

February 2014

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 February 2014 Report
 to the Legislative Assembly

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

13 February 2014

Dear Madam Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits and reviews conducted during the six months to 31 December 2013 and I request that you table the report today in the Legislative Assembly.

The larger part of the report outlines the results of audits of financial statements prepared by statutory bodies and Government Business Divisions, and the requirements that cover the preparation and audit of those statements are set out in various Acts of Parliament.

Yours sincerely,

F McGuiness
Auditor-General for the Northern Territory

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Auditor-General’s Overview

Audits Included in this Report

This Report outlines the results of audits and reviews conducted during the period 1 July 2013 to 31 December 2013. The results of 28 separate audits and other tasks undertaken by my office are included, with the larger part of the report dealing with statutory audits of financial statements that were undertaken in the period following the end of the 2012-13 financial year.

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. 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 of Parliament to prepare annual financial statements and to submit those statements to the Auditor-General. Those statements are audited and audit opinions issued accordingly. The opinions are included in the various entities’ annual reports that are tabled in the Legislative Assembly. If matters of concern were 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*. 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.

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.

Auditor-General’s Overview cont…

An unqualified audit opinion indicates that the financial statements in question comply with Australian Accounting Standards. Three qualified audit opinions were issued for 2012-13. The first 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 doubt 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*. This audit qualification has been issued for several years and the Board of NT Build have taken action in an attempt to obtain greater assurance about the number and value of construction projects that are commenced in the Territory.

The second qualification was in respect of the Treasurer’s Annual Financial Statements. This qualification flowed from the recognition and valuation of construction works in progress included in the General Government and Total Public Sector balance sheets as at 30 June 2013. It is anticipated that all contractual issues relating to the Strategic Indigenous Housing and Infrastructure Program will be finalised the 2013-14 financial year and as the result it is unlikely that the factors that led to this qualification will exist at 30 June 2014.

The third qualification was in respect of the Northern Territory Major Events Company Pty Ltd. The qualification related to the 2011-12 year when the Company declared itself to be a not-for-profit entity thereby triggering certain disclosure requirements under Australian Accounting Standards, which the Company could not meet. That qualification was carried forward into the 2012-13 year in respect of the comparative figures shown on the Company’s financial statements. The Company’s financial statements for the 2012-13 year were unqualified.

Reports on the Results of Audits, Reviews and Assessments

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Central Australian Hospital Network

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Central Australian Hospital Network was established as a local hospital network pursuant to the National Health Reform Agreement and the *Hospital Networks Governing Councils Act 2012*. That Act also deems the Network to be a Government Business Division for purposes of the *Financial Management Act.*

The Network comprises the Alice Springs and Tennant Creek hospitals and is funded predominantly by national health reform payments paid through the Department of Health.

Audit Opinion

The audit of the Central Australian Hospital Network for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 9 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

This was the first year of activity for the Network.

Central Australian Hospital Network cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  |  | 2013 |
|  |  | $’000 |
| **Income**  |  |  |
| Sales of goods and/or services |  | 150,555 |
| Current grants and subsidies |  | 70,941 |
| Other |  | 225 |
| **Total income**  |  | **221,721** |
| **Expenditure**  |  |  |
| Employee expenses |  | (130,239) |
| Repairs and maintenance |  | (2,910) |
| Supplies and services |  | (80,861) |
| Depreciation and amortisation |  | (5,457) |
| Current grants and subsidies |  | (11,339) |
| **Total expenditure**  |  | **(230,806)** |
| **Surplus/(deficit) before income tax expense**  |  | **(9,085)** |
| Income tax expense  |  | - |
| **Surplus/(deficit) after income tax expense** |  | **(9,085)** |

Central Australian Hospital Network cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  |  | 2013 |
|  |  | $’000 |
| Cash and cash equivalents |  | 5,092 |
| Receivables and other current assets |  | 14,044 |
| Less current liabilities |  | (31,929) |
| **Working capital** |  | **(12,793)** |
| Add non-current assets |  | 178,553 |
| Less non-current liabilities |  | (4,742) |
| **Net assets** |  | **161,018** |
| Represented by:  |  |  |
| Accumulated funds |  | (9,085) |
| Asset revaluation surplus |  | 43,247 |
| Capital |  | 126,856 |
| **Equity** |  | **161,018** |

Cobourg Peninsula Sanctuary and Marine Park Board

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

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, to vest that land in trust for Aboriginals, to declare that land to be a national park, while making provisions relating to the management of adjacent marine areas and for related purposes.

Audit Opinion

The audit of the Cobourg Peninsula Sanctuary and Marine Park Board for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 26 November 2013.

Key Findings

As noted in my March 2013 report to the Legislative Assembly a land claim was lodged under the *Aboriginal Land Rights (NT) Act* in 1978 over the Cobourg Peninsula, and this resulted in the *Cobourg Peninsula Aboriginal Land, Sanctuary and Marine Park Act*. The land claim was never withdrawn and was subsequently re-activated.

The Board has reported that:

* Although the Territory Government and the traditional Aboriginal owners reached a positive outcome in 1981 with the establishment of the land trust and park board, the original Cobourg Peninsula Aboriginal Land Claim was not withdrawn.
* The Australian and Territory Governments are working with the Northern Land Council to resolve any potential issues as quickly as possible to ensure that arrangements for joint management continue.
* These discussions are expected to have minimal impact on visitors, residents and businesses in the Cobourg region.

Cobourg Peninsula Sanctuary and Marine Park Board cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income**  |  |  |
| Grants and subsidies | - | 5 |
| Park income | 235 | 245 |
| Payments to traditional owners | (201) | (200) |
| Other revenue | 115 | 90 |
| **Total income** | **149** | **140** |
| **Expenditure**  |  |  |
| Operational costs | (124) | (133) |
| **Total expenditure**  | **(124)** | **(133)** |
| **Surplus/(deficit) before income tax expense**  | **25** | **7** |

Cobourg Peninsula Sanctuary and Marine Park Board cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 230 | 216 |
| Receivables and other current assets | 47 | 23 |
| Less current liabilities | (24) | (16) |
| **Working capital** | **253** | **223** |
| Add non-current assets | 18 | 23 |
| Less non-current liabilities | - | - |
| **Net assets** | **271** | **246** |
| Represented by:  |  |  |
| Reserves | 271 | 246 |
| **Equity** | **271** | **246** |

Construction Division

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Construction Division is a Government Business Division that is responsible for the project management of the Government’s capital works, and repairs and maintenance programs.

The host Agency is the Department of Infrastructure.

Audit Opinion

The audit of the Construction Division for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 18 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The total income for Construction Division in 2012-13 was $73.81 million compared to the prior year income of $83.33 million. The decrease of $9.52 million or 11.4 per cent was mainly attributed the reduction in programs and activities during the year.

With the decreased income, Construction Division managed to contain its costs during the year under review with total expenses decreasing by $10.12 million or 12.1 per cent. Significant reductions in expenditure were noted in employee expenses, which declined by $2.16 million and in the purchase of goods and services, which declined by $7.97 million.

As a result of expenditure containment, Construction Division realised a surplus for the year of $0.22 million, an improvement of $0.59 million when compared with the prior year.

The net asset position of Construction Division increased to $23.77 million from $14.55 million at 30 June 2012. That increase is mainly attributed to an equity injection of $9 million during the year.

Construction Division cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income**  |  |  |
| Sales of goods and/or services | 73,612 | 83,161 |
| Other | 202 | 174 |
| **Total income** | **73,814** | **83,335** |
| Operational costs | (20,261) | (22,578) |
| Employee expenses | (31,625) | (33,783) |
| Consultants fees | (21,627) | (27,281) |
| Depreciation and amortisation | (80) | (66) |
| **Total expenditure**  | **(73,593)** | **(83,708)** |
| **Surplus/(deficit) before income tax expense**  | **221** | **(373)** |
| Income tax expense  | - | - |
| **Surplus/(deficit) after income tax expense** | **221** | **(373)** |

Construction Division cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 4,087 | 1,120 |
| Receivables and other current assets | 34,073 | 30,429 |
| Less current liabilities | (13,178) | (15,745) |
| **Working capital** | **24,982** | **15,804** |
| Add non-current assets | 350 | 430 |
| Less non-current liabilities | (1,563) | (1,686) |
| **Net assets** | **23,769** | **14,548** |
| Represented by:  |  |  |
| Accumulated surplus | 7,239 | 7,018 |
| Reserves | 16,530 | 7,530 |
| **Equity** | **23,769** | **14,548** |

Darwin Bus Service

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Darwin Bus Service (DBS) is a Government Business Division which, together with a private sector operator, provides bus services on behalf of the Northern Territory Government to residents of the Darwin and surrounding rural areas. The DBS generated its revenue through charging the Department of Transport, on a ‘kilometres provided’ basis. Bus fares were collected on behalf of the Department and formed part of the Department’s revenues. DBS continued to receive revenue 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 is the Department of Transport.

Audit Opinion

The audit of the Darwin Bus Service for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 3 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

DBS profit for the year decreased primarily due to an increase in operational expenses, in particular insurance costs and the impact of the Enterprise Bargaining Agreement on employee expenses.

The total income varied little this financial year in comparison to 2012.

Events Since the Completion of the Audit

On 6 December 2013, the Minister for Transport announced that the services provided by the Darwin Bus Service would be transferred to the private sector.

Darwin Bus Service cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income**  |  |  |
| Sales of goods and/or services | 8,633 | 8,510 |
| Other | 537 | 728 |
| **Total income**  | **9,170** | **9,238** |
| **Expenditure**  |  |  |
| Employee expenses | (4,428) | (4,291) |
| Fleet operating expenses | (2,123) | (2,142) |
| Supplies and services | (1,293) | (979) |
| Depreciation and amortisation | (852) | (799) |
| **Total expenditure**  | **(8,696)** | **(8,211)** |
| **Surplus/(deficit) before income tax expense**  | **474** | **1,027** |
| Income tax expense  | (142) | (308) |
| **Surplus/(deficit) after income tax expense** | **332** | **719** |

Darwin Bus Service cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 3,527 | 3,932 |
| Receivables and other current assets | 1,478 | 1,433 |
| Less current liabilities | (1,020) | (1,299) |
| **Working capital** | **3,985** | **4,066** |
| Add non-current assets | 6,652 | 6,405 |
| Less non-current liabilities | (170) | (170) |
| **Net assets** | **10,467** | **10,301** |
| Represented by:  |  |  |
| Accumulated funds | 10,120 | 9,954 |
| Reserves | 347 | 347 |
| **Equity** | **10,467** | **10,301** |

Darwin Port Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Darwin Port Corporation is a Government Business Division established under the *Darwin Port Corporation Act*. The Act requires the Corporation to act in a commercial manner, but the Minister may direct it to act in 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 Equivalent Regime.

Audit Opinion

The audit of Darwin Port Corporation for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 30 September 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The Corporation achieved a net profit (before income tax) for the year of $11.70 million compared to $1.01 million recorded in the prior year. The principal factor underlying the improved performance was a higher level of utilisation of port facilities which was reflected in higher wharfage and berthage revenues. At the same time, the growth in the Corporation’s expenses for the year was confined to 1 per cent or $0.37 million.

The improvement in the Corporation’s profitability was reflected in an improved liquidity and net asset position.

Darwin Port Corporation cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Sales of goods and/or services | 46,867 | 35,673 |
| Community Service Obligations | 3,496 | 3,161 |
| Other | 223 | 701 |
| **Total income**  | **50,586** | **39,535** |
| **Expenditure** |  |  |
| Employee expenses | (13,497) | (13,374) |
| Operational costs | (11,292) | (10,362) |
| Repairs and maintenance expenses | (4,455) | (4,484) |
| Depreciation and amortisation | (7,135) | (7,309) |
| Borrowing costs  | (2,511) | (2,990) |
| **Total expenditure** | **(38,890)** | **(38,519)** |
| **Surplus/(deficit) before income tax expense**  | **11,696** | **1,016** |
| Income tax benefit  | - | 7,643 |
| **Surplus/(deficit) after income tax expense**  | **11,696** | **8,659** |
| Net gain on revaluation of non-current assets | - | 17,832 |
| **Total comprehensive income**  | **11,696** | **26,491** |

Darwin Port Corporation cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 20,610 | 6,631 |
| Receivables and other current assets | 3,370 | 4,009 |
| Less current liabilities | (18,470) | (9,799) |
| **Working capital** | **5,510** | **841** |
| Add non-current assets | 260,426 | 251,392 |
| Less non-current liabilities | (51,439) | (49,432) |
| **Net assets** | **214,497** | **202,801** |
| Represented by:  |  |  |
| Accumulated funds | 5,427 | (6,269) |
| Reserves | 48,782 | 48,782 |
| Contributed equity | 160,288 | 160,288 |
| **Equity** | **214,497** | **202,801** |

Darwin Waterfront Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

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

Audit Opinion

The audit of Darwin Waterfront Corporation for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 16 October 2013.

Key Findings

The Corporation reported a deficit of $3.40 million compared to prior year’s deficit of $2.93 million. The increase in the deficit resulted from increased employee expenses of $0.12 million, and general property maintenance and management expenses of $0.63 million, offset by an increase of $0.50 million in operating grants and other contributions.

The Corporation continued to have a strong net asset position which was $141.1 million at 30 June 2013. The Corporation reported a working capital deficit of $3.77 million at 30 June 2013 primarily as a result of a decline in cash and receivables of $0.45 million and an increase in the finance lease liability of $0.17 million.

Darwin Waterfront Corporation cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| User charges | 1,783 | 1,828 |
| Operating grants and other contributions | 17,366 | 16,868 |
| Other | 64 | 122 |
| **Total income**  | **19,213** | **18,818** |
| **Expenditure**  |  |  |
| Territory availability payments | (2,784) | (2,718) |
| Territory efficiency payments | (42) | (165) |
| Territory incentive payments | (753) | (734) |
| Territory operating payments | (2,744) | (2,679) |
| Agent service arrangements | (874) | (815) |
| Depreciation and amortisation | (4,383) | (4,284) |
| Employee expenses | (810) | (688) |
| Finance costs | (5,687) | (5,766) |
| Property maintenance | (1,859) | (1,554) |
| Other | (2,682) | (2,350) |
| **Total expenditure**  | **(22,618)** | **(21,753)** |
| **Surplus/(deficit) before income tax expense** | **(3,405)** | **(2,935)** |
| Income tax benefit  | - | - |
| **Surplus/(deficit) after income tax expense**  | **(3,405)** | **(2,935)** |

Darwin Waterfront Corporation cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 837 | 1,203 |
| Receivables and other current assets | 505 | 590 |
| Less current liabilities | (5,111) | (5,075) |
| **Working capital** | **(3,769)** | **(3,282)** |
| Add non-current assets | 228,090 | 232,072 |
| Less non-current liabilities | (83,218) | (84,656) |
| **Net assets** | **141,103** | **144,134** |
| Represented by:  |  |  |
| Accumulated deficit | (17,509) | (14,104) |
| Contributed equity | 158,612 | 158,238 |
| **Equity** | **141,103** | **144,134** |

Data Centre Services

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Data Centre Services (DCS) is a Government Business Division established to manage the Northern Territory Government’s Data Centre, and to provide mainframe and mid‑range hardware support to government Agencies.

