



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

Auditing for Parliament

November 2022

Report to the Legislative Assembly

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

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

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

28 November 2022

Dear Mr Speaker

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits, reviews and assessments completed during the period 1 August 2022 to 31 October 2022 that have not been previously reported and I request that you table the report in the Legislative Assembly.

This report presents the results of financial statement audits completed during the period.

End of year reviews were conducted at 16 agencies in order to gain assurance over transactions and balances consolidated into the Treasurer's Annual Financial Statement. The findings from 15 end of year reviews are reported within this report. Errors identified in one agency's financial balances were corrected in November 2022 with the agency's end of year review still in progress at 31 October 2022. The late adjustments to the agency's balances impacted the Treasurer's Annual Financial Statement which was unable to be completed, audited and made publically available by its statutory reporting deadline of 31 October 2022.

My audit opinion on the Treasurer's Annual Financial Statement was issued on 14 November 2022. As a result, my analysis of the Treasurer's Annual Financial Statement could not be included in this report and will be presented in a future report to the Legislative Assembly.

The results from one information technology audit conducted during the period are included in this report. The audit was intended to assess controls relating to the Northern Territory Government's payment gateway.

My Office recently conducted an analysis of data to determine whether Executive Contract Officers had recorded Christmas Closedown Leave which they are not entitled to under existing employment arrangements. This analysis was useful as it identified some instances where agencies required greater clarity in communication regarding newly introduced employee entitlements. Observations from the analysis are included in this report.

Yours sincerely,

Julie Crisp
Auditor-General for the Northern Territory

Auditor-General's Overview

Summary of this Report

This report outlines the results of 33 separate audits and other tasks completed during the period 1 August 2022 to 31 October 2022. This report summarises the results of the following types of audits and legislated tasks conducted during the period:

- Statutory Audits of Financial Statements;
- Information Technology Audits;
- Controls and Compliance Audits and Reviews; and
- Data Analytics.

Included within this report are the results of audits of financial statements for those entities with a financial year ended 30 June 2022 where the audits were completed prior to 31 October 2022.

The report presents the results of reviews that were performed to assess the adequacy of selected aspects of end of year financial reporting and controls over accounting and material financial transactions at 15 Northern Territory Government agencies. The review of one agency was not complete at 31 October and the findings will be presented in a subsequent report to the Legislative Assembly. Findings arising from these audits have been reported to the affected agencies to enable them to address identified control weaknesses. The end of year reviews of the Public Account are undertaken in accordance with section 13 of the *Audit Act 1995* and provide support to the audit of the Treasurer's Annual Financial Statement. The focus for these reviews is primarily the end of year financial data consolidated into the Treasurer's Annual Financial Statement.

The results of the audit of the Treasurer's Annual Financial Statement for the year ended 30 June 2022 have not been presented in this report as the Treasurer's Annual Financial Statement had not been finalised at 31 October 2022. The analysis of the Treasurer's Annual Financial Statement and findings from the audit will be presented in a subsequent report to the Legislative Assembly.

The results from one information technology audit conducted during the period are included in this report. The audit was intended to assess controls relating to the Northern Territory Government's payment gateway.

My Office recently conducted an analysis of data to determine whether Executive Contract Officers had recorded Christmas Closedown Leave (which they are not entitled to under existing employment arrangements). Observations from the analysis are included in this report.

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

The *Audit Act 1995* provides a legislative requirement for the Auditor-General to report to the Legislative Assembly on at least an annual basis. This is the second report provided for tabling within the Legislative Assembly for the year ending 30 June 2023, the last report was tabled during August 2022.

A number of audits scheduled to be commenced and completed in the period 1 July 2022 to 31 December 2022 are still to be completed. The outcomes of these audits (listed in Appendix 4: Status of Audit Activity) will be presented in the future reports to the Legislative Assembly.

Reports on the Results of Audits, Reviews and Assessments

Board of the Museum and Art Gallery of the Northern Territory

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

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

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Board of the Museum and Art Gallery of the Northern Territory for the year ended 30 June 2022.

Audit Opinion

The audit of the Board of the Museum and Art Gallery of the Northern Territory for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 7 October 2022.

Audit Observations

The audit did not identify any material weaknesses in controls.

Performance Overview

The Board incurred a deficit of \$110 thousand this year compared to an operating surplus of \$269 thousand in the prior year. Expenses of \$10.495 million (2021: \$8.547 million) exceeded total revenue of \$10.385 million (2021: \$8.816 million) in the current year. The main factor contributing to the increase in expenses of \$1.948 million is the increase in employee expenses of approximately \$1 million due to:

- the recruitment of additional employees during the year for new positions;
- recognition of additional provisions for long service leave; and
- the \$4,000 bonus paid to employees as a result of the *Northern Territory Public Sector 2021 - 2025 Enterprise Agreement*.

Grants received from the NT Government showed a significant increase of \$1.214 million from the prior year, the majority of which is due to the significant progress of the State Square Art Gallery Content Development Project during the year.

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

The increase in revenue from sales of goods and/or services of \$247 thousand is due to the exhibition promoting the annual National Aboriginal and Torres Strait Islander Art Awards held at MAGNT. There was no similar activity in the previous year. Rental income (reported within Other income) increased by \$123 thousand. Rental income earned on the café was approximately \$9 thousand per month whereas in the prior year, the Northern Territory Government's response to COVID-19 restricted the café's operations.

Expenditure on supplies and services increased by \$853 thousand as more activities were held following the relaxation of restrictions in response to COVID-19. Expenses associated with film production, virtual gallery 3D photographic work and the blue whale installation contributed to the increase.

Significant movements in the Statement of Financial Position, when compared to the prior year, include:

- Cash (\$2.233 million) decreased by \$630 thousand during the year. The decrease in cash balances represents the application of funds received in the prior year for the State Square Art Gallery Content Development Project.
- Provisions increased during the year by \$231 thousand due to the initial recognition of long service leave provisions and additional provisions for employees' recreation leave and superannuation entitlements. Long service leave provisions in the current year amounted to \$102 thousand. There was no provision for long service leave recognised in prior years as no employees had met the minimum service thresholds for recognition.
- Consistent with the decrease in cash, unearned revenue decreased by \$726 thousand as funds received in the prior year for the State Square Art Gallery Content Development Project were released to revenue as the related expenditure was incurred.

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

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Sales of goods and/or services	534	287
Current grants and subsidies	9,681	8,467
Other	170	62
Total income	10,385	8,816
Expenditure		
Employee expenses	(5,966)	(4,968)
Supplies and services	(2,890)	(2,037)
Depreciation and amortisation	(32)	(30)
Property management	(1,607)	(1,512)
Total expenditure	(10,495)	(8,547)
Surplus/(deficit)	(110)	269
Other comprehensive income	-	30
Comprehensive result	(110)	299

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

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	2,233	2,863
Receivables and other current assets	144	142
Current liabilities	(1,650)	(2,223)
Working Capital	727	782
Non-current assets	150	153
Non-current liabilities	(52)	-
Net Assets	825	935
Represented by:		
Accumulated funds	554	664
Reserves	30	30
Capital	241	241
Equity	825	935

Darwin Waterfront Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Darwin Waterfront Corporation for the year ended 30 June 2022.

Audit Opinion

The audit of the Darwin Waterfront Corporation for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 13 October 2022.

Audit Observations

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

Performance Overview

The Corporation reported a deficit of \$505 thousand compared to the prior year's deficit of \$992 thousand. The reduction in the deficit of \$487 thousand was primarily attributable to an increase in grant and subsidies revenue.

The Corporation had a positive working capital position of \$3.3 million (2021: positive \$0.8 million). The Corporation continues to hold a strong net asset position. As at 30 June 2022, the net asset position of the Corporation was \$193.3 million (2021: \$189.9 million). The increase in the net asset position reflects an equity contribution of \$3.7 million relating to property transferred to the Corporation and an upward revaluation of assets of \$259 thousand partially offset by the deficit for the year. The prior year also reported an upward revaluation of assets. These changes were recognised as other comprehensive income.

The net assets at 30 June 2022 comprised:

- Cash and cash equivalents of \$7.2 million (2021: \$4.3 million);
- Trade and other receivables of \$0.7 million (2021: \$0.7 million);
- Prepayments of \$0.2 million (2021: \$0.2 million);
- Property, plant and equipment of \$250.2 million (2021: \$253.1 million); and
- Heritage and cultural assets of \$0.1 million (2021: \$0.1 million); offset by:
- Trade and other payables of \$0.8 million (2021: \$0.8 million);
- Borrowings and advances of \$64.2 million (2021: \$67.7 million); and
- Other liabilities of \$0.02 million (2021: \$0.02 million).

Darwin Waterfront Corporation cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Sales of goods and/or services	3,997	3,831
Current grants and subsidies	23,020	22,637
Other	827	740
Total income	27,844	27,208
Expenditure		
Territory availability payments	(3,485)	(3,300)
Territory efficiency payments	-	-
Territory incentive payments	(148)	(45)
Territory operating payments	(3,163)	(2,305)
Agent service arrangements	(891)	(1,074)
Depreciation and amortisation	(7,341)	(7,031)
Employee expenses	(1,395)	(1,335)
Finance costs	(4,389)	(4,581)
Property maintenance	(3,395)	(3,455)
Other	(4,142)	(5,074)
Total expenditure	(28,349)	(28,200)
Net deficit	(505)	(992)

Darwin Waterfront Corporation cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	7,208	4,340
Receivables and other current assets	843	903
Current liabilities	(4,734)	(4,424)
Working Capital	3,317	819
Non-current assets	250,341	253,206
Non-current liabilities	(60,314)	(64,163)
Net Assets	193,344	189,862
Represented by:		
Accumulated funds	(36,640)	(36,135)
Reserves	56,293	56,034
Capital	173,691	169,963
Equity	193,344	189,862

Data Centre Services

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

Data Centre Services is a Government Business Division established to manage the Northern Territory Government's Data Centre and provide mainframe and mid-range hardware support to Government Agencies.

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

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of Data Centre Services for the year ended 30 June 2022.

Audit Opinion

The audit of Data Centre Services for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 21 September 2022.

Audit Observations

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

Performance Overview

Data Centre Services generated a surplus before tax of \$3.5 million for the year ended 30 June 2022, \$2.3 million less than the prior year's surplus before tax. Whilst revenue remained relatively constant, there was higher expenditure associated with hardware and software licences, depreciation and amortisation.

