



Auditor-General for the Northern Territory
Auditing for Parliament

February 2015 Report to the Legislative Assembly



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Northern Territory Auditor-General's Office

Auditing for Parliament

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

17 February 2015

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 2014 and I request that you table the report in the Legislative Assembly on the next sitting day.

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 is set out in various Acts of Parliament.

The process of annual financial reporting by Agencies is an important part of their accountability to the Parliament for managing the resources under their control. This report is intended to assist the process of accountability by providing analysis of financial results and by drawing Parliament's attention to matters of interest.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Julie Crisp'.

Julie Crisp
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 2014 to 31 December 2014. The results of 29 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 2013-14 financial year.

This report summarises the results of the following types of audits and legislated tasks conducted during the period 1 July 2014 to 31 December 2014:

- Statutory Audits of Financial Statements;
- End of Year Reviews;
- Information Technology Audits;
- Controls and Compliance Audits; and
- *Public Information Act* Referrals.

There were no Performance Management System Audits completed during the period 1 July 2014 to 31 December 2014.

Agencies and Entities are provided with the opportunity to comment on any of the matters reported. Where they choose to do so, their responses are detailed at the end of the respective section.

Qualified Opinion

One qualified audit opinion was issued against financial statements for the year ended 30 June 2014.

The qualified audit opinion 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 Northern 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 have commenced in the Northern Territory.

Auditor-General's Overview cont...

Emphasis of Matter

An emphasis of matter was included in the audit opinion issued on the financial statements for the year ended 30 June 2014 for the Jabiru Town Development Authority.

“Moratorium on loan repayments

The Authority refers to its expectation of the continuation of the indefinite moratorium on the Authority's future interest and principal 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.”

It should be noted that the continued deficits incurred by the Authority also call into question the appropriateness of the Authority continuing to account on a going concern basis, particularly in light of the worsening net liability position.

The Role and Responsibilities of the Auditor-General

The Auditor-General's powers and responsibilities are established in the *Audit Act* by the Northern Territory's Parliament, the Legislative Assembly. The Auditor-General is required to report to the Legislative Assembly at least once each year on any matters arising from the exercise of the auditing powers established in that Act.

In doing so, the Auditor-General is providing information to the Parliament to assist its review of the performance of the Executive Government, particularly the Government's responsibility for the actions of the public sector entities which administer its financial management and performance management directives. The Parliament has a responsibility to conduct this review as the representative of the people of the Northern Territory.

The Auditor-General is also able to report to management of public sector entities on matters arising from the conduct of audits.

Reports provided to Parliament and public sector managers should be recognised as a useful source of independent analysis of Government information, and of the systems and controls underpinning the delivery of that information.

The Auditor-General is assisted by personnel of the Northern Territory Auditor-General's Office who plan audits and tasks conducted predominantly by private sector Authorised Auditors.

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.

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.

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

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 Treasurer's Annual Financial Statement are in accordance with the disclosure requirements adopted by the Treasurer, and are within acceptable materiality.

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

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 for audit. 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 Legislative 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.

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

Timing of Auditor-General's Reports to the Legislative Assembly

The *Audit Act* requires the Auditor-General to report to the Legislative Assembly at least once each year. Established practice has been for reports to be submitted twice each year.

Each report may contain findings from financial statement audits, agency compliance audits, information technology audits, controls and compliance audits, performance management system audits and findings from any special reviews conducted.

Where there are delays in Agencies or Entities completing financial statements and resultant delays occur in the audit, it is sometimes necessary to comment on these activities in the next report.

Results of any reviews of referred information under the *Public Information Act* are included when the reviews are concluded.

The approximate timing and the contents of reports to the Legislative Assembly are:

- First half of the calendar year – contains commentary on Agencies and Entities with a 30 June financial year-end being 30 June of the previous calendar year. Material is included depending on when each audit is completed. The report also contains commentary on the Auditor-General's audit of the Treasurer's Annual Financial Statement.
- Second half of the calendar year – contains commentary on Agencies and Entities with a 31 December year-end being 31 December of the previous calendar year together with the results of information technology audits, compliance audits and audits of performance management systems. Material is included depending on when each audit is completed.

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Guide to Using this Report

Auditing

There are two general varieties of auditing undertaken in the Northern Territory Public Sector, independent auditing and internal auditing. Only independent audits are undertaken through the Office of the Auditor-General. I, and my principal auditors (as my representatives), do attend meetings of Agencies' audit and risk committees where invited, but only in the role of observer.

Independent Audit (also known as External Audit)

Independent audits are generally undertaken in order for an entity to achieve compliance with statutory or legal arrangements. Independent audits may be mandated by legislation or be required by a contractual arrangement. The audit work and resultant opinion is undertaken by an individual or entity independent of the Agency or Entity subjected to audit. These audits can take the form of financial statements audits, compliance audits or performance audits.

Internal Audit

Treasurer's Direction Part 3, Section 2 requires an Accountable Officer to ensure his/her Agency has an adequate internal audit capacity. Internal audit is a management tool designed to provide assurance to the Accountable Officer that systems and internal controls operating within Agencies are adequate and effective. It carries out its functions by undertaking audits, reviews and other related tasks for improving the performance of organisations. The selection of audit topics, risk management and audit framework and delivery of internal audit services are the responsibility of the Accountable Officer.

Guide to Using this Report cont...

Types of Financial Reports

Financial reports submitted for independent audit are prepared under either a general purpose or special purpose framework.

General Purpose Financial Report

A general purpose financial report comprises a complete set of financial statements, including the related notes, and an assertion statement by those responsible for the financial report, prepared in accordance with a financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.

Special Purpose Financial Report

A special purpose financial report comprises a complete set of financial statements, including the related notes, and an assertion statement by those responsible for the financial report, prepared in accordance with a special purpose framework. The requirements of the applicable financial reporting framework determine the format and content of a financial report prepared in accordance with a special purpose framework.

Types of Assurance Engagements

The amount of audit work performed, and the resultant independent opinion, varies between an audit and a review. The level of assurance provided by the opinion is either reasonable or limited.

Reasonable Assurance

A reasonable assurance engagement is commonly referred to as an audit. A reasonable assurance engagement is an assurance engagement where the auditor is required to perform sufficient work to reduce the risk of misstatement to an acceptably low level in order to provide a positive form of conclusion.

Limited Assurance

A limited assurance engagement is commonly referred to as a review. A limited assurance engagement is an assurance engagement where the assurance practitioner's objective is to perform sufficient audit procedures to reduce the risk of misstatement to a level that is acceptable in the circumstances but where the risk is not reduced to the level of a reasonable assurance engagement. A negative opinion is provided that states that nothing has come to the attention of the reviewer that indicates material misstatement or non-compliance with established criteria.

Guide to Using this Report cont...

Audit Opinions

There are two overarching categories of audit opinion, an unmodified audit opinion (sometimes referred to as a “clean” opinion) and a modified audit opinion.

Unmodified Audit Opinion

Unmodified opinions provide a reasonable level of assurance from the auditor that the financial statements present a true and fair reflection of an entity’s results for the period reported.

Notwithstanding an audit opinion may positively attest to the truth and fairness of the financial statements, additional paragraphs may be included in the audit opinion in relation to a matter the auditor believes requires emphasis.

An “Emphasis of Matter” paragraph means a paragraph included in the auditor’s report that refers to a matter appropriately presented or disclosed in the financial report that, in the auditor’s judgement, is of such importance that it is fundamental to users’ understanding of the financial report. The inclusion of an emphasis of matter paragraph in the audit opinion is intended to draw the reader’s attention to the relevant disclosure in the financial report.

An “Other Matter” paragraph means a paragraph included in the auditor’s report that refers to a matter other than those presented or disclosed in the financial report that, in the auditor’s judgement, is relevant to users’ understanding of the audit, the auditor’s responsibilities and/or the auditor’s report.

Modified Audit Opinion

Australian Auditing Standard ASA705 *Modifications to the Opinion in the Independent Auditor’s Report*, paragraph 2, establishes three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon:

- a) The nature of the matter giving rise to the modification, that is, whether the financial report is materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and
- b) The auditor’s judgement about the pervasiveness of the effects or possible effects of the matter on the financial report.

Guide to Using this Report cont...

Qualified Opinion

An auditor shall express a qualified opinion when:

- a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial report; or
- b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be material but not pervasive. [ASA705, paragraph 7]

Adverse Opinion

An adverse opinion is expressed when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial report. [ASA705, paragraph 8]

Disclaimer of Opinion

An auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be both material and pervasive. [ASA705, paragraph 9]

The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial report due to the potential interaction of the uncertainties and their possible cumulative effect on the financial report. [ASA705, paragraph 10]

Guide to Using this Report cont...

Assurance Engagements Conducted by the Auditor-General

The types of audits conducted through the Auditor-General's Office include:

- Statutory Audits of Financial Statements;
- End of Year Reviews;
- Information Technology Audits;
- Controls and Compliance Audits; and
- Performance Management System Audits.

Statutory Financial Statements Audits

Statutory audits of financial statements are conducted on the full financial reports of government business divisions, government owned corporations and other government controlled entities that prepare statutory financial statements. The Treasurer's Annual Financial Statement is subjected to audit.

Agencies are required, by Treasurer's Directions 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.

In the case of a financial statement audit, an 'unqualified audit opinion' means that I am satisfied that the Agency or Entity has prepared its financial statements in accordance with Australian Accounting Standards and other mandatory financial reporting requirements or, in the case of acquittal audits, the relevant legislation or the agreement under which funding was provided. It also means that I believe that the report is free of material error and that there was nothing that limited the scope of my audit. If any of these conditions should not be met, I issue a 'modified audit opinion' and explain why.

The audit opinion and summaries of key findings represent the more important findings. By targeting these sections, readers can quickly understand the major issues faced by a particular Agency or Entity or by the public sector more broadly.

Guide to Using this Report cont...

Information Technology Audits

Information technology audits are undertaken as stand-alone audits of key government wide, or Agency systems. Each of the systems selected for audit during the six months ended 31 December 2014 plays an important role in processing data and providing information for the purposes of financial management and, more particularly, for the purposes of financial reporting and the preparation of the Treasurer's Annual Financial Statement.