The host Agency is the Department of Corporate and Information Services.

Audit Opinion

The audit of Data Centre Services for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 9 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Data Centre Services reported a surplus before tax and dividends of $4.15 million compared to the prior year’s surplus of $5.33 million.

The decreased surplus before income tax was mainly attributable to higher employee, operating and depreciation expenses, which rose by almost $2.37 million, compared with an increase of $1.19 million in income for the year.

Data Centre Services cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Sales of goods and/or services | 26,378 | 25,135 |
| Other | 286 | 339 |
| **Total income**  | **26,664** | **25,474** |
| **Expenditure**  |  |  |
| Operational costs | (13,814) | (12,287) |
| Employee expenses | (6,393) | (5,889) |
| Depreciation and amortisation | (2,308) | (1,965) |
| **Total expenditure**  | **(22,515)** | **(20,141)** |
| **Surplus/(deficit) before income tax expense**  | **4,149** | **5,333** |
| Income tax expense  | (1,245) | (1,600) |
| **Surplus/(deficit) after income tax expense** | **2,904** | **3,733** |

Data Centre Services cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 12,527 | 9,787 |
| Receivables and other current assets | 5,243 | 6,531 |
| Less current liabilities | (4,530) | (5,797) |
| **Working capital** | **13,240** | **10,521** |
| Add non-current assets | 3,140 | 4,221 |
| Less non-current liabilities | (467) | (363) |
| **Net assets** | **15,913** | **14,379** |
| Represented by:  |  |  |
| Accumulated funds | 14,887 | 13,435 |
| Capital | 1,026 | 944 |
| **Equity** | **15,913** | **14,379** |

Desert Knowledge Australia

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

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 Desert Knowledge Australia for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 4 November 2013.

Key Findings

The audit did not disclose any material weaknesses in controls.

Performance Overview

DKA reported a net surplus of $0.83 million compared with a deficit of $0.91 million for the prior year. The improved financial result was a reflection of higher revenues, principally increased grant revenue, for the year coupled with lower expenses. The operating result was mirrored by net cash flows from operations which were $1.06 million for 2012-13 compared with a deficit of $0.50 million for the prior year.

Current assets increased by $1.17 million, with cash balances increasing by $1.06 million. Current liabilities increased by $0.07 million, with trade and other payables being the principal factor in that increase.

Desert Knowledge Australia cont…

Events Since the Completion of the Audit

On 12 December 2013 DKA was advised that the Minister for Business had resolved to institute a review of DKA, to be completed by the end of February 2014.

Section 8 (2)(c) of the *Desert Knowledge Australia Act* requires the DKA Board to conduct its affairs within a budget approved by the Minister. The DKA budget for 2013-14 was not approved and in December 2013 DKA was advised that an external review was to be conducted to examine whether the provision of funding by the Northern Territory Government should be maintained.

The Minister for Business resolved to continue to provide funding to DKA over the life of the review and an interim funding agreement between the Department of Business and DKA was executed in December 2013.

Legal advice provided to DKA reaffirms a long-held principle that the Northern Territory of Australia is legally responsible for the properly incurred debts of DKA and the liability of the Northern Territory extends to cover the rights and entitlements of employees in the event that DKA does not have sufficient money to enable these to be paid.

At 30 June 2013 nothing came to my attention to suggest that DKA was not a going concern and the notes to DKA’s financial statements for the year ended 30 June 2013 stated that *“(T)he ongoing operations of DKA are reliant on continued funding by the Northern Territory Government*”. In the light of events that have occurred since June 2013 I have formed the view that the ability of DKA to continue as a going concern is contingent upon any decisions by the Northern Territory Government in the light of the review referred to above.

Desert Knowledge Australia cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Other income | 496 | 830 |
| Rent received | 218 | 213 |
| Interest revenue | 54 | 85 |
| Grants – Northern Territory Government  | 1,688 | 725 |
| Grants – other  | 943 | 853 |
| **Total income**  | **3,399** | **2,706** |
| **Expenditure**  |  |  |
| Salaries | (1,208) | (1,361) |
| Depreciation and amortisation | (373) | (375) |
| Board costs | (46) | (83) |
| Consultants | (193) | (278) |
| Media/marketing/advertising | (28) | (40) |
| Motor vehicles | (40) | (60) |
| Travel | (99) | (96) |
| Desert Knowledge Precinct | (298) | (277) |
| Outback Business Networks partner payments | (2) | (144) |
| Other | (287) | (904) |
| **Total expenditure**  | **(2,574)** | **(3,618)** |
| **Surplus/(deficit)** | **825** | **(912)** |

Desert Knowledge Australia cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 2,748 | 1,684 |
| Receivables and other current assets | 211 | 106 |
| Less current liabilities | (527) | (455) |
| **Working capital** | **2,432** | **1,335** |
| Add non-current assets | 13,534 | 13,907 |
| Less non-current liabilities | (2,856) | (2,957) |
| **Net assets** | **13,110** | **12,285** |
| Represented by:  |  |  |
| Equity contribution | 7,809 | 7,809 |
| Accumulated surplus | 5,301 | 4,476 |
| **Equity** | **13,110** | **12,285** |

Desert Knowledge Australia cont…

| Desert Knowledge Australia has commented:DKA has maintained its unbroken record of unqualified audits of its accounts.The cash held $2,748,000 at the end of the 12/13 financial year relates principally to grants-in-advance to pre-committed activities. The modest remaining balance of cash held represents untied cash reserves achieved through DKA’s program activities. A proportion of these funds were intended for investment in the development of new programs to generate further impact and cash flow.These grants-in-advance include a specific one-off grant from the Northern Territory government to connect the Desert Knowledge Precinct to mains sewage. This $750,000 + GST grant is reflected in the ‘Grants – Northern Territory Government’ income line in the Financial Performance for the Year 2013, and has inflated the Surplus for the year by that amount.The accounts demonstrate that the NT operational grant represents just over a third of DKA’s turnover, reflecting leverage of the Northern Territory Government funding. Over the last four years this leverage averages $2.33 for every NT Government grant dollar. This leverage ratio increases if direct Desert Knowledge Precinct costs are taken into account. This external funding is generated through corporate and philanthropic support of DKA programs, Commonwealth funding and fee-for-service activities. A significant amount of in-kind support from corporate supporters is not reflected in the accounts, including $80,000 of support from Telstra, and substantial in-kind air travel through Qantas. In regards to the Auditor General’s findings relating to Events Since the Completion of the Audit the board of DKA wishes to emphasise its anticipation of maintaining DKA as a ‘going concern’ was based on the reasonable expectation that Northern Territory Government funding would continue in the same manner as previous years. This expectation was based on departmental advice that the appropriation for DKA’s activities was included in the Department’s 13/14 budget, past practice and timing in terms of budget approval and no indication of any expected change in funding.In the absence of the provision of this anticipated funding DKA operated from July to December 2013 on its modest untied cash reserves until interim short-term funding was provided to ensure solvency through the review period.  |
| --- |

Desert Knowledge Australia cont…

| Desert Knowledge Australia has commented (cont…):Maintaining DKA as a going concern is contingent on the results of the review, the Minister’s determination and release of further funding. It is expected that all untied cash will be expended by the end of the term of the interim funding agreement. Without further Northern Territory Government funding at an adequate level DKA will cease to be a going concern and not be in a position to fulfil its statutory or contractual obligations beyond March 31, 2014.DKA has provided constructive input into the review, and looks forward to working with the Northern Territory Government to discuss recommendations and to maximise the contribution of DKA to the Northern Territory. |
| --- |

Government Printing Office

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

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

The host Agency is the Department of Corporate and Information Services.

Audit Opinion

The audit of the Government Printing Office for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 9 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The Government Printing Office reported a deficit of $0.76 million compared to the prior year’s deficit of $0.07 million.

The increased deficit was due predominantly to a $1.1 million decrease in revenue as a result of changes in technology and a general reduction in printing requirements across the NT Government.

Whilst expenses associated with employees, external printing, raw materials, and plant and equipment declined during the year they did so at a slower rate than revenues leading to a higher deficit for the year.

Events Since the Completion of the Audit

On 6 December 2013 the Minister for Corporate and Information Services announced that role of the GPO in providing printing services to the public sector would cease by mid-2014.

Government Printing Office cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Sales of goods and/or services | 4,647 | 5,546 |
| Other | 71 | 230 |
| **Total income**  | **4,718** | **5,776** |
| **Expenditure**  |  |  |
| Operational costs | (2,995) |  (3,332) |
| Employee expenses | (2,341) | (2,413) |
| Depreciation and amortisation | (143) | (105) |
| **Total expenditure**  | **(5,479)** | **(5,850)** |
| **Surplus/(deficit) before income tax expense**  | **(761)** | **(74)** |
| Income tax expense  | - | - |
| **Surplus/(deficit) after income tax expense** | **(761)** | **(74)** |

Government Printing Office cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 1,711 | 2,276 |
| Receivables and other current assets | 620 | 812 |
| Less current liabilities | (714) | (832) |
| **Working capital** | **1,617** | **2,256** |
| Add non-current assets | 806 | 949 |
| Less non-current liabilities | (132) | (153) |
| **Net assets** | **2,291** | **3,052** |
| Represented by:  |  |  |
| Accumulated funds | 1,918 | 2,679 |
| Capital | 373 | 373 |
| **Equity** | **2,291** | **3,052** |

Jabiru Town Development Authority

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Jabiru Town Development 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 head lease 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 the Commonwealth Government, the Northern Territory Government, Energy Resources Australia Limited and the Authority.

The Authority is indebted to the Northern Territory Government as a result of loans provided to the Authority for the construction of infrastructure. The value of loans provided was $8.40 million, but by 1986 the amount outstanding had increased to $8.80 million due 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 2013.

Audit Opinion

The audit of the Jabiru Town Development Authority for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 3 December 2013.

Jabiru Town Development Authority cont…

Key Findings

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

*“Moratorium on loan repayments*

 *The Authority refers to its expectation of the continuation of the indefinite moratorium on the Authority’s future interest and principle repayment of loans due to the Northern Territory Government totalling $8,804,916. Without this moratorium, there would be significant uncertainty as to whether the Authority would be able to continue as a going concern and be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.*

 *Legislative changes*

 *On 28 June 2013 the Aboriginal Land Rights and Other Legislation Amendment Bill 2013, was passed by Parliament. One of the identified impacts of this legislative change is the potential cessation of the lease over the Town of Jabiru currently held by the Authority. Should this occur the appropriateness of the Authority continuing to report on a going concern basis may be brought into question.”*

Jabiru Town Development Authority cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Grants | 29 | 28 |
| Interest | 95 | 134 |
| Sub-lease transfer proceeds | 11 | - |
| **Total income**  | **135** | **162** |
| **Expenditure**  |  |  |
| Administration expenses | (141) | (127) |
| Amortisation of town infrastructure | (62) | (62) |
| **Total expenditure**  | **(203)** | **(189)** |
| **Surplus/(deficit)** | **(68)** | **(27)** |

Jabiru Town Development Authority cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 3,348 | 3,351 |
| Receivables and other current assets | 7 | 14 |
| Less current liabilities | (42) | (46) |
| **Working capital** | **3,313** | **3,319** |
| Add non-current assets | 459 | 522 |
| Less non-current liabilities | (8,805) | (8,805) |
| **Net assets** | **(5,033)** | **(4,964)** |
| Represented by:  |  |  |
| Accumulated deficit | (5,033) | (4,964) |
| **Equity** | **(5,033)** | **(4,964)** |

Jabiru Town Development Authority cont…

| The Jabiru Town Development Authority has commented:The future of the Jabiru Town Development Authority (JTDA) is dependent upon the timing of new leasing arrangements for the town of Jabiru proposed by the Commonwealth and provision for which is set out in the Commonwealth’s Aboriginal Land Rights and Other Legislation Amendment Act 2013.The JTDA is constituted under Northern Territory Government legislation. Whether there is an ongoing role for the JDTA, and whether any ongoing role would be performed by the JDTA, a restructured JDTA, or an entirely new body, will be considered by the parties involved in the current Cost Sharing Agreement and the native title settlement, including the Mirrar as the Traditional Owners, as negotiations proceed. Whichever option is chosen, the JDTA understands that it is the intention of the Northern Territory Government to ensure that there is an orderly transition to the new arrangements, and an orderly winding up of the JDTA, if necessary. |
| --- |

Land Development Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Land Development Corporation (the Corporation) is a Government Business Division.

Audit Opinion

The audit of the Land Development Corporation for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 2 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The Corporation recognised gross revenue from land sales of $6.67 million during the year ended June 2013. While the commercial sales were below budget, residential land sales exceeded the budget contributing to the gross profit of $4.41 million from land sales.

The Corporation also holds strategic land with rail or water frontage as investments and offered as leasehold only.

The majority of the costs incurred by the Corporation relate to the development of land.

The Corporation received an income tax credit of $1.47 million relating to adjustments to the tax equivalent calculation on the unrealised gains on long term leased land during the year ended 30 June 2012.

Overall the Corporation exhibited a strong working capital position of $24.26 million at 30 June 2013, slightly reduced from the position of $24.35 million at 30 June 2012.