- Total income of \$31.3 million (2021: \$30.1 million) increased from the prior year by \$1.2 million. The increase was due to one-off recoveries of software licence costs of approximately \$3.1 million, partly offset by decreased revenue from the provision of midrange services.
- Total expenses of \$27.8 million (2021: \$24.2 million) increased from the prior year by \$3.5 million. Employee expenses, depreciation and amortisation expense and the purchase of goods and services all increased. The increase in employee expenditure is related to the lump sum bonus paid to employees under the *Northern Territory Public Sector 2021 – 2025 Enterprise Agreement*. The increased depreciation was attributable to computer hardware assets. Purchases of goods and services increased compared to the prior year and included hardware-related costs and software purchases on behalf of other government agencies.

Data Centre Services will pay an income tax equivalent of \$1.1 million (2021: \$1.8 million) and return a dividend of \$1.2 million (2021: \$2.1 million) to the NT Government for the year ended 30 June 2022.

Data Centre Services cont...

Data Centre Services continues to maintain a strong net asset position. As at 30 June 2022, the net asset position was \$27.9 million (2021: \$26.7 million), comprising:

- Cash and deposits of \$8.8 million;
- Receivables of \$11.1 million;
- Prepayments of \$3.3 million of which \$2.7 million was recognised within non-current assets;
and
- Property, plant and equipment of \$22.0 million; offset by
- Payables and accrued expenses totalling \$0.7 million;
- Employee and other provisions of \$1.2 million;
- Lease liabilities and other liabilities of \$11.9 million and \$1.6 million respectively; and
- Tax payable of \$1.1 million and a dividend payable of \$1.2 million.

Data Centre Services cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Sales of goods and/or services	28,183	30,026
Other	3,141	72
Total income	31,324	30,098
Expenditure		
Operational costs	(16,263)	(13,427)
Employee expenses	(6,993)	(6,730)
Depreciation and amortisation	(4,524)	(4,048)
Impairment losses	-	(20)
Total expenditure	(27,780)	(24,225)
Surplus before income tax	3,544	5,873
Income tax expense	(1,063)	(1,762)
Surplus after income tax expense	2,481	4,111
Dividends	(1,241)	(2,056)
Net surplus	1,240	2,055

Data Centre Services cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	8,833	8,579
Receivables and other current assets	11,774	10,608
Current liabilities	(6,255)	(7,699)
Working Capital	14,352	11,488
Non-current assets	25,101	28,757
Non-current liabilities	(11,537)	(13,570)
Net Assets	27,916	26,675
Represented by:		
Accumulated funds	23,353	22,112
Capital	4,563	4,563
Equity	27,916	26,675

Data Centre Services cont...

Data Centre Services has commented:

Data Centre services financial statement audit received an unmodified audit opinion with no material weaknesses in internal controls identified.

Land Development Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Land Development Corporation for the year ended 30 June 2022.

Audit Opinion

The audit of the Land Development Corporation for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 21 September 2022.

Audit Observations

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

Performance Overview

The Corporation reported a surplus after tax of \$235 thousand compared to the prior year's surplus of \$4.2 million. Total revenue of \$7.2 million for the year ended 30 June 2022 included net revenue from land sales of \$1.3 million (2021: \$8.1 million). The land sales represent sales from both industrial and residential developments. The Corporation has continued to realise a downward trend in land sales, with the significant drop experienced in the current year resulting from shortages of materials and resources required for the development of land and adverse weather conditions affecting development timelines.

The Corporation's operational costs associated with the sale of land were \$2.6 million, \$1.8 million less than the prior year's operational costs of \$4.4 million and consistent with the decline in land sales. There was no impairment of land in the year ended 30 June 2022 (2021: \$1.2 million).

The Corporation employed 17 full time equivalent employees at 30 June 2022 with employee related expenditure for the year totalling \$2.9 million. (At 30 June 2021, there were 20 employees with employment costs for the year of \$2.9 million). The current year's expenses included bonus payments aligned to the *Northern Territory Public Sector 2021-2025 Enterprise Agreement*.

The Corporation has continued to hold a strong net asset position of \$125.3 million at 30 June 2022 (2021: \$125.2 million) although the composition of assets has changed. The Corporation's total liquid assets (cash and cash equivalents) have fallen to \$14.8 million (2021: \$21.6 million) however the value of the Corporation's land inventories increased to \$120.2 million (2021: \$114.9 million).

Land Development Corporation cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Revenue from land sales	6,000	31,529
Cost of land sold	(4,725)	(23,467)
Net revenue from land sales	1,275	8,062
Royalties, rents and dividends	2,453	1,641
Capital grants	2,497	3,825
Other	953	888
Total income	7,178	14,416
Expenditure		
Depreciation and amortisation	(724)	(735)
Employee expenses	(2,851)	(2,947)
Interest	(671)	(771)
Impairment losses	-	(1,221)
Operational costs	(2,635)	(4,363)
Total expenditure	(6,881)	(10,037)
Surplus before income tax expense	297	4,379
Income tax expense	(62)	(208)
Surplus after income tax expense	235	4,171
Dividends	(72)	(242)
Net surplus	163	3,929

Land Development Corporation cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	14,829	21,548
Receivables and other current assets	892	601
Current inventories - land	32,220	36,945
Current liabilities	(13,808)	(15,392)
Working capital	34,133	43,702
Non-current assets	13,781	14,299
Non-current inventories - land	87,969	77,927
Non-current liabilities	(10,542)	(10,750)
Net assets	125,341	125,178
Represented by:		
Capital	54,339	54,339
Accumulated funds	71,002	70,839
Equity	125,341	125,178

Motor Accidents (Compensation) Commission

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

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

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

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

Three audit tasks have been undertaken in relation to the Commission in relation to the year ended 30 June 2022. These were:

- the audit of the financial statements for the year ended 30 June 2022;
- the audit of the Annual Return to the Treasurer for the year ended 30 June 2022; and
- the annual review of compliance with prudential standards issued by the Australian Prudential Review Authority (APRA).

Scope and Objectives

The objective of the audit of the financial statements was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Motor Accidents (Compensation) Commission for the year ended 30 June 2022.

Audit Opinion

The audit of the financial statements of the Motor Accidents (Compensation) Commission for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 20 October 2022.

Key Audit Matters

Outstanding Claims Provision and Insurance and Other Recoveries Receivable

The determination of the value of the Outstanding Claims Provision and associated value of Insurance and Other Recoveries Receivable involve significant assumptions and judgements by management and complex actuarial calculations.

Motor Accidents (Compensation) Commission cont...

Audit Observations

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

Performance Overview

The Commission generated a profit of \$22.7 million for the year ended 30 June 2022, \$146.7 million lower than the profit of \$169.4 million in the previous financial year.

The Commission experienced a decrease in the fair value of its investments as a result of the decline in the Australian and International Capital Markets of \$111.2 million in comparison to an increase in fair value of \$44.6 million in 2021. The Commission also recorded a net loss on disposal of investments of \$1.6 million compared to a net gain on disposal in the prior year of \$43.0 million. The Commission received \$56.9 million in trust distributions this year in comparison to \$49.0 million in 2021 (an increase of \$7.9 million from the prior year), partially offsetting the impact of the decline in investment values.

Changes in actuarial estimates and assumptions affected reported values for insurance and other recoveries by \$2.2 million (2021: \$18.2 million). The movements in the provision for outstanding claims are recognised in expenditure with a movement in the provision resulting in a corresponding movement in expenditure. The provision for outstanding claims reduced in 2022 by \$15.6 million however 2021 recorded an increase in the provision of \$15.1 million.

Management fees (expenses) increased by \$6.8 million from the prior year reflecting the contractual escalation in management fees (tied to the consumer price index) together with the recognition of a bonus of \$3.5 million payable to Allianz.

Treasurer Determination 1/2017

Treasurer Determination 1/2017 pursuant to section 25 of the *Motor Accidents (Compensation) Commission Act 2014* (the Determination) requires the Commission to comply with prudential standards issued by the Australian Prudential Regulatory Authority (APRA) notwithstanding that the Commission is outside the jurisdiction of APRA.

The Determination was written prior to the retirement of GPS 320 *Actuarial and Related Matters* and the subsequent introduction of CPS 320 *Actuarial and Related Matters*, which introduced the requirement for an Actuarial Advice Framework. The Determination, in its current form, does not require an Actuarial Advice Framework. Until the Determination is updated, a compliance gap in relation to the requirement to have an Actuarial Advice Framework will remain.

Audit Opinion – Annual Return

The Annual Return has been prepared by the Commission for the purpose of fulfilling the reporting requirements of the Commission under the *Motor Accidents (Compensation) Commission Act 2014*, the Determination and the Prudential Standards. I issued an unmodified independent audit opinion as a result of my audit of the Annual Return.

Review Opinion – Prudential Review

I conducted a review of the Commission's functions during the year ended 30 June 2022 to assess the extent to which the Commission met the requirements of the APRA prudential standards. As the Determination in place refers to previous versions of the prudential standards, the prudential review was conducted against GPS 320 as referenced in the Determination rather than CPS 320, the prudential standard currently in effect. I issued an unqualified review report to the Commissioner of the Motor Accidents (Compensation) Commission.

Motor Accidents (Compensation) Commission cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Compulsory third party contributions	90,191	87,309
Interest revenue and trust distributions	58,920	51,040
Net gain/(loss) on the disposal of investments	(1,611)	43,002
Unrealised gain on fair value of investments	-	44,587
Property revenue	-	1
Other	2,484	1,040
Total income	149,984	226,979
Expenditure		
Insurance expense	(1,889)	(1,814)
Insurance and other recoveries	(2,190)	(18,195)
Claims incurred/(expense)	15,597	(15,069)
Unrealised loss on fair value of investments	(111,220)	-
Road safety program grants	(4,002)	(4,073)
Other	(23,596)	(18,455)
Total expenditure	(127,300)	(57,606)
Net profit	22,684	169,373

Motor Accidents (Compensation) Commission cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	84,870	73,394
Receivables and other current assets	874,653	921,285
Current liabilities	(80,659)	(85,549)
Working capital	878,864	909,130
Non-current assets	58,640	65,650
Non-current liabilities	(493,024)	(552,984)
Net assets	444,480	421,796
Represented by:		
Retained earnings	444,480	421,796
Equity	444,480	421,796

Northern Territory Legal Aid Commission

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Northern Territory Legal Aid Commission for the year ended 30 June 2022.

Audit Opinion

The audit of the Northern Territory Legal Aid Commission for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 30 September 2022.

Audit Observations

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

Performance Overview

The Commission incurred a surplus for the year of \$53 thousand (2021: \$881 thousand).

Total revenue of \$19.1 million increased from the prior year (2020: \$18.1 million) due to an increase in grant income and Treasurer's Advances received to assist with the costs of expensive cases.

Total expenditure of \$19.1 million increased from the prior year (2021: \$17.2 million). The increase in total expenses of \$1.9 million is attributable to an increase in employment expenses (where staff vacancies were filled during the year) and increases in legal expenses (due to higher costs incurred related to private solicitors) partially offset by a decrease in administration expenditure.