End of Year Reviews

The end of year review provides an audit focus on year end balances particularly within Agencies. The nature of the review is determined annually whilst planning the audit of the Treasurer's Annual Financial Statement, but includes testing of transactions occurring around year end to provide a degree of confidence about the data provided to Treasury and which will form part of the overall reporting on the Public Account.

Controls and Compliance Audits

Controls and compliance audits are conducted of selected systems or accounting processes to determine whether the systems and processes achieve compliance with legislated or otherwise mandated requirements. These audits are intended to assist me in my audit of the Public Account.

Performance Management System Audits

The audit process determines whether existing systems or practices, or management controls over systems, are adequate to provide relevant and reliable performance information that will assist intended users of the information make decisions relating to accountability and achieving results. These audits are also intended to assist me in my audit of the Public Account.

Public Information Act Referrals

The *Public Information Act* requires the Auditor-General, upon receipt of a written request of an Assembly member, or on the Auditor-General's initiative, to conduct a review of particular public information to determine whether the Act is contravened in relation to the information. If review of the information suggests a contravention, I issue a preliminary opinion to the public authority that gave the relevant public information. When preparing my report about the review, I take into consideration any comments provided by the public authority following my preliminary opinion. The reports on referrals are included in my reports to the Legislative Assembly.

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 2014

Background

The Central Australian 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 deems the Network to be a Government Business Division for the 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 2014 resulted in an unmodified independent audit opinion, which was issued on 9 October 2014.

Key Findings

During the review of funding revenue, my Authorised Auditors were not provided with sufficient financial information to substantiate transactions relating to individual projects/agreements. My Authorised Auditors were not able to confirm the actual receipts from funding against the individual agreements and budget whilst undertaking substantive testing for a sample of funding agreements.

The Central Australian Hospital Network received funding \$1,782,162 greater than the budgeted amount of Commonwealth funding, however management was unable to provide a detailed breakdown of variances by individual projects. My Authorised Auditors were not able to be provided with a full list of all funding agreements.

Furthermore, as of 30 June 2014, the Central Australian Hospital Network was not able to quantify the balances of the unspent funds related to each project and therefore no associated liability was recorded in this regard.

My Authorised Auditors were informed that the Department of Health is establishing a database to manage the existing funding agreements and projects, however, as at 30 June 2014, the database was not in place.

Central Australian Hospital Network cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Sales of goods and/or services	176,999	150,555
Current grants and subsidies	128,192	70,941
Other	165	225
Total income	305,356	221,721
Expenditure		
Employee expenses	(189,387)	(130,239)
Repairs and maintenance	(3,563)	(2,910)
Supplies and services	(111,178)	(80,861)
Depreciation and amortisation	(8,497)	(5,457)
Interest expenses	(39)	-
Grants and subsidies	(11,389)	(11,339)
Total expenditure	(324,053)	(230,806)
Surplus/(deficit) before income tax expense	(18,697)	(9,085)
Income tax expense	-	-
Surplus/(deficit) after income tax expense	(18,697)	(9,085)

Central Australian Hospital Network cont...

Financial Position at year end		
	2014	2013
	\$'000	\$'000
Cash and cash equivalents	9,473	5,092
Receivables and other current assets	56,729	14,044
Less current liabilities	(62,421)	(31,929)
Working capital	3,781	(12,793)
Add non-current assets	222,267	178,553
Less non-current liabilities	(6,227)	(4,742)
Net assets	219,821	161,018
Represented by:		
Accumulated funds	(27,782)	(9,085)
Asset revaluation surplus	46,295	43,247
Capital	201,308	126,856
Equity	219,821	161,018

Central Australian Hospital Network cont...

The Department of Health has commented:

The Department acknowledges that improvements are required for the management of agreements with the Commonwealth.

In March 2014 the Department of Health had instigated a new process to coordinate and oversight the management of all agreements by a single team.

At the time of the audit a database of all agreements was in the early stages of development but could not provide all information to the auditing team at that time. The data base has since been improved and is supporting better management of all agreements across the health portfolio.

There generally will always be differences between actual receipts and budgeted amounts in relation to Commonwealth Own Purpose Expenses funding, as the Commonwealth often provides unexpected funding in the last days of each financial year and Territory Government budget processes do not allow for the revision of budget for these additional receipts.

Cobourg Peninsula Sanctuary and Marine Park Board

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

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, and make provisions relating to the management of adjacent marine areas and related purposes.

Audit Opinion

The audit of the Cobourg Peninsula Sanctuary and Marine Park Board for the year ended 30 June 2014 resulted in an unmodified independent audit opinion, which was issued on 31 October 2014.

Key Findings

As noted in previous reports to the Legislative Assembly, a land claim was lodged in 1978 under the *Aboriginal Land Rights (NT) Act* over the Cobourg Peninsula, resulting 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 Northern 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 Northern 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

	2014	2013
	\$'000	\$'000
Income		
Park income	271	235
Payments to traditional owners	(228)	(201)
Other revenue	96	115
Total income	139	149
Expenditure		
Operational costs	(112)	(124)
Total expenditure	(112)	(124)
Surplus/(deficit) before income tax expense	27	25

Cobourg Peninsula Sanctuary and Marine Park Board cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	267	230
Receivables and other current assets	43	47
Less current liabilities	(25)	(24)
Working capital	285	253
Add non-current assets	13	18
Less non-current liabilities	-	-
Net assets	298	271
Represented by:		
Reserves	298	271
Equity	298	271

Construction Division

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

Background

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

The host Agency was the Department of Infrastructure.

Audit Opinion

The audit of the Construction Division for the year ended 30 June 2014 resulted in an unmodified independent audit opinion, which was issued on 2 October 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The total income for the Division in the financial year ended 30 June 2014 was \$78.19 million compared to the prior year income of \$73.81 million. The increase of \$4.38 million (5.9%) was mainly attributed to the increase in sale of goods and services of \$4.01 million.

Despite the increase in sales, the Division managed to contain its costs during the year with total expenses decreasing by \$1.65 million (2.2%) from the prior year, of which \$1.22 million relates to reduced consultants fees.

As a result of the above, the Division realised a profit of \$4.42 million for the year. This is an increase in profit of \$4.20 million compared to the prior year and, after the declaration of dividends of \$2.21 million, has increased the net asset position of the Division to \$25.98 million as at 30 June 2014 from \$23.77 million as at 30 June 2013.

Construction Division cont...

A reconciliation of the Asset Management System Accounts Receivable balance undertaken by the Department of Corporate and Information Services identified incorrectly raised sales invoices and duplicate sales invoices issued by the Division during the year ended 30 June 2012. The Division cancelled these invoices during the year ended 30 June 2014 by reversing the receivables and reducing the Division's net surplus by \$352,248.

The Division has ceased to be a Government Business Division and, with effect from 1 July 2014, the activities of the Division have been provided by the Department of Infrastructure.

Construction Division cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Sales of goods and/or services	77,623	73,614
Other	563	200
Total income	78,186	73,814
Operational costs	(20,421)	(20,261)
Employee expenses	(31,257)	(31,625)
Consultants fees	(20,187)	(21,627)
Depreciation and amortisation	(79)	(80)
Total expenditure	(71,944)	(73,593)
Surplus/(deficit) before income tax expense	6,242	221
Income tax expense	(1,827)	-
Surplus/(deficit) after income tax expense	4,415	221

Construction Division cont...

Financial Position at year end		
	2014	2013
	\$'000	\$'000
Cash and cash equivalents	40,523	4,087
Receivables and other current assets	1,566	34,073
Less current liabilities	(14,960)	(13,178)
Working capital	27,129	24,982
Add non-current assets	271	350
Less non-current liabilities	(1,423)	(1,563)
Net assets	25,977	23,769
Represented by:		
Accumulated surplus	9,447	7,239
Reserves	16,530	16,530
Equity	25,977	23,769

Darwin Bus Service

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

Background

Darwin Bus Service was a Government Business Division which, together with a private sector operator, provided bus services on behalf of the Northern Territory Government to residents of the Darwin and surrounding rural areas. Darwin Bus Service generated its revenue through charging the Department of Transport on the basis of 'kilometres provided'. Bus fares were collected on behalf of the Department and formed part of the Department's revenues. Darwin Bus Service also received 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 was the Department of Transport.

Audit Opinion

The audit of the Darwin Bus Service for the year ended 30 June 2014 resulted in an unmodified independent audit opinion, which was issued on 1 October 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The total income for Darwin Bus Service in 2014 was \$9.42 million compared to prior year's income of \$9.17 million. The increase of \$0.25 million (2.7%) reflects a CPI upward adjustment of 2.0% to route services income.

The operating deficit of \$0.52 million was primarily due to costs relating to the sale of the business which was finalised on 5 October 2014.

Events Since the Completion of the Audit

With effect from 5 October 2014, the services provided by the Darwin Bus Service have been transferred to the private sector.

Darwin Bus Service cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Sales of goods and/or services	8,840	8,633
Other	575	537
Total income	9,415	9,170
Expenditure		
Employee expenses	(5,050)	(4,428)
Fleet operating expenses	(2,215)	(2,123)
Supplies and services	(1,775)	(1,293)
Depreciation and amortisation	(891)	(852)
Total expenditure	(9,931)	(8,696)
Surplus/(deficit) before income tax expense	(516)	474
Income tax expense	-	(142)
Surplus/(deficit) after income tax expense	(516)	332

Darwin Bus Service cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	3,601	3,527
Receivables and other current assets	8,455	1,478
Less current liabilities	(989)	(1,020)
Working capital	11,067	3,985
Add non-current assets	-	6,652
Less non-current liabilities	-	(170)
Net assets	11,067	10,467
Represented by:		
Accumulated funds	10,720	10,120
Reserves	347	347
Equity	11,067	10,467

Darwin Port Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

Background

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

The Corporation provides 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 ships 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 2014 resulted in an unmodified independent audit opinion, which was issued on 2 October 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The Corporation achieved a net profit (before tax) for the year of \$17.13 million compared to \$11.70 million in the prior year. The most significant driver of the improved performance was the increase of \$7.46 million (15.9%) in sales of goods and services particularly wharfage revenue and marine revenue which increased by 11.4% and 18.8% respectively. At the same time, the Corporation managed to contain its costs during the period resulting in the net asset position increasing by \$13.10 million (the profit after income tax) to \$227.60 million.

The improvement in the Corporation's profitability resulted in a strengthening of the liquidity and net assets position with the current ratio moving from 1.29:1 in the previous year to 1.80:1 in the current year.

The cash flow position of the Corporation has remained favourable with operating activities generating a net cash inflow of \$15.66 million during the year ended 30 June 2014. The increase in cash inflow improved year end cash balances by \$10.68 million (51.8%) from those in the previous year.

Darwin Port Corporation cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Sales of goods and/or services	54,328	46,867
Community Service Obligations	2,900	3,496
Other	549	223
Total income	57,777	50,586
Expenditure		
Employee expenses	(13,771)	(13,497)
Operational costs	(13,515)	(11,292)
Repairs and maintenance expenses	(3,505)	(4,455)
Depreciation and amortisation	(7,396)	(7,135)
Borrowing costs	(2,460)	(2,511)
Total expenditure	(40,647)	(38,890)
Surplus/(deficit) before income tax expense	17,130	11,696
Income tax expense	(4,024)	-
Surplus/(deficit) after income tax expense	13,106	11,696
Net gain on revaluation of non-current assets	-	-
Total comprehensive income	13,106	11,696

Darwin Port Corporation cont...

Financial Position at year end		
	2014	2013
	\$'000	\$'000
Cash and cash equivalents	31,294	20,610
Receivables and other current assets	6,765	3,370
Less current liabilities	(21,195)	(18,470)
Working capital	16,864	5,510
Add non-current assets	269,314	260,426
Less non-current liabilities	(58,575)	(51,439)
Net assets	227,603	214,497
Represented by:		
Accumulated funds	18,533	5,427
Reserves	48,782	48,782
Contributed equity	160,288	160,288
Equity	227,603	214,497

Darwin Waterfront Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

Background

Darwin Waterfront Corporation (the Corporation) was established pursuant to the *Darwin Waterfront Corporation Act* to develop, manage and service the Darwin Waterfront Precinct (the 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 2014 resulted in an unmodified independent audit opinion, which was issued on 7 October 2014.

Key Findings

Whilst the Corporation maintained a strong net asset position of \$138.62 million as at 30 June 2014, this balance has reduced from \$141.10 million as at 30 June 2013 as a result of the 2014 financial year operating deficit of \$3.30 million (2013: \$3.40 million).

As at 30 June 2014 the Corporation has a working capital deficit of \$4.33 million (2013: \$3.77 million).

Darwin Waterfront Corporation cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
User charges	2,044	1,783
Operating grants and other contributions	17,842	17,366
Other	40	64
Total income	19,926	19,213
Expenditure		
Territory availability payments	(2,886)	(2,784)
Territory efficiency payments	-	(42)
Territory incentive payments	(775)	(753)
Territory operating payments	(2,870)	(2,744)
Agent service arrangements	(1,039)	(874)
Depreciation and amortisation	(4,360)	(4,383)
Employee expenses	(857)	(810)
Finance costs	(5,597)	(5,687)
Property maintenance	(1,924)	(1,859)
Other	(2,914)	(2,682)
Total expenditure	(23,222)	(22,618)
Surplus/(deficit) before income tax expense	(3,296)	(3,405)
Income tax benefit	-	-
Surplus/(deficit) after income tax expense	(3,296)	(3,405)

Darwin Waterfront Corporation cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	714	837
Receivables and other current assets	285	505
Less current liabilities	(5,328)	(5,111)
Working capital	(4,329)	(3,769)
Add non-current assets	224,546	228,090
Less non-current liabilities	(81,594)	(83,218)
Net assets	138,623	141,103
Represented by:		
Accumulated deficit	(20,805)	(17,509)
Contributed equity	159,428	158,612
Equity	138,623	141,103

Darwin Waterfront Corporation cont...

Darwin Waterfront Corporation has commented:

The funding arrangement for the Corporation does not provide for depreciation expense. Instead, funding for asset replacement is provided directly through the NT Government Capital Works Program. The 2014 financial year reports a surplus when excluding the depreciation expense of \$4.36 million.

Data Centre Services

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

Background

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 2014 resulted in an unmodified independent audit opinion, which was issued on 1 October 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

DCS reported a net surplus of \$3.16 million compared to the prior year's net surplus of \$2.90 million.

Revenue increased by \$1 million from the prior year, predominantly due to the sales relating to the new Application Development Services business function. Midrange Services and Data Centre Operations have maintained year on year growth and other business functions recorded slight declines in revenues. A unit price reduction for enterprise storage solutions and lower than expected growth contributed to a slight fall in Enterprise Storage revenues.

Operational costs and employee expenses increased by \$0.59 million and \$0.39 million respectively however depreciation and amortisation decreased by \$0.35 million resulting in total expenditure \$0.63 million higher than the previous year.

During the year DCS invested \$1.64 million to improve the resilience of the data centre through an upgrade to a higher capacity backup generator.

Data Centre Services cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Sales of goods and/or services	27,343	26,378
Other	317	286
Total income	27,660	26,664
Expenditure		
Operational costs	(14,403)	(13,814)
Employee expenses	(6,782)	(6,393)
Depreciation and amortisation	(1,961)	(2,308)
Total expenditure	(23,146)	(22,515)
Surplus/(deficit) before income tax expense	4,514	4,149
Income tax expense	(1,354)	(1,245)
Surplus/(deficit) after income tax expense	3,160	2,904

Data Centre Services cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	12,463	12,527
Receivables and other current assets	5,637	5,243
Less current liabilities	(4,924)	(4,530)
Working capital	13,176	13,240
Add non-current assets	5,057	3,140
Less non-current liabilities	(504)	(467)
Net assets	17,729	15,913
Represented by:		
Accumulated funds	16,463	14,887
Capital	1,266	1,026
Equity	17,729	15,913

Desert Knowledge Australia

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

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 2014 resulted in an unmodified independent audit opinion, which was issued on 17 November 2014.

Key Findings

Section 8 (2)(c) of the *Desert Knowledge Australia Act* requires the Board of DKA to conduct its affairs within a budget approved by the Minister however the budget for the year ended 30 June 2014 was not approved.

On 12 December 2013 DKA was advised that the Minister for Business had resolved to institute a review of the provision of funding to DKA, to be completed by the end of February 2015. The Minister for Business further 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.

The notes to DKA's financial statements for the year ended 30 June 2014 state that "(T)he ongoing operations of DKA are reliant on continued funding by the Northern Territory Government". Whilst nothing at 30 June 2014 suggested that DKA was not a going concern, 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 future funding decisions by the Northern Territory Government.

Desert Knowledge Australia cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Other income	487	496
Rent received	219	218
Interest revenue	63	54
Grants – Northern Territory Government	960	1,688
Grants – other	854	943
Total income	2,583	3,399
Expenditure		
Salaries	(1,439)	(1,208)
Depreciation and amortisation	(377)	(373)
Board costs	(56)	(46)
Consultants	(281)	(193)
Media/marketing/advertising	(20)	(28)
Motor vehicles	(33)	(40)
Travel	(97)	(99)
Desert Knowledge Precinct	(398)	(298)
Outback Business Networks partner payments	-	(2)
Other	(466)	(287)
Total expenditure	(3,167)	(2,574)
Surplus/(deficit)	(584)	825

Desert Knowledge Australia cont...

Financial Position at year end	2014	2013
	\$'000	\$'000
Cash and cash equivalents	2,419	2,748
Receivables and other current assets	72	211
Less current liabilities	(414)	(527)
Working capital	2,077	2,432
Add non-current assets	13,157	13,534
Less non-current liabilities	(2,708)	(2,856)
Net assets	12,526	13,110
Represented by:		
Equity contribution	7,809	7,809
Accumulated surplus	4,717	5,301
Equity	12,526	13,110

Desert Knowledge Australia cont...

Desert Knowledge Australia has commented:

In relation to your key findings that our budget for the year ended 30 June 2014 was not approved, DKA had been seeking this approval via the Department of Business following the announcement of the NT Budget in May 2013. In the 2013/14 Budget, there wasn't any specific mention of funding for Desert Knowledge Australia nor for the Desert Knowledge Precinct whereas in previous NT Budgets a \$ amount appropriation for DKA had always been specified. As soon as this was apparent, DKA sought clarification and on 22 May 2013 were advised by the Department of Business that the "DKA grant allocation remains within the overall Dept of Business 2013-14 budget and forward estimates (and that the amount) will be no less than in 2012-13".

Early into 2013/14, it appeared that the payment of DKA's appropriation was being held up. This was followed up directly with the Minister and subsequently the NT Government instituted a Strategic Review of DKA. As you have stated in your findings, "the Minister for Business further 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". Following consideration of the Strategic Review, the Minister confirmed in a letter dated 12 May 2014 to the then Chair of DKA, The Hon Fred Chaney AO, that he had "approved the balance of funds for the 2013-14 financial year to DKA ... (that he) expects to be in a position to provide funding at a similar level for the 2014-15 financial year". Since then the exact same amount as paid in 2013-14 to DKA was paid in 2014-15.

Government Printing Office

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

Background

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

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

Audit Opinion

The audit of the Government Printing Office for the year ended 30 June 2014 resulted in an unmodified independent audit opinion, which was issued on 1 October 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The total income for the GPO in 2014 was \$3.30 million compared to the prior year's income of \$4.72 million. The significant decrease of \$1.42 million (30.1%) reflects reduced printing requirements across the government and the subsequent closure of the GPO.

The closure of the GPO also saw an increase in employee costs as a result of redundancy payments resulting in an operating deficit of \$2.68 million (2013: \$0.76 million).

The GPO was closed with effect from 30 June 2014 with all services now sourced within Agencies or from the private sector.

Government Printing Office cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Sales of goods and/or services	3,498	4,647
Other	(194)	71
Total income	3,304	4,718
Expenditure		
Operational costs	(2,918)	(2,995)
Employee expenses	(2,949)	(2,341)
Depreciation and amortisation	(113)	(143)
Total expenditure	(5,980)	(5,479)
Surplus/(deficit) before income tax expense	(2,676)	(761)
Income tax expense	-	-
Surplus/(deficit) after income tax expense	(2,676)	(761)

Government Printing Office cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	-	1,711
Receivables and other current assets	-	620
Less current liabilities	-	(714)
Working capital	-	1,617
Add non-current assets	-	806
Less non-current liabilities	-	(132)
Net assets	-	2,291
Represented by:		
Accumulated funds	-	1,918
Capital	-	373
Equity	-	2,291

Jabiru Town Development Authority

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

Background

The Jabiru Town Development Authority (the Authority) has overall responsibility under the *Jabiru Town Development Act* for maintenance and development of the town of Jabiru, the issue of sub-leases of land, and for administration, management and control of the town. A 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 initial value of loans provided was \$8.40 million, but by 1986 the amount outstanding had increased to \$8.80 million due to the capitalisation of net unpaid interest. In August 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 2014.

Audit Opinion

The audit of the Jabiru Town Development Authority for the year ended 30 June 2014 resulted in an unmodified independent audit opinion, which was issued on 18 November 2014.

Jabiru Town Development Authority cont...

Key Findings

The audit opinion, while unmodified, 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 principal 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.”

It should be noted that the continued deficits incurred by the Authority also call into question the appropriateness of the Authority continuing to account on a going concern basis, particularly in light of the worsening net liability position.

Jabiru Town Development Authority cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Grants	90	29
Interest	67	95
Sub-lease transfer proceeds	1	11
Total income	158	135
Expenditure		
Administration expenses	(172)	(141)
Amortisation of town infrastructure	(62)	(62)
Total expenditure	(234)	(203)
Surplus/(deficit)	(76)	(68)

Jabiru Town Development Authority cont...

Financial Position at year end		
	2014	2013
	\$'000	\$'000
Cash and cash equivalents	3,302	3,348
Receivables and other current assets	7	7
Less current liabilities	(10)	(42)
Working capital	3,299	3,313
Add non-current assets	397	459
Less non-current liabilities	(8,805)	(8,805)
Net assets	(5,109)	(5,033)
Represented by:		
Accumulated deficit	(5,109)	(5,033)
Equity	(5,109)	(5,033)

Land Development Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

Background

Land Development Corporation (the Corporation) was declared a Government Business Division (GBD) on 11 October 2011. The Corporation was established to develop and manage land for use by new and existing industries in the Territory, for use for residential developments and for associated activities and for related purposes.

Audit Opinion

The audit of Land Development Corporation for the year ended 30 June 2014 resulted in an unmodified independent audit opinion, which was issued on 3 October 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

In the August 2014 Report to the Legislative Assembly my predecessor reported on the results of the interim audit of the Corporation:

“Accounting treatment for a land payment of \$1 million to the Tiwi Land Council

During the financial year the Land Development Corporation paid an amount of \$1 million to the Tiwi Land Council as consideration for the provision of long term leases on the Tiwi Islands. As at the date of the audit, the parcel of land that is to be leased had not been identified and it was unclear what future economic benefits will flow to the Corporation.”

During the final visit to conclude the conduct of the audit of the financial statements for the year ended 30 June 2014, the Corporation ascertained that the payment related to the Tiwi Islands did not meet the asset recognition criteria, and consequently management has re-classified this transaction as “infrastructure related expenses”. Therefore there is no asset, either land or loan receivable, recorded in the books of the Corporation as at 30 June 2014.

Land Development Corporation cont...

Performance Overview

Revenue from land sales for the year ended 30 June 2014 increased by \$13.15 million from the prior year. The cost of land sold increased by \$4.46 million to \$6.72 million. Both increases were directly attributable to land sales. While the commercial sales were below budget, the residential land sales exceeded the budget.

The Corporation received government grants of \$4.74 million, of which \$1.24 million was received from the Commonwealth Department of Defence relating to the Multi-user Barge Ramp. Funding of \$3.5 million was received from the Department of Lands, Planning and Environment to undertake headworks at Kilgariff.

During the year the Corporation formed the view that land was, in prior periods, incorrectly classified as investment property when, to more clearly reflect the Corporation's primary objective of developing strategic land for sale, it should have been classified as inventory. Accordingly, a prior period error of \$49.5 million was corrected this year and is disclosed in the financial statements. There has been no effect on the operating results of either year as this adjustment is a balance sheet reclassification at the same amount.

Land Development Corporation cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Revenue from land sales	19,822	6,668
Royalties, rents and dividends	4,467	2,266
Development grants	4,738	-
Other	504	1,733
Total income	29,531	10,667
Cost of land sold	(6,721)	(2,258)
Depreciation and amortisation	(201)	(187)
Employee expenses	(1,488)	(1,400)
Interest	(1,536)	(1,582)
Operational costs	(3,820)	(3,253)
Total expenditure	(13,766)	(8,680)
Surplus/(deficit) before income tax expense	15,765	1,987
Income tax expense	(3,308)	883
Surplus/(deficit) after income tax expense	12,457	2,870

Land Development Corporation cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	22,442	10,764
Receivables and other current assets	23,581	21,502
Less current liabilities	(12,122)	(8,006)
Working capital	33,901	24,260
Add non-current assets	102,342	103,359
Less non-current liabilities	(20,069)	(20,043)
Net assets	116,174	107,576
Represented by:		
Capital	54,095	54,095
Reserves	1,864	1,864
Accumulated funds	60,215	51,617
Equity	116,174	107,576

Land Development Corporation cont...

Land Development Corporation has commented:

The Tiwi Land Council signed an Agreement to Lease Framework with the Corporation in December 2014 that sets out one of the most commercial leasing arrangements ever agreed for Aboriginal land. The Agreement will underpin investor and finance confidence in investments and developments on the Tiwi Islands for many years to come. At the time of the audit, this Agreement was still under negotiation and as such the Corporation had taken a conservative accounting treatment of the payment related to the Tiwi Islands. The Agreement now reached provides for the repayment of this and other pre-leasing costs incurred by the Corporation in the facilitation and management of new investment opportunities on the Tiwi Islands.

Legislative Assembly Members' Superannuation Fund

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

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 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 (Australian Super).

Amendments to the *Superannuation Act* passed during 2010 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 2014 resulted in an unmodified independent audit opinion, which was issued on 30 September 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Net assets of the Fund, being \$63.81 million, represented 83.9% of the value of vested benefits as at 30 June 2014 in comparison to the position as at 30 June 2013 where the value of the net assets represented 77.3% of the value of vested benefits.

Territory contributions of \$2 million are consistent with the scheme actuary's recommendation. Management has indicated that any cash flow in excess of the Territory contribution each year is funded by investment redemption.

Legislative Assembly Members' Superannuation Fund cont...

Abridged Statement of Changes in Net Assets

	2014	2013
	\$'000	\$'000
Income		
Interest and distributions	1,334	1,590
Changes in net market value of investments	7,216	7,762
Member contributions	68	107
Member surcharge contributions	71	240
Territory contributions	2,000	2,000
Total income	10,689	11,699
Expenditure		
Benefits paid	(3,438)	(3,711)
Superannuation contribution surcharge	(5)	(8)
Other expenses	(7)	(7)
Total expenses	(3,450)	(3,726)
Revenue less expenses before income tax	7,239	7,973
Less income tax benefit/(expense)	(24)	(23)
Change in net assets	7,215	7,950

Legislative Assembly Members' Superannuation Fund cont...

Abridged Statement of Net Assets

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	202	223
Investments	63,859	56,619
Total assets	64,061	56,842
Less liabilities	(247)	(243)
Net assets	63,814	56,599
Vested benefits	76,062	73,199

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 2014

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 rights 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] and 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 2014 resulted in an unmodified independent audit opinion, which was issued on 9 December 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The main sources of income are the concessionaire fees and royalties received in relation to the activities which take place at Nitmiluk National Park. There are approximately three concessionaires operating at the Park. An increase in visitor numbers, attributed to the region being accessible for a greater period of time due to decreased monsoonal activity during the year, resulted in revenue increasing by approximately \$69 thousand.

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

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Park income	827	758
Less payments to Traditional Owners	(509)	(473)
Less payments to the Parks and Wildlife Commission of the Northern Territory	(318)	(285)
Northern Territory Government funding sundry income	72	72
Total income	72	72
Expenditure		
Operational costs	(72)	(72)
Total expenditure	(72)	(72)
Surplus/(deficit)	-	-

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

Financial Position at year end		
	2014	2013
	\$'000	\$'000
Cash and cash equivalents	-	-
Receivables and other current assets	150	250
Less current liabilities	(150)	(250)
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 2014

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 Northern Territory Government and Public Authorities Employees' Superannuation Fund (the Fund) was established with the commencement of the scheme in 1986. The Fund is credited with:

- payments or contributions received from eligible employees;
- income derived from investments of the Fund;
- profits made from realisation of investments of the Fund;
- employers' shares of benefits that are payable (immediately before the benefit is paid); and
- money borrowed for the purposes of the Fund.

Amendments to the Act, in 2010, established the Trustee Board (which replaced the Superannuation Investment Board). The Trustee 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 2014 resulted in an unmodified independent audit opinion, which was issued on 30 September 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Due to stable market conditions in 2013-14 all of the Fund's investment options experienced positive results. The resultant return for the default growth option was 14.04% (2013: 15.40%) and the return for the pension growth option was 16.02% (2013: 18.83%). All options have met return objectives as the five-year average return for each exceeded target.

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

Abridged Statement of Changes in Net Assets

	2014	2013
	\$'000	\$'000
Income		
Interest and distributions from investments	237	312
Movement in net market value of investments	118,332	109,944
Member contributions	61,478	49,840
Member surcharge payments received	393	330
Territory contributions	81,323	68,652
Transfers and rollovers	78,642	73,879
Total income	340,405	302,957
Expenses		
Benefits expense	(218,505)	(169,653)
Other expenses	(502)	(382)
Total expenses	(219,007)	(170,035)
Revenue less expenses before income tax	121,398	132,922
Less income tax expense	(10,431)	(6,525)
Change in net assets	110,967	126,397

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

Abridged Statement of Net Assets

	2014	2013
	\$'000	\$'000
Cash at bank and other assets	19,601	22,516
Investments	1,008,282	889,330
Total assets	1,027,883	911,846
Less liabilities	(39,639)	(34,569)
Net assets	988,244	877,277
Vested benefits	1,898,870	1,823,640

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 2014

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 2014 resulted in an unmodified independent audit opinion, which was issued on 31 October 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

The Commission reported a current year loss of \$139,247. This compares to the re-stated profit of \$355,011 in 2013. The financial statements for 2013 were re-stated due to the change in accounting treatment of unexpended grant revenue of \$401,978 which had previously been recognised as a liability in the financial statements. Prior to this re-statement, the Commission reported a loss of \$46,967 for the year ended 30 June 2013. No such funding was received for the year ended 30 June 2014 however the grant revenue received during 2013, and retained by the Commission, was expended during the year ended 30 June 2014.

Northern Territory Legal Aid Commission cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Grants – Northern Territory Government	5,226	5,202
Grants – Commonwealth	4,601	4,548
Grants – other	657	1,294
Rendering of services	240	603
Other	100	124
Total income	10,824	11,771
Expenditure		
Administration	(1,228)	(1,314)
Employee expenses	(6,389)	(6,590)
Legal	(2,032)	(2,267)
Depreciation and amortisation	(185)	(158)
Other	(1,129)	(1,087)
Total expenditure	(10,963)	(11,416)
Surplus/(deficit)	(139)	355
Net gain on revaluation of non-current assets	-	-
Total comprehensive surplus/(deficit)	(139)	355

Northern Territory Legal Aid Commission cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	1,385	703
Receivables and other current assets	943	1,661
Less current liabilities	(1,445)	(1,409)
Net current assets	883	955
Add non-current assets	1,087	1,152
Less non-current liabilities	(341)	(338)
Net assets	1,629	1,769
Represented by:		
Reserves	1,276	1,202
Retained earnings	353	567
Equity	1,629	1,769

Northern Territory Major Events Company Pty Ltd

Audit findings and analysis of the financial statements for the year ended 30 June 2014

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 2014 resulted in an unmodified independent audit opinion, which was issued on 7 October 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

During the year ended 30 June 2014 there was a slight increase in profit despite responsibility for the Masters Games, the NT Sports Awards, and the Hottest 7's Rugby Tournament being transferred to other organisations. This was due to two bi-annual events being held during the year ended 30 June 2014 – specifically the Australian Superbikes (Darwin) and 'The Concert' (Alice Springs).

Northern Territory Major Events Company Pty Ltd cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Government grants	5,147	4,917
Other	4,437	4,510
Total income	9,584	9,427
Expenditure		
Employee expenses	(1,250)	(1,590)
Depreciation	(23)	(27)
Other	(8,118)	(7,700)
Total expenditure	(9,391)	(9,317)
Surplus/(deficit) before income tax expense	193	110
Income tax expense	-	-
Surplus/(deficit) after income tax expense	193	110
Dividends	-	-
Net surplus/(deficit)	193	110

Northern Territory Major Events Company Pty Ltd cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	2,709	1,853
Receivables and other current assets	752	775
Less current liabilities	(2,946)	(2,306)
Net current assets	515	322
Add non-current assets	45	66
Less non-current liabilities	-	(21)
Net assets	560	367
Represented by:		
Retained profits	560	367
Equity	560	367

Northern Territory Police Supplementary Benefit Scheme

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

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 eligible 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 2014 there were 65 members (71 in 2013) and 173 pensioners (169 in 2013).

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 Northern 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 2014 resulted in an unmodified independent audit opinion, which was issued on 30 September 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Net assets of the Fund increased by \$175,617 to \$2,711,659 (2013: \$2,536,042) primarily due to an increase in the value of units in pooled superannuation trusts of \$375,894, offset by payment of refunds and benefits of \$288,484 and an increase in benefits payable of \$69,504.

Northern Territory Police Supplementary Benefit Scheme cont...

Abridged Statement of Changes in Net Assets

	2014	2013
	\$'000	\$'000
Income		
Interest	2	3
Movement in net market value of investments	376	377
Contribution revenue	89	96
Total income	467	476
Expenses		
Benefits		
Refunds of accumulated contributions	(120)	(62)
Payment of accumulated contributions to the Territory	(168)	(222)
Superannuation contribution surcharge	(1)	(1)
Other expenses	(2)	(2)
Total expenses	(291)	(287)
Revenue less expenses before income tax	176	189
Income tax expense	-	-
Change in net assets	176	189

Northern Territory Police Supplementary Benefit Scheme cont...

Abridged Statement of Net Assets

	2014	2013
	\$'000	\$'000
Cash at bank and other assets	64	94
Investments	3,029	2,753
Total assets	3,093	2,847
Less liabilities	(381)	(311)
Net assets	2,712	2,536
Vested benefits	66,285	61,883

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 2014

Background

The Northern Territory Treasury Corporation (the 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 2014 resulted in an unmodified independent audit opinion, which was issued on 29 September 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

For the year ended 30 June 2014, the Corporation made a profit before tax of \$33.0 million, which is relatively consistent with the prior year profit of \$33.8 million.

The net asset position remained unchanged at \$21.6 million as the net attributable income for the year of \$23.1 million was fully provided as a dividend to the Northern Territory Government.

Northern Territory Treasury Corporation cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Interest	289,050	257,582
Other	822	473
Total income	289,872	258,055
Expenditure		
Interest	(254,574)	(221,957)
Administration	(2,324)	(2,293)
Total expenditure	(256,898)	(224,250)
Surplus/(deficit) before income tax expense	32,974	33,805
Income tax expense	(9,892)	(10,141)
Surplus/(deficit) after income tax expense	23,082	23,664

Northern Territory Treasury Corporation cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Total assets	5,283,013	4,848,368
Less total liabilities	(5,261,383)	(4,826,738)
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 2014

Background

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

Audit Opinion

The audit of NT Build for the year ended 30 June 2014 resulted in a qualified independent audit opinion, which was issued on 7 October 2014.

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 2014 was 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 \$4,236,462 disclosed as 'Contributions from levy payers' in the statement of comprehensive income.”

NT Build cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Contributions from levy payers	4,236	9,624
Other	6,520	5,173
Total income	10,756	14,797
Expenditure		
Employee expenses	(796)	(788)
Occupancy costs	(97)	(98)
Depreciation and amortisation	(3)	(3)
Fees and allowances	(49)	(30)
Long service leave benefit payments	(1,138)	(911)
Long service scheme expense	(5,648)	(4,249)
Other	(446)	(496)
Total expenditure	(8,177)	(6,575)
Surplus/(deficit)	2,579	8,222

NT Build cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	11,633	32,624
Receivables and other current assets	62,720	33,273
Less current liabilities	(1,669)	(1,353)
Working capital	72,684	64,544
Add non-current assets	5	8
Less non-current liabilities	(37,094)	(31,536)
Net assets	35,595	33,016
Represented by:		
Implementation funding	297	297
Accumulated surplus	35,298	32,719
Equity	35,595	33,016

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 2013-2014 reporting period, NT Build continued to work closely with the Department of Lands and Planning 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.

It should be noted that NT Build has since secured the agreement of the Development Consent Authority to include a notation on relevant Development Permits, informing developers of the obligation to notify their project in accordance with the Act.

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 2014

Background

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

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

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

Audit Opinion

The audit of NT Fleet for the year ended 30 June 2014 resulted in an unmodified independent audit opinion, which was issued on 2 October 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

NT Fleet reported a surplus before tax and dividends of \$11.2 million (consistent with the budget estimate) compared to the prior year's surplus of \$15.7 million.

Total revenue of \$42.3 million (2013: \$53.9 million) decreased from the prior year by \$11.6 million due to decreased lease and disposal revenue resulting from the new NT Fleet policy framework which extends the vehicle lease terms by 1 year. The change in policy to extend the lease terms will result in the assets being depreciated over a longer period whilst continuing to earn leasing income. This may also result in an impact on residual values and gains/losses upon asset disposal. Consequently trend analysis between past and future years may yield inconsistent results.

Total expenses of \$31.2 million (2013: \$38.3 million) decreased from the prior year by \$7.1 million due to the lower annual depreciation resulting from the extended vehicle lease terms.

NT Fleet cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Revenue from vehicle lease rentals	38,742	48,208
Gain on disposal of assets	2,964	5,247
Other revenues	643	467
Total income	42,349	53,922
Expenditure		
Operational costs	(11,785)	(11,897)
Employee expenses	(2,610)	(2,539)
Depreciation and amortisation	(16,767)	(23,820)
Total expenditure	(31,162)	(38,256)
Surplus/(deficit) before income tax expense	11,187	15,666
Income tax expense	(3,356)	(4,700)
Surplus/(deficit) after income tax expense	7,831	10,966

NT Fleet cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	24,143	18,746
Receivables and other current assets	2,548	1,059
Less current liabilities	(8,886)	(11,325)
Working capital	17,805	8,480
Add non-current assets	87,637	93,048
Less non-current liabilities	(164)	(166)
Net assets	105,278	101,362
Represented by:		
Accumulated funds	104,775	100,859
Capital	503	503
Equity	105,278	101,362

NT Home Ownership

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

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 2014 resulted in an unmodified independent audit opinion, which was issued on 16 October 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

Home Ownership holds a financial interest of up to 50% in client properties. The investment is currently recorded as Shared Equity Investments and accounted for in accordance with AASB 140 *Investment Properties* on the basis that the properties are held for capital appreciation. I have recommended the Agency undertake further research into the appropriate accounting treatment for the shared equity investments in order to ensure compliance with Australian Accounting Standards.

NT Home Ownership cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Other income	6	43
Interest revenue	12,583	12,360
Community Service Obligations	677	815
Gain on sale of investments	126	473
Gain on revaluation of investments	3,983	2,816
Total income	17,375	16,507
Expenditure		
Employee expenses	(234)	(229)
Administration fees	(2,251)	(2,776)
Borrowing costs	(13,736)	(12,237)
Other expenses	(522)	(675)
Total expenditure	(16,743)	(15,917)
Surplus/(deficit) before income tax expense	632	590
Income tax expense	-	-
Surplus/(deficit) after income tax expense	632	590

NT Home Ownership cont...

Financial Position at year end		
	2014	2013
	\$'000	\$'000
Cash and cash equivalents	10,816	19,896
Receivables and other current assets	3,268	3,357
Less current liabilities	(8,839)	(9,405)
Working capital	5,245	13,848
Add non-current assets	285,988	314,569
Less non-current liabilities	(251,979)	(289,795)
Net assets	39,254	38,622
Represented by:		
Accumulated surplus	16,509	15,877
Contributed equity	22,745	22,745
Equity	39,254	38,622

NT Home Ownership cont...

NT Home Ownership has commented:

NT Home Ownership has reviewed the appropriate accounting treatment for the shared equity investments and a new policy has been developed in compliance with Australian Accounting Standards.

Power and Water Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

Background

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

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, and its consolidated entity, for the year ended 30 June 2014 resulted in an unmodified independent audit opinion, which was issued on 29 September 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Performance Overview

For the year ended 30 June 2014, the consolidated entity made a profit before tax of \$391.0 million, which is an improvement on the prior year where the consolidated entity reported a pre-tax profit of \$41.0 million.

Total revenue for the year increased from the prior year by \$434.3 million to \$1,223.9 million. This increase was attributable to the full year impact of higher tariffs that took effect at the commencement of the 2013 calendar year, and a reversal of prior year impairment losses for Generation, Power Networks and Water services of \$327.3 million. Excluding the before tax impact of the revaluation, the pre-tax profit would have been \$63.7 million.

Power and Water Corporation cont...

The reversal of prior year impairment losses was initiated due to the announcement of the transfer of assets resulting from the structural separation of the Corporation resulting in the establishment of Jacana Energy and Territory Generation as Government Owned Corporations commencing operations on 1 July 2014. The decision by management to reverse the prior year impairment losses was also in response to the anticipated impact from the 2014/2019 Network Price Determination passed by the Utilities Commissioner in April 2014.

Power and Water Corporation cont...

Financial Performance for the year of the Consolidated Entity

	2014	2013
	\$'000	\$'000
Income		
Sale of goods	589,028	528,717
Rendering of services	152,680	128,742
Interest revenue	2,568	3,104
Other	479,589	129,008
Total income	1,223,865	789,571
Expenditure		
Raw materials and consumables used	(295,385)	(283,823)
Finance costs	(70,683)	(69,388)
Repairs and maintenance expenses	(92,969)	(94,577)
Employee expenses	(103,253)	(100,297)
External service agreements	(30,789)	(34,751)
Depreciation and amortisation	(107,132)	(95,167)
Other expenses	(132,652)	(70,567)
Total expenditure	(832,863)	(748,570)
Surplus/(deficit) before income tax expense	391,002	41,001
Income tax benefit/(expense)	(110,337)	(11,133)
Surplus/(deficit) after income tax expense	280,665	29,868

Power and Water Corporation cont...

Financial Position at year end of the Consolidated Entity

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	93,825	65,715
Receivables and other current assets	157,793	188,781
Less current liabilities	(198,558)	(232,468)
Working capital	53,060	22,028
Add non-current assets	2,404,964	2,154,796
Less non-current liabilities	(1,594,942)	(1,581,468)
Net assets	863,082	595,356
Represented by:		
Retained profits	710,500	442,774
Contributed equity	152,582	152,582
Equity	863,082	595,356

Territory Discoveries

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

Background

Territory Discoveries was 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 developed travel, tour and accommodation packages for sale in domestic and international markets. It promoted 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 was Tourism NT.

Audit Opinion

The audit of Territory Discoveries for the year ended 30 June 2014 resulted in an unmodified independent audit opinion, which was issued on 30 September 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

On 12 November 2013, Cabinet approved the outsourcing of Territory Discoveries to AOT Group Limited and endorsed the final licensing agreement with AOT Group Limited. The new arrangement commenced on 1 March 2014. As a result, for the year ended 30 June 2014, the net assets are nil as all liabilities and physical assets transferred to Tourism NT effective 1 March 2014. The Comprehensive Operating Statement reports total income of \$4.27 million and total of expenses of \$4.27 million resulting in nil profit for the year ended 30 June 2014. Territory Discoveries received sufficient government grants and subsidies to match the total expenses incurred for the period.

Territory Discoveries cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Government grants	1,833	1,403
Sales of goods and/or services	1,613	2,932
Community service obligation	625	1,041
Other	200	228
Total income	4,271	5,604
Expenditure		
Operational costs	(2,416)	(3,455)
Employee expenses	(1,854)	(2,191)
Depreciation and amortisation	(1)	(1)
Total expenditure	(4,271)	(5,647)
Surplus/(deficit) before income tax expense	-	(43)
Income tax expense	-	-
Surplus/(deficit) after income tax expense	-	(43)

Territory Discoveries cont...

Financial Position at year end		
	2014	2013
	\$'000	\$'000
Cash and cash equivalents	-	7,279
Receivables and other current assets	-	65
Less current liabilities	-	(4,152)
Working capital	-	3,192
Add non-current assets	-	10
Less non-current liabilities	-	(19)
Net assets	-	3,183
Represented by:		
Accumulated losses	-	(2,494)
Contributed equity	-	5,677
Equity	-	3,183

Territory Insurance Office

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

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 2014 resulted in an unmodified independent audit opinion, which was issued on 29 September 2014.

Key Findings

The audit did not identify any material weaknesses in controls.

Territory Insurance Office cont...

Prudential Review

The Treasurer has 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 2013-14 to assess the extent to which TIO met the requirements of the APRA prudential standards. Following those reviews 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 decreased from \$82.4 million in 2012-13 to \$21.9 million for 2013-14. This decrease was a reflection of the one-off additional claim provision of approximately \$62.4 million as a result of the changes in MAC legislation relating to an increase in the provision of attendant care payments and loss of earning capacity benefits. MAC net profits remained consistent with the previous year when the effect of the additional claim provision is excluded from the 2013-14 surplus.

There was little change in the financial results from the Insurance and Banking operations of TIO between the years ended 30 June 2013 and 30 June 2014.

Events Since the Completion of the Audit

Subsequent to the completion of the audit, and the issue of my audit opinion, the *Territory Insurance Office (Sale) Act 2014* was passed. The insurance business of TIO was sold to Allianz and the banking business sold to People's Choice Credit Union on 1 January 2015. The completion accounts, prepared in accordance with the sale arrangements, are subject to audit and my next report to Parliament will include the results of my audit and related findings.

Territory Insurance Office cont...

Financial Performance for the year

	TIO Insurance & Banking		MAC Fund		TIO (consolidated)	
	2014	2013	2014	2013	2014	2013
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Underwriting result						
Net premium revenue	78	71	71	64	149	135
Net claims expense	(48)	(41)	(109)	(15)	(157)	(56)
Acquisition costs	(7)	(6)	-	-	(7)	(6)
Underwriting result	23	24	(38)	49	(15)	73
Non-underwriting revenues and expenses						
Investment revenue						
Interest receivable	39	39	8	8	47	47
Change in value of investments	5	(3)	44	20	49	17
Gain on disposal of investments	1	8	8	4	9	12
Other investment income	5	3	16	14	21	17
Total investment revenue	50	47	76	46	126	93
Other revenue and expenses						
Other revenue #	7	6	-	1	7	7
Borrowing costs	(21)	(23)	-	-	(21)	(23)
Other costs and depreciation#	(33)	(31)	(16)	(13)	(49)	(44)
Total other revenue and expenses	(47)	(48)	(16)	(12)	(63)	(60)
Non-underwriting result	3	(1)	60	34	63	33
Profit/(loss) before tax	26	23	22	83	48	106
Tax and other comprehensive income	(8)	(6)	-	1	(8)	(5)
Comprehensive income after tax	18	17	22	84	40	101

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)	
	2014	2013	2014	2013	2014	2013
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Assets						
Cash and cash equivalents	29	21	21	5	50	26
Trade and other receivables *	62	61	3	3	65	64
Other financial assets	272	244	580	514	852	758
Intangible assets	-	1	-	-	-	1
Loans	584	531	-	-	584	531
Reinsurance and other recoveries	30	30	29	31	59	61
Property, plant and equipment	3	14	44	34	47	48
Deferred reinsurance expense	19	23	-	-	19	23
Deferred acquisition costs	6	5	-	-	6	5
Current tax assets	-	-	-	-	-	-
Deferred tax assets	4	4	-	-	4	4
Total assets *	1,009	934	677	587	1,686	1,521
Liabilities						
Outstanding claims liability	(124)	(124)	(369)	(304)	(493)	(428)
Trade and other payables *	(26)	(27)	(4)	(4)	(30)	(31)
Deposits	(556)	(477)	-	-	(556)	(477)
Borrowings	(50)	(50)	-	-	(50)	(50)
Other financial liabilities	-	-	(2)	-	(2)	-
Tax liabilities	(7)	(7)	-	-	(7)	(7)
Provisions	(6)	(5)	-	-	(6)	(5)
Unearned premium liability	(75)	(74)	(32)	(31)	(107)	(105)
Securitisation liabilities	(28)	(41)	-	-	(28)	(41)
Total liabilities *	(872)	(805)	(407)	(339)	(1,279)	(1,144)
Net assets	137	129	270	248	407	377

* includes inter-business unit's debtor/creditors

Territory Wildlife Parks

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

Background

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

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

Audit Opinion

The audit of Territory Wildlife Parks for the year ended 30 June 2014 resulted in an unmodified independent audit opinion, which was issued on 10 October 2014.

Key Findings

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

Territory Wildlife Parks incurred an operating loss of \$2.13 million this year (2013: \$1.85 million). This loss again calls into question the viability of the entity in the medium to longer term.

I also note that the Territory Wildlife Parks has reported negative working capital since 2008 and, in 2014, current liabilities exceed current assets by \$0.63 million.

Territory Wildlife Parks cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Community Service Obligations	7,842	7,915
Sales of goods and services	2,564	2,154
Other revenues	28	19
Total income	10,434	10,088
Expenditure		
Employee expenses	(6,057)	(5,820)
Depreciation and amortisation	(1,802)	(1,759)
Other expenses	(4,703)	(4,363)
Total expenditure	(12,562)	(11,942)
Surplus/(deficit) before income tax expense	(2,128)	(1,854)

Territory Wildlife Parks cont...

Financial Position at year end

	2014	2013
	\$'000	\$'000
Current assets	527	720
Less current liabilities	(1,160)	(1,001)
Working capital	(633)	(281)
Add non-current assets	35,897	24,037
Less non-current liabilities	(174)	(194)
Net assets	35,090	23,562
Represented by:		
Accumulated losses	(18,190)	(16,062)
Contributed equity	21,751	20,878
Asset revaluation reserve	31,529	18,746
Equity	35,090	23,562

Top End Hospital Network

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

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 the 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 2014 resulted in an unmodified independent audit opinion, which was issued on 9 October 2014.

Key Findings

During the review of funding revenue, my Authorised Auditors were not provided with sufficient financial information to substantiate transactions relating to individual projects/agreements. My Authorised Auditors were not able to confirm the actual receipts from funding against the individual agreements and budget whilst undertaking substantive testing for a sample of funding agreements.

It was also noted that there is a variance of \$2,459,358 between the budgeted amount of Commonwealth funding and the actual receipt of the funding. I understand that this variance is a result of the entity not meeting the agreed milestones on specific projects, however management was unable to provide a detailed breakdown of the variances for individual projects. My Authorised Auditors were not able to be provided with a full list of all funding agreements.

Furthermore, as of 30 June 2014, the Top End Hospital Network was not able to quantify the balances of the unspent funds and no associated liability was recorded in this regard.

My Authorised Auditors were informed that the Department of Health is establishing a database to manage the existing funding agreements and projects, however, as at 30 June 2014, the database was not in place.

Top End Hospital Network cont...

Financial Performance for the year

	2014	2013
	\$'000	\$'000
Income		
Sales of goods and/or services	303,970	257,159
Current grants and subsidies	384,008	297,140
Other	2,274	1,830
Total income	690,252	556,129
Expenditure		
Employee expenses	(404,624)	(304,251)
Repairs and maintenance	(13,596)	(13,534)
Supplies and services	(252,365)	(210,270)
Depreciation and amortisation	(21,487)	(18,310)
Interest expense	(163)	-
Current grants and subsidies	(17,049)	(16,556)
Total expenditure	(709,284)	(562,921)
Surplus/(deficit) before income tax expense	(19,032)	(6,792)
Income tax expense	-	-
Surplus/(deficit) after income tax expense	(19,032)	(6,792)

Top End Hospital Network cont...

Financial Position at year end		
	2014	2013
	\$'000	\$'000
Cash and cash equivalents	17,771	13,192
Receivables and other current assets	58,894	22,100
Less current liabilities	(101,610)	(68,696)
Working capital	(24,945)	(33,404)
Add non-current assets	511,874	416,492
Less non-current liabilities	(18,492)	(12,416)
Net assets	468,437	370,672
Represented by:		
Accumulated funds	(25,806)	(6,792)
Asset revaluation surplus	200,275	180,704
Capital	293,968	196,760
Equity	468,437	370,672

Top End Hospital Network cont...

The Department of Health has commented:

The Department acknowledges that improvements are required for the management of agreements with the Commonwealth.

In March 2014 the Department of Health had instigated a new process to coordinate and oversight the management of all agreements by a single team.

At the time of the audit a database of all agreements was in the early stages of development but could not provide all information to the auditing team at that time. The data base has since been improved and is supporting better management of all agreements across the health portfolio.

There generally will always be differences between actual receipts and budgeted amounts in relation to Commonwealth Own Purpose Expenses funding, as the Commonwealth often provides unexpected funding in the last days of each financial year and Territory Government budget processes do not allow for the revision of budget for these additional receipts.

Treasurer's Annual Financial Statement

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2014

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:

1. the General Government Sector;
2. the Public Non-Financial Corporation Sector, which comprises:
 - Darwin Bus Service
 - Darwin Port Corporation
 - Indigenous Essential Services Pty Ltd
 - Land Development Corporation
 - Power Water Corporation;
3. the Non-Financial Public Sector (the consolidation of 1 and 2 above after elimination of inter-sector transactions);
4. the Public Financial Corporation Sector, which comprises:
 - Northern Territory Treasury Corporation
 - Territory Insurance Office; and
5. the Total Public Sector (the consolidation of 3 and 4 above after elimination of inter-sector transactions).

Audit Opinion

My audit of the Treasurer's Annual Financial Statement for the year ended 30 June 2014 resulted in an unmodified independent audit opinion, which was issued on 14 October 2014.

Treasurer's Annual Financial Statement cont...

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.

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

Treasurer's Annual Financial Statement cont...

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

Net Debt – a measure of financial position comprising certain financial liabilities less financial assets. 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. Significant liabilities include accrued employee liabilities such as superannuation and long service leave entitlements. This measure is used only in the case of the General Government Sector.

Key Findings

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.

With the exception of Indigenous Essential Services Pty Ltd, my comments and findings on each individual entity within the Public Non-Financial Corporation Sector and the Public Financial Corporation Sector are reported separately within this report. The results of Indigenous Essential Services Pty Ltd are consolidated into the Power and Water Corporation.

The financial performance of the General Government Sector, as measured by Net Operating Balance, improved during 2013-14 when compared with the prior year. Whereas the Net Operating Balance for 2012-13 was a deficit of \$101.1 million, 2013-14 saw a surplus of \$119.1 million, a difference of \$220.2 million. Every source of revenue increased in 2013-14 when compared to the prior year, with total revenue increasing by \$363.1 million (7.6 per cent) from 2012-13. Revenue sources contributing the largest increases were taxation revenue (an increase of \$75.3 million); capital grants from the Commonwealth (an increase of \$70.3 million) and other revenue (an increase of \$65.6 million).

Treasurer's Annual Financial Statement cont...

Expenses increased from the prior year by \$142.9 million but to a lesser extent than revenue. The largest component of expense growth was other operating expenses which increased by \$72 million (6.5 per cent) to \$1,204.1 million, followed by employee expenses which increased by \$53.0 million (2.8 per cent) to \$1,947.3 million. This was lower than the 5.3 per cent rate of growth in employee expenditure in the prior year.

The Fiscal Balance result also improved, from a deficit of \$356.9 million for 2012-13 to a deficit of \$90.9 million for 2013-14. This improvement is largely 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 Net Debt, improved by \$18.8 million for the year reflecting:

- an increase of \$237.5 million in cash and deposits;
- an increase of \$275.7 million in investments, loans and placements;
- a decrease in advances received of \$38.8 million; offset by
- a decrease in advances paid of \$27.0 million;
- an increase in deposits held of \$127.5 million; and
- an increase in and borrowings of \$378.7 million.

Net Financial Worth decreased by \$282.7 million when compared with the position at 30 June 2013. This result is an extension of Net Debt and the key two causes of the deterioration in this case is attributable to a combination of the decrease of \$124.1 million in the value of equity in other sectors that comprise the total public sector and the increase in the value of the liability for superannuation at 30 June 2014 by \$137.9 million.

Net Financial Liabilities increased by \$158.7 million for the year reflecting the change in Net Financial Worth of \$282.7 million reduced by a \$124.1 million decrease in the value of investments in other public sector entities.

Net Worth decreased by \$115.6 million as a result of the effects of the changes in the holdings of different classes of assets and liabilities that occurred during the year, offset by a net increase in the value of property, plant and equipment held by the sector 30 June 2014 when compared with the position at 30 June 2013.

Treasurer's Annual Financial Statement cont...

General Government Sector - Components of Financial Position

	Balance at 30 June 2014	Movement for 2013-14	Balance at 30 June 2013
	\$'million	\$'million	\$'million
Cash and deposits	651.1	237.5	413.6
Advances paid	203.6	(27.0)	230.6
Investments, loans and placements	1,545.5	275.7	1,269.8
Deposits held	(792.4)	(127.4)	(665.0)
Advances received	(339.5)	38.8	(378.3)
Borrowings	(3,078.9)	(378.7)	(2,700.2)
Net debt	(1,810.6)	18.9	(1,829.5)
Other non-equity financial assets	229.4	76.0	153.4
Equity assets	2,725.7	(124.2)	2,849.9
Superannuation liabilities	(3,633.0)	(137.9)	(3,495.1)
Other employee entitlements and provisions	(589.6)	(27.4)	(562.2)
Other non-equity liabilities	(401.5)	(88.1)	(313.4)
Net financial worth	(3,479.6)	(282.7)	(3,196.9)
Less: Equity assets	(2,725.7)	124.1	(2,849.8)
Net financial liabilities	(6,205.3)	(158.6)	(6,046.7)
Net carrying amounts of non-financial assets	11,232.3	167.1	11,065.2
Equity assets	2,725.7	(124.2)	2,849.9
Net worth	7,752.7	(115.7)	7,868.4

Treasurer's Annual Financial Statement cont...

General Government Sector - Components of Financial Performance

	2014	2013
	\$'million	\$'million
Taxation revenue	566.3	491.0
Grants	3,891.3	3,779.2
Sales of goods and services	306.6	253.3
Interest income	76.4	57.6
Other	311.0	207.4
Total revenues	5,151.6	4,788.5
Employee expenses	(1,947.3)	(1,894.3)
Other operating expenses	(1,204.1)	(1,132.2)
Depreciation	(298.9)	(287.2)
Superannuation expense	(336.2)	(321.2)
Other interest expenses	(210.5)	(184.1)
Other property expenses	(2.8)	(1.7)
Grants and subsidies	(1,032.7)	(1,068.9)
Total expenses	(5,032.5)	(4,889.6)
Net operating balance	119.1	(101.1)

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

Background

The *Public Information Act* (the Act), which came into effect in 2010, seeks to achieve a transparent and accountable mechanism for the review of public information produced by public authorities. A public authority is defined in section 5 of the Act and that definition is broad, capturing any:

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

Excluded from the definition are holders or occupiers of:

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

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

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

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

The Act does place a limit on the scope of what might be considered to be public information in that section 4(2) provides that a “*public authority gives information to the public when it makes the information available to the public generally (rather than any particular members of the public) through any medium*”.

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

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

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

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

Referral of a Complaint to the Auditor-General

On 3 July 2014, a Member of the Legislative Assembly referred to the Auditor-General three logos, representing the Country Liberals, Territory Day and Foundation 51. The complainant expressed a belief that the three logos were quite similar, intimating that the Territory Day logo was linked with the Country Liberals.

Review of Allegation

After examining the content of the three logos, specifically the use of the human figure in each of them, I formed the view that the content of the Territory Day logo was distinct and that the public generally was unlikely to conclude that the Territory Day logo was linked with the Country Liberals or Foundation 51.

Conclusion

Following from the above I concluded that the provisions of the Act were not contravened.

Recommendation

Section 8(3) of the Act permits me to make recommendations. However, any recommendations under that section are limited to:

- the withdrawal of the public information; or
- that specified changes be made to the content of the public information.

Given my conclusions, above, I made no recommendations in relation to this referral.

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

Referral of a Complaint to the Auditor-General

On 1 August 2014 a Member of the Legislative Assembly referred to the Auditor-General the Chief Minister's Weekly Message email "Casuarina by-election" dated 30 July 2014. The complainant noted the reference to the Casuarina by-election and alleged promotion of Government policies thereby intimating that the email may contravene the provisions of the *Public Information Act*.

Review of Allegation

After examining the content of the email, and furthermore, viewing it as it was also published on the Chief Minister's website, I formed the view that the content of the email was available to the public generally and therefore within the bounds of the *Public Information Act*. The Chief Minister's Weekly Message email "Casuarina by-election" dated 30 July 2014 contained eight statements, each of which is examined in further detail below, against the requirements of the Act.

I would like to pay tribute to Kon Vatskalis who has announced his retirement from Parliament. He made a big contribution to public life and I wish him well in life after politics. I accepted that this statement did not contravene the requirements of section 6(2) of the Act.

Two years into my government's term, I am proud to tell the people of Casuarina that we are on-target to complete our election commitments and have also initiated many new strategic policies that will stand the Territory in good stead for many years to come. While I accepted that this statement did not promote particular party political interests, I determined that it did not clearly distinguish a statement of facts from a statement of comment. The assertion that the initiation of "many new strategic policies will stand the Territory in good stead for many years to come" is not something that can be proven until time has passed. Accordingly, I determined that the Act was contravened in that this statement did not clearly distinguish a statement of fact from a statement of comment.

The Territory Government has a plan for the Northern Suburbs, the Northern Territory and Northern Australia. I accepted that this statement did not contravene the requirements of section 6(2) of the Act.

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

We have the fastest growing economy in the country which means increased job opportunities, higher wages and new business opportunities for current and future generations of Casuarina residents. Although I accepted that this statement did not promote particular party political interests, I determined that it did not clearly distinguish a statement of fact from a statement of comments. While this statement was put forward as a statement of fact I consider that it may be interpreted as a statement of comment. No data source was included as part of the email that supports this assertion. The “fastest growing economy” has been well documented in the media, however it does not automatically convert into “increased job opportunities, higher wages and new business opportunities”, for Casuarina or other Territory residents. This statement has the potential to be misleading. The reference to “current and future generations” again, may not automatically occur. The use of the words “which means” is written as an absolute – that this is a factual eventuality that the growing economy will translate into job opportunities, wages and business opportunities. Accordingly, I determined that the Act was contravened in that this statement did not clearly distinguish a statement of fact from a statement of comment.

By strengthening our public service, we’re building a Northern Territory with a bright future. While I accepted that this statement did not promote particular party political interests, I determined that it did not clearly distinguish a statement of facts from a statement of comments. This statement was put forward as a statement of fact and I consider that it should be interpreted as a statement of comment as no data source was included as part of the email that supports the assertion that strengthening the public service will result in a “bright future”. Accordingly, I determined that the Act was contravened in that this statement did not clearly distinguish a statement of fact from a statement of comment.

The Government has a plan to make the Territory more affordable and has started driving down the cost of living through rapid land release, increased child care subsidies and an expanded Sports Voucher Scheme. I accepted that this statement did not contravene the requirements of section 6(2) of the Act.

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

Our plan is already reducing crime on our streets by tackling bad behaviour head-on and placing social responsibility on the individual rather than society at large. While I accepted that this statement did not promote particular party political interests, I determined that it did not clearly distinguish a statement of facts from a statement of comments. No data source was included as part of the email that supports the assertion that crime has reduced or how social responsibility has been transferred from society at large to individuals. Accordingly, I determined that the Act was contravened in that this statement did not clearly distinguish a statement of fact from a statement of comment.

The Government is also investing in bringing first class sport to the Top End with international cricket at Marrara this weekend and the Territory Eels playing the Raiders at TIO on August 9. I accepted that this statement did not contravene the requirements of section 6(2) of the Act.

Conclusion

In summary, I concluded that four of the eight statements included in the Chief Minister's Weekly Message email "Casuarina by-election" dated 30 July 2014 contravened the *Public Information Act* in that they did not clearly distinguish between statements of fact or statements of comment.

Recommendation

Section 8(3) of the Act permits me to make recommendations. However, any recommendations under that section are limited to:

- the withdrawal of the public information; or
- that specified changes be made to the content of the public information.

Given my conclusions, above, I made no recommendations in relation to this referred matter.

Appendices

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Appendix 1: Audit Opinion Reports Issued Since 30 June 2014

Financial Statements for the year ended 30 June 2014

	Date 2013-14 Financial Statements tabled in the Legislative Assembly	Date of Audit Report Year ended 30 June 2014	Date of Audit Report Year ended 30 June 2013
Central Australian Hospital Network	30 October 14	9 October 14	9 October 13
Cobourg Peninsula Sanctuary and Marine Park Board	Not yet tabled	31 October 14	26 November 13
Common Funds of the Public Trustee	Not yet tabled	10 December 14	3 December 13
Construction Division	30 October 14	2 October 14	18 October 13
Darwin Bus Service	30 October 14	1 October 14	3 October 13
Darwin Port Corporation	25 November 14	2 October 14	30 September 13
Darwin Waterfront Corporation	25 November 14	7 October 14	16 October 13
Data Centre Services	30 October 14	1 October 14	9 October 13
Desert Knowledge Australia	27 November 14	17 November 14	4 November 13
Government Printing Office	30 October 14	1 October 14	9 October 13
Indigenous Essential Services Pty Ltd	Not required	29 September 14	30 September 13
Jabiru Town Development Authority	Not required	18 November 14	3 December 13
Land Development Corporation	27 November 14	3 October 14	2 October 13
Legislative Assembly Members' Superannuation Fund	30 October 14	30 September 14	1 October 13
Nitmiluk (Katherine Gorge) National Park Board	Not yet tabled	9 December 14	8 November 13
Northern Territory Government and Public Authorities Employees' Superannuation Fund	30 October 14	30 September 14	1 October 13

Not required – Financial statements are not required to be tabled

Not yet tabled – as at 31 January 2015

Appendix 1: Audit Opinion Reports Issued Since 30 June 2014 cont...

Financial Statements for the year ended 30 June 2014 cont...

	Date 2013-14 Financial Statements tabled in the Legislative Assembly	Date of Audit Report Year ended 30 June 2014	Date of Audit Report Year ended 30 June 2013
Northern Territory Grants Commission	27 November 14	17 October 14	18 October 13
Northern Territory Legal Aid Commission	Not yet tabled	31 October 14	15 November 13
Northern Territory Major Events Company Pty Ltd	Not required	7 October 14	20 December 13
Northern Territory Police Supplementary Benefit Scheme	Not required	30 September 14	1 October 13
Northern Territory Treasury Corporation	30 October 14	29 September 14	30 September 13
NT Build	27 November 14	7 October 14	9 October 13
NT Fleet	30 October 14	2 October 14	9 October 13
NT Home Ownership	29 October 14	16 October 14	11 October 13
Power and Water Corporation	27 November 14	29 September 14	30 September 13
Surveyors Board of the Northern Territory of Australia	27 November 14	24 October 14	23 October 13
Territory Discoveries	27 November 14	30 September 14	27 September 13
Territory Insurance Office	30 October 14	29 September 14	25 September 13
Territory Wildlife Parks	28 October 14	10 October 14	11 October 13
Top End Hospital Network	30 October 14	9 October 14	9 October 13
Treasurer's Annual Financial Statement	28 October 14	14 October 14	11 October 13

Not required – Financial statements are not required to be tabled

Not yet tabled – as at 31 January 2015

Appendix 1: Audit Opinion Reports Issued Since 30 June 2014 cont...

Acquittals or Other Returns - for the year ended 30 June 2014

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 30 June 2014	Date of Audit Report Year ended 30 June 2013
<i>Interstate Road Transport Act 1985</i>	31 December 14	27 November 14	12 December 13
Local Government Financial Assistance	Not specified	30 September 14	26 September 13
Health Pool Funding Acquittal	30 September 14	12 September 14	25 September 13
<i>Nation Building Program (National Land Transport) Act :</i>			
Nation Building Program	31 December 14	12 December 14	12 December 13
Road Safety (Black Spot)	31 December 14	2 December 14	3 December 13
Roads to Recovery	31 October 14	31 October 14	31 October 13
Natural Disaster Relief and Recovery Arrangements	N/A	N/A	N/A
Territory Insurance Office:			
MAC Business Annual Return	31 October 14	29 October 14	30 October 13
Insurance Business Annual Return	31 October 14	29 October 14	30 October 13
Banking Business Annual Return	31 October 14	30 October 14	30 October 13

Not specified – No deadline specified

N/A – Not applicable

Appendix 1: Audit Opinion Reports Issued Since 30 June 2014 cont...

Acquittals or Other Returns - for the year ended 30 June 2012

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 30 June 2012	Date of Audit Report Year ended 30 June 2011
<i>Nation Building Program (National Land Transport) Act :</i>			
Outback Highway	31 October 12	31 October 14	31 October 14

Acquittals or Other Returns - for the year ended 30 June 2011

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 30 June 2011	Date of Audit Report Year ended 30 June 2010
<i>Nation Building Program (National Land Transport) Act :</i>			
Outback Highway	31 October 11	31 October 14	17 May 11

Appendix 2: Status of Audits which were Identified to be Conducted in the Six Months to 31 December 2014

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 2014 report as being scheduled for the period:

Department of Corporate and Information Services

Information Technology Strategy and Governance	Not yet completed
Purchasing Cards	Not yet completed

At the time of this report, these two audits are being finalised and accordingly, my August 2015 report will include the related findings.

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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 audits have been scheduled for the period:

Department of Corporate and Information Services

ASNEX

Department of Corrections

Evaluation of selected aspects of the Agency's Performance Management System

Department of Infrastructure

Procurement

Department of Sport and Recreation

Official Travel

Department of the Attorney-General and Justice

Evaluation of selected aspects of the Agency's Performance Management System

Department of the Chief Minister

Ministerial Travel

Department of the Legislative Assembly

Members Travel

Northern Territory Police, Fire and Emergency Services

Evaluation of selected aspects of the Agency's Performance Management System

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Appendix 4: Abbreviations

ADS	Application Development Services
APRA	Australian Prudential Regulatory Authority
CSS	Commonwealth Superannuation Scheme
DCS	Data Centre Services
DKA	Desert Knowledge Australia
GFS	Government Finance Statistics
GPO	Government Printing Office
MAC Fund	Motor Accidents Compensation Fund
TAFS	Treasurer's Annual Financial Statement
TIO	Territory Insurance Office
TWP	Territory Wildlife Parks

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