Land Development Corporation cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income**  |  |  |
| Revenue from land sales | 6,668 | 23,247 |
| Royalties, rents and dividends | 2,266 | 1,684 |
| Assets acquired for nil consideration | - | 7,501 |
| Other gains | - | 32,644 |
| Other | 1,733 | 948 |
| **Total income** | **10,667** | **66,024** |
| Cost of land sold | (2,258) | (8,364) |
| Depreciation and amortisation | (187) | (184) |
| Employee expenses | (1,400) | (1,845) |
| Interest | (1,582) | (1,621) |
| Operational costs | (3,253) | (3,336) |
| **Total expenditure**  | **(8,680)** | **(15,350)** |
| **Surplus/(deficit) before income tax expense**  | **1,987** | **50,674** |
| Income tax expense  | 883 | (3,159) |
| **Surplus/(deficit) after income tax expense** | **2,870** | **47,515** |
| Change in accounting policy | - | (64,090) |
| **Comprehensive result** | **2,870** | **(16,575)** |

Land Development Corporation cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 10,764 | 67,738 |
| Receivables and other current assets | 21,502 | 20,301 |
| Less current liabilities | (8,006) | (63,690) |
| **Working capital** | **24,260** | **24,349** |
| Add non-current assets | 103,359 | 99,399 |
| Less non-current liabilities | (20,043) | (20,072) |
| **Net assets** | **107,576** | **103,676** |
| Represented by:  |  |  |
| Capital | 54,095 | 54,095 |
| Reserves | 1,864 | 1,864 |
| Accumulated funds | 51,617 | 47,717 |
| **Equity** | **107,576** | **103,676** |

Legislative Assembly Members’ Superannuation Fund

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The *Legislative Assembly Members’ Superannuation Contributions Act* details superannuation arrangements for Members who were elected to the Legislative Assembly for the first time at the general election in June 2005 and at subsequent elections. The arrangements provide for the payment of the 9 per cent superannuation guarantee to a Member’s superannuation fund of choice or, in the absence of a nomination of a fund by a Member, to a default fund - the Legislative Assembly Members' Superannuation Fund formed under the *Legislative Assembly Members’ Superannuation Fund Act*.

Amendments to the *Superannuation Act* passed during 2013 assigned to the Trustee Board, established under that Act, the power to exercise powers and perform functions under the *Legislative Assembly Members’ Superannuation Fund Act*.

Audit Opinion

The audit of the Legislative Assembly Members’ Superannuation Fund for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 1 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The value of accrued benefits as at 30 June 2013 was $71.44 million (2012: $68.56 million). The net assets of the Fund increased by $7.95 million for the year, in line with improved market conditions. At 30 June 2013 the value of net assets was $56.60 million, representing 79 per cent of the value of accrued benefits as at the end of the financial year.

Territory contributions for the year increased to $1.50 million, in line with the recommendation by the Fund’s actuary. Benefits paid during the year increased by $0.93 million to $3.71 million, with the results of the August 2012 election affecting these figures.

Legislative Assembly Members’ Superannuation Fund cont…

Abridged Statement of Changes in Net Assets

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income**  |  |  |
| Interest and distributions | 1,590 | 3,061 |
| Changes in net market value of investments | 7,762 | (3,060) |
| Member contributions | 107 | 185 |
| Member surcharge contributions | 240 | - |
| Territory contributions | 2,000 | 500 |
| **Total income** | **11,699** | **686** |
| **Expenditure** |  |  |
| Benefits paid | (3,711) | (2,779) |
| Superannuation contribution surcharge | (8) | (13) |
| Other expenses | (7) | (3) |
| **Total expenses**  | **(3,726)** | **(2,795)** |
| **Revenue less expenses before income tax** | **7,973** | **(2,109)** |
| Less income tax benefit/(expense) | (23) | 187 |
| **Change in net assets** | **7,950** | **(1,922)** |

Legislative Assembly Members’ Superannuation Fund cont…

Abridged Statement of Net Assets

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 223 | 159 |
| Future tax benefits | - | 256 |
| Investments | 56,619 | 48,684 |
| **Total assets** | **56,842** | **49,099** |
| Less liabilities | (243) | (450) |
| **Net assets** | **56,599** | **48,649** |
|  |  |  |
| **Vested benefits** | **73,199** | **70,731** |

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

Nitmiluk (Katherine Gorge) National Park Board

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

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 2013 resulted in an unqualified independent audit opinion, which was issued on 8 November 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The Board’s revenue for the year increased by $0.13 million to $0.76 million and that increase can be attributed to the absence of monsoonal conditions during 2012‑13 which, in turn, allowed the Board to maintain access to the Park for a longer period than normal.

Nitmiluk (Katherine Gorge) National Park Board cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $,000 |
| **Income**  |  |  |
| Park income | 758 | 625 |
| Less payments to Traditional Owners | (473) | (389) |
| Less payments to the Parks and Wildlife Commission of the Northern Territory | (285) | (236) |
| Northern Territory Government funding sundry income | 72 | 71 |
| **Total income**  | **72** | **71** |
| **Expenditure**  |  |  |
| Operational costs | (72) | (71) |
| **Total expenditure** | **(72)** | **(71)** |
| **Surplus/(deficit)** | **-** | **-** |

Nitmiluk (Katherine Gorge) National Park Board cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | - | - |
| Receivables and other current assets | 250 | 177 |
| Less current liabilities | (250) | (177) |
| **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 2013

Background

The Northern Territory Government and Public Authorities Superannuation Scheme (the Scheme) is established pursuant to the provisions of the *Superannuation Act* (the Act). The Act was amended during 2013 and those amendments included the establishment of the Northern Territory Government and Public Authorities Employees’ Superannuation Fund (the Fund). The Fund is credited with:

* contributions received from eligible employees;
* employers’ shares of benefits that are payable;
* money borrowed for the purposes of the Fund;
* income derived from investments of the Fund; and
* profits made from realization of investments of the Fund.

The amendments to the Act also established the Trustee Board. The Board is required to:

* hold the Fund as trustee for the members of the Scheme;
* to direct the Commissioner in managing and investing the Fund on the Board’s behalf;
* to exercise powers and perform functions under the *Legislative Assembly Members’ Superannuation Fund Act*;
* with the approval of the Minister, to exercise powers and perform functions in relation to any other superannuation fund or scheme; and
* to exercise any other functions conferred on the Trustee Board under this or any other Act.

The Trustee Board is also required to prepare financial statements in respect of the Fund, with those statements prepared on commercial accounting principles or on such other basis as the Treasurer may direct.

Northern Territory Government and Public Authorities Employees’ Superannuation Fund cont…

Audit Opinion

The audit of the Northern Territory Government and Public Authorities Employees’ Superannuation Fund for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 1 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Market conditions in 2012-13 saw all of the Scheme’s investment options achieve positive returns, although not all met the Board’s return targets because of the effects of negative returns in earlier periods.

Northern Territory Government and Public Authorities Employees’ Superannuation Fund cont…

Abridged Statement of Changes in Net Assets

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Interest and distributions from investments | 312 | 485 |
| Movement in net market value of investments | 109,944 | 10,093 |
| Member contributions | 49,840 | 52,044 |
| Member surcharge payments received | 330 | 136 |
| Territory contributions | 68,652 | 67,903 |
| Transfers and rollovers | 73,879 | 53,922 |
| **Total income** | **302,957** | **184,583** |
| **Expenses** |  |  |
| Benefits expense | (169,653) | (162,712) |
| Other expenses | (382) | (338) |
| **Total expenses** | **(170,035)** | **(163,050)** |
| **Revenue less expenses before income tax**  | **132,922** | **21,533** |
| Less income tax expense  | (6,525) | (7,311) |
| **Change in net assets** | **126,397** | **14,222** |

Northern Territory Government and Public Authorities Employees’ Superannuation Fund cont…

Abridged Statement of Net Assets

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash at bank and other assets | 22,516 | 26,536 |
| Investments | 889,330 | 765,268 |
| **Total assets** | **911,846** | **791,804** |
| Less liabilities | (34,569) | (40,924) |
| **Net assets** | **877,277** | **750,880** |
|  |  |  |
| **Vested benefits** | **1,823,640** | **1,708,930** |

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

Northern Territory Legal Aid Commission

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Northern Territory Legal Aid Commission (the Commission) is established under the *Legal Aid Act*. The Commission’s charter is to ensure that people in the Northern Territory, particularly those who are disadvantaged, understand and have access to help to protect and enforce their legal rights and interests.

Audit Opinion

The audit of Northern Territory Legal Aid Commission for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 15 November 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The Commission reported a current year loss of $0.05 million compared to $0.78 million in 2012. This improvement was due to an increase in revenue and a decrease in expenses, as outlined below:

* grant revenue increased from $10.36 million to $10.64 million while revenue from services rendered increased from $0.35 million in $0.60 million;
* operational expenses decreased from $5.19 million to $4.83 million; and
* employee-related expenditure fell from $6.74 million to $6.59 million.

Northern Territory Legal Aid Commission cont…

While the Commission’s financial performance exceeded its budgeted outcome for the financial year ended 30 June 2013, it was noted that:

* the Commission received a Treasurer’s Advance of $1.18 million in May 2013 to assist it to manage cash flows which were affected by higher than expected expenses incurred on expensive criminal cases; and
* with the approval of the Commonwealth, the Commission utilised Commonwealth reserves of $0.60 million as follows:
	+ $0.44 million to offset a decline in revenues from the Northern Territory; and
	+ $0.16 million to offset the net deficit arising from cases that related to
	Commonwealth legislation.

Northern Territory Legal Aid Commission cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Grants – Northern Territory Government | 5,202 | 5,065 |
| Grants – Commonwealth | 4,548 | 4,511 |
| Grants – other | 892 | 788 |
| Rendering of Service services | 603 | 348 |
| Other | 124 | 168 |
| **Total income**  | **11,369** | **10,880** |
| **Expenditure**  |  |  |
| Administration | (1,314) | (1,390) |
| Employee expenses | (6,590) | (6,744) |
| Legal | (2,267) | (2,513) |
| Depreciation and amortisation | (158) | (169) |
| Other  | (1,087) | (1,114) |
| **Total expenditure**  | **(11,416)** | **(11,930)** |
| **Surplus/(deficit)** | **(47)** | **(1,050)** |
| Net gain on revaluation of non-current assets | - | 275 |
| **Total comprehensive surplus/(deficit)** | **(47)** | **(775)** |

Northern Territory Legal Aid Commission cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 703 | 846 |
| Receivables and other current assets | 1,661 | 1,085 |
| Less current liabilities | (1,811) | (1,460) |
| **Net current assets** | **553** | **471** |
| Add non-current assets | 1,152 | 1,240 |
| Less non-current liabilities | (338) | (297) |
| **Net assets** | **1,367** | **1,414** |
| Represented by:  |  |  |
| Reserves | 1,202 | 1,801 |
| Retained earnings | 165 | (387) |
| **Equity** | **1,367** | **1,414** |

Northern Territory Major Events Company Pty Ltd

Audit findings and analysis of the financial statements for the year ended 30 June 2013

Background

The Northern Territory Government established the Northern Territory Major Events Company Pty Ltd with the objective of 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 2013 resulted in a qualified independent audit opinion, which was issued on 20 December 2013. That qualification related to the comparative figures for the 2011-12 financial year; the financial results for the 2012-13 financial year were unqualified.

Key Findings

Qualification

The audit opinion on the financial statements of Northern Territory Major Events Company Pty Ltd for the year ended 30 June 2013 was qualified as follows:

*“Northern Territory Major Events Company Pty Ltd has not valued or recorded in-kind contributions received in the statement of comprehensive income for the year ended 30 June 2012. I was unable to obtain sufficient appropriate audit evidence to determine the amount of in-kind contributions received by Northern Territory Major Events Company Pty Ltd.”*

Performance Overview

The financial performance of the company, as measured by its profit after income tax, increased by $0.40 million when compared to the result for the prior year. The improved financial performance was attributable largely to a decline in other operating expenses which fell from $8.08 million to $7.70 million. Offsetting the decline in expenses was a decline of $0.53 million in grants provided by the Northern Territory Government and a decline of $0.12 million in ticket sales and related revenue, with the lower revenues being attributable to the timing of Round 6 of the 2013 Australian Superbike Championship event in Darwin. This event had previously been held in April 2012 and shifted to September in 2013, resulting in no revenue or expenditure being recognised in the 2012-13 year.

Northern Territory Major Events Company Pty Ltd cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Government grants | 4,917 | 5,449 |
| Other | 4,510 | 3,948 |
| **Total income**  | **9,427** | **9,397** |
| **Expenditure**  |  |  |
| Employee expenses | (1,590) | (1,553) |
| Depreciation  | (27) | (53) |
| Other | (7,700) | (8,087) |
| **Total expenditure**  | **(9,317)** | **(9,693)** |
| **Surplus/(deficit) before income tax expense** | **110** | **(296)** |
| Income tax expense | - | - |
| **Surplus/(deficit) after income tax expense** | **110** | **(296)** |
| Dividends | - | - |
| **Net surplus/(deficit)** | **110** | **(296)** |

Northern Territory Major Events Company Pty Ltd cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 1,853 | 1,851 |
| Receivables and other current assets | 775 | 1,105 |
| Less current liabilities | (2,306) | (2,706) |
| **Net current assets** | **322** | **250** |
| Add non current assets | 66 | 50 |
| Less non current liabilities | (21) | (43) |
| **Net assets** | **367** | **257** |
| Represented by:  |  |  |
| Retained profits | 367 | 257 |
| Equity | **367** | **257** |

Northern Territory Police Supplementary Benefit Scheme

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Northern Territory Police Supplementary Benefit Scheme 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 membership of the scheme is declining steadily as members retire and leave the scheme. At 30 June 2013 there were 71 members (77 in 2012) and 169 pensioners (163 in 2012).

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 Northern Territory 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 commences. Alternatively, a pension may be commuted to a lump sum equal to ten times the annual amount of a pension. Where a person ceases membership and is not entitled to a supplementary benefit, an amount equal to the member’s contributions plus interest is paid.

Audit Opinion

The audit of the Northern Territory Police Supplementary Benefit Scheme for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 1 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The value of accrued benefits as at 30 June 2013 had declined by $5.76 million to $60.41 million, with the decline being the result of the use of a higher discount rate at 30 June 2013 when compared with the prior year.

Net assets of the Trust increased $0.19 million to $2.53 million due mainly to improved returns on investments. The returns on investments for the year went a considerable way towards offsetting negative returns recorded during the previous five-year period.

Benefits payments increased by $0.08 million to $0.28 million as a result of the continuing decline in the number of active members in 2012-13 and that decline was also reflected in a fall in members’ contributions when compared with the prior year.