The Commission had a net asset position of \$3.6 million as at 30 June 2022 (2021: \$3.1 million). The significant movements between years were attributed to cash assets and lease liabilities. The Commission held cash balances of \$4.7 million at 30 June 2022 compared to \$5.1 million at 30 June 2021. Lease liabilities as at 30 June 2022 were \$6.3 million, a reduction of \$1.2 million from the prior year's balance of \$7.5 million.

Northern Territory Legal Aid Commission cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Grants – Northern Territory Government	8,267	7,256
Grants – Commonwealth	6,968	6,934
Grants – other	3,592	3,595
Rendering of services	272	195
Other	32	72
Total income	19,131	18,052
Expenditure		
Administration	(482)	(656)
Employee expenses	(12,246)	(10,846)
Legal	(3,728)	(2,807)
Depreciation and amortisation	(1,120)	(1,143)
Other	(1,502)	(1,719)
Total expenditure	(19,078)	(17,171)
Net surplus	53	881

Northern Territory Legal Aid Commission cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	4,713	5,100
Receivables and other current assets	690	570
Current liabilities	(3,491)	(3,923)
Working capital	1,912	1,747
Non-current assets	7,637	8,205
Non-current liabilities	(5,941)	(6,893)
Net assets	3,608	3,059
Represented by:		
Reserves	3,575	2,442
Retained earnings	33	617
Equity	3,608	3,059

Northern Territory Major Events Company Pty Ltd

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Northern Territory Major Events Company Pty Ltd for the year ended 30 June 2022.

Audit Opinion

The audit of the Northern Territory Major Events Company Pty Ltd for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 19 September 2022.

Audit Observations

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

Performance Overview

The Company reported a profit for the year of \$1.06 million (2021: \$312 thousand).

Total revenue of \$30.6 million for the year ended 30 June 2022 (2020: \$37.0 million) included recognition of grant revenue of \$23.9 million (2021: \$30.4 million) received to fund events and festivals that took place during the year.

Interest income of approximately \$185 thousand was \$56 thousand less than interest income in the prior year of \$241 thousand.

Total expenditure for the year was \$29.5 million (2021: \$36.7 million) primarily incurred to deliver events and festivals. Employee expenses for the year totalled \$4.5 million, a slight decrease from the prior year (2021: \$4.6 million). More events were held during the 2021 financial year as some 2020 events were deferred to 2021 due to restrictions imposed in response to the COVID-19 pandemic. The increase in profit was due mainly to the reversal of the allowance for impairment of prepaid artist fees amounting to \$757 thousand as management expects to obtain economic benefits from the prepayments given the easing of COVID-19 restrictions.

Non-monetary income and non-monetary expenditure represents the fair value of goods and services donated by event sponsors to support events held.

Northern Territory Major Events Company Pty Ltd cont...

As at 30 June 2022, the net assets of the Company were \$2.9 million (2021: \$1.9 million), including:

- Cash and cash equivalents and other financial assets of \$26.4 million (2021: \$23.5 million);
- Trade and other receivables and prepayments of \$1.4 million (2020: \$0.7 million); and
- Property, plant and equipment of \$0.3 million (2021: \$0.4 million); offset by
- Trade and other payables of \$7.3 million (2021: \$6.9 million); and
- Income received in advance of \$17.9 million (2021: \$15.8 million).

Cash and cash equivalents and other financial assets increased from \$23.5 million in 2021 to \$26.4 million in 2022. This includes funding received in advance for events to be held in 2023.

In order to secure future performances, the Company sometimes pays advance booking fees. During the prior year, management determined that the uncertainty associated with COVID-19 related restrictions may mean the prepayments would be lost if the performances were permanently cancelled and contracts could not be renegotiated. To reflect this, provisions for losses were recognised against prepayments. Prepayments increased from \$0.1 million in 2021 to \$0.7 million in 2022 due mainly to the reversal of the allowance for impairment as deferred events were held.

Income received in advance increased from \$15.8 million in 2021 to \$17.9 million in 2022 reflecting income received prior to year-end for events to be held in 2023.

The Company maintains an event reserve account within equity. The event reserve is increased by any profits and reduced by any deficits from the Darwin Supercars, BASSINTHEGRASS and Red CentreNATS events to provide funds to support these events in the future.

Northern Territory Major Events Company Pty Ltd cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Government grants	23,891	30,380
Other income	5,709	5,684
Interest	185	241
Non-monetary income	791	672
Total income	30,576	36,977
Expenditure		
Employee expenses	(4,501)	(4,600)
Depreciation	(84)	(105)
Non-monetary expenditure	(791)	(672)
Other expenditure	(24,138)	(31,288)
Total expenditure	(29,514)	(36,665)
Profit before income tax expense	1,062	312
Income tax expense	-	-
Profit after income tax expense	1,062	312
Dividends paid or provided for ⁽¹⁾	-	-
Net profit	1,062	312

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

Northern Territory Major Events Company Pty Ltd cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	26,381	23,497
Receivables and other current assets	1,392	663
Current liabilities	(25,105)	(22,649)
Working capital	2,668	1,511
Non-current assets	261	346
Non-current liabilities	(9)	-
Net assets	2,920	1,857
Represented by:		
Event reserve	1,685	628
Retained profits	1,235	1,229
Equity	2,920	1,857

Northern Territory Treasury Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

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

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

The host Agency is the Department of Treasury and Finance.

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Northern Territory Treasury Corporation for the year ended 30 June 2022.

Audit Opinion

The audit of the Northern Territory Treasury Corporation for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 28 September 2022.

Audit Observations

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

Performance Overview

In May 2021, the Northern Territory Treasury Corporation Budget Paper 2 reported the Territory would need to refinance \$765 million of maturing debt and borrow an additional \$980 million to deliver a total borrowing program of \$1.75 billion.

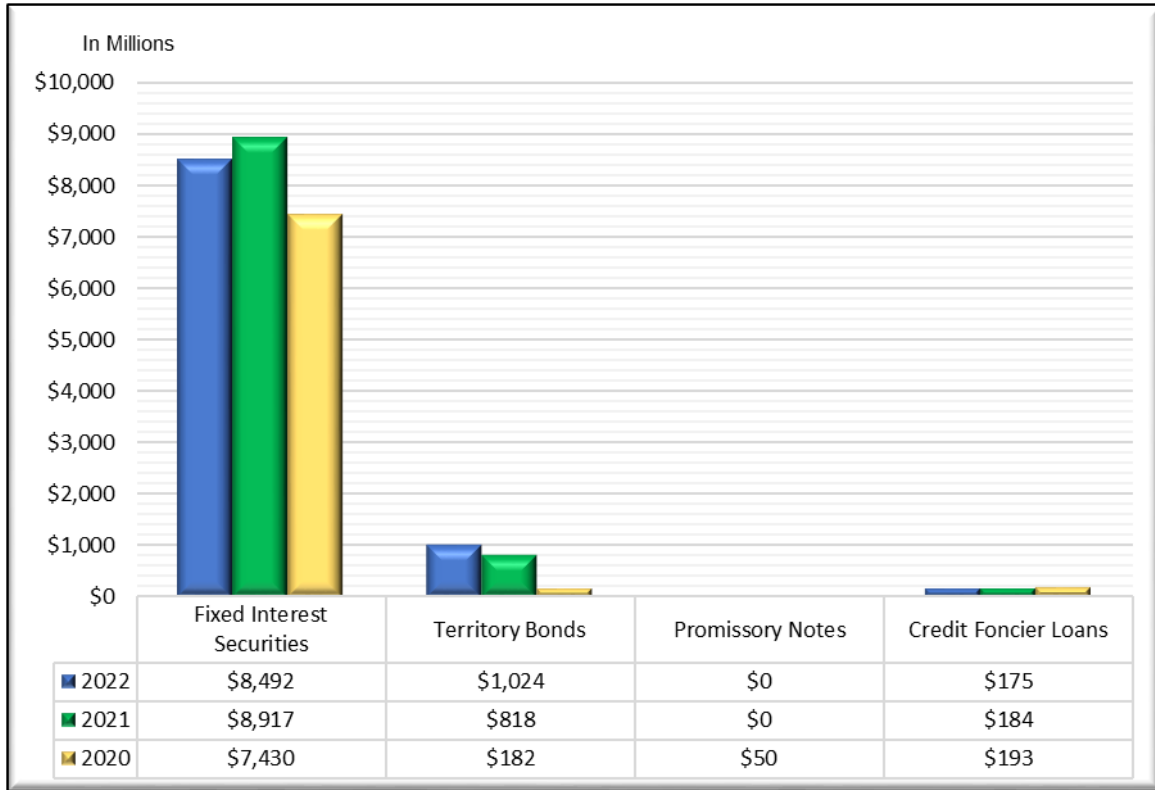
In December 2021, the Mid Year Report reduced the Territory's borrowing requirement by approximately \$300 million. The Mid Year Report also recognised the \$870 million of pre-funding undertaken by the Corporation during the 2020/21 financial year. As such the Corporation's revised funding requirement in 2021/22 was forecast to be around \$657 million.

In order to meet the Territory's residual borrowing requirement for 2021/22, the Corporation issued a total of \$250 million to institutional investors in the Australian financial markets during the 2021/22 financial year at a weighted average interest rate of 2.85%.

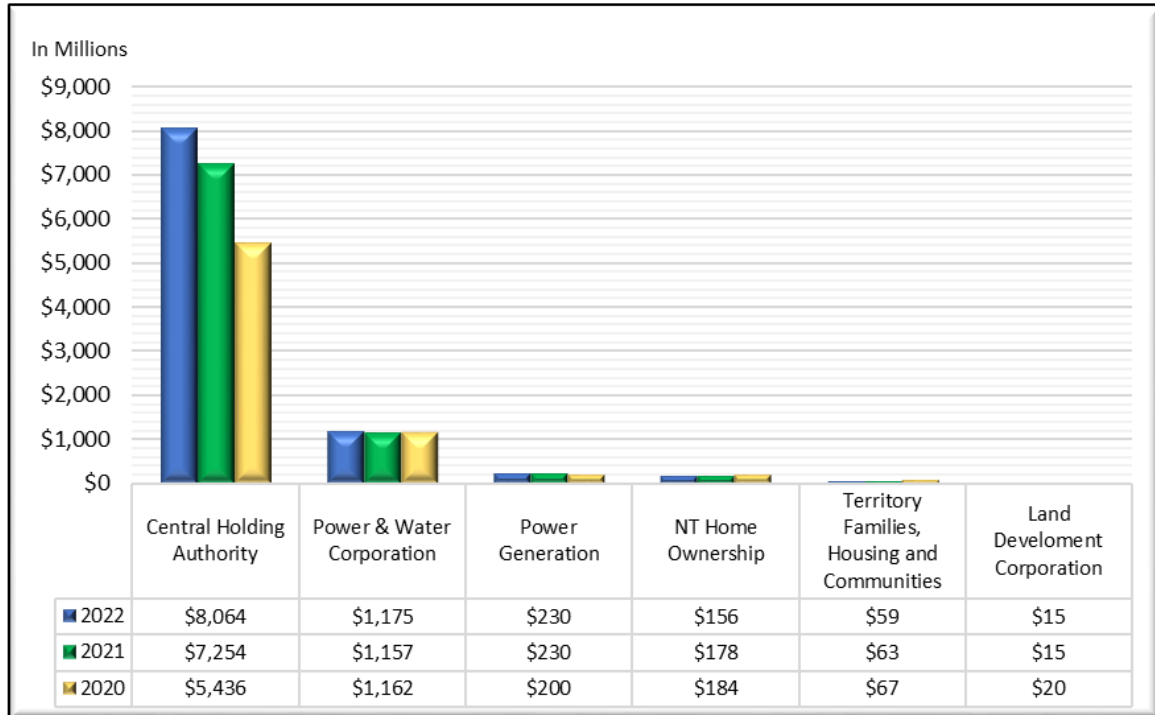
In addition to these institutional bond transactions, the Corporation raised almost \$390 million during the 2021/22 financial year from retail investors in Territory Bonds at a weighted average interest rate of 1.11% with a term to maturity of about 3 years.

Northern Territory Treasury Corporation cont...

Outstanding borrowing balances at 30 June 2022 (and two comparative years) are presented in the chart below.



The loan portfolio increased by \$802 million for the year ended 30 June 2022 (following a \$1.83 billion increase in 2021). These loans are presented in the chart below.



Northern Territory Treasury Corporation cont...

The Corporation's profit after tax for the year was \$28 million compared to \$22 million in 2021. The increase was driven by greater net interest income as a result of higher lending in the financial year ended 30 June 2022 and the effect of the pre-funding undertaken in the prior year.

The average interest rate on the average borrowing balance over the 12 month period reduced from 3.21% in 2021 to 2.99% in 2022 as new borrowings were achieved at rates lower than the existing average rate. The average interest rate on the average loan balance over the 12 months period increased from 3.97% in 2021 to 3.99% in 2022.

Northern Territory Treasury Corporation cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Interest	334,261	317,262
Other	822	822
Total income	335,083	318,084
Expenditure		
Interest	(292,930)	(284,568)
Administration	(2,160)	(1,856)
Total expenditure	(295,090)	(286,424)
Profit before income tax expense	39,993	31,660
Income tax expense	(11,998)	(9,498)
Profit after income tax expense	27,995	22,162
Dividends	(27,995)	(22,162)
Net profit	-	-

Northern Territory Treasury Corporation cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Total assets	9,815,505	10,039,274
Total liabilities	(9,793,874)	(10,017,643)
Net assets	21,631	21,631
Represented by:		
Contributed capital	21,631	21,631
Equity	21,631	21,631

NT Build

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

Scope and Objectives

The objective of the audit was to complete sufficient audit verification to enable an opinion to be expressed upon the financial statements of NT Build for the year ended 30 June 2022.

Audit Opinion

The audit of NT Build for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 20 October 2022.

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

I draw attention to Note 11(b) and (c) to the financial statements which describes the uncertainty related to the Long Service Leave liability valuation as carried out on 9 August 2022. My opinion is not modified in respect of this matter.

Audit Observations

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

Performance Overview

Uncertainties related to the Long Service Leave liability

Due to the nature of the long service leave liability and the inability to complete the valuation based on long term scheme historical data, there remains a high level of uncertainty associated with this estimate. It is noted that the estimate of unreported service credits may be inaccurate. The service credit total for the first 6 months of 2022 is an extrapolation of past reporting patterns, introducing moderate uncertainty in this element. Any inaccuracy in the estimate of service credits will have a direct flow on to the liability determined. The series of assumptions made regarding the benefit payments and timing of exits is uncertain and changes to these assumptions can result in significant differences in reported results. Specific sensitivities include:

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

NT Build cont...

Financial Analysis

NT Build reported a deficit of \$15.0 million compared to prior year's surplus of \$11.8 million.

The significant difference in results is primarily attributable to the effects of valuation movements in investments. The prior year saw the market value of investments increase by \$11.0 million. In 2022, the market value of NT Build's investments reduced by \$14.8 million largely as a result of the decline in the Australian and International Capital Markets.

The decrease in total income caused by market movements was partially offset by an increase in investment income of \$7.2 million (2021: \$4.1 million).

Excluding the decline in the valuation of equity investments, total expenses of \$13.6 million in 2022 increased by \$6.1 million from 2021 (\$7.5 million). Long service leave benefit payments rose from \$5.6 million in the prior year to \$6.7 million in the current year as more members attained the period of service at which they became entitled to claim their long service leave. The actuarial calculation of the value of the scheme determined a loss on long service leave scheme revaluation of \$5.4 million (2021: loss of \$0.3 million).

The net asset position as at 30 June 2022 of \$39.1 million declined by \$15.0 million. This raises concerns that the levy contributions and revenue earned on investments are not sufficient to meet long service leave payments in the longer term.

NT Build cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Contributions from levy payers	4,881	2,814
Fair value gain on equity investments	-	11,017
Investment income	7,168	4,120
Reciprocal income	1,143	1,103
Other	258	255
Total income	13,450	19,309
Expenditure		
Employee expenses	(916)	(895)
Occupancy costs	(24)	(26)
Depreciation and amortisation	(85)	(164)
Fees and allowances	(40)	(36)
Long service leave benefit payment	(6,700)	(5,624)
Long service scheme revaluation – current	(5,406)	(288)
Fair value loss on equity investments	(14,801)	-
Other	(436)	(434)
Total expenditure	(28,408)	(7,467)
Net surplus/(deficit)	(14,958)	11,842

NT Build cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	44	8,132
Receivables and other current assets	99,466	100,989
Current liabilities	(15,919)	(13,182)
Working capital	83,591	95,939
Non-current assets	522	607
Non-current liabilities	(44,969)	(42,443)
Net assets	39,144	54,103
Represented by:		
Implementation funding	297	297
Accumulated surplus	38,847	53,806
Equity	39,144	54,103

NT Fleet

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

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

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

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of NT Fleet for the year ended 30 June 2022.

Audit Opinion

The audit of NT Fleet for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 26 September 2022.

Audit Observations

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

Performance Overview

NT Fleet produced a surplus before tax of \$11.3 million in 2021-2022, \$2.9 million more than the prior year's result of \$8.4 million.

Total income of \$41.8 million (2021: \$40.3 million) increased from the prior year by \$1.5 million due to higher auction sales prices from asset disposals in the 2022 financial year reflecting high demand for second-hand vehicles in the Northern Territory.

Total expenditure of \$30.5 million (2021: \$31.9 million) decreased from the prior year by \$1.4 million. The overall decrease in expenditure of \$1.4 million reflects a decrease of \$270 thousand in employee expenses, lower operational costs, and a reduction in depreciation and amortisation expenditure of \$397 thousand. NT Fleet had 19 employees at 30 June 2022, one less than at the same time in the prior year. The reduction in employee expenditure reflects leave taken during the year that was accrued in prior years. Insurance premiums decreased by \$610 thousand comprising most of the reduction in operational costs when compared to the prior year. Depreciation decreased as a result of the extension of lease periods for fleet vehicles.

These reductions were partially offset by an increase in property management expenses of \$60 thousand.

NT Fleet will pay an income tax equivalent of \$3.4 million (2021: \$2.5 million) and return a dividend of \$3.9 million and special dividend of \$25 million (2021: \$2.9 million) to the NT Government for the year ended 30 June 2022.

NT Fleet cont...

As at 30 June 2022, the net assets position of NT Fleet was \$106.2 million (2021: \$127.3 million), comprising:

- Cash and cash equivalents of \$16 million;
- Receivables of \$2.9 million;
- Assets held for sale of \$1.0 million; and
- Property, plant and equipment and intangibles of \$95.1 million;

offset by:

- Payables and deferred revenue totalling \$1.0 million;
- Employee and other provisions of \$4.2 million;
- Lease liabilities of \$0.2 million and
- Tax payable of \$3.4 million.

NT Fleet cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Revenue from vehicle lease rentals	35,346	34,745
Gain on disposal of assets	6,252	5,332
Other revenues	194	187
Total income	41,792	40,264
Expenditure		
Operational costs	(12,068)	(12,743)
Employee expenses	(1,820)	(2,090)
Depreciation and amortisation	(16,653)	(17,050)
Total expenditure	(30,541)	(31,883)
Surplus before income tax expense	11,251	8,381
Income tax expense	(3,375)	(2,514)
Surplus after income tax expense	7,876	5,867
Dividends	(3,938)	(2,933)
Special dividend	(25,000)	-
Net surplus/(deficit)	(21,062)	2,934

NT Fleet cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	16,025	39,406
Receivables and other current assets	3,911	2,361
Current liabilities	(8,791)	(6,706)
Working capital	11,145	35,061
Non-current assets	95,089	92,436
Non-current liabilities	-	(200)
Net assets	106,234	127,297
Represented by:		
Accumulated funds	105,669	126,732
Capital	565	565
Equity	106,234	127,297

NT Fleet cont...

NT Fleet has commented:

NT Fleet appreciates the audit report and analysis of the Financial Statements for the year ended 30 June 2022 and is pleased to note that the audit resulted in an unmodified independent audit opinion. It is further pleasing to note that the audit did not identify any material weaknesses in internal controls.

NT Home Ownership

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

The host Agency is the Department of Territory Families, Housing and Communities.

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of NT Home Ownership for the year ended 30 June 2022.

Audit Opinion

The audit of NT Home Ownership for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 30 September 2022.

Audit Observations

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

Performance Overview

During the year ended 30 June 2022, management addressed two longstanding governance weaknesses with the establishment of the Lenders Mortgage Agreement and Corporate Service's Service Level Agreement. I acknowledge the time and effort contributed by the staff of NT Home Ownership and the Department of Territory Families, Housing and Communities to resolve these longstanding matters.

NT Home Ownership (NTHO) recorded a surplus before tax of \$3.9 million for the year ended 30 June 2022 (2021: \$1.4 million deficit).

Total revenue of \$14.0 million (2021: \$11.1 million) has increased from the prior year due to the revaluation gain and the gains realised from the disposal of shared equity investments.

Gains on the revaluation of shared equity investments of \$4.3 million were substantially higher than the prior year due to increased property values. The revaluation gain on shared equity investments represents an unrealised gain, hence NTHO had no taxable income for the year ended 30 June 2022. In the prior year, carried forward losses were utilised to eliminate taxable income.

Interest revenue of \$6.1 million was \$581 thousand less than the prior year and was consistent with the net reduction in the total advances and investments receivable balance.

Total expenditure of \$10.1 million (2021: \$9.8 million) increased from the prior year, predominantly due to the write-off of assets valued at \$0.6 million and the recognition of fees paid for corporate services delivered by the Department of Territory Families, Housing and Communities.

NT Home Ownership continues to maintain a strong net asset position at 30 June 2022 of \$13.1 million (2021: \$9.2 million).

Advances and investments (representing loans to home-owners) were \$118.6 million as at 30 June 2022 compared to \$137.3 million at 30 June 2021. The value of shared equity investments as at 30 June 2022 was \$39.4 million (2021: \$38.4 million).

NT Home Ownership cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Sales of goods and services	3	3
Interest revenue	6,058	6,639
Community service obligations	3,414	3,414
Gain on disposal of shared equity investments	281	68
Gain on revaluation of shared equity investments	4,274	1,020
Total income	14,030	11,144
Expenditure		
Employee expenses	(254)	(244)
Administration fees	(2,176)	(2,149)
Borrowing costs	(7,400)	(7,859)
Grants and subsidies expense	(26)	-
Write-offs and impairment expense	3	638
Other expenses	(272)	(139)
Total expenditure	(10,125)	(9,753)
Surplus before income tax expense	3,905	1,391
Income tax expense	-	-
Net surplus after income tax expense	3,905	1,391

NT Home Ownership cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	11,026	11,528
Receivables and other current assets	2,648	3,472
Current liabilities	(42,578)	(7,241)
Working Capital	(28,904)	7,759
Non-current assets	155,673	172,269
Non-current liabilities	(113,651)	(170,815)
Net Assets	13,118	9,213
Represented by:		
Accumulated funds	(9,627)	(13,532)
Capital	22,745	22,745
Equity	13,118	9,213

NT Home Ownership cont...

NT Home Ownership has commented:

NT Home Ownership and the Department of Territory Families, Housing and Communities appreciate the acknowledgement of the work completed to address prior years issues. NT Home Ownership continues to support process improvement.

Power and Water Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

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

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

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Power and Water Corporation for the year ended 30 June 2022.

Audit Opinion

The audit of the Power and Water Corporation for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 30 September 2022.

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

I draw attention to Notes 2.3(b), 2.3(l), 2.5 and 14 of the financial report, which describe the key sources of estimation uncertainty associated with measurement of the fair value of property, plant and equipment and the sensitivity associated with assumptions underlying the asset valuation approaches including the significance of the impacts on carrying values when assumptions are adjusted. My opinion is not modified in respect of these matters.

I also draw attention to Notes 2.5 *Capitalisation of expenses*, 4.2 and 4.4 in the financial report, which describe the revision of the estimation methodology to identify and capitalise costs, including support costs included in Corporate Services, Power Services and Water Services, which are directly attributable to the acquisition, preparation, or construction of property, plant and equipment. My opinion is not modified in respect of this matter.

Power and Water Corporation cont...

Key Audit Matters

Unbilled Revenue

Revenue from the sale of goods includes estimated values for unbilled revenue from Power Networks, System Control, Electricity and Water totalling \$36.5 million. The estimated values are based upon unbilled units supplied to customers between the date of the last meter reading and the year end. The relevant units comprise kilowatt hours for Power Networks, System Control and Electricity, and kilolitres for Water.

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

Valuation of Property, Plant and Equipment

Property, plant and equipment totalled \$2,307.5 million as at 30 June 2022.

The valuation of non-current assets is a key audit matter due to the complexity involved in estimating the recoverable amount of assets which requires significant judgement in determining key assumptions supporting the expected future cash flows of the Corporation and expected utilisation of the relevant assets.

Capital Work in Progress

The Corporation has recorded Capital Work in Progress valued at \$222.7 million as at 30 June 2022.

The valuation of Capital Work in Progress is a key audit matter due to the judgements and assumptions involved in the valuation of Capital Work in Progress accrued at year-end and the degree of judgement involved in the classification between operational and capital expenditure.

Provision for Onerous Contracts

The Corporation undertakes an annual assessment to determine the extent, if any, that the economic costs associated with some gas-related contracts are determined to outweigh the net present value (benefits) expected to be received based on the circumstances that existed at that date. Changes to the circumstances and events affecting future opportunities in the gas market may result in the Corporation recognising, adjusting or derecognising a provision for onerous contracts at each reporting date. As at 30 June 2022, no provision for onerous contract has been determined or reported.

The calculation of the net present value of contracts is a key audit matter as the calculation is complex and the valuation model is based on assumptions and estimates that are affected by future performance and market conditions.

Power and Water Corporation cont...

Overhead Capitalisation

The Corporation has revised its estimation methodology to identify and capitalise support costs included in Corporate Services, Power Services and Water Services which are directly attributable to the acquisition, preparation or construction of capital assets. Management have determined this revision to constitute a change in estimation method and consequently, the impact has been presented prospectively in the financial statements.

The financial effect of this change in estimation methodology is that the Corporation has capitalised expenditure of \$47.2 million during the year ended 30 June 2022.

The calculation of the overhead costs eligible for capitalisation is a key audit matter as the calculation requires management's assessment and judgement.

Audit Observations

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

Impact of Estimated Balances

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

Examples of factors that can lead to material financial changes in balances include:

- supply and demand pressures on gas resources;
- timing of investment in capital projects;
- changes to project and enterprise risk;
- changes in the weighted average cost of capital;
- likelihood and certainty of future revenue opportunities and future cash flows;
- condition and life of assets;
- impairment of assets; and
- availability of finance.

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

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

Power and Water Corporation cont...

The impacts on profit/(loss) before tax resulting from changes to estimated values of non-current assets and the provision for onerous contracts is demonstrated below. The net reversal of the impairment provision recognised in the financial statements for the year ended 30 June 2022 was \$46.6 million, whereas in the prior year, the impairment charge recognised was \$1.9 million.

	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000
Profit/(loss) before tax	10,257	(119,984)	212,919	(7,786)	91,470
Impact of impairment of non-current assets and onerous contract provisions	(20,316)	(156,166)	217,458	(1,940)	46,640
Profit/(loss) excluding impact	30,573	36,182	(4,539)	(5,846)	44,830

Performance Overview

Description	Amount as at 30-Jun-22 \$' 000	Amount as at 30-Jun-21 \$' 000	(Unfavourable)/ Favourable Variance \$' 000
Revenue	683,573	700,898	(17,325)
Energy and materials	(259,710)	(280,588)	20,878
Repairs and maintenance expense	(54,006)	(58,361)	4,355
Employee benefits expense	(65,868)	(87,291)	21,423
External service agreements	(35,260)	(35,943)	683
Impairment of non-current assets and onerous contract provisions	46,640	(1,940)	48,580
Net loss on disposal of property, plant and equipment, including gifted streetlights	(4,792)	(1,884)	(2,908)
Other expenses	(30,959)	(53,374)	22,415
Total Expenses	(403,955)	(519,381)	115,426
EBITDA	279,618	181,517	98,101

Income of \$683.6 million decreased by \$17.3 million from the prior year reflecting a decrease in gas revenue of \$25.0 million caused by supply constraints. Revenue from electricity distribution decreased by \$4.0 million. Water and sewerage services revenue increased by \$7.4 million and \$3.0 million respectively.

Excluding the financial impacts associated with the valuation of non-current assets, expenses of \$450.6 million decreased by \$66.8 million from the prior year, primarily due to the change in the estimation methodology of overhead capitalisation. This change saw additional expenditure capitalised rather than affecting the net profit/(loss). Expenses, including employee benefits expense, were affected by the change in the overhead capitalisation methodology.

Power and Water Corporation cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Revenue from contracts with customers	643,207	659,625
Finance revenue	1,394	2,100
Other	38,972	39,173
Total income	683,573	700,898
Expenditure		
Raw materials and consumables used	(259,710)	(280,588)
Finance costs	(53,190)	(56,799)
Repairs and maintenance expenses	(54,006)	(58,361)
Employee expenses	(65,868)	(87,291)
External service agreements	(35,260)	(35,943)
Depreciation and amortisation	(134,958)	(132,504)
Impairment of non-current assets and onerous contract provisions	46,640	(1,940)
Net loss on disposal of property, plant and equipment	(4,792)	(1,884)
Other expenditure	(30,959)	(53,374)
Total expenditure	(592,103)	(708,684)
Profit/(loss) before income tax expense	91,470	(7,786)
Income tax (expense)/benefit	(32,097)	631
Profit/(loss) after income tax expense	59,373	(7,155)
Dividends paid or provided for ⁽¹⁾	(2,000)	(1,000)
Net profit/(loss) after dividends	57,373	(8,155)

⁽¹⁾ Since the end of the financial year, the Directors have declared a dividend of \$10.0 million (2021: \$2.0 million).

Power and Water Corporation cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	79,324	81,947
Receivables and other current assets	160,614	163,181
Current liabilities	(450,606)	(389,130)
Working capital	(210,668)	(144,002)
Non-current assets	2,857,658	2,824,654
Non-current liabilities	(1,458,011)	(1,442,553)
Net assets	1,188,979	1,238,099
Represented by:		
Retained profits	703,317	645,428
Contributed equity	44,336	74,336
Asset revaluation reserve	441,326	518,335
Equity	1,188,979	1,238,099

Indigenous Essential Services Pty Ltd

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

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

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

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of Indigenous Essential Services Pty Ltd for the year ended 30 June 2022.

Audit Opinion

The audit of Indigenous Essential Services Pty Ltd for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 30 September 2022.

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

I draw attention to Notes 4(b) *Capitalisation of expenses*, 6(b), and 6(d) in the financial report, which describe the revision of the estimation methodology to identify and capitalise costs, including support costs included in Corporate Services which are directly attributable to the acquisition, preparation, or construction of capital assets. My opinion is not modified in respect of this matter.

Audit Observations

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

Performance Overview

The Company is a wholly owned and controlled subsidiary of PWC and, under current structural arrangements, is fully reliant on PWC for the provision of personnel, systems, policies, processes, controls and management decisions about day to day activities.

I have previously highlighted the importance of recognising the Company as a separate legal entity, including the challenges of remote operations and governance issues, such as the implications of not complying with the *Corporations Act 2001*. The Company remains reliant on the reports that are generated by PWC from its systems for decision making purposes.

The Company reported a net deficit of \$0.7 million (2021: deficit of \$23.5 million). The primary cause of the reduction in the deficit was management's decision to broaden its approach to capitalisation of costs which resulted in corporate overhead costs of \$15 million being capitalised within plant and equipment rather than being expensed through the statement of profit and loss.

Indigenous Essential Services Pty Ltd cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Revenue from contracts with customers	45,531	43,146
Grants – recurrent	68,106	48,577
Grants – capital	35,292	33,959
Other capital contributions	-	438
Other revenues	93	78
Total income	149,022	126,198
Expenditure		
Raw materials and consumables	(36,609)	(26,918)
Contract labour expenses	(4,942)	(15,029)
Repairs and maintenance	(17,355)	(15,702)
Corporate allocation costs	(5,996)	(5,850)
Agents – community contract fees	(14,348)	(12,839)
Depreciation and amortisation	(61,902)	(61,715)
Finance costs	(2,129)	(2,511)
Other costs	(6,490)	(9,125)
Total expenditure	(149,771)	(149,689)
Net deficit	(749)	(23,491)

Indigenous Essential Services Pty Ltd cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	67,988	66,720
Receivables and other current assets	12,849	15,168
Current liabilities	(74,428)	(83,278)
Working capital	6,409	(1,390)
Non-current assets	702,822	711,452
Non-current liabilities	(64,237)	(64,318)
Net assets	644,994	645,744
Represented by:		
Accumulated funds	167,599	166,824
Asset revaluation reserve	477,395	478,920
Equity	644,994	645,744

Power Generation Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Power Generation Corporation for the year ended 30 June 2022.

Audit Opinion

The audit of the Power Generation Corporation for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 27 September 2022.

Key Audit Matters

Property, Plant and Equipment

Property, plant and equipment totalling \$343.7 million represents a significant balance. The net asset impairment reversal of \$5.3 million disclosed in the statement of profit or loss and other comprehensive income also represents a significant balance.

Significant management judgement is applied in determining the value in use of property, plant and equipment and any related impairment adjustment attributable to each cash generating unit.

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

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

Decommissioning Provision

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

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

Power Generation Corporation cont...

Recoverability of deferred tax assets

A deferred tax asset of \$19.1 million represents a significant balance in the Corporation's financial statements. Recognition of the deferred tax asset is influenced by management's assessment of the ability of the Corporation to realise the asset.

Unbilled Revenue

Unbilled revenue of \$19.9 million represents an estimate of the value of electricity generated and sent out but not billed as at 30 June 2022. Management's estimate is based upon information provided by the market operator.

Audit Observations

The audit did not identify any material weaknesses in controls.

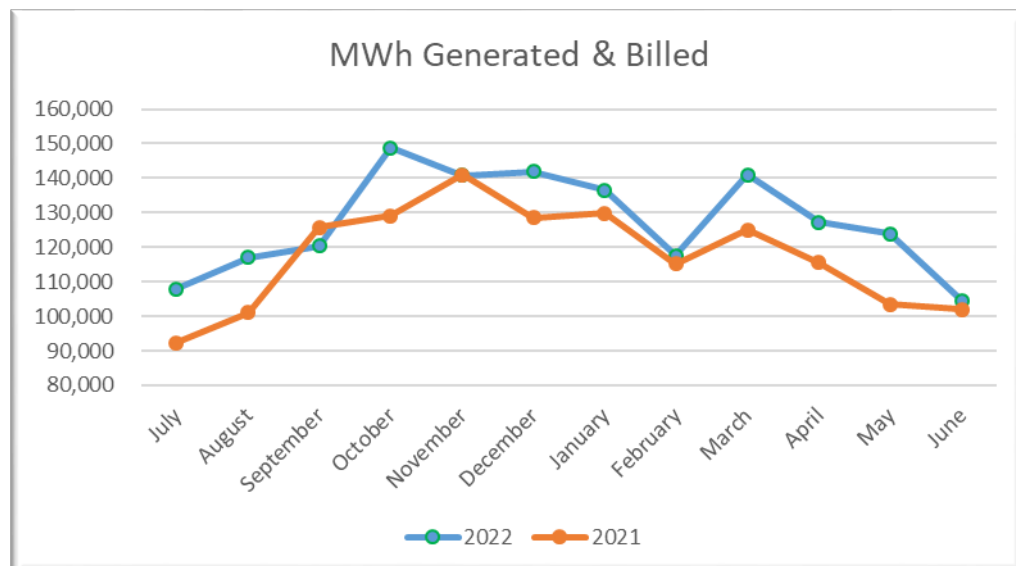
Performance Overview

For the year ended 30 June 2022, the Corporation recognised a profit after income tax of \$16.9 million compared to \$10.9 million for the year ended 30 June 2021.

In spite of the influx of solar generator players and the preference of end users for renewable energy, the Corporation experienced a positive outcome during the year due to the following factors:

- government removal of COVID-19 pandemic restrictions and reopening of borders that resulted in increased economic growth in the region; and
- higher than average temperatures during the dry season.

The above factors resulted in an increased MegaWatt Hours (MWh) generated and billed for most of the year as evidenced by the chart below:



Overall, the Corporation sold 1.53 million MWh during the year compared to 1.41 million MWh in the previous year. Revenues were also affected by an increase in average tariff rates from \$184.84 per MWh in previous year to \$187.80 per MWh for the year ended 30 June 2022. A number of customer contracts also experienced changes to terms and conditions during the year. These factors resulted in electricity sales of \$288.0 million during the year compared to \$261.6 million in the previous year.

Power Generation Corporation cont...

Cash Flows

The Corporation generated positive cash flows of \$53.5 million from its operating activities during the year (2021: positive cash flows of \$30.53 million). The cash flow improvement during the year was driven mainly by increased net profits and changes in billing and collection approaches.

The positive cash flows indicate that even with the end users' preference to use renewable energy, the Corporation's business is stable and has the ability to generate sufficient cash flows to fund its investing and financing activities.

Cash Dividends

The Corporation's Directors declared, and paid, a dividend of \$5.4 million during the year and have declared a dividend of \$8.5 million to be paid during the financial year ending 30 June 2023.

Going Concern

The continued growth of solar installations by households and commercial entities will impact the Corporation's commercial environment by reducing its overall market share.

In recognising these threats to the Corporation's market share, moderate underlying demand growth and the returns from the Pine Gap contract somewhat mitigated the impact of the influx of solar operators.

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

Power Generation Corporation cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Electricity sales	287,985	261,563
Deferred grant income	3,333	3,333
Interest revenue	136	105
Other revenue	13,371	3,988
Total income	304,825	268,989
Expenditure		
Cost of energy	(227,883)	(214,601)
Administrative expenses	(29,096)	(27,837)
Finance costs	(7,533)	(7,114)
Impairment reversal/(expense)	(5,319)	(74)
Other expenses	(11,096)	(3,873)
Total expenditure	(280,927)	(253,499)
Profit before income tax expense	23,898	15,490
Income tax expense	(6,967)	(4,632)
Profit after income tax expense	16,931	10,858
Dividends paid or provided for ⁽¹⁾	(5,430)	(3,950)
Net profit after dividends	11,501	6,908

⁽¹⁾ Since the end of the financial year, the directors have declared a dividend of \$8.46 million (2021: \$5.43 million).

Power Generation Corporation cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	67,122	58,567
Receivables and other current assets	54,650	58,889
Current liabilities	(60,350)	(45,149)
Working Capital	61,422	72,307
Non-current assets	362,716	344,125
Non-current liabilities	(275,364)	(279,159)
Net Assets	148,774	137,273
Represented by:		
Retained earnings/(deficit)	(64,926)	(76,427)
Reserves	107	107
Contributed equity	213,593	213,593
Equity	148,774	137,273

Power Retail Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

Background

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

Scope and Objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of the Power Retail Corporation for the year ended 30 June 2022.

Audit Opinion

The audit of the Power Retail Corporation for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 27 September 2022.

Key Audit Matters

Unbilled Consumption

Revenue from sale of goods includes estimated values for unbilled revenue from electricity totalling \$42.0 million. The estimated values are based upon unbilled days and average kWh per day supplied to customers between the date of the last invoice and the year end. There is a significant risk around the measurement and recognition of revenue related to unbilled revenue due to the complexity and estimates required in determining actual consumption levels relating to unbilled revenue.

Allowance for Impairment of Receivables/Provision for Doubtful Debts

The provision for doubtful debts constitutes an estimate of \$10.4 million. Australian Accounting Standard *AASB 9 Financial Instruments* establishes principles for the financial reporting of financial assets including impairment of assets and specifies the approach to determining and recognising a loss allowance for expected credit losses.

There is a significant risk around the measurement of the provision for doubtful debts due to the complexity and estimates required in determining the expected credit losses when calculating the provision.

Power Retail Corporation cont...

Audit Observations

The audit did not identify any material weaknesses in controls.

Performance Overview

The Corporation generated a net profit of \$1.1 million (2021: net deficit of \$0.1 million). An analysis of significant movements between this year and the current year is provided below.

- Revenue from sale of electricity has increased by \$28.9 million from \$389.4 million to \$418.3 million. The increase arises from higher demand for electricity due to above average temperatures. The volume of units sold was 1,005,638 MWh for the year ended 30 June 2022 compared to 965,432 MWh in the previous year. The increase also reflects higher average tariffs when compared to the prior year reflecting a different customer mix in reporting periods.
- Community service obligation revenue has increased by \$3.5 million from \$90.0 million to \$93.5 million due to higher than forecast costs of delivering electricity.
- Energy cost of sales have increased by \$28.5 million from \$463.8 million to \$492.3 million. Generation costs, system control costs and renewable energy certificate costs all increased consistent with the increase in revenue.
- Employee benefits expense increased by \$1.1 million from \$9.5 million to \$10.6 million. The increase arises from an increase in the number of staff (from 77 staff last financial year to 86 this financial year) together with a wage increase of 2.5%.
- Other expenses have increased by \$1.8 million. The increase is mainly attributable to the increase in doubtful debts of \$0.9 million and \$0.9 million relating to increased consulting fees.
- An income tax expense of \$456 thousand was incurred due to the improved financial result of the Corporation. The prior year's deficit gave rise to an income tax benefit of \$54 thousand.

The Corporation was in a net asset position of \$51.1 million as at 30 June 2022 (\$50.0 million as at 30 June 2021). The following are the significant movements in the balance sheet:

- Cash and cash equivalents increased by \$5.8 million from \$21.5 million to \$27.3 million driven by positive operating cash flows during the year.
- Trade receivables and unbilled consumption increased by \$2.9 million and \$1.0 million respectively consistent with the increase in sales of electricity. There was an increase in the provision for bad debts of \$1.2 million.
- Goods and services tax receivable at 30 June 2021 was \$3.7 million compared to \$0.3 million receivable in the current year, a year on year reduction of \$3.4 million.
- Other accrued revenue decreased by \$3.2 million from the prior year as a payment for Community Service Obligations was receivable at the end of the prior year.
- Other current assets decreased by \$6.3 million from \$6.7 million to \$0.4 million. Current assets in the prior year included a higher level of renewable energy certificates which had been purchased in advance. In the 2022 financial year, due to higher prices, renewable energy certificates were purchased on an as needs basis.

Power Retail Corporation cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Sale of goods	418,281	389,335
Community service obligations	93,538	90,041
Interest revenue	49	76
Other income	2,850	2,911
Total income	514,718	482,363
Expenditure		
Energy cost of sales	(492,269)	(463,818)
Depreciation	(712)	(1,476)
Employee expenses	(10,596)	(9,495)
External service agreements	(980)	(955)
Other expenses	(8,589)	(6,798)
Total expenditure	(513,146)	(482,542)
Profit/(loss) before income tax expense	1,572	(179)
Income tax benefit/(expense)	(456)	54
Profit/(loss) after income tax expense	1,116	(125)
Dividends paid or provided for ⁽¹⁾	-	-
Net profit/(loss) after dividends	1,116	(125)

⁽¹⁾ Since the end of the financial year, the directors have declared a dividend of \$0.6 million (2021: nil).

Power Retail Corporation cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	27,311	21,518
Receivables and other current assets	87,213	99,213
Current liabilities	(69,322)	(75,739)
Working capital	45,202	44,992
Non-current assets	10,427	9,923
Non-current liabilities	(4,553)	(4,955)
Net assets	51,076	49,960
Represented by:		
Accumulated funds	3,410	2,294
Capital	47,666	47,666
Equity	51,076	49,960

Territory Wildlife Parks

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2022

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, the Department of Environment, Parks and Water Security, to enable it to meet its operating expenses.

Scope and Objectives

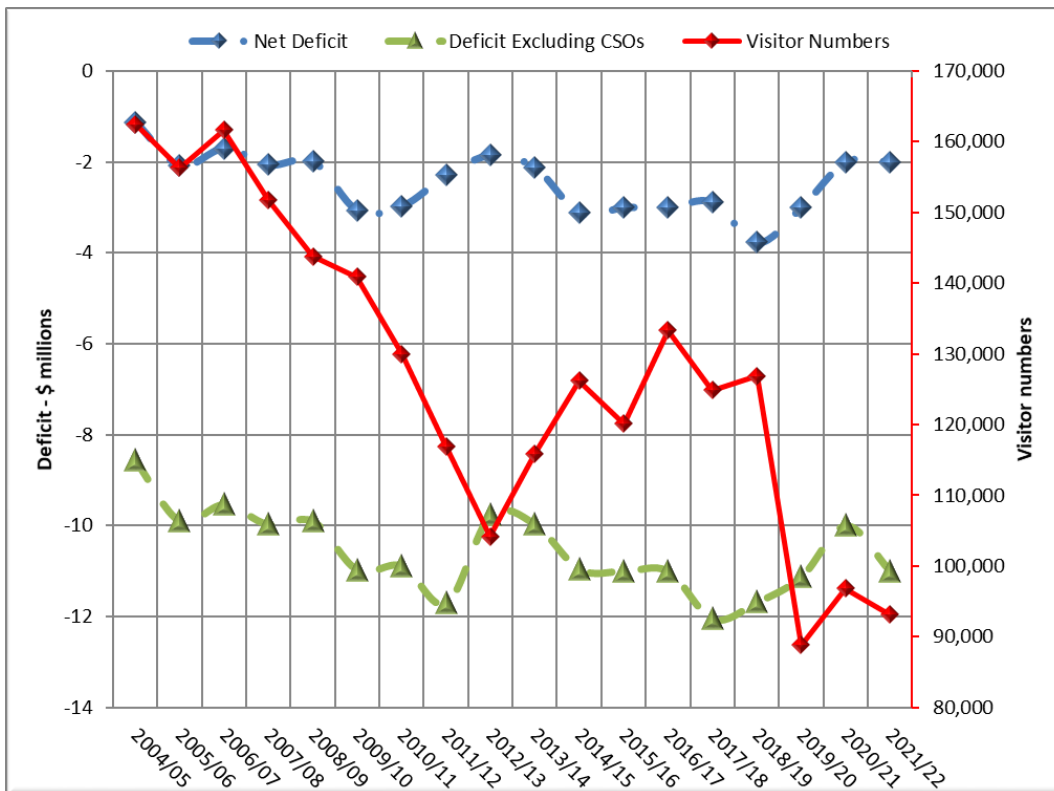
The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the financial statements of Territory Wildlife Parks for the year ended 30 June 2022.

Audit Opinion

The audit of Territory Wildlife Parks for the year ended 30 June 2022 resulted in an unmodified independent audit opinion, which was issued on 27 September 2022.

Audit Observations

Whilst my audit did not identify any material weaknesses in internal controls, it is notable that Territory Wildlife Parks has recorded financial deficits since its inception and that it continues to rely upon financial support in the form of Community Service Obligations to enable it to manage its cash flow requirements. Information in the following table and graph was sourced from the published annual reports of the current and former host agencies.



Territory Wildlife Parks cont...

	Net Deficit \$'000	CSO Income \$'000	Deficit Excluding CSO's \$'000	Visitor Numbers
2004/2005	(1,123)	7,445	(8,568)	162,424
2005/2006	(2,080)	7,817	(9,897)	156,323
2006/2007	(1,700)	7,834	(9,534)	161,660
2007/2008	(2,063)	7,915	(9,978)	151,675
2008/2009	(1,990)	7,915	(9,905)	143,775
2009/2010	(3,063)	7,915	(10,978)	140,854
2010/2011	(2,970)	7,915	(10,885)	129,933
2011/2012	(2,294)	9,418	(11,712)	116,954
2012/2013	(1,854)	7,915	(9,769)	104,177
2013/2014	(2,128)	7,842	(9,970)	115,877
2014/2015	(3,118)	7,842	(10,960)	126,153
2015/2016	(2,818)	7,824	(10,642)	120,073
2016/2017	(2,868)	7,824	(10,692)	133,327
2017/2018	(2,882)	9,174	(12,056)	124,888
2018/2019	(3,772)	7,913	(11,685)	126,856
2019/2020	(3,464)	7,660	(11,124)	88,800
2020/2021	(2,159)	7,676	(9,835)	96,800
2021/2022	(2,364)	8,842	(11,206)	93,100

Performance Overview

Total income for the Territory Wildlife Parks increased by \$0.4 million from the prior year. The increase is largely attributed to increased Community Service Obligations received of \$1.2 million offset by a reduction in grant income of \$0.8 million, as the 'Supporting Australia's Zoo's' grant was not available in current year. Whilst visitor numbers decreased, sales of goods and services revenue increased by approximately \$0.1 million

Total expenditure increased by \$0.6 million (5%) from the prior year. The increase was primarily attributable to the increase in employee expenses of \$0.2 million and resulted from the bonus paid to eligible Northern Territory Government employees. Property management, purchases of goods and services, and repairs and maintenance expenses increased by \$0.1 million, \$0.1 million and \$0.2 million respectively.

Territory Wildlife Parks cont...

The value of property, plant and equipment decreased by \$2.1 million and reflects depreciation of plant and equipment for the year of \$2.6 million. This decline in value was partially offset by the recognition of additional right of use assets and asset transfers totalling \$0.5 million.

Equity decreased by \$1.9 million representing the operating deficit of \$2.4 million partially offset by equity transfers in from the Northern Territory Government of \$0.4 million.

Territory Wildlife Parks has reported negative working capital since 2008 and in 2022, total current liabilities of \$1.6 million exceeded total current assets of \$1.2 million. Negative working capital indicates that, without support from the Northern Territory Government, Territory Wildlife Parks is unlikely to have sufficient available funds to meet its financial obligations as they fall due. It is also an indicator of the potential for financial failure in the future without ongoing financial support.

Territory Wildlife Parks cont...

Financial Performance for the year

	2022	2021
	\$'000	\$'000
Income		
Community Service Obligations	8,842	7,676
Sales of goods and services	2,449	2,353
Other revenues	165	1,013
Total income	11,456	11,042
Expenditure		
Employee expenses	(7,269)	(7,072)
Depreciation and amortisation	(2,555)	(2,518)
Repairs and maintenance	(602)	(434)
Other expenses	(3,394)	(3,177)
Total expenditure	(13,820)	(13,201)
Net deficit	(2,364)	(2,159)

Territory Wildlife Parks cont...

Financial Position at year end

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	866	754
Receivables and other current assets	331	215
Current liabilities	(1,647)	(1,420)
Working Capital	(450)	(451)
Non-current assets	32,880	34,963
Non-current liabilities	(397)	(554)
Net Assets	32,033	33,958
Represented by:		
Accumulated losses	(41,635)	(39,271)
Contributed equity	34,972	34,533
Asset revaluation reserve	38,696	38,696
Equity	32,033	33,958

Payment Gateway

Department of Corporate and Digital Development

Background

The term 'Payment Gateway' is used to define the service which enables an end user to make a credit card payment to Government using an online transaction portal. An example where an end user would make such payments through a payment gateway would be a payment to the Motor Vehicle Registry. The payment gateway endorsed for use by NT government agencies is provided by the National Australia Bank (NAB) as part of Government banking services and is intended to enable secure payment of funds to the Government.

As this payment gateway is provided as a hosted and managed service by NAB, the Northern Territory Government relies on NAB to manage security of the solution, from product development through to ongoing testing and monitoring of the payment gateway service.

Banking services are centrally managed by the Department of Corporate and Digital Development (DCDD) on behalf of whole of government. This includes providing guidance and support to agencies to integrate payment gateway services within government digital portals.

Scope and Objective

The objective of this review was to gain an overall understanding of the adequacy of controls present in the information technology environment managed by DCDD that supports the integration of the payment gateway to the Government Accounting System. The review focused on the following areas:

- Incident management
- Computer operations (integration monitoring and batch processing controls)
- Resilience and backups

Audit Opinion

Based on the scope of testing performed, nothing came to my attention that caused me to believe that the information technology controls tested in relation to the payment gateway have not been designed and implemented effectively during the review period.

Audit Observations

There were no significant matters arising from this review.

Payment Gateway cont...

The Department of Corporate and Digital Development has commented:

The department notes the report and that no significant matters were identified from this review.

End of Year Review

Selected Agencies

Background

The purpose of conducting end of year reviews of the Public Account is to provide support to the audit of the Treasurer's Annual Financial Statement through reviewing the reasonableness of agencies' end of year financial data that is consolidated into the Treasurer's Annual Financial Statement by the Department of Treasury and Finance. The review methodology involves reviewing the reasonableness and effectiveness of agencies' end of financial year reporting and controls relevant to accounting processes and practices and reviewing material financial transactions that have occurred within the agencies.

Findings and observations from these reviews may also provide matters for Accountable Officers to consider when they are preparing their representations to their relevant Ministers.

Reviews were performed in each of the following Agencies during the six months covered by this report:

- Aboriginal Areas Protection Authority;
- Department of Corporate and Digital Development;
- Department of Education;
- Department of Environment, Parks and Water Security;
- Department of Health;
- Department of Industry, Tourism and Trade;
- Department of Infrastructure, Planning and Logistics;
- Department of Territory Families, Housing and Communities (not completed as at 31 October);
- Department of the Attorney-General and Justice;
- Department of the Chief Minister and Cabinet;
- Department of the Legislative Assembly;
- Department of Treasury and Finance;
- Northern Territory Electoral Commission;
- Northern Territory Police, Fire and Emergency Services;
- Office of the Independent Commissioner Against Corruption; and
- Ombudsman's Office.

Scope and Objectives

The objective of the end of year review was to review the adequacy of selected aspects of end of financial year reporting and controls over accounting and material financial transactions at each agency. The reviews are undertaken under section 13 of the *Audit Act 1995* in order to support the audit fieldwork and resultant independent audit opinion issued upon the Treasurer's Annual Financial Statement.

End of Year Review cont...

The reviews were not directed to auditing financial information contained within each agencies' annual report.

Observations

The observations below exclude matters identified at the Department of Territory Families, Housing and Communities as the review of that agency was not complete as at 31 October 2022.

Observations relating to the Department of Territory Families, Housing and Communities will be reported separately in my next report to the Legislative Assembly.

Whilst an audit opinion is not expressed on the financial statements of each agency, each Authorised Auditor provided a representation to my Office at the completion of each review confirming that the reviewed financial information entered by each agency into the APEX system for the purpose of preparing the Treasurer's Annual Financial Statement for the year ended 30 June (effectively a trial balance) contained no material misstatements.

Reviews conducted at most agencies identified no material or significant weaknesses in controls. The table below summarises the number of findings reported to Accountable Officers at the conclusion of the review conducted at their agency. There were instances where journals were submitted by agencies after Period 14 had closed on 24 July 2022. In most instances, established month-end processes in place at the agencies should have identified the need for these journals to be processed within the normal month-end close timeframe. The processing of journals by agencies after the mid-July ledger close date may affect the timely completion of the audit of the Treasurer's Annual Financial Statements and may result in material unanticipated changes to forecast results. Whilst these exceptions were reported to relevant Accountable Officers, the following table excludes these findings.

Number of Issues Raised ¹	Number of Agencies 2022 ¹	Number of Agencies 2021
0	10	9
1	3	3
2	1	2
3	1	1
4	-	1
Total Agencies	15	16
Total Issues Raised	8	14

¹ Excludes the Department of Territory Families, Housing and Communities

End of Year Review cont...

A number of findings were raised in relation to the general controls environment. These findings included the need for improved adherence to Agency Accounting and Property Manuals, more robust processes for recording transactions surrounding year-end (cut off) and more timely and accurate reconciliations. In particular it was noted that:

- Not all accrued expenses were identified and appropriately recognised as at 30 June 2022.
- Internal control weaknesses were identified in relation to accounting for fixed assets and capital work in-progress particularly where transfers of assets had occurred between agencies. Whilst a number of these matters were identified and corrected by the affected agencies, the errors were financially significant and demonstrate that more robust reconciliation processes are required.
- One agency identified four properties that had not been previously recognised in the fixed asset register or financial records.
- The approach to determining the fair values of equity investments held by the Northern Territory Government may not be appropriate.
- At one agency, unresolved variances were identified in the reconciliations for accounts categorised as Accountable Officer's Trust Accounts and Deposits held – Other. This matter has been a weakness reported to the agency since 2010.
- The review of a number of reconciliations prepared within one agency to support balances reported in the financial statements as at 30 June 2022 identified a number of variances and unsupported items which require resolution. Similar issues were raised in the prior year reviews of this agency.
- The carrying amount of one agency's heritage and cultural assets may not represent fair value.
- Accrued salaries liabilities reported at one agency incorrectly included a provision for "EBA Bonus" of \$3,695,718.75 related to the lump sum payment due to eligible employees on 10 August 2022. As the payment was not due and payable until the 2022/23 financial year, it should not have been recorded as a liability at 30 June 2022.

End of Year Review cont...

The Department of Corporate and Digital Development has commented:

The department has end of year process in place and will continue to make every effort to ensure processes are observed, noting that circumstances arise at times that necessitate specific action.

The Department of Industry, Tourism and Trade has commented:

The one audit issue raised relating to the late posting of a period 14 journal has been noted and year-end processes will be reviewed.

The Department of the Attorney-General and Justice has commented:

The department continues to review the findings and adapt its practices to ensure compliance with identified requirements.

The Department of Treasury and Finance has commented:

The Department of Treasury and Finance continues to review Treasurer's Directions to bring them to contemporary standards and resolve compliance deficiencies across government. Reviews of Treasurer's Directions are prioritised in terms of risk to the Treasurer's Annual Financial Report, and to address material issues across government agencies, new government policy requirements and changes to Australian accounting standards.

The audit findings from agency end of year reviews included within this report provide valuable input into the Treasurer's Direction review project, and will be addressed as part of that process.

The Northern Territory Police, Fire and Emergency Services has commented:

The Northern Territory Police, Fire and Emergency Services notes the Auditor-General's findings and have actioned improvements in the areas relevant to this agency.

Executive Contract Officers – Christmas Closedown Leave

Selected Agencies

Background

Clause 90 of the *Northern Territory Public Sector 2021-2025 Enterprise Agreement* (the Agreement) provides for Christmas Closedown Leave to be available to employees covered by the Agreement.

The Commissioner for Public Employment's Determination 4 of 2021 provided for Christmas Closedown Leave for employees covered by the Agreement notwithstanding the Agreement was not signed as at 22 December 2021. Determination 4 of 2021 states:

Employees covered by the Agreement (excluding school-based Administrative Officers working at 92% and 96% FTE arrangements) granted recreation leave between 29 and 31 December 2021 inclusive will be re-credited the recreation leave as follows:

- a. 22.05 hours (pro rata for part time employees), for employees whose ordinary weekly hours are 36.75 hours; or
- b. 22.8 hours (pro rata for part time employees), for employees whose ordinary weekly hours are 38 hours.

The Commissioner for Public Employment's Determinations 2 and 3 of 2022 provide for lump sum payments to Executive Contract Officers (ECOs). Paragraph 7 of Determination 2 of 2022 and paragraph 6 of Determination 3 of 2022 provided alignment of the following specific ECO conditions with ongoing Senior Administrative Officer 2 conditions:

- Compassionate Leave (paragraph 43)
- Purchase of Additional Leave (paragraph 57)
- Recognition of Prior Service for Long Service Leave Purposes (paragraph 74)
- Parental Leave (paragraph 75), with the exception of additional superannuation contributions applicable under clause 92.16(b) of the Agreement
- Requests for Flexible Working Arrangements in Certain Circumstances (paragraph 76)
- Public Holidays (paragraph 79)
- Travelling Allowance (paragraph 83)
- Relocation Provisions (paragraph 91)
- Remote Locality Incentives (paragraph 93)

Thus Christmas Closedown Leave is not available to ECOs.

The source for the assessment was the '*HR007 Leave*' report from BusinessObjects (BOXI-HR) that reflects the current human resource (HR) system data that has been entered by the end of the previous day.

On 5 July 2022, the '*HR007 Leave*' report was obtained for all leave applied for or approved in the HR system between 1 July 2021 and 30 June 2022. The '*HR007 Leave*' report included all Northern Territory Government entities and was reviewed so as to identify any instances where ECOs were identified as having recorded Christmas Closedown Leave.

Executive Contract Officers – Christmas Closedown Leave cont...

Scope and Objectives

The objective of this assessment was to identify Christmas Closedown Leave recorded as taken by Executive Contract Officers (ECOs) that related to the 2021 Christmas period based on the report 'HR007 Leave' sourced from BOXI-HR on 5 July 2022.

Accountable Officer's Responsibility

The Accountable Officer is responsible for:

- maintaining adequate accounting records and preparing the financial report in accordance with the *Financial Management Act 1995*, Treasurer's Directions and Australian Accounting Standards;
- maintaining a system of internal controls to prevent or detect errors or irregularities;
- ensuring the adequacy of reporting and controls over accounting and financial transactions; and
- developing systems to achieve compliance with accountability and control requirements.

Observations

Instances where ECOs took Christmas Closedown Leave were identified at the following agencies:

- 1 ECO at the Aboriginal Areas Protection Authority;
- 4 ECOs at the Department of Corporate and Digital Development (DCDD);
- 1 ECO at the Department of Health; and
- 2 ECOs at the Department of the Attorney-General and Justice.

The 4 agencies were requested to provide an explanation as to why Christmas Closedown Leave was authorised for the ECO and what action was being taken to correct the leave allocation.

In responding to my request, the agencies identified the following reasons, and corrective actions, where the ECOs have recorded Christmas Closedown Leave:

- One ECO applied for the Christmas Closedown Leave and the Delegate approved the leave. The Accountable Officer of the agency has advised that both the application and the approval were mistakes when interpreting the new employee entitlement. Action has been initiated by the agency to have the Christmas Closedown Leave cancelled and replaced with recreation leave for the period.
- At one agency there was an assumption that Christmas Closedown Leave was available to all staff at the agency regardless of level. During the time that the Enterprise Agreement was approved, agency staff were advised that they were not eligible for the lump sum payment nor the leave entitlements as the agency's staff are not employed under the Agreement and the *Public Sector Employment and Management Act 1993*. As the conditions did not translate into a By-law or salary increase, agency staff were not eligible for the new entitlements. In January the agency wrote to the Commissioner for Public Employment seeking the Commissioner's approval to instate these entitlements and the request was approved. Agency personnel stated that at no time was the agency advised that Christmas Closedown Leave entitlements were not available to ECOs. Action has been initiated by the agency to have the Christmas Closedown Leave cancelled and replaced with recreation leave for the period.

Executive Contract Officers – Christmas Closedown Leave cont...

- In one instance, payroll staff incorrectly recorded a Senior Administrative Officer 2 (SAO2) as an ECO when the Christmas Closedown Leave was processed. In this instance Christmas Closedown Leave was appropriately recorded as the employee was not an ECO.
- In another instance, payroll staff converted the ECO's leave to Christmas Closedown Leave on the assumption that the Christmas Closedown Leave applied to everyone. Action has been initiated to have the Christmas Closedown Leave cancelled and replaced with recreation leave for the period.
- In the remaining instances, the ECOs were in positions that have an alternative classification as SAO2. During the bulk manual conversion process that DCDD undertook in January 2022, the leave taken by the ECOs in the SAO2 positions was incorrectly converted to Christmas Closedown Leave. Action has been initiated to have the Christmas Closedown Leave cancelled and replