,854 in 2009/10 compared with 143,775 in 2008/09.

Territory Wildlife Parks cont...

Financial Performance for the year

	2010	2009
	\$,000	\$'000
Income		
Community Service Obligations	7,915	7,915
Gain on disposal of assets	1,892	1,919
Other revenues	48	25
Total Income	9,855	9,859
Expenditure		
Employee Expenses	(6,286)	(5,491)
Depreciation and amortisation	(1,922)	(1,911)
Other expenses	(4,710)	(4,447)
Total Expenditure	(12,918)	(11,849)
Surplus/(Deficit) Before Income Tax Expense	(3,063)	(1,990)
Income tax expense	-	-
Surplus/(Deficit) After Income Tax Expense	(3,063)	(1,990)
Dividends	-	-
Net Surplus/(Deficit)	(3,063)	(1,990)

Territory Wildlife Parks cont...

Financial Position at year end

	2010	2009
	\$'000	\$'000
Current Assets	408	487
Less Current Liabilities	(1,899)	(932)
Working Capital	(1,491)	(445)
Add Non Current Assets	32,925	34,561
Less Non Current Liabilities	(223)	(128)
Net Assets	31,211	33,988
Represented by:		
Accumulated losses	(8,944)	(5,881)
Contributed equity	15,790	15,504
Asset revaluation reserve	24,365	24,365
Equity	31,211	33,988

Treasurer's Annual Financial Statement

Audit findings and Analysis of the Financial Statements for the Year Ended 30 June 2010

Key Issues

My audit opinion on the Treasurer's Annual Financial Statement (TAFS) for 2009-10 was unqualified.

Introduction

The TAFS, which was tabled in the Legislative Assembly on 26 October 2010, is required to be prepared each year in accordance with the requirements of section 9 of the *Financial Management Act*. The Act requires the Treasurer to prepare the statement in a form that the Treasurer considers appropriate. That requirement needs to be considered in conjunction with the requirements of the *Fiscal Integrity and Transparency Act* (FITA). The FITA requires the Treasurer to prepare a final fiscal results report each year, with that report based on Government Finance Statistics Australia, Concepts, Sources and Methods (GFS) and Australian accounting standards.

The TAFS also complies with the requirements of the Uniform Presentation Framework (UPF). The UPF sets out the standard presentation for financial reporting by all Australian jurisdictions and has its origins in the May 1991 Premiers' Conference. In the intervening years the UPF has been amended in line with developments in Accounting Standards that have occurred since the UPF was first introduced.

The Uniform Presentation Framework and the Structure of the Public Sector

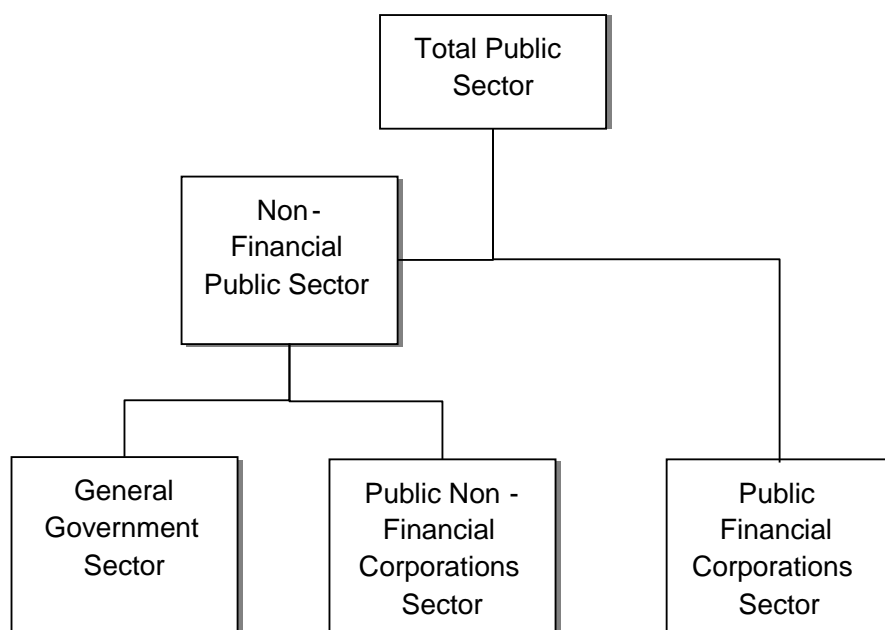
A key aspect of public sector reporting is the classification of the public sector into three primary sub-sectors;

- General Government Sector;
- Public Non Financial Corporation Sector; and
- Public Financial Corporation Sector.

Treasurer's Annual Financial Statement cont...

The General Government and the Public Non-Financial Corporations Sector are consolidated to form the Non Financial Public Sector. That sector is then further consolidated with the Public Financial Corporations Sector to form the Total Public Sector. These sectoral relationships are depicted in Figure 1, below:

Figure 1
Structure of the Public Sector



Treasurer's Annual Financial Statement cont...

A description of the principal sectors that comprise the public sector for reporting purposes under the UPF is as follows:

General Government Sector	Comprises those entities that are mainly engaged in the production of goods and/or services outside the normal market mechanism. Goods and services are provided free of charge or at nominal charges well below their costs of production.
Public Non Financial Corporation Sector	Comprises those entities that are primarily engaged in the production of goods or services of a non-financial nature, at a price which aims to recover most of the costs involved.
Public Financial Corporation Sector	Comprises those entities that perform central banking functions or which have the authority to incur liabilities and acquire financial assets in the market on their own account.
Total Public Sector	Comprises the General Government, Non Financial Corporation and Financial Corporation sectors after eliminating inter-sector transactions and balances in order to present the relationship between the total public sector and the "outside world".

Treasurer's Annual Financial Statement cont...

The Principles of Consolidation

The financial statements for each of the entities that lie within a particular sector are consolidated to provide information about that sector, and are then consolidated further to provide information about the total public sector. Consolidation, for the purposes of the TAFS, involves initially the elimination of all intra-sector transactions and balances in order to provide a picture of the relationship between each sector and the rest of government, and other sectors of the economy. Inter-sector transactions and balances are then eliminated to provide a picture the relationship between the total public sector and the “outside world”.

The starting point for the consolidation of the TAFS is the identification of those entities that are deemed to be “controlled” by the Northern Territory Government. These are listed, by sector, at Note 41 to the TAFS.

The consolidated financial statements for the Total Public Sector comprise all Agencies, Government Business Divisions, Government Owned Corporations, the Territory Insurance Office and other entities that are deemed to be controlled by the Northern Territory Government. The TAFS consolidation process involves the aggregation of all entities' financial reports into a single set of financial statements after eliminating inter and intra sector transactions and balances in the process.

The principal determinant as to whether an entity is included in the TAFS is “control”, which is the capacity of the Northern Territory Government to dominate the financial and operating policies of that entity so as to enable it to operate with the Government in pursuing the Government's own objectives. Important indicators of the existence of control include the extent to which an entity is accountable to executive government or to a particular Minister, and the extent to which the Government has a residual financial interest in the net assets of the other entity.

Treasurer's Annual Financial Statement cont...

Entities Excluded From the TAFS

The entities listed below have not been consolidated into the TAFS because they are not considered to have satisfied the control test outlined above:

- Charles Darwin University
- Cobourg Peninsula Sanctuary and Marine Park Board
- Conservation Land Corporation
- Legislative Assembly Members' Superannuation Trust
- Local Government/Regional Councils
- Nitmiluk (Katherine Gorge) National Park Board
- Northern Territory Government and Public Authorities Employees' Superannuation Fund
- Northern Territory Grants Commission
- Northern Territory Land Corporation
- Northern Territory Police Supplementary Benefit Scheme
- Public Trustee Common Funds
- Surveyors Board of the Northern Territory of Australia

While the TAFS excludes superannuation schemes, as noted above, on the grounds that the schemes themselves are neither controlled by the Government nor are their assets available to the Government, it does include the unfunded superannuation liabilities of the Government.

Most assets and liabilities of the public sector that can be said to be controlled by the Northern Territory Government have been included as part of the TAFS. However, some assets and liabilities of Territory schools, and some heritage or cultural assets have not been included either because reliable information was not available or because reliable measurement was not possible. This is an area where it is expected that information will be incorporated progressively into TAFS as systems are developed or improved, or where better information becomes available.

Treasurer's Annual Financial Statement cont...

The role of accounting standards in public sector financial reporting

The role of accounting standards is to achieve uniformity in accounting so that two different entities reporting the same events will report upon them in the same way. In Australia, the role of developing and issuing accounting standards rests with the Australian Accounting Standards Board (AASB), a Commonwealth statutory body established pursuant to the *Australian Securities and Investments Commission Act*.

Accounting standards issued by the AASB have the force of law in the case of corporations that operate under the *Commonwealth Corporations Act* and are also given force in the public sector in all jurisdictions by either Acts of Parliament or by delegated legislation such as Treasurer's Directions in the Northern Territory.

The effect of Treasurer's Directions is to require all Agencies to adhere to accounting standards when preparing financial statements. In the case of the Treasurer's Annual Financial Statements, the *Fiscal Integrity and Transparency Act* requires the Treasurer to prepare reports that comply with external reporting standards, which are defined as being Government Finance Statistics Australia: Concepts Sources and Methods (GFS), and Australian Accounting Standards.

The issue by the AASB of the accounting standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting* in October 2007 draws together the principles set out in GFS and those in accounting standards with the result that compliance by the Treasurer with AASB 1049 will ensure compliance with the *Fiscal Integrity and Transparency Act*.

Treasurer's Annual Financial Statement cont...

Key Fiscal Measures in the Treasurer's Annual Financial Statements

At various points in this report, reference will be made to several key financial measures in the TAFS, drawn from the operating statement and the balance sheet. The principal operating statement measures are:

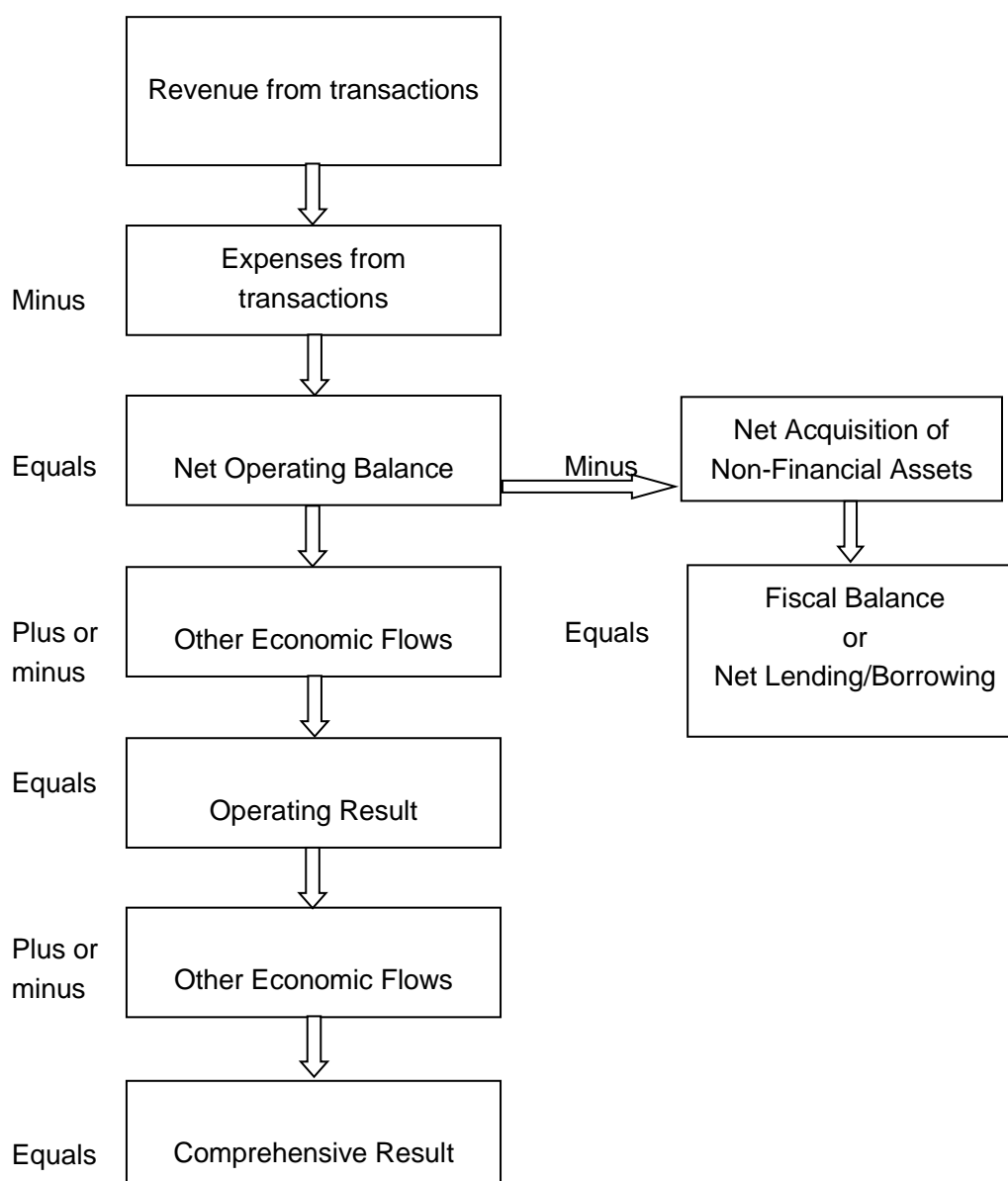
Net Operating Balance – the excess of revenue from transactions over expenses from transactions, excluding transactions involving the acquisition of capital assets. The net operating balance encompasses the full cost of providing government services and provides a good measure of the sustainability of a government's fiscal position over time, while also providing an indication of the sustainability of the existing level of government services.

Net Lending or Borrowing, or Fiscal Balance – is a measure of a government's investment-saving balance. A fiscal surplus indicates that a government is saving more than is required to finance all of its investment spending and has therefore not been required to draw upon the savings of other sectors to finance its consumption and capital spending.

Treasurer's Annual Financial Statement cont...

The relationship between these measures of performance is summarised below:

Figure 2



Treasurer's Annual Financial Statement cont...

In addition to the two performance measures outlined above, the balance sheet also includes three measures of financial position. These are:

Net debt: the stock of financial liabilities, comprising borrowings, advances received and deposits held, less the stock of financial assets comprising cash and deposits, advances paid, investments, loans and placements. The stock of net debt is used to assess the overall strength of a jurisdiction's fiscal position. High levels of net debt impose a call on future revenue flows to service that debt and can therefore limit a government's flexibility to adjust expenditure.

Net financial worth: the value of the net holding of financial assets. It is a broader measure than net debt, in that it incorporates provisions made (such as provisions for superannuation, or employee benefits) as well as holdings of equity. Net financial worth includes all financial assets, excluding investments in other public sector entities, and all liabilities.

TAFS Highlights

Total Public Sector

The financial performance of the Northern Territory public sector for 2009-10 was characterised by a strong increase in revenue when compared with the prior year, accompanied by a relatively modest increase in expenses.

Total public sector revenue for 2009-10 increased by \$612.5 million, or 12.7 per cent, to \$5,433.1 million, with that increase underpinned by higher GST revenue, and increases in current and capital grants received under National Partnership arrangements. GST revenue increased by \$241.8 million, while current and capital grants received in connection with National Partnerships increased by \$434.7 million, although those increases were offset by declines in the level of other classes of grants provided by the Commonwealth.

Revenue received by the Territory from sources other than the Commonwealth increased by \$108.9 million to \$1,685.4 million for the year, with most of that increase generated by higher revenues associated with charges for goods and services.

Total expenses of the public sector increased by \$343.4 million or 7.5 per cent for the year. The principal contributors to that increase were employee benefits which increased by \$144.4 million and Other Operating Expenses which increased by \$116.5 million.

Treasurer's Annual Financial Statement cont...

The operations of the total public sector resulted in a net operating balance of \$510.7 million for the year, but after taking into account the effect of capital spending, the result was a negative fiscal balance of \$298.6 million. This can be compared with the negative fiscal balance of \$93.3 million for 2008-09.

The value of assets controlled by the public sector at 30 June 2010 was \$14,499.5 million, an increase of \$3,029.0 million. That increase was dominated by the value of additions totalling \$1,158.8 million to the public sector's stock of property, plant and equipment assets and the revaluation of existing assets in that class by an amount of \$3,224.5 million. Asset revaluations were undertaken to ensure compliance with both accounting standards and GFS.

The additions to the stock of non-financial assets were financed by the cash flow surplus that was achieved as a result of operations for the year and by the proceeds from the sales of non-financial assets, and by increases in liabilities.

General Government Sector

Total revenues of the General Government Sector for 2009-10 were \$4,648.8 million compared with \$4,187.0 million for the prior year, an increase of \$461.9 million or 11.0 per cent.

Taxation revenues increased by \$9.8 million to \$414.6 million, primarily as a result of an increase in revenues from stamp duties on financial and capital transactions, while taxes on gambling declined by \$12 million to \$60.7 million. Capital grants from the Commonwealth increased by \$281.5 million to \$412.8 million with that increase due primarily to an increase of \$349.8 million in National Partnerships grants, with capital grants provided under other heads declining accordingly.

Total expenses for the year were \$4,112.7 million compared with \$3,999.8 million for the prior year. As in past years, employee benefits and operating expenses represented the largest classes of expenses for this Sector.

The net operating balance for the year was a surplus of \$536.1 million, compared with a surplus of \$187.2 million for the prior year. That result was influenced by the size and timing of Commonwealth grants.

Treasurer's Annual Financial Statement cont...

The net operating balance was applied to the financing of the Sector's capital program for the year, with capital spending for 2009-10 totalling \$843.1 million, compared with \$448.5 million for the prior year. After taking into account capital spending, a negative fiscal balance of \$42.6 million resulted, compared with a deficit of \$21.8 million for the prior year.

Total assets controlled by the General Government Sector increased by \$2,669.1 million to \$12,513.9 million at 30 June 2010. Much of that increase was the result of the revaluation of assets that took place at the end of the financial year in order to ensure compliance with the requirements of Australian accounting standards and Government Finance Statistics. The effect of asset revaluations is also reflected in the value of the Sector's investment in other sectors, in particular the Public Non Financial Corporations Sector.

General Government Sector net debt declined by \$117.6 million to \$718.9 million largely as a result of an increase in the Sector's stock of financial assets. However, net financial liabilities increased by \$210.1 million to \$3,959.5 million, largely as a result of an increase in the liability for superannuation to \$2,670.2 million. The largest component of the liability for superannuation has been incurred as a result of the provision of superannuation benefits, through the Commonwealth Superannuation Scheme (CSS) to public sector employees who commenced before July 1985. Access to the CSS was closed following the opening of the Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS). NTGPASS was closed to new members in 1999.

	2009-10	2008-09
	\$'million	\$'million
Net Operating Balance	536.1	187.2
Cash Surplus Surplus/(Deficit)	82.6	159.5
Fiscal Balance	(42.6)	(21.8)
Net Debt	718.9	836.5
Liability for Superannuation	2,670.2	2,408.4
Net Financial Liabilities	3,959.5	3,749.4
Net Financial Worth	(1,805.7)	(2,403.1)

Treasurer's Annual Financial Statement cont...

Public Non-Financial Corporation Sector

This sector comprises:

- Power and Water Corporation and the Corporation's subsidiary companies;
- Darwin Port Corporation; and
- Darwin Bus Service

Total revenues of this sector increased by \$26.0 million to \$764.3 million. The principal factor in that increase was higher revenues from the sales of goods and services which increased by \$135.8 million to \$589.1 million, although that was offset by declines of almost \$96.0 million in the value of capital grants received and \$20.9 million in other income.

Total expenses of the sector increased from \$687.5 million for 2008-09 to \$809.9 million for 2009-10, largely as a result of increases in other operating expenses, employee benefits, and depreciation and amortisation of assets.

The Sector's net operating balance declined from a surplus of \$50.7 million for 2008-09 to a deficit of \$45.6 million for 2009-10.

Capital spending by this sector increased by \$105.2 million to \$338.6 million, reflecting the significant capital program of the Power and Water Corporation. The sector's capital program was financed by borrowing from the General Government Sector.

After taking into account both operating and capital activities, the result was a negative fiscal balance of \$275.2 million, with an accompanying deterioration in the net debt and net financial worth measures.

The total value of assets controlled by this Sector increased by \$1,121.7 million to \$2,994.8 million at 30 June 2010. A significant part of that increase was represented by the adjustments to the values of property, plant and equipment in order to align those values with the requirements of Government Finance Statistics, and accounting standards.

Treasurer's Annual Financial Statement cont...

Public Financial Corporation Sector

The Financial Corporation Sector comprises two entities: the Northern Territory Treasury Corporation and the Territory Insurance Office.

Total revenues of this sector increased by \$39.5 million to \$436.7 million, while expenses increased by \$20.5 million to \$400.5 million, resulting in a net operating balance of \$36.2 million for the year compared with \$17.2 million for 2008-09.

The fiscal balance for the Sector was \$35.1 million compared with \$56.2 for the prior year. The fiscal balance result for 2008-09 was extraordinary in that it was affected by the inclusion of the proceeds of the sale of NT House by the Territory Insurance Office.

The total value of assets controlled by this sector increased by \$629.0 million to \$4,263.7 million, with that increase dominated by an increases in investments, loans and placements (\$432.8 million), and cash and deposits (\$195.3 million). That growth was funded by positive cash flows as a result of operations for the year, and by increases in liabilities including borrowings and deposits.

This page deliberately left blank.

Matters Referred to Auditor-General Pursuant to Section 6 of Public Information Act

This page deliberately left blank.

Matters Referred to Auditor-General Pursuant to Section 6 of Public Information Act

Background

The *Public Information Act*, which came into effect on 1 August 2010, seeks to achieve a transparent and accountable mechanism for the review of public information produced by public authorities.

A public authority is defined in section 6 of the Act and that definition is broad, capturing any:

- Member of the Legislative Assembly or the holder of any office of the Legislative Assembly;
- Agency or body corporate established under a law of the Territory;
- body corporate that is held to be controlled by a public authority;
- person appointed or engaged to perform work for a public authority.

Excluded from the definition are:

- holders or occupiers of:
 - judicial office;
 - an office as a member of a tribunal established under a law of the Territory;
 - the office of Auditor-General;
- a council constituted pursuant to the *Local Government Act*;
- the Territory Insurance Office;
- the Power and Water Corporation; and
- a person or body prescribed by regulation.

Matters Referred to Auditor-General Pursuant to Section 6 of Public Information Act cont...

The definition of what constitutes public information is equally broad and is defined as “*information given by a public authority to the public by using money or other property of the Territory...*”. Exemptions from this definition are:

- information provided by a Member of the Legislative Assembly to members of his or her electorate if the preparation and giving of the information is funded by an allowance payable to the member for the electorate under a law of the Territory;
- a media release of a Member of the Legislative Assembly; and
- information prescribed by regulation.

Section 6(1) of the Act provides that the Auditor-General must, upon the receipt of a written request of a Member of the Legislative Assembly, conduct a review of that information to determine whether the provisions of the Act have been contravened.

The Auditor-General may determine that the Act has been contravened if the material that is the subject of the review contravenes section 6(2) of the Act in that it:

- promotes particular party interests;
- includes statements that are misleading or factually inaccurate; or
- does not clearly distinguish a statement of facts from a statement of comments.

Information Guidelines

Section 9 of the Act permits the Minister to make guidelines to provide for the matters to be taken into account by the Auditor-General in making a determination under the Act. Those guidelines have been duly made and Gazetted.

I have referred to those Guidelines as part of my consideration of the request made to me pursuant to section 6 of the Act and which is the subject of this report.

Matters Referred to Auditor-General Pursuant to Section 6 of Public Information Act cont...

What the Guidelines Permit

The Guidelines set out standards for communication. These include:

- The requirement to ensure that all facts, statistics, comparisons and other arguments be presented accurately and objectively, ensuring that the source of all data is indicated or that a means for identifying the data source is provided with the communication.
- The requirement to not attack the views, policies or actions of a political party or politician. In addition, public authorities may not comment on the views, policies or actions of a political party or politician.

The Referral of a Complaint to the Auditor-General

On 1 December 2010 a Member of the Legislative Assembly referred to me, pursuant to section 6(1) of the Act, a copy of the December 2010 "Opposition Leader's News", alleging that the contents of the letter breached the principles laid down in section 6(2) of the Act.

Review of the Allegations

The newsletter in question was initially provided to me by the Office of the Leader of the Opposition on 15 November 2010 and my advice sought about whether the document was likely to depart from the requirements of the Act.

My advice to the Leader's Office was that three of the four pages required attention, that some sections required removal or rewriting, and that the author or authors needed to be able to ensure that any assertions or data included in the newsletter were capable of withstanding external scrutiny.

While some of matters that were drawn to the attention of the Office of the Leader of the Opposition, and which were intended to ensure that the document complied with the Guidelines referred to previously, were addressed there remain a number of matters of concern. Some of my concerns are outlined in the following paragraphs.

Matters Referred to Auditor-General Pursuant to Section 6 of Public Information Act cont...

The newsletter included a photographic montage that portrays the Leader of the Opposition in several situations. That photograph was absent from the initial version of the newsletter submitted for comment, but in this instance I formed the view that the photographs included in the newsletter test the boundary of what might be deemed acceptable under the Act. In particular, I formed the view that a photograph of the Leader of the Opposition in company with the Federal Members for Warringah and Solomon, posed in front of a banner upon which are displayed slogans associated with a particular political party, contravenes the Act in that it can be construed as promoting party political interests.

My earlier advice to the Office of the Leader of the Opposition pointed out the importance of ensuring that the author or authors of the document were able to substantiate assertions made in the newsletter. The Guidelines go further by requiring the accurate presentation of all facts, statistics, comparisons and arguments, and the identification of all source data. In its final version, the newsletter included a number of comments that could be construed as being statements of comment rather than statements of fact and for which supporting data was required to substantiate the assertions made. I have formed the view that a number of those comments are unable to withstand close scrutiny and that a reasonable person may draw incorrect inferences if reliance was placed upon the statements made.

For example, the newsletter included the comment that *"Some Territory households are believed to be paying up to \$1,000 more for their electricity than they were in 2008..."* In response to a request for data that would support the assertion I was advised that *"Our office has been contacted by people claiming to pay \$1000 more for electricity and we believe the figure is plausible for a large family or share house"*. I have formed the view that this comment breached the Guidelines in that the test of accuracy and objectivity required by the Guidelines was not satisfied and that no data source was identified.

The newsletter included the comment *"The Territory Government stripped tens-of-millions of dollars from Power Water's bottom line over many years – money that should have been spent maintaining and upgrading the power network. This wilful plunder of PowerWater's coffers did untold damage to the Territory's electricity supply and led to the spate of blackouts we've all endured over recent years"*.

Matters Referred to Auditor-General Pursuant to Section 6 of Public Information Act cont...

I have concluded that this comment is likely to be construed as a statement of comment, given that it consists of separate statements that blur the boundary between comment and fact. In this case, the Corporation was created in 2002 and the statement does not address the question of whether the decline in the state of electricity assets was well advanced by 2002 and whether the Corporation may now be dealing with the consequences of decisions made many years earlier. The comment also does not point out that the Corporation was not required to pay dividends for the years 2008, 2009 and 2010 and that the value of capital grants provided to the Corporation from the Central Holding Authority exceeded the value of dividends paid over the life of the Corporation to June 2010. The comments also fail to identify the data sources that have been relied upon.

The newsletter also contained the statement that *“Defence wants the RAAF Base land – but it won’t say why. The Henderson Government supports the Commonwealth’s wasteful and destructive plan”*. In response to a request for supporting evidence, the Leader of the Opposition’s office drew my attention to the following statement attributed to the Minister for Public and Affordable Housing:

“Nonetheless, whilst I can see where the Leader of the Opposition and others are coming from in relation to the RAAF Base, I cannot accept that the plan put forward by Natasha Griggs and the Coalition is a viable way forward”...and “From my interaction with Defence in a number of portfolio areas they jealously guard their strategic interests, whether it is Darwin Harbour or the RAAF Base at Ludmilla. Defence is making it clear they do not want to relinquish that land”.

I am not able to agree that the statement by the Minister represents support for the Commonwealth plan. Instead I have formed the view that the statement is more likely to reflect a view by the Minister about the likelihood of success of any attempt to have the houses in question made available for occupation by non-Defence personnel or to have that part of the RAAF Base excised and the houses made available for either purchase or for public housing. Given this, I believe that the content of the newsletter may be in contravention of section 6(2) of the Act in that the statement is misleading and that it fails to distinguish a statement of facts from a statement of comments. The statement is also likely to contravene the Guidelines in that it does not provide a reference in support for the author’s assertions.

Matters Referred to Auditor-General Pursuant to Section 6 of Public Information Act cont...

I believe that the matter of the houses situated on the RAAF Base was first raised by a candidate for Federal seat of Solomon in 2010. The inclusion of material about the same topic in the Leader of the Opposition's newsletter might be construed as promoting party political interests thereby leading to a further contravention of section 6(2) of the Public Information Act.

The newsletter contains further instances where statements of comment are presented in such a way as give them an air of factuality when the content is more likely to reflect opinion, where the views, policies or actions of a political party are attacked and where no information is provided that would permit a reader to assess the veracity of the contents of the newsletter.

A further observation was that the newsletter also included a reproduction of the Arms of the Territory. The use of the Arms in these circumstances may be in contravention of the *Flag and Emblem Act*.

Conclusions

I concluded that:

- a contravention of the I did occur in that:
- the newsletter that was the subject of the allegation made under the Act contained photographs that might be construed as introducing a party political element into the document; and
- the newsletter contained comments that might be construed by a reasonable person as comprising statements that were misleading, which took the form of statements of comments rather than statements of fact, which did not adhere to the requirements of Guidelines issued pursuant to the Act and which might be construed as Party Political in their content.

Matters Referred to Auditor-General Pursuant to Section 6 of Public Information Act cont...

The Leader of the Opposition has commented:

I respectfully disagree with the findings of the Auditor General that some of the material included in the Opposition Leader's News is in breach of the Public Information Act.

I stand by the accuracy of each article published in the Opposition Leader's News.

It should be noted that during negotiations on the Bill it was agreed that the Opposition Leader's News would be treated in the same category as electorate newsletters, and hence exempt from the operation of the Act.

The Henderson Government has reneged on that agreement.

I will deal in turn with each of the issues raised by the Auditor General.

The picture of myself with the Federal Members for Warringah and Solomon.

The picture is just one of a montage and had no caption identifying any person or position. The banner in the background is merely incidental and in any event is not applicable to the Member for Warringah. The montage's intent and effect was to show the many facets of an Opposition Leader's job, not to promote any political party.

Some Territory households are believed to be paying up to \$1000 more for their electricity than they were in 2008.

The fact it states *Some households are believed to be paying up to \$1000 more* clearly indicates it is a comment. Further there is nothing inaccurate about the statement my office has been contacted by people complaining about an annual increase in their electricity bills of up to \$1000; that is a fact.

The Territory Government stripped tens-of-millions of dollars from PowerWater's bottom line over many years – money that should have been spent maintaining and upgrading the power network. This wilful plunder of PowerWater's coffers did untold damage to the Territory's electricity supply and led to the spate of blackouts we've endured over recent years"

PowerWater's annual reports show the Territory Government took \$78 million in dividends between 2002 and 2006 and that money was taken whilst electricity demand increased and maintenance budgets were frozen.

Matters Referred to Auditor-General Pursuant to Section 6 of Public Information Act cont...

The Leader of the Opposition comments continued:

The Casuarina substation collapsed in 2008 – more than 7 years after the election of the Martin Government and after a reduction in the real maintenance budgets for 5 consecutive years.

On August 3rd 2006 the then Minister responsible for PowerWater, Syd Stirling, issued a media release stating :

Over the years Government and the Board have reviewed occupational safety, and the capital works and repairs and maintenance needs of the Corporation.

Had the system been in long term decline the Minister would have taken the opportunity to say so. He did not.

Further I do not agree with the observation that the fact the Henderson Government took no dividends in 2008, 2009 and 2010 is relevant to an analysis of why the electricity system collapsed in 2008. That information provides no insight about the cause of the collapse. Nor is the increase in capital expenditure after the collapse in 2008 relevant to the cause of the system failure.

Defence wants the RAAF Base land – but won't say why. The Henderson Government supports the Commonwealth's wasteful and destructive plan.

On the 11th of August 2010 I moved a motion the first clause of which read -
The Territory parliament indicate its support for the Coalition's plan to save nearly 400 homes at the RAAF Base Darwin;

The Coalition's plan to save the houses was to excise the suburb of Eaton, keep the houses where they were, and allow ordinary Territorians to buy or rent the houses.

Chris Burns as Minister for Affordable Housing responded - Madam Speaker, the government opposes the motion put forward by the Leader of the Opposition.

Given an opportunity to support a motion for keeping the houses in situ the Government rejected it.

Matters Referred to Auditor-General Pursuant to Section 6 of Public Information Act cont...

The Leader of the Opposition comments continued:

I note there is concern the fact saving the RAAF houses was first raised by the current Member for Solomon might be construed as promoting a political party. I believe it is promoting a policy – an incredibly sensible policy in the middle of a housing crisis – not a party.

The Opposition is very supportive of the Federal Government's MySchool website and may run an article about it in the next Opposition Leader's News. Would that be considered promoting the Labor Party? I doubt it.

This page deliberately left blank.

Appendix 1: Audit Opinion Reports Issued Since 30 June 2010

Financial Statements for the year ended 30 June 2010

	Date 2009-10 Financial Statements tabled to Legislative Assembly	Date of Audit Report Year ended 30 June 2010	Date of Audit Report Year ended 30 June 2009
Cobourg Peninsula Sanctuary and Marine Park Board	Not yet tabled	29 October 10	12 November 09
Common Funds of the Public Trustee	Not yet tabled	8 November 10	18 November 09
Construction Division	28 October 10	13 October 10	3 November 09
Darnor Pty Ltd	N/A	9 September 10	25 September 09
Darwin Bus Service	2 December 10	4 November 10	3 November 09
Darwin Port Corporation	2 December 10	28 September 10	7 October 09
Darwin Waterfront Corporation	2 December 10	2 November 10	17 November 09
Data Centre Services	28 October 10	29 September 10	2 October 09
Desert Knowledge Australia	30 November 10	17 November 10	16 November 09
Gasgo Pty Limited	N/A	9 September 10	25 September 09
Government Printing Office	28 October 10	28 September 10	2 October 09
Indigenous Essential Services Pty Ltd	N/A	17 September 10	25 September 09
Jabiru Town Development Authority	Not yet tabled	7 December 10	29 October 09
Legislative Assembly Members' Superannuation Trust	27 October 10	8 October 10	2 October 09
Nitmiluk (Katherine Gorge) National Park Board	Not yet tabled	26 October 10	12 November 09
Northern Territory Government and Public Authorities Employees Superannuation Fund	27 October 10	6 October 10	6 October 09
Northern Territory Major Events Company Pty Ltd	N/A	20 December 10	14 December 09

Appendix 1: Audit Opinion Reports Issued Since 30 June 2010 cont...

Financial Statements for the year ended 30 June 2010

	Date 2009-10 Financial Statements tabled to Legislative Assembly	Date of Audit Report Year ended 30 June 2010	Date of Audit Report Year ended 30 June 2009
Northern Territory Police Supplementary Benefits Scheme	N/A	8 October 10	2 October 09
Northern Territory Treasury Corporation	28 October 10	28 September 10	30 September 09
NT Build	2 December 10	29 October 10	25 November 09
NT Fleet	28 October 10	29 September 10	6 October 09
NT Grants Commission	25 November 10	7 October 10	15 September 09
NT Home Ownership	28 October 10	15 October 10	9 October 09
NT Legal Aid Commission	Not yet tabled	6 December 10	26 November 09
Power and Water Corporation	28 October 10	12 September 10	25 September 09
Surveyors Board of the NT	Not yet tabled	22 November 10	29 September 09
Territory Discoveries	2 December 10	23 September 10	9 October 09
Territory Insurance Office	28 October 10	30 September 10	28 September 09
Territory Wildlife Parks	28 October 10	30 September 10	7 October 09
Treasurer's Annual Financial Statement	26 October 10	19 October 10	14 October 09

N/A –Financial statements are not required to be tabled

Not yet completed – as at 31 December 2010

Not yet tabled – as at 31 December 2010

Appendix 1: Audit Opinion Reports Issued Since 30 June 2010 cont...

Acquittals or other returns - for the year ended 30 June 2010

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 30 June 2010	Date of Audit Report Year ended 30 June 2009
<i>Interstate Road Transport Act 1985</i>	31 December 10	Not yet completed	15 February 10
Local Government Financial Assistance	ASAP	7 October 10	23 October 09
<i>Nation Building Program (National Land Transport) Act :</i>			
Investment Program	31 December 10	Not yet completed	15 February 10
Outback Highway – Plenty Highway	31 December 10	Not yet completed	15 February 10
Port Keats Road Upgrade	31 December 10	Not yet completed	15 February 10
Road Safety (Black Spot)	31 December 10	Not yet completed	15 February 10
Roads to Recovery	31 October 10	Not yet completed	17 December 09
Supplementary Roads to Recovery	31 October 10	Not yet completed	17 December 09
Natural Disaster Relief and Recovery Arrangements	31 December 10	16 December 10	10 December 09
Territory Insurance Office:			
MAC Business Annual Return	31 October 10	29 October 10	30 October 09
Insurance Business Annual Return	31 October 10	29 October 10	30 October 09
Banking Business Annual Return	31 October 10	29 October 10	30 October 09

N/A – Not applicable

Not yet completed – as at 31 December 2010

Not yet tabled – as at 31 December 2010

Appendix 1: Audit Opinion Reports Issued Since 30 June 2010 cont...

Acquittals or other returns - for the year ended 31 December 2009

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 31 December 2009	Date of Audit Report Year ended 31 December 2008
<hr/>			
Bilateral Agreement on the Nation Building and Jobs Plan:			
Primary Schools for the 21st Century Acquittal	31 October 10	Not yet completed	12 November 09
National School Pride Acquittal	31 October 10	Not yet completed	12 November 09
<hr/>			

Appendix 2: Status of Audits which were Identified to be Conducted in the Six Months to 31 December 2010

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 October 2010 as being scheduled for the period.

Department of Business and Employment

Payroll data analytics	ongoing
IT outsourcing project	Refer page 32

Department of Construction and Infrastructure

AIS replacement program	Refer page 35
-------------------------	---------------

Department of Justice

Review of IT controls over IJIS	Refer page 41
---------------------------------	---------------

This page deliberately left blank.

Appendix 3: Proposed Audit Activity in the Six Months Ending 30 June 2011

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 have been scheduled for the period.

Charles Darwin University Foundation

Compliance with the requirements of Bequests

Darwin Port Corporation

Managerial Reporting (a PMS audit)

Department of Education and Training

Building the Education Revolution (a PMS audit)

Department of Health and Families

Caresys (an IT Audit)

Department of Housing, Local Government and Regional Services

Access to safe, sustainable and affordable housing for all eligible Territorians (a PMS audit)

Department of the Chief Minister

Ministerial Travel

Selected Agencies

Procurement process

Territory Discoveries

Calypso (an IT Audit)

This page deliberately left blank.

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

AASB	Australian Accounting Standards Board
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
IT	Information Technology
MAC Fund	Motor Accidents Compensation Fund
NTGPASS	Northern Territory Government and Public Authorities Superannuation Scheme
NTPFES	NT Police, Fire and Emergency Services
NTPSBS	Northern Territory Police Supplementary Benefit Scheme
SIMSC	Strategic Information Management Steering Committee
TAFS	Treasurer's Annual Financial Statement
TIO	Territory Insurance Office

This page deliberately left blank.

Index of Matters Reported

	Page
Cobourg Peninsula Sanctuary and Marine Park Board	13
Construction Division	16
Darwin Bus Service	19
Darwin Port Corporation	22
Darwin Waterfront Corporation	26
Data Centre Services	29
Department of Business and Employment	
IT outsourcing project	32
Department of Construction and Infrastructure	
AIS replacement program	35
Department of Justice	
Review of IT controls over IJIS	41
Desert Knowledge Australia	48
Government Printing Office	52
Jabiru Town Development Authority	55
Legislative Assembly Members' Superannuation Trust	58
Nitmiluk (Katherine Gorge) National Park Board	61
Northern Territory Government and Public Authorities Employees' Superannuation Fund	64
Northern Territory Legal Aid Commission	67
Northern Territory Major Events Company Pty Ltd	70
Northern Territory Police Supplementary Benefit Scheme	73

	Page
Northern Territory Treasury Corporation	77
NT Build	80
NT Fleet	85
NT Home Ownership	88
Power and Water Corporation	91
Public Information Act	119
Territory Discoveries	95
Territory Insurance Office	98
Territory Wildlife Parks	102
Treasurer's Annual Financial Statement	105

Auditor-General for the Northern Territory
GPO Box 4594
Darwin NT 0801
Australia

Level 12
Northern Territory House
22 Mitchell Street
Darwin NT 0800
Australia

Telephone: (08) 8999 7155

E-mail: nt.audit@nt.gov.au
www.nt.gov.au/ago