Northern Territory Police Supplementary Benefit Scheme cont…

Abridged Statement of Changes in Net Assets

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Interest | 3 | 6 |
| Movement in net market value of investments | 377 | (67) |
| Contribution revenue | 96 | 105 |
| **Total income** | **476** | **44** |
| **Expenses** |  |  |
| Benefits |  |  |
| Refunds of accumulated contributions | (62) | 81 |
| Payment of accumulated contributions to the Territory | (222) | (287) |
| Superannuation contribution surcharge | (1) | (1) |
| Other expenses | (2) | (2) |
| **Total expenses** | **(287)** | **(209)** |
| **Revenue less expenses before income tax**  | **189** | **(165)** |
| Income tax expense  | - | (1) |
| **Change in net assets** | **189** | **(166)** |

Northern Territory Police Supplementary Benefit Scheme cont…

Abridged Statement of Net Assets

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash at bank and other assets | 94 | 150 |
| Investments | 2,753 | 2,447 |
| **Total assets** | **2,847** | **2,597** |
| Less liabilities | (311) | (250) |
| **Net assets** | **2,536** | **2,347** |
|  |  |  |
| **Vested benefits** | **61,883** | **65,003** |

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 2013

Background

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

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

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 2013 resulted in an unqualified independent audit opinion, which was issued on 30 September 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

For the year ended 30 June 2013 the Corporation reported a profit before tax of $33.81 million; an improvement of 12.96 per cent when compared with the prior year’s result of $29.93 million. That profit was not retained by the Corporation but distributed in full as a dividend.

Total revenue for the year was affected by an increase of $24.60 million in interest earned largely as a result of an increase of $770.07 million in loans made, while total expenses were affected by an increase of $20.82 million in interest expense as a result of increases in borrowings and provisions.

Northern Territory Treasury Corporation cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Interest  | 257,582 | 232,980 |
| Other | 473 | 473 |
| **Total income**  | **258,055** | **233,453** |
| **Expenditure**  |  |  |
| Interest | (221,957) | (201,142) |
| Administration | (2,293) | (2,385) |
| **Total expenditure**  | **(224,250)** | **(203,527)** |
| **Surplus/(deficit) before income tax expense**  | **33,805** | **29,926** |
| Income tax expense  | (10,141) | (8,978) |
| **Surplus/(deficit) after income tax expense** | **23,664** | **20,948** |

Northern Territory Treasury Corporation cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Total assets | 4,848,368 | 4,098,068 |
| Less total liabilities | (4,826,738) | (4,076,438) |
| **Net assets** | **21,630** | **21,630** |
| Represented by:  |  |  |
| Contributed capital | 21,630 | 21,630 |
| Reserves | - | - |
| **Equity** | **21,630** | **21,630** |

NT Build

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

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

Audit Opinion

The audit of NT Build for the year ended 30 June 2013 resulted in a qualified independent audit opinion, which was issued on 9 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Qualification

The audit opinion on the financial statements of NT Build for the year ended 30 June 2013 was again qualified as follows:

*“The statutory obligation to notify NT Build of the commencement of a project rests with the developer. NT Build has implemented a number of mechanisms to help monitor compliance and identify leviable projects and consequently those liable to pay the levy, including monitoring projects where building permits under the Building Act are issued. It is noted that not all types of construction work carried out in the Territory 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 $9,623,533 disclosed as 'Contributions from levy payers' in the statement of comprehensive income.”*

NT Build cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Contributions from levy payers | 9,624 | 12,031 |
| Other | 5,173 | 1,558 |
| **Total income**  | **14,797** | **13,589** |
| **Expenditure**  |  |  |
| Employee expenses | (788) | (711) |
| Occupancy costs | (98) | (94) |
| Depreciation and amortisation | (3) | (3) |
| Fees and allowances | (30) | (50) |
| Long service leave benefit payments | (911) | (574) |
| Long service scheme expense | (4,249) | (7,630) |
| Other | (496) | (611) |
| **Total expenditure**  | **(6,575)** | **(9,673)** |
| **Surplus/(deficit)**  | **8,222** | **3,916** |

NT Build cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 32,624 | 27,150 |
| Receivables and other current assets | 33,273 | 26,328 |
| Less current liabilities | (1,353) | (734) |
| **Working capital** | **64,544** | **52,744** |
| Add non-current assets | 8 | 12 |
| Less non-current liabilities | (31,536) | (27,962) |
| **Net assets** | **33,016** | **24,794** |
| Represented by:  |  |  |
| Implementation funding | 297 | 297 |
| Accumulated surplus | 32,719 | 24,497 |
| **Equity** | **33,016** | **24,794** |

NT Build cont…

| NT Build has commented: The NT Build Board notes the audit findings and accepts the qualification of the audit opinion.Throughout the 2012‐2013 reporting period, NT Build continued to work closely with the Department of Lands, Planning and the Environment to pursue legislative amendments in order to strengthen NT Build’s ability to maximise levy compliance. The Board notes that changes to the current building approval regime will have a limited effect. However, it will enable NT Build to better concentrate its resources on identifying leviable construction undertaken throughout the non‐controlled areas of the Northern Territory.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. |
| --- |

NT Fleet

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

NT Fleet is a Government Business Division 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 is the Department of Corporate and Information Services.

Audit Opinion

The audit of NT Fleet for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 9 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

NT Fleet reported a surplus before tax and dividends of $15.67 million compared to the prior year’s surplus of $16.19 million.

The decreased surplus before tax and dividends was mainly attributed to a 5 per cent reduction in the number of leased vehicles during 2013 (resulting from whole of government initiatives) and a decrease in income from disposal of vehicles of $1.02 million, reflecting unfavourable sale prices in 2013.

NT Fleet cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Revenue from vehicle lease rentals | 48,208 | 48,070 |
| Gain on disposal of assets | 5,247 | 6,271 |
| Other revenues | 467 | 553 |
| **Total income**  | **53,922** | **54,894** |
| **Expenditure** |  |  |
| Operational costs | (11,897) | (12,139) |
| Employee expenses | (2,539) | (2,620) |
| Depreciation and amortisation | (23,820) | (23,788) |
| Borrowing costs  | - | (158) |
| **Total expenditure**  | **(38,256)** | **(38,705)** |
| **Surplus/(deficit) before income tax expense**  | **15,666** | **16,189** |
| Income tax expense  | (4,700) | (4,857) |
| **Surplus/(deficit) after income tax expense** | **10,966** | **11,332** |

NT Fleet cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 18,746 | 8,602 |
| Receivables and other current assets | 1,059 | 2,181 |
| Less current liabilities | (11,325) | (13,632) |
| **Working capital** | **8,480** | **(2,849)** |
| Add non-current assets | 93,048 | 98,890 |
| Less non-current liabilities | (166) | (162) |
| **Net assets** | **101,362** | **95,879** |
| Represented by:  |  |  |
| Accumulated funds | 100,859 | 95,376 |
| Capital | 503 | 503 |
| **Equity** | **101,362** | **95,879** |

NT Home Ownership

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

NT Home Ownership is a Government Business Division which oversees the Government’s home purchase assistance initiatives.

Audit Opinion

The audit of NT Home Ownership for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 11 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

In 2012-13, NT Home Ownership achieved a $0.59 million surplus compared to a $1.30 million surplus for the previous year. The outcome for 2012-13 reflected:

* an increase of $3.74 million for interest expenses from borrowings due mainly to additional borrowings of about $110.89 million during the year. The additional borrowings were used to fund the lending operations of NT Home Ownership, generally in support of the two new products introduced in 2013 (My New Home Loans and My New Home Build); and
* an increase of $0.83 million for purchases of goods and services due mainly to administration fees paid to TIO (for managing NT Home Ownership’s loan activities). TIO’s administration fee increased by $0.72 million for 2012-13 due to the increase in new loans and the increased loan portfolio balance administered by TIO during the year. Other expenses remained consistent with the previous year.

The increased expenses outlined above were offset by:

* an increase of $1.94 million in interest income due mainly to the increase in the loan portfolio in 2013 following the introduction of the two new loan products referred to above; and
* recognition of a revaluation increment of $2.08 million following the annual revaluation of NT Home Ownership’s shared equity investments.

NT Home Ownership cont…

Tax and Dividends Calculation

As a Government Business Division, NT Home Ownership is required to comply with the Northern Territory Tax Equivalents regime, and as a result it is liable to pay 30 per cent of its accounting profits to the Central Holding Authority as an income tax equivalent. For this purpose accounting profit is defined as net surplus less any abnormal and extraordinary items. The unrealised gain on revaluation of shared equity investments is treated by NT Home Ownership as an extraordinary item. After deducting the gain of $2.82 million on the revaluation of its investments, NT Home Ownership incurred a taxable loss of $2.23 million in 2013.

I am of the view that the definition of accounting profit is out-dated in that the terms abnormal and extraordinary items are no longer included in Australian Accounting Standards. As a result I recommended that NT Home Ownership, in conjunction with the Department of Treasury and Finance, update the definition of accounting profit and/or the basis for calculating NT Home Ownership’s tax expense.

In addition, NT Home Ownership is also required to pay dividends to the Central Holding Authority based on 50 per cent of its accounting surplus (net of any tax). A dividend was not declared at year end as NT Home Ownership considered it made an accounting loss using the same reasoning that underpinned its tax calculation. I believe the consideration of whether a dividend is payable should be reconsidered in conjunction with the reconsideration of the tax calculation.

NT Home Ownership cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $,000 | $,000 |
| **Income** |  |  |
| Other income | 43 | 34 |
| Interest revenue | 12,360 | 10,418 |
| Community Service Obligations (CSO) | 815 | 1,191 |
| Gain on sale of investments  | 473 | 291 |
| Gain on sale of land | - | 188 |
| Gain on revaluation of investments | 2,816 | 738 |
| **Total income** | **16,507** | **12,860** |
| **Expenditure**  |  |  |
| Employee expenses | (229) | (202) |
| Administration fees | (2,776) | (2,061) |
| Borrowing costs  | (12,237) | (8,495) |
| Other expenses  | (675) | (563) |
| **Total expenditure**  | **(15,917)** | **(11,321)** |
| **Surplus/(deficit) before income tax expense**  | **590** | **1,539** |
| Income tax expense  | - | (240) |
| **Surplus/(deficit) after income tax expense** | **590** | **1,299** |

NT Home Ownership cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 19,896 | 6,763 |
| Receivables and other current assets | 3,357 | 3,242 |
| Less current liabilities | (9,405) | (8,416) |
| **Working capital** | **13,848** | **1,589** |
| Add non-current assets | 314,569 | 215,688 |
| Less non-current liabilities | (289,795) | (179,245) |
| **Net assets** | **38,622** | **38,032** |
| Represented by:  |  |  |
| Accumulated surplus | 15,877 | 15,287 |
| Contributed equity | 22,745 | 22,745 |
| **Equity** | **38,622** | **38,032** |

NT Home Ownership cont…

| NT Home Ownership has commented: The Auditor-General recommended that NT Home Ownership, in conjunction with the Department of Treasury and Finance, update the definition of accounting profit and/or the basis for calculating NT Home Ownership's tax expense. NT Home Ownership has applied the provisions of the Northern Territory Tax Equivalents regime, which is administered by the Department of Treasury and Finance, in calculating its year end position.NT Home Ownership has discussed the Audit findings and analysis of the Financial Statements for the Year Ended 30 June 2013 with the Department of Treasury and Finance and highlighted the Auditor‑General's recommendation to update the definition of accounting profits |
| --- |

Power and Water Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

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* in December 2001.

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

Audit Opinion

The audit of Power and Water Corporation for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 30 September 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

For the year ended 30 June 2013, the Corporation made a profit before tax of $41.00 million, which is an improvement on the prior year where the Corporation reported a profit of $0.06 million.

Total revenue for the year increased by $102.32 million to $692.63 million and this increase was attributable to higher tariffs that took effect at the commencement of the 2013 calendar year. Notwithstanding the significant increase of $83.41 million in revenues from the provision of electricity, water and sewerage, cash received from customers only increased by $17.94 million.

Power and Water Corporation cont…

The difference between revenue earned and cash received was attributable to policy decisions concerning the extent and timing of tariff increases that led to some difficulties in billing with consequent delays in invoicing and the receipt of cash. This in turn led to a decline in cash from operations when compared with the prior year which, when taken in conjunction with reduced cash flows from financing activities and the maintenance of capital spending when compared with the prior year, resulted in a decline of $79.22 million in cash held at 30 June 2013.

Total expenses for the year were $651.63 million compared with $590.24 million for the prior year. The increase of $61.39 million included an expense of $24.62 million as the result of the introduction of the Commonwealth’s carbon tax.

Events Since the Completion of the Audit

On 13 December 2013 the Deputy Chief Minister announced that the Corporation is to be restructured and that is expected to result in two new corporations being formed to manage electricity retail and generation. The new corporations are anticipated to commence operations on 1 July 2014.

Power and Water Corporation cont…

Financial Performance for the year of the Consolidated Entity

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Sale of goods  | 528,717 | 438,286 |
| Rendering of services | 128,742 | 121,023 |
| Interest revenue | 3,104 | 5,259 |
| Other | 129,008 | 116,103 |
| **Total income**  | **789,571** | **680,671** |
| **Expenditure**  |  |  |
| Raw materials and consumables used  | (283,823) | (242,888) |
| Finance costs | (69,388) | (64,673) |
| Repairs and maintenance expenses  | (94,577) | (88,232) |
| Employee expenses  | (100,297) | (102,280) |
| External service agreements | (34,751) | (31,574) |
| Depreciation and amortisation | (95,167) | (79,681) |
| Impairment of noncurrent assets | - | (374) |
| Other expenses | (70,567) | (71,690) |
| **Total expenditure**  | **(748,570)** | **(681,392)** |
| **Surplus/(deficit) before income tax expense**  | **41,001** | **(721)** |
| Income tax benefit/(expense) | (11,133) | (82) |
| **Surplus/(deficit) after income tax expense** | **29,868** | **(803)** |

Power and Water Corporation cont…

Financial Position at year end of the Consolidated Entity

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 65,715 | 149,267 |
| Receivables and other current assets | 188,781 | 125,379 |
| Less current liabilities | (232,468) | (173,743) |
| **Working capital** | **22,028** | **100,903** |
| Add non-current assets | 2,154,796 | 1,936,742 |
| Less non-current liabilities | (1,581,468) | (1,472,157) |
| **Net assets** | **595,356** | **565,488** |
| Represented by:  |  |  |
| Retained profits | 442,774 | 412,906 |
| Contributed equity | 152,582 | 152,582 |
| **Equity** | **595,356** | **565,488** |

Selected Agencies

Fuel Cards

Background

The objective of this assessment was to examine transactions for the purchase of fuel, using both fuel cards and other methods, that were undertaken by the Aboriginal Areas Protection Authority, the Department of the Chief Minister, and the Department of the Legislative Assembly between 1 July 2012 and 30 June 2013 in order to identify transactions that displayed unusual characteristics or characteristics that might suggest the existence of fraud, and to provide information about those transactions to the Agencies’ management for review and follow-up. Fuel cards issued to officers of the Agencies, pool vehicles and all Members of the Legislative Assembly were included in the assessment.

Overall Assessment

It should be noted that this assessment did not constitute an audit.

Aboriginal Areas Protection Authority and the Department of the Chief Minister

Based upon the assessment undertaken by my office and discussions with staff representing the Aboriginal Areas Protection Authority (the Authority), and the Department of the Chief Minister (DCM) the probability of significant fraudulent transactions having occurred during the period assessed was very low.

Department of the Legislative Assembly

Based upon the assessment undertaken by my office and discussions with staff representing the Department of the Legislative Assembly (DLA), the probability of significant fraudulent transactions having occurred during the period assessed was low.

Selected Agencies cont…

Recommendations

I recommend that:

* detailed monthly reviews of fuel purchases commence with particular attention being paid to ascertaining the reasons for small fuel purchases and missing, or incorrect, odometer readings;
* the use of fuel cards other than those provided as part of a whole-of-government contract be curtailed; and
* the Agencies should also consider whether the distance travelled by each vehicle (other than vehicles allocated to a Member of the Legislative Assembly) is reasonable when taking into account the business activities, and reasonable private use, of that particular vehicle.

Key Findings

The following table outlines the vehicles identified as being in use at some time during the period 1 July 2012 to 30 June 2013 and the related fuel expenditure incurred during that period:

| **Department** | **Vehicles** | **Fuel Expenditure** |
| --- | --- | --- |
| Aboriginal Areas Protection Authority | 15 | $43,320 |
| Department of the Chief Minister | 117 | $134,832 |
| Department of the Legislative Assembly | 35 | $114,165 |

There was no evidence that any of the Agencies had conducted regular, detailed analysis of the fuel purchases during the year and it appeared that reliance was placed on a comparison of the monthly total fuel account to budgets or to prior expenditure. There was also no detailed analysis or review of the kilometres travelled or the nature of the transactions incurred.

Multiple Fuel Cards

Within DLA there were many cases where a combination of Ausfuel, Shell, and United fuel cards were issued in respect of individual vehicles (generally those allocated to Members of the Legislative Assembly (MLA’s)) and used to purchase fuel. Added to this, Vehicle Maintenance Orders (VMOs) were also used, and MLA’s also sought reimbursement for fuel purchases.

Selected Agencies cont…

I have not been presented with compelling explanations as to why multiple cards have been issued against individual vehicles, particularly when taking into consideration that Ausfuel cards are accepted by Shell outlets.

Perusal of United fuel card usage at DLA highlighted that there were Ausfuel outlets within a reasonable distance of each United outlet and this raises the question of why DLA considers it necessary to permit the use of United cards by MLAs.

Vehicle maintenance orders

Whilst acknowledging the need for the occasional use of VMOs in the more remote areas of the Northern Territory I noted that, at DLA in particular, the VMOs are rarely, if ever, completed correctly. For example:

* In one case the fuel supplier was listed as the NT Parliament while the Agency was listed as the Roper Store. There were no addresses for the supplier or agency and no odometer reading provided. While the day and month were noted on the document, the year was not.
* Another VMO did not identify the fuel supplier, did not include an odometer reading or the quantity of fuel purchased.
* The odometer reading was missing on most of the VMOs used for fuel purchases.
* Despite VMOs including a statement to the effect that expenditure is not to exceed $200, many purchases exceeded that amount.

Transferred vehicles

There were 6 vehicles recorded as being transferred from DCM to another Agency during the year, but fuel purchases continued to be recorded against DCM for a period following the transfers. These purchases should have been allocated to the Agency that received the vehicles in question or the value recovered by DCM.

Selected Agencies cont…

Sold vehicles

Of the 35 fuel cards that were in use at DLA there were 3 Shell cards that were used to refuel vehicles after those vehicles had been sold. Specifically:

* Fuel had been purchased for vehicle DLA Car 028♦ using a Shell card until the time the vehicle was returned to NT Fleet in February 2013 prior to its sale in March 2013. Fuel expenses were still being charged to this vehicle’s fuel card in June 2013. It appears that the custodian of the vehicle removed the Shell card from DLA Car 028♦ and used it to refuel vehicle DLA Car 016[[1]](#footnote-1)♦. Both vehicles are described as being a Toyota Prado.
* Vehicle DLA Car 019♦ was returned to NT Fleet in December 2011, but fuel was being purchased for this vehicle, using a Shell card, as late as August 2012. It appears that the custodian of the vehicle removed the Shell card from DLA Car 019♦ and used it to refuel another government vehicle.
* Vehicle DLA Car 009♦ was returned to NT Fleet in May 2013, but fuel was being purchased for this vehicle, using a Shell card, as late as June 2013. It appears that the custodian of the vehicle removed the Shell card from DLA Car 009♦ and used it to refuel another government vehicle.

Selected Agencies cont…

Vehicles Unable to be Analysed

Department of the Chief Minister

Of the 121 fuel cards that were in use at DCM there were 13 where there was insufficient data to permit a reasonable analysis to be performed. Specifically:

* three (DCM Car 057[[2]](#footnote-2)♦, DCM Car 063, and DCM Car 093) were considered to represent reasonable exceptions in that there was only one transaction recorded for the vehicle with the odometer reading being provided;
* four were ‘any vehicle’ cards (identified as Anyveh01, Anyveh02, CMD006 and Govt Hse); and
* six (DCM Car 115♦, DCM Car 043, DCM Car 086♦, DCM Car 025, DCM Car 064♦, DCM Car 035) could not be analysed due to the frequency of errors and/or omissions, detailed below:
	+ DCM Car 115♦ was missing the odometer reading for 32 per cent of the fuel transactions, with no odometer being recorded after 11 March 2013 to 30 June 2013;
	+ DCM Car 043 was missing the odometer reading for 16 per cent of the transactions with no odometer reading being recorded after 16 May 2013 to 30 June 2013;
	+ DCM Car 025 was missing the odometer reading for 36 per cent of the transactions and the odometer readings that were provided give the impression that during January and February 2013 there may have been 2 vehicles using the fuel card allocated to this vehicle;

Selected Agencies cont…

* + DCM Car 086♦ exhibited an unusual sequence of odometer readings which, given that they were rounded to the nearest one hundred kilometres as shown below, suggests that they may not be reliable:

| **Date** | **Odometer** | **Date** | **Odometer** |
| --- | --- | --- | --- |
| 4 July, 2012  | 12,000 km | 6 September, 2012  | 15,800 km |
| 9 July, 2012  | 12,000 km | 8 September, 2012  | 16,000 km |
| 24 July, 2012  | 12,500 km | 9 September, 2012  | 16,400 km |
| 5 August, 2012  | 12,800 km | 11 September, 2012  | 17,000 km |
| 14 August, 2012  | 13,500 km | 14 September, 2012  | 17,000 km |
| 20 August, 2012  | 13,000 km | 21 September, 2012  | 17,000 km |
| 20 August, 2012  | 14,200 km | 23 September, 2012  | 17,300 km |
| 23 August, 2012  | 14,300 km | 29 September, 2012  | 17,600 km |
| 29 August, 2012  | 15,300 km |  |  |

* + DCM Car 064[[3]](#footnote-3)♦ had only one transaction recorded for the vehicle and no odometer reading was provided; and
	+ DCM Car 035 was missing the odometer reading for 60 per cent of the transactions.

Selected Agencies cont…

Department of the Legislative Assembly

There was insufficient data to permit a reasonable analysis to be performed for 7 cards in use at DLA:

* one (DLA Car 030) was considered to represent a reasonable exception in that there was only one transaction recorded for the vehicle with the odometer reading being provided for that purchase; and
* the transactions made against six cards could not be analysed due to the frequency of errors and/or omissions.

The six cards at DLA that were unable to be analysed due to the frequency of errors and/or omissions were:

| **Vehicle Registration** | **Transactions recorded** | **Percentage of erroneous/missing odometer readings** |
| --- | --- | --- |
| DLA Car 029[[4]](#footnote-4)♦ | 11 | 100% |
| DLA Car 009♦ | 60 | 97% |
| DLA Car 034♦ | 19 | 95% |
| DLA Car 028♦ | 14 | 79% |
| DLA Car 002♦ | 25 | 68% |
| DLA Car 033♦ | 17 | 59% |

Selected Agencies cont…

Unusual Transactions

Aboriginal Areas Protection Authority

In relation to the 237 individual transactions recorded against the fuel cards by the Authority there were 4 instances where less than 15 litres of fuel were recorded as being purchased. An example of this was vehicle AAPA Car 006 against which 6.82 litres of fuel was purchased and at the same time and date there was a further purchase of 44.73 litres.

Purchases of this size appear unusual in the context of motor vehicle usage, but in the Authority’s case it is considered possible that the purchases in question were undertaken by staff members who were ‘topping up’ fuel tanks prior to long trips or prior to returning a car to the car pool.

Department of the Chief Minister

In relation to the 2,070 individual transactions recorded against the fuel cards at DCM:

* There were 22 instances where less than 15 litres of fuel was recorded as being purchased. As noted above purchases of this size appear unusual in the context of motor vehicle usage.
* The following transactions are highlighted as being particularly unusual (either individually or as part of a pattern of transactions):
	+ Vehicle DCM Car 010 – 133 kilometres travelled followed by a purchase of 27.56 litres of fuel. Three minutes later a further 27.56 litres was recorded as having being purchased.
	+ Vehicle DCM Car 068 – Two small purchases of fuel (17.56 litres and 17.83 litres) on the same day without odometer readings being provided.
	+ Vehicle DCM Car 109[[5]](#footnote-5)♦ – Two purchases on the same day with one being for a very small quantity (5.56 litres) without an odometer reading being provided for the first purchase.

Selected Agencies cont…

* + Vehicle DCM Car 025 – It appears that the vehicle was filled with more fuel (124.47 litres) than the fuel tank is capable of holding (which is approximately 65 litres). It was also noted that the odometer reading recorded was incorrect.
	+ Vehicle DCM Car 065 – Based on odometer readings provided, it appears that the vehicle required 64.25 litres of fuel to travel 43 kilometres.

Department of the Legislative Assembly

In relation to the 1,036 individual transactions recorded against the fuel cards at DLA:

* There were four instances where it appeared that unleaded fuel was purchased in respect of a diesel engine vehicle. It is possible that two of these purchases were for a replacement vehicle. However, on the 4th of September 2012 the vehicle was booked for servicing in order to have contaminated fuel drained so I consider it likely that at least the first purchase in respect of this vehicle involved the purchase of incorrect fuel.

During the course of gathering data as part of this assessment DLA identified that a reimbursement had been incorrectly claimed and paid relating to the purchase of an Iced Coffee. This has since been recouped from the MLA.

| Vehicle DLA Car 021[[6]](#footnote-6)♦ – four purchases of unleaded fuel for a diesel vehicle. |
| --- |
| Date | Docket | Odometer | Quantity | $ |
| 3 September 2012 | Reimburse | Not supplied | 64.18 litres | $98.64 |
| 8 September 2012 | Reimburse | Not supplied | 51.33 litres | $85.95 |
| 8 September 2012 | Reimburse | Not supplied | 40.28 litres | $61.99 |
| 8 September 2012 | Darwin | Iced Coffee | 600 ml | $3.90 |
| 4 April 2013 | Reimburse | Not supplied | 52.42 litres | $82.25 |

Selected Agencies cont…

* There were several instances where less than 15 litres of fuel was purchased. Some of these purchases are further detailed below as they occurred at the same date/time as other purchases.
* The following transactions recorded for DLA are highlighted as being particularly unusual (either individually or as part of a pattern of transactions):

| DLA Car 021♦ – VMO for exactly $200 with no fuel provider or quantity of fuel purchased being stated. |
| --- |
| Date | Location | Odometer | Quantity | $ |
| 21 November 2012 | Unknown | 90,015 km | Unknown | $200.00 |
|   |
| DLA Car 021[[7]](#footnote-7)♦ – three occasions were noted where two fuel purchases were made on the same day, at the same location without all odometer readings being provided. |
| Date | Location | Odometer | Quantity | $ |
| 10 December 2012 | Katherine | Not stated | 64.09 litres | $101.07 |
| 10 December 2012 | Katherine | Not stated | 113.19 litres | $178.50 |
| 4 February 2013 | Katherine | 55,867 km | 70.74 litres | $111.56 |
| 4 February 2013 | Katherine | Not stated | 121.82 litres | $192.11 |
| 15 February 2013 | Katherine | Not stated | 133.41 litres | $194.62 |
| 15 February 2013 | Katherine | Not stated | 70.65 litres | $111.42 |
|   |
| DLA Car 026♦ – two purchases on the 26th of January 2013 at the same time. |
| Date | Docket | Odometer | Quantity | $ |
| 26 January 2013  | 11101 | 71,750 km | 111.80 litres | $187.48 |
| 26 January 2013  | 11101 | 71,750 km | 1.00 | $189.95 |

Selected Agencies cont…

| DLA Car 014♦ – two instances where purchases of fuel and unknown items were made on the same day. |
| --- |
| Date | Location | Odometer | Quantity | $ |
| 13 April 2013 at 19:20 | Wishart | 5,616 km | 44.37 litres | $70.68 |
| 13 April 2013 at 19:20 | Wishart | 5,616 km | 1 unknown | $12.95 |
| 19 May 2013 at 19:06 | Wishart | 7,591 km | 36.67 litres | $56.22 |
| 19 May 2013 at 19:07 | Wishart | 7,591 km | 1 unknown | $16.10 |
|   |
| DLA Car 011[[8]](#footnote-8)♦ – two purchases 159 km south of the Northern Territory border over the Christmas/New Year period. |
| Date | Location | Odometer | Quantity | $ |
| 29 December 2012 | Marla SA | 37,738 km | 44.46 litres | $69.18 |
| 19 January 2013 | Marla SA | 43,377 km | 34.48 litres | $53.60 |
|   |
| DLA Car 019♦ – two purchases on the same day with the same odometer reading. |
| Date | Location | Odometer | Quantity | $ |
| 27 August 2012 | Berry Springs | 47,523 km | 12.95 litres | $20.58 |
| 27 August 2012 | Berry Springs | 47,523 km | 111.83 litres | $174.82 |

Selected Agencies cont…

| DLA Car 009[[9]](#footnote-9)♦ – three instances of fuel purchases on the same day without odometer readings being provided. |
| --- |
| Date | Location | Odometer | Quantity | $ |
| 4 July 2012 | Unknown | Not stated | 72.24 litres | $106.86 |
| 4 July 2012 | Unknown | Not stated | 84.40 litres | $125.43 |
| 21 July 2012 | Unknown | Not stated | 94.11 litres | $144.69 |
| 21 July 2012 | Alice Springs | Not stated | 48.63 litres | $74.77 |
| 23 July 2012 | Alice Springs | Not stated | 75.41 litres | $115.31 |
| 23 July 2012 | Alice Springs | Not stated | 76.47 litres | $116.94 |
|   |
| DLA Car 001 – purchases of fuel and an unknown item made on the same day at the same location with the same odometer readings being provided. |
| Date | Location | Odometer | Quantity | $ |
| 29 April 2013 | Tennant Creek | 43,135 km | 1 unknown | $44.49 |
| 29 April 2013 | Tennant Creek | 43,135 km | 53.25 litres | $89.30 |
|   |
| DLA Car 022♦ – two fuel purchases on the same day without all odometer readings being provided. |
| Date | Location | Odometer | Quantity | $ |
| 30 September 2012 | Katherine | Not stated | 53.78 litres | $80.08 |
| 30 September 2012 | Katherine | 9,700 km | 80.43 litres | $126.57 |

Selected Agencies cont…

* The following fuel purchases appear to be higher than the fuel capacity of the vehicle.

| DLA Car 021[[10]](#footnote-10)♦ – tank capacity of approximately 95 litres or, with long range tanks, 185 litres. |
| --- |
| Date | Odometer | Quantity |
| 22 September 2012 | 12,500 km | 206.96 litres |
|   |
| DLA Car 019♦ – tank capacity of approximately 87 litres or, with long range tanks, 150 litres. Given the age of the vehicle, and both prior and subsequent odometer readings the reading provided on this date was incorrect. |
| Date | Odometer | Quantity |
| 13 August 2012 | 441,972 km | 189.89 litres |
|   |
| DLA Car 002♦ – tank capacity of approximately 87 litres or, with long range tanks, 150 litres. |
| Date | Odometer | Quantity |
| 14 December 2012 | 33,092 km | 187.72 litres |

Selected Agencies cont…

Missing or Incorrect Odometer Readings

There were numerous instances of anomalous transactions recorded by the Agencies as outlined below:

| **Department** | **Transaction Errors** | **Population** | **% of errors at Agency level** |
| --- | --- | --- | --- |
| Aboriginal Areas Protection Authority | 23 | 237 | 10% |
| Department of the Chief Minister | 266 | 2,070 | 13% |
| Department of the Legislative Assembly | 376 | 1,036 | 36% |

Anomalous information included:

* Missing odometer readings possibly due to:
	+ the driver failing to provide an odometer reading;
	+ the console operator not recording the odometer reading provided;
	+ the accounts department of the fuel supplier not providing the odometer reading on the invoice; or
	+ the fuel card not allowing the odometer reading to be recorded.
* Incorrect odometer readings, for example a reading that was lower than the previous reading or is obviously incorrect (e.g. a reading in excess of 100,000 kilometres). This may be due to:
	+ the driver misreading the odometer;
	+ the driver guessing the reading;
	+ the console operator mishearing the reading; or
	+ the console operator mistyping the reading.

Selected Agencies cont…

Acceptable error rate

In analysing the transaction errors I consider an error rate of less than 5 per cent to be reasonable. I also consider an error rate between 6 per cent and 25 per cent to be reasonable when taking into account the probability of some console operator error occurring, however I would recommend that the users of the fuel cards for these vehicles be reminded of the need to provide accurate odometer readings to the fuel supplier.

Even taking into account the probability of some console operator or supplier error I consider an error rate of 26 per cent or greater to be unacceptable.

Aboriginal Areas Protection Authority

7 vehicles at the Authority had what appeared to be the correct odometer readings on more than 95 per cent of the transactions.

6 vehicles had missing or incorrect odometer readings for between 6 per cent and 25 per cent of the transactions.

For the remaining 2 vehicles, errors were noted on more than 26 per cent of the transactions, but there were only 3 transactions for each of these vehicles. Thus the error rate represents only 1 missing odometer reading.

Department of the Chief Minister

44 DCM vehicles had what appeared to be the correct odometer readings on more than 95 per cent of the transactions.

58 vehicles had missing or incorrect odometer readings for between 6 per cent and 25 per cent of the transactions.

For the remaining 19 vehicles errors were noted on more than 26 per cent of the transactions.

Department of the Legislative Assembly

Only 7 DLA vehicles had what appeared to be the correct odometer readings on more than 95 per cent of the transactions.

16 vehicles had missing or incorrect odometer readings for between 6 per cent and 25 per cent of the transactions.

For the remaining 12 vehicles errors were noted on more than 26 per cent of the transactions.

Selected Agencies cont…

The graph below summarises the distribution of missing or incorrect odometer readings for each of the 3 agencies:

Distance Travelled

Vehicles allocated to Members of the Legislative Assembly are provided for “*parliamentary business use; electorate business use; and private use”*[[11]](#footnote-11). Whereas vehicles allocated to Executive Contract officers are “*available for reasonable personal use*”[[12]](#footnote-12). Taking the relevant Determination into account there appears to be no limitation on the private use of vehicles by Members of the Legislative Assembly.

Selected Agencies cont…

The average kilometres per day travelled in respect of the 35 DLA, 117 DCM vehicles, and the 15 vehicles allocated to the Authority that were able to be analysed, is represented in the graph below, taking into account that there are 4 additional ‘multi use’ fuel cards at DCM.

Vehicles that travelled in excess of 60 kilometres per day based on a 7 day week (84 kilometres per day based on a 5 day week) may represent anomalies.

Selected Agencies cont…

Department of the Chief Minister

As noted previously for DCM there were three cards against which only a single transaction was recorded, four multi-use cards, and six cards allocated to vehicles where there was insufficient data to enable the average kilometres travelled per day to be calculated.

Of the remaining 108 vehicles, 13 vehicles travelled in excess of 60 kilometres per day based on a 7 day week (84 kilometres per day based on a 5 day week).

| **Vehicle**  | **Odometer First Reading** | **Odometer Last Reading** | **Distance travelled** | **Days** | **Average km per day** | **Average km per work day** |
| --- | --- | --- | --- | --- | --- | --- |
| DCM Car 066[[13]](#footnote-13)♦ | 22,522 km | 25,785 km |  3,263 km |  30  | 109 km | 153 km |
| DCM Car 037 | 21,097 km | 29,754 km |  8,657 km |  82  | 106 km | 148 km |
| DCM Car 105♦ | 1,161 km | 38,075 km |  36,914 km |  361  | 102 km | 143 km |
| DCM Car 084 | 10,172 km | 23,848 km |  13,676 km |  150  | 91 km | 127 km |
| DCM Car 078 | 5,000 km | 36,314 km |  31,314 km |  351  | 89 km | 125 km |
| DCM Car 101♦ | 33,603 km | 38,478 km |  4,875 km |  57  | 86 km | 120 km |
| DCM Car 089 | 10,680 km | 23,282 km |  12,602 km |  147  | 86 km | 120 km |
| DCM Car 096♦ | 10,940 km | 34,330 km |  23,390 km |  305  | 77 km | 108 km |
| DCM Car 016 | 11,966 km | 38,385 km |  26,419 km  |  351  | 75 km | 105 km |
| DCM Car 099♦ | 234 km | 19,131 km |  18,897 km |  282  | 67 km | 94 km |
| DCM Car 040♦ | 16,785 km | 39,333 km |  22,548 km |  343  | 66 km | 92 km |
| DCM Car 022 | 15,655 km | 24,783 km |  9,128 km |  147  | 62 km | 87 km |
| DCM Car 054 | 12,460 km | 25,547 km |  13,087 km |  217  | 60 km | 84 km |

Selected Agencies cont…

Department of the Legislative Assembly

As noted previously for DLA there was one card against which only a single transaction was recorded, and six cards allocated to vehicles where there was insufficient data to enable the average kilometres travelled per day to be calculated, leaving 28 vehicles that were able to be analysed.

11 of the 28 vehicles able to be analysed travelled in excess of 60 kilometres per day based on a 7 day week (or 84 kilometres per day based on a 5 day week).

| **Vehicle**  | **Odometer First Reading** | **Odometer Last Reading** | **Distance travelled** | **Days** | **Average km per day** | **Average km per work day** |
| --- | --- | --- | --- | --- | --- | --- |
| DLA Car 021[[14]](#footnote-14)♦ |  4,230 km |  86,163 km |  81,933 km |  330  |  248 km |  347 km |
| DLA Car 019♦ |  35,064 km |  48,035 km |  12,971 km |  58  |  224 km  |  314 km |
| DLA Car 016♦ |  0 km |  21,060 km |  21,060 km |  125  |  168 km |  235 km |
| DLA Car 015♦ |  60 km  |  18,400 km |  18,340 km  |  118  |  156 km |  218 km |
| DLA Car 026♦ |  48,520 km |  74,693 km |  26,173 km |  170  |  154 km |  216 km |
| DLA Car 001 |  1,595 km |  55,620 km |  54,025 km |  362  |  149 km |  209 km |
| DLA Car 023♦ |  19,814 km |  70,740 km |  50,926 km |  362  |  140 km |  196 km |
| DLA Car 006♦ |  58,670 km |  65,338 km |  6,668 km |  50  |  133 km |  186 km |
| DLA Car 011♦ |  21,050 km |  45,481 km |  24,431 km |  211  |  116 km |  162 km |
| DLA Car 022♦ |  135 km |  39,668 km |  39,533 km |  346  |  114 km |  160 km |
| DLA Car 014♦ |  743 km |  9,834 km |  9,091 km |  138  |  66 km |  92 km |

Selected Agencies cont…

Fuel Efficiency

The lack of consistent odometer readings for each vehicle hampered my ability to analyse the fuel efficiency of vehicles and therefore there I am unable to highlight particular matters in relation to the fuel efficiency.

Selected Agencies cont…

| The Department of the Legislative Assembly has commented: The following comments are provided for incorporation into the February 2014 Report to the Legislative Assembly in relation to the audit of Selected Agencies - Fuel Cards, in so far as the assessment applies to the Department of the Legislative Assembly (DLA).**1. Status of Assessment**It is noted that Auditor‑General has advised that this assessment does not constitute an audit.**2. Recommendations**The DLA accepts the three recommendations made by the Auditor-General and notes as follows:Monthly Reviews of Fuel PurchasesAs of February 2014 Members of the Legislative Assembly who opt to receive a government supplied vehicle will receive a monthly report on fuel card use relating to the vehicle in their custody (specifically odometer readings at point of sale and small transactions) and the Speaker will table reports on Member fuel card use quarterly in the Legislative Assembly.Fuel card use by DLA staff will also be monitored on a monthly basis.Use of Fuel Cards other than those provided as part of a whole of government ContractAction will be taken during February 2014 to discontinue use of Shell cards by Members of the Legislative Assembly.The Report's comment that Perusal of United fuel card usage at DLA highlighted that there were Ausfuel outlets within a reasonable distance of each United outlet will be the subject of further consideration and analysis within the DLA and briefing to the Speaker for consideration as to whether further change is warranted.The DLA comments further on this matter below. |
| --- |

Selected Agencies cont…

| The Department of the Legislative Assembly has commented (cont…): Distance Travelled and Reasonable UseExcept in the case of Members of the Legislative Assembly who are provided government supplied vehicles for parliamentary business use, electorate business use and private use on request under the Remuneration Tribunal Determination (RTD Clause 7.1) the DLA will monitor the distance travelled in the context of 'reasonable use' of vehicles made available to officers of the Department, noting the existing conditions of the employment contract for Executive Contract Officers permits reasonable private use with no limit specified on fuel purchases or distance travelled within the Northern Territory.**3 DLA Comment on use of Multiple Fuel Cards by Members of the Legislative Assembly** The Report contains a statement from the Auditor-General as follows:“I have not been presented with compelling explanations as to why multiple cards have been issued against individual vehicles particular when taking into consideration the Ausfuel cards are accepted by Shell outlets.”The Office of the Auditor‑General was provided with an explanation (during December 2013) of why multiple cards have been issued to Members. While subjectively considered not compelling, it is worth re-stating.The explanation is:* Members of the Legislative Assembly have a vehicle entitlement available pursuant to Clause 7.1 of the Remuneration Tribunal Determination No 1 of 2013 (RTD) for electorate business, parliamentary business and for personal use.
* Members are not government (NTG) employees.
* NTG employee vehicles are issued the standard government contract fuel card which during the assessment period (from 1 July 2012 to 30 June 2013) was a BP card for the first six months.
* During the assessment period it is understood that (unlike the new Ausfuel card) the BP card was not routinely accepted at Shell outlets.
 |
| --- |

Selected Agencies cont…

| The Department of the Legislative Assembly has commented (cont…): * The BP card had insufficient coverage for remote and Territory-wide Member use.
* Members are provided more fuel card options because Members routinely travel Territory-wide and require maximum coverage.
* By December 2012 Ausfuel cards could be used at 71 outlets in the Northern Territory which was to be extended to 91 outlets by December 2013
* Members' entitlements are administered by the Speaker pursuant to the RTD and the Speaker's capacity to make administrative arrangements under the authority of the RTD includes additional fuel cards being made available.
* During October 2012, the Speaker requested the DLA offer Members an additional fuel card (United) to ensure Member convenience when on the road for electorate and parliamentary business.
* At the time neither Speaker nor the Clerk or Deputy Clerk advising the Speaker, were aware of the proposed NTG contract change from BP to Ausfuel which would result in more coverage.

Notwithstanding the above explanation, the DLA in consultation with the Speaker has noted the overlap in Shell cards and Ausfuel cards identified by the Auditor-General which came into effect halfway through the assessment period and has decided to discontinue Shell cards.When undertaking analysis concerning whether to retain United cards, the convenience for Members to undertake their duties on behalf of their constituents will be the key consideration as to whether Members can rely solely on Ausfuel sites to undertake their work across the Northern Territory. |
| --- |

Selected Agencies cont…

| The Department of the Legislative Assembly has commented (cont…): **4. DLA Comment on Use of Vehicle Maintenance Orders (VMOs)**The lack of Territory-wide fuel card coverage (outlined above) has previously resulted in the use of Vehicle Maintenance Orders (VMOs) for purchase of fuel at remote locations.The Speaker determined prior to the DLA receiving the Draft Report that VMOs are no longer available for Members to purchase fuel and Members have been advised accordingly.**5. DLA Comment on Fuel Cards and Sold Vehicles**The Report raises a concern about fuel cards being used for new vehicles after the vehicle they were issued against was sold.To avoid this, the DLA now requires the surrender of the previous fuel card before a new vehicle will be issued. While this may result in some inconvenience to Members given the time it may take for NT Fleet to have new fuel cards issued for their new vehicle, any legitimate cost incurred will be reimbursed.**6. Distance Travelled**Notwithstanding that recommendation three in the Report specifically excludes Members of the Legislative Assembly some of the content of the Report potentially casts a shadow where it says:“Vehicles that travelled in excess of 60 kilometres per day based on a 7 day week may represent anomalies.”It is not clear what this means nor what anomalies may be represented.Members have no set working days (certainly not restricted to five days a week) and the RTD does not limit vehicle usage by distance travelled so as not to constrain Members when conducting their duties. |
| --- |

Territory Discoveries

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

Territory Discoveries is a Government Business Division established to increase the exposure of, and potential economic returns to, the Northern Territory tourism industry, particularly small to medium sized operators. Territory Discoveries develops travel, tour and accommodation packages for sale in 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 2013 resulted in an unqualified independent audit opinion, which was issued on 27 September 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Events Since the Completion of the Audit

On 19 November 2013 the Minister for Tourism announced that the AOT Group will take over the licence to operate Territory Discoveries under an agreement that will run for three years. The AOT Group will have the option to take full ownership of Territory Discoveries after three years following the expiry of the licencing agreement.

Territory Discoveries cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| **Income** |  |  |
| Government grants  | 1,403 | 1,403 |
| Sales of goods and/or services | 2,932 | 2,810 |
| Community service obligation | 1,041 | 1,016 |
| Other | 228 | 311 |
| **Total income**  | **5,604** | **5,540** |
| **Expenditure** |  |  |
| Operational costs | (3,455) | (3,305) |
| Employee expenses | (2,191) | (2,277) |
| Depreciation and amortisation | (1) | (1) |
| **Total expenditure**  | **(5,647)** | **(5,583)** |
| **Surplus/(deficit) before income tax expense**  | **(43)** | **(43)** |
| Income tax expense  | - | - |
| **Surplus/(deficit) after income tax expense** | **(43)** | **(43)** |

Territory Discoveries cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Cash and cash equivalents | 7,279 | 6,684 |
| Receivables and other current assets | 65 | 37 |
| Less current liabilities | (4,152) | (3,483) |
| **Working capital** | **3,192** | **3,238** |
| Add non-current assets | 10 | 11 |
| Less non-current liabilities | (19) | (23) |
| **Net assets** | **3,183** | **3,226** |
| Represented by:  |  |  |
| Accumulated losses | (2,494) | (2,451) |
| Contributed equity | 5,677 | 5,677 |
| **Equity** | **3,183** | **3,226** |

Territory Insurance Office

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Territory Insurance Office (TIO) is established by the *Territory Insurance Office Act* and 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;
* administer a Motor Accident Compensation (MAC) 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 Government.

Audit Opinion

The audit of the Territory Insurance Office for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 25 September 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Territory Insurance Office cont…

Prudential Review

In 2007‑08 the Treasurer issued a Determination pursuant to section 7 of the *Territory Insurance Office Act*. That Determination requires TIO to comply with prudential standards issued by the Australian Prudential Regulatory Authority (APRA). Thus while TIO may lie outside the jurisdiction of APRA, the effect of the Treasurer’s Determination is to subject TIO to the same level of prudential regulation that applies to other insurers and Authorised Deposit‑Taking Institutions.

For the purposes of the Determination, the Auditor-General has been deemed to be the ‘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 2012-13 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.

Performance Overview

The MAC Fund surplus increased from $1.31 million in 2011-12 to $83.80 million for 2012-13. The after tax profits of TIO’s insurance and banking operations also increased from $7.06 million in 2011-12 to $16.73 million in 2012-13.

The improved financial performance of both the insurance and banking, and MAC segments of TIO is a reflection of a significant fall in the claims expense for both the insurance and banking, and MAC segments of the business for 2012-13. The decline in the claims expense followed an actuarial assessment of TIO’s outstanding claims liability.

The TIO Board recommended that a dividend of $10.5 million be paid to the Northern Territory Government based upon the 2012-13 year’s results.

Territory Insurance Office cont…

Financial Performance for the year

|  |  |  |  |
| --- | --- | --- | --- |
|  | **TIO Insurance & Banking** | **MAC Fund** | **TIO****(consolidated)** |
|  | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
|  | $’m | $’m | $’m | $’m | $’m | $’m |
| **Underwriting result**  |  |  |  |  |  |  |
| Net premium revenue | 71 | 63 | 64 | 60 | 135 | 123 |
| Net claims expense | (41) | (53) | (15) | (93) | (56) | (146) |
| Acquisition costs | (6) | (5) | - | - | (6) | (5) |
| **Underwriting result** | **24** | **5** | **49** | **(33)** | **73** | **(28)** |
| **Non-underwriting revenues and expenses**  |
| **Investment revenue** |  |  |  |  |  |  |
| Interest receivable | 39 | 44 | 8 | 9 | 47 | 53 |
| Change in value of investments | (3) | 5 | 20 | 18 | 17 | 23 |
| Gain on disposal of investments | 8 | 2 | 4 | 4 | 12 | 6 |
| Other investment income | 3 | 4 | 14 | 14 | 17 | 18 |
| **Total investment revenue** | **47** | **55** | **46** | **45** | **93** | **100** |
| **Other revenue and expenses** |
| Other revenue # | 6 | 6 | 1 | 1 | 7 | 7 |
| Borrowing costs | (23) | (30) | - | - | (23) | (30) |
| Other costs and depreciation# | (31) | (26) | (13) | (13) | (44) | (39) |
| **Total other revenue and expenses** | **(48)** | **(50)** | **(12)** | **(12)** | **(60)** | **(62)** |
| **Non-underwriting result** | **(1)** | **5** | **34** | **33** | **33** | **38** |
| **Profit/(loss) before tax** | **23** | **10** | **83** | **-** | **106** | **10** |
| Tax and other comprehensive income | (6) | (3) | 1 | 1 | (5) | (2) |
| **Comprehensive income after tax** | **17** | **7** | **84** | **1** | **101** | **8** |

# includes inter-business unit charges
Note: Totals may not add due to rounding.

Territory Insurance Office cont…

Financial Position at year end

|  |  |  |  |
| --- | --- | --- | --- |
|  | **TIO Insurance & Banking** | **MAC Fund** | **TIO(consolidated)** |
|  | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
|  | $’m | $’m | $’m | $’m | $’m | $’m |
| **Assets** |  |  |  |  |  |  |
| Cash and cash equivalents | 21 | 22 | 5 | 7 | 26 | 29 |
| Trade and other receivables **\*** | 61 | 59 | 3 | 2 | 64 | 61 |
| Other financial assets | 244 | 233 | 514 | 448 | 758 | 681 |
| Intangible assets | 1 | 2 | - | - | 1 | 2 |
| Loans | 531 | 522 | - | - | 531 | 522 |
| Reinsurance and other recoveries | 30 | 37 | 31 | 35 | 61 | 72 |
| Property, plant and equipment | 14 | 14 | 34 | 33 | 48 | 47 |
| Deferred reinsurance expense | 23 | 21 | - | - | 23 | 21 |
| Deferred acquisition costs | 5 | 4 | - | - | 5 | 4 |
| Current tax assets | - | - | - | - | - | - |
| Deferred tax assets | 4 | 4 | - | - | 4 | 4 |
| **Total assets \*** | **934** | **918** | **587** | **525** | **1,521** | **1,443** |
| **Liabilities** |  |  |  |  |  |  |
| Outstanding claims liability | (124) | (140) | (304) | (331) | (428) | (471) |
| Trade and other payables **\*** | (27) | (29) | (4) | (2) | (31) | (31) |
| Deposits | (477) | (502) | - | - | (477) | (502) |
| Borrowings | (50) | - | - | - | (50) | - |
| Tax liabilities | (7) | (4) | - | - | (7) | (4) |
| Provisions | (5) | (5) | - | - | (5) | (5) |
| Unearned premium liability | (74) | (69) | (31) | (28) | (105) | (97) |
| Securitisation liabilities | (41) | (53) | - | - | (41) | (53) |
| **Total liabilities \*** | **(805)** | **(802)** | **(339)** | **(361)** | **(1,144)** | **(1,163)** |
| **Net assets** | **129** | **116** | **248** | **164** | **377** | **280** |

\* includes inter-business unit’s debtor/creditors

Territory Wildlife Parks

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Territory Wildlife Parks (TWP) is a Government Business Division that operates the Territory Wildlife Park at Berry Springs and the Alice Springs Desert Park. The TWP has required ongoing financial support, through its host Agency, to enable it to meet its operating expenses.

The host Agency was the Parks and Wildlife Commission of the Northern Territory.

Audit Opinion

The audit of Territory Wildlife Parks for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 11 October 2013.

Key Findings

Whilst the audit did not identify any material weaknesses in controls it is notable that TWP has recorded financial deficits since its inception and that it continues to rely upon financial support in the form of Community Service Obligations to enable it to manage its cash flow requirements.

TWP incurred an operating loss of $1.85 million for 2012-13 in comparison to a deficit of $2.29 million in 2011-12. This loss again calls into question the viability of the entity in the medium to longer term.

It is noted that visitor numbers have decreased significantly over the last few years as shown in the table below. Despite this continued drop in visitor numbers ‘entry fee’ revenue for 2013 showed a slight increase due to the increase in admission prices being charged.

|  | **2008-09** | **2009-10** | **2010-11** | **2011-12** | **2012-13** |
| --- | --- | --- | --- | --- | --- |
| Visitors | 143,775 | 140,854 | 129,933 | 116,954 | 104,177 |

Territory Wildlife Parks cont…

Territory Wildlife Parks’ expenses for the 2012-13 year decreased due to a reduction in the repairs and maintenance program and staffing levels. The repairs and maintenance program incurred the most significant decrease due there being a significant amount of ‘one-off’ funding for ‘urgent work’ in 2011-12 that did not occur in 2012-13.

|  | **2008-09$000’s** | **2009-10$000’s** | **2010-11$000’s** | **2011-12$000’s** | **2012-13$000’s** |
| --- | --- | --- | --- | --- | --- |
| Repairs & Maintenance | 650 | 666 | 998 | 1,884 | 832 |

Equity as at 30 June 2013 was $23.56 million, a decrease of $1.17 million over the previous year. This result was a combination of $0.68 million transferred into the Territory Wildlife Parks for completed infrastructure works offset by the 2013 operating loss of $1.85 million.

Territory Wildlife Parks cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $,000 |
| **Income** |  |  |
| Community Service Obligations | 7,915 | 9,418 |
| Sales of goods and services | 2,154 | 2,059 |
| Other revenues | 19 | 50 |
| **Total income** | **10,088** | **11,527** |
| **Expenditure**  |  |  |
| Employee expenses | (5,820) | (6,321) |
| Depreciation and amortisation | (1,759) | (1,719) |
| Other expenses  | (4,363) | (5,781) |
| **Total expenditure**  | **(11,942)** | **(13,821)** |
| **Surplus/(deficit) before income tax expense**  | **(1,854)** | **(2,294)** |

Territory Wildlife Parks cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2012 |
|  | $’000 | $’000 |
| Current Assets | 720 | 1,035 |
| Less current liabilities | (1,001) | (1,196) |
| **Working capital** | **(281)** | **(161)** |
| Add non-current assets | 24,037 | 25,117 |
| Less non-current liabilities | (194) | (221) |
| **Net assets** | **23,562** | **24,735** |
| Represented by:  |  |  |
| Accumulated losses | (16,062) | (14,208) |
| Contributed equity | 20,878 | 20,197 |
| Asset revaluation reserve | 18,746 | 18,746 |
| **Equity** | **23,562** | **24,735** |

Top End Hospital Network

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Top End Hospital Network (the Network) was established as a local hospital network pursuant to the National Health Reform Agreement and the *Hospital Networks Governing Councils Act 2012*. That Act also deemed the Network to be a Government Business Division for purposes of the *Financial Management Act*.

The Network comprises the Royal Darwin, Gove and Katherine hospitals and is funded predominantly by national health reform payments paid through the Department of Health.

Audit Opinion

The audit of the Top End Hospital Network for the year ended 30 June 2013 resulted in an unqualified independent audit opinion, which was issued on 9 October 2013.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

This was the first year of activity for the Network.

Top End Hospital Network cont…

Financial Performance for the year

|  |  |  |
| --- | --- | --- |
|  |  | 2013 |
|  |  | $’000 |
| **Income**  |  |  |
| Sales of goods and/or services |  | 257,159 |
| Current grants and subsidies |  | 297,140 |
| Other |  | 1,830 |
| **Total income**  |  | **556,129** |
| **Expenditure**  |  |  |
| Employee expenses |  | (304,251) |
| Repairs and maintenance |  | (13,534) |
| Supplies and services |  | (210,270) |
| Depreciation and amortisation |  | (18,310) |
| Current grants and subsidies |  | (16,556) |
| **Total expenditure**  |  | **(562,921)** |
| **Surplus/(deficit) before income tax expense**  |  | **(6,792)** |
| Income tax expense  |  | - |
| **Surplus/(deficit) after income tax expense** |  | **(6,792)** |

Top End Hospital Network cont…

Financial Position at year end

|  |  |  |
| --- | --- | --- |
|  |  | 2013 |
|  |  | $’000 |
| Cash and cash equivalents |  | 13,192 |
| Receivables and other current assets |  | 22,100 |
| Less current liabilities |  | (68,696) |
| **Working capital** |  | **(33,404)** |
| Add non-current assets |  | 416,492 |
| Less non-current liabilities |  | (12,416) |
| **Net assets** |  | **370,672** |
| Represented by:  |  |  |
| Accumulated funds |  | (6,792) |
| Asset revaluation surplus |  | 180,704 |
| Capital |  | 196,760 |
| **Equity** |  | **370,672** |

Treasurer’s Annual Financial Statement

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2013

Background

The Treasurer’s Annual Financial Statements (TAFS) are required to be prepared by the Treasurer pursuant to section 9 of the *Financial Management Act*.

The TAFS comprise separate sets of financial statements prepared for each of:

* the General Government Sector;
* the Public Non-Financial Corporation Sector;
* the Non-Financial Public Sector;
* the Public Financial Corporation Sector; and
* the Total Public Sector.

Audit Opinion

My audit opinion on the Treasurer’s Annual Financial Statement for 2012‑13, which was issued on 11 October 2013, was qualified because of uncertainty surrounding the valuation of work in progress in relation to the Strategic Indigenous Housing and Infrastructure Program.

Discussion

The compilation of the TAFS is a complex process that is undertaken by the Department of Treasury and Finance. It requires the consolidation of the financial statements of each entity that is deemed to be controlled by the Northern Territory, with the General Government and Public Non-Financial Corporation sectors being consolidated to form the Non-Financial Public Sector. The Non-Financial Public Sector is then consolidated with the Public Financial Corporation Sector to form the Total Public Sector. During the consolidation process all intra-entity balances for each sector are eliminated so that each set of statements reflects the results of transactions with the other sectors, or in the case of the Total Public Sector, with the “outside world”.

The principles that underpin the TAFS are set down by the *Fiscal Integrity and Transparency Act* which requires that the Government Finance Statistics (GFS) be used and those requirements form the basis of the Uniform Presentation Framework that has been adopted by each jurisdiction in the interest of consistency of financial reporting by governments in Australia.

Treasurer’s Annual Financial Statement cont…

Financial statements prepared in accordance with GFS requirements include measures of financial performance and position.

**Net Operating Balance** – a measure of financial performance calculated as the excess of revenues over expenses. The Net Operating Balance is a measure of the sustainability of a government.

**Net Lending/Borrowing** – a measure of financial performance sometimes referred to as Fiscal Balance and calculated as the Net Operating Balance less the net acquisition of non-financial assets. It is a measure of the extent to which a government is either putting financial resources at the disposal of other sectors in the economy or utilising the financial resources generated by other sectors.

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

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

**Net Debt** – a measure of financial position comprising certain financial liabilities less financial assets. The items included in this measure are discussed in some detail in the Budget Papers.

**Net Financial Liabilities** – a measure that is broader than net debt as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). This measure is used only in the case of the General Government Sector.

The comments that follow are confined to the General Government sector. The sector is arguably the most important sector of government. It is that sector that is funded largely through taxation and on that basis alone deserves to be considered, but it is also the sector that is responsible for the provision of those services that the community commonly associates with the role of a government.

Treasurer’s Annual Financial Statement cont…

The financial performance of the General Government Sector, as measured by Net Operating Balance, deteriorated during 2012-13 when compared with the prior year. Whereas the Net Operating Balance for 2011-12 was a surplus of $175.5 million the result for 2012-13 was a deficit of $101.1 million. The causes of this deterioration were increased expenses which rose by 3.3 per cent to $4,889.7 million and lower revenues which declined by 2.4 per cent to $4,788.5 million.

The largest component of expense growth was employee expenses which increased by 5.3 per cent to $1,894.3 million; the lowest rate of growth for this expense category for several years. The decline in revenue was largely the result of a decline of $309.2 million in the value of capital grants received from the Commonwealth and this decline can be attributed to the completion of Commonwealth funded programs.

In contrast to the Net Operating Balance result, the Fiscal Balance result improved from a deficit of $467.1 million for 2011-12 to a deficit of $356.9 million for 2012-13 and this improvement is attributable to a decline in the value of purchases of non-financial assets during the year.

The financial position of the General Government Sector, as measured by its Net Debt, deteriorated by $196.7 million for the year largely as a result of an increase of $557.7 million in borrowings and $109.7 million in advances received, offset by increases of $233.9 million in investments, $139.2 million in deposits and $97.6 million in cash and advances.

Net Financial Worth improved by $356.1 million when compared with the position at 30 June 2012. This result is an extension of Net Debt and the improvement in this case is attributable to increase of $340.23 million in the value of equity in other sectors that comprise the total public sector, together with a decline in the value of the liability for superannuation at 30 June 2013.

Net Financial Liabilities declined by $15.8 million for the year reflecting the growth in borrowings and advances that have been referred to above, offset by a decline in deposits held and increases in holdings of cash, advances and investments.

Treasurer’s Annual Financial Statement cont…

Net Worth increased by $860.6 million as a result of an increase of $398.8 million in the value of property, plant and equipment held by the sector 30 June 2013 when compared with the position at 30 June 2012, together with the effects of the changes in the holdings of different classes of assets and liabilities that occurred during the year.

The components of the financial position of the General Government Sector and the movements for the year are shown in the following table:

**General Government Sector - Components of Financial Position**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Balance at****30 June 2013****$’million** | **Movement for 2012-13****$’million** | **Balance at****30 June 2012****$’million** |
| Cash and deposits | 413.6 | 35.7 | 377.9 |
| Advances paid | 230.6 | 61.9 | 168.7 |
| Investments, loans and placements | 1,269.8 | 233.9 | 1,035.9 |
| Deposits held | (665.0) | 139.2 | (804.2) |
| Advances received | (378.3) | (109.7) | (268.6) |
| Borrowings | (2,700.2) | (557.7) | (2,142.5) |
| **Net debt** | **(1,829.5)** | **(196.7)** | **(1,632.8)** |
| Other non-equity financial assets | 153.4 | (57.9) | 211.3 |
| Equity assets | 2,849.9 | 340.2 | 2,509.7 |
| Superannuation liabilities | (3,495.1) | 302.6 | (3,797.7) |
| Other employee entitlements and provisions | (562.2) | (17.3) | (544.9) |
| Other non-equity liabilities | (313.4) | (14.8) | (298.6) |
| **Net financial worth** | **(3,196.9)** | **356.1** | **(3,553.0)** |
| Less: Equity assets | (2,849.8) | (340.3) | (2,509.5) |
| **Net financial liabilities** | **(6,046.7)** | **15.8** | **(6,062.5)** |
| Net carrying amounts of non-financial assets | 11,065.2 | 504.7 | 10,560.5 |
| Equity assets | 2,849.9 | 340.2 | 2,509.7 |
| **Net worth** | **7,868.4** | **860.7** | **7,007.7** |

 Appendices

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Appendix 1: Audit Opinion Reports Issued Since 30 June 2013

Financial Statements for the year ended 30 June 2013

|  | Date 2012-13FinancialStatementstabled toLegislativeAssembly | Date ofAudit ReportYear ended30 June 2013 | Date ofAudit ReportYear ended30 June 2012 |
| --- | --- | --- | --- |
| Central Australian Hospital Network | 17 October 13 | 9 October 13 | N/A |
| Cobourg Peninsula Sanctuary and Marine Park Board | Not yet tabled | 26 November 13 | 20 May 13 |
| Common Funds of the Public Trustee | Not yet tabled | 3 December 13 | 9 November 12 |
| Construction Division | 26 November 13 | 18 October 13 | 16 October 12 |
| Darwin Bus Service | 17 October 13 | 3 October 13 | 22 October 12 |
| Darwin Port Corporation | 17 October 13 | 30 September 13 | 28 September 12 |
| Darwin Waterfront Corporation | 5 December 13 | 16 October 13 | 19 October 12 |
| Data Centre Services | 17 October 13 | 9 October 13 | 28 September 12 |
| Desert Knowledge Australia | 5 December 2013 | 4 November 13 | 26 November 12 |
| Government Printing Office | 17 October 13 | 9 October 13 | 28 September 12 |
| Indigenous Essential Services Pty Ltd | 17 October 13 | 30 September 13 | 26 September 12 |
| Jabiru Town Development Authority | Not Required | 3 December 13 | 4 December 12 |
| Land Development Corporation | 5 December 2013 | 2 October 13 | 20 November 12 |
| Legislative Assembly Members’ Superannuation Fund | 17 October 13 | 1 October 13 | 3 October 12 |
| Nitmiluk (Katherine Gorge) National Park Board | Not yet tabled | 8 November 13 | 6 December 12 |
| Northern Territory Government and Public Authorities Employees’ Superannuation Fund | 17 October 13 | 1 October 13 | 5 October 12 |

Not required – Financial statements are not required to be tabled
Not yet tabled – as at 31 January 2014
N/A – Not applicable

Appendix 1: Audit Opinion Reports Issued Since 30 June 2013 cont…

Financial Statements for the year ended 30 June 2013 cont…

|  | Date 2012-13FinancialStatementstabled toLegislativeAssembly | Date ofAudit ReportYear ended30 June 2013 | Date ofAudit ReportYear ended30 June 2012 |
| --- | --- | --- | --- |
| Northern Territory Grants Commission | 4 December 13 | 18 October 13 | 18 October 12 |
| Northern Territory Legal Aid Commission  | Not yet tabled | 15 November 13 | 30 November 12 |
| Northern Territory Major Events Company Pty Ltd | Not required | 20 December 13 | 26 March 13 |
| Northern Territory Police Supplementary Benefit Scheme | Not required | 1 October 13 | 3 October 12 |
| Northern Territory Treasury Corporation | 17 October 13 | 30 September 13 | 28 September 12 |
| NT Build | 5 December 2013 | 9 October 13 | 18 September 12 |
| NT Fleet | 17 October 13 | 9 October 13 | 28 September 12 |
| NT Home Ownership | 17 October 13 | 11 October 13 | 18 October 12 |
| Power and Water Corporation | 17 October 13 | 30 September 13 | 26 September 12 |
| Surveyors Board of the Northern Territory of Australia | 5 December 2013 | 23 October 13 | 17 October 12 |
| Territory Discoveries | 5 December 2013 | 27 September 13 | 9 October 12 |
| Territory Insurance Office | 17 October 13 | 25 September 13 | 27 September 12 |
| Territory Wildlife Parks | 15 October 13 | 11 October 13 | 27 September 12 |
| Top End Hospital Network | 17 October 13 | 9 October 13 | N/A |
| Treasurer’s Annual Financial Statement | 17 October 13 | 11 October 13 | 25 October 12 |

Not required – Financial statements are not required to be tabled
Not yet tabled – as at 31 January 2014
N/A – Not applicable

Appendix 1: Audit Opinion Reports Issued Since 30 June 2013 cont…

Acquittals or Other Returns - for the year ended 30 June 2013

|  | Deadline for submission of Audited Financial Statements | Date ofAudit ReportYear ended30 June 2013 | Date ofAudit ReportYear ended30 June 2012 |
| --- | --- | --- | --- |
| *Interstate Road Transport Act 1985* | 31 December 13 | 12 December 13 | 19 December 12 |
| Local Government Financial Assistance | Not specified | 26 September 13 | 5 October 12 |
| *Nation Building Program (National Land Transport) Act* : |  |  |  |
| Nation Building Program | 31 December 13 | 12 December 13 | 4 March 13 |
| Road Safety (Black Spot)  | 31 December 13 | 3 December 13 | 19 December 12 |
| Roads to Recovery  | 31 October 13 | 31 October 13 | 12 February 13 |
| Natural Disaster Relief and Recovery Arrangements | N/A | N/A | 12 December 12 |
| Territory Insurance Office: |  |  |  |
| MAC Business Annual Return | 31 October 13 | 30 October 13 | 31 October 12 |
| Insurance Business Annual Return | 31 October 13 | 30 October 13 | 31 October 12 |
| Banking Business Annual Return | 31 October 13 | 30 October 13 | 31 October 12 |

Not specified – No deadline specified
N/A – Not applicable

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Appendix 2: Status of Audits which were Identified to be Conducted in the Six Months to 31 December 2013

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 and other tasks, were identified in Appendix 3 of the August 2013 as being scheduled for the period:

|  |
| --- |
| Department of Arts and Museums |
| Collections Management | Not yet completed |
| Department of Corporate and Information Services |  |
| IT Strategy and Governance | Cancelled |
| Department of Housing |  |
| Tenancy Management System | No matters to report |
| Department of Transport |  |
| IT Review of the Motor Vehicle Registry System (Movers) | No matters to report |
| Tourism NT |  |
| IT audit of Calypso | Cancelled |
| Selected Agencies |  |
| Fuel Cards | Refer page 89 |
|  |  |

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Appendix 3: Proposed Audit Activity in the Six Months Ending 30 June 2014

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:

|  |
| --- |
| Department of Corporate and Information Services |
| IT review of the Electronic Invoice Management System |
| Department of the Attorney General and Justice |
| IT review of the Trust Accounting Database |
| Northern Territory Police, Fire and Emergency Services |
| IT review of the Police Real-time Online Management and Investigation System |

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Appendix 4: Overview of the Approach to Auditing the Public Account and Other Accounts

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

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

What is the Public Account?

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

* the Central Holding Authority; and
* Operating accounts of Agencies and Government Business Divisions.

Audit of the Public Account

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

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

Appendix 4: Overview of the Approach to Auditing the Public Account and Other Accounts cont…

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

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

Other accounts

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

Audit of the Treasurer’s Annual Financial Statement

Using information about the effectiveness of internal controls identified in the overall control environment review, Agency Compliance Audits and financial statement audits, an audit approach is designed and implemented to substantiate 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: Abbreviations

|  |  |
| --- | --- |
| APRA | Australian Prudential Regulatory Authority |
| CSO | Community Service Obligation |
| CSS | Commonwealth Superannuation Scheme |
| DBS | Darwin Bus Service |
| DCS | Data Centre Services |
| DKA | Desert Knowledge Australia |
| GFS | Government Finance Statistics |
| GPO | Government Printing Office |
| IT | Information Technology |
| JTDA | Jabiru Town Development Authority |
| MAC Fund | Motor Accidents Compensation Fund |
| TAFS | Treasurer’s Annual Financial Statement |
| TIO | Territory Insurance Office |
| TWP | Territory Wildlife Parks |

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1. ♦ Vehicle allocated to a Member of the Legislative Assembly or their office [↑](#footnote-ref-1)
2. ♦ Vehicle allocated to a Member of the Legislative Assembly or their office [↑](#footnote-ref-2)
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9. ♦ Vehicle allocated to a Member of the Legislative Assembly or their office [↑](#footnote-ref-9)
10. ♦ Vehicle allocated to a Member of the Legislative Assembly or their office [↑](#footnote-ref-10)
11. Northern Territory of Australia, Remuneration Tribunal, Report on the Entitlements of Assembly Members and Determination No. 1 of 2012 [↑](#footnote-ref-11)
12. *Public Sector Employment and Management Act*, Determination 13 of 2011 [↑](#footnote-ref-12)
13. ♦ Vehicle allocated to a Member of the Legislative Assembly or their office [↑](#footnote-ref-13)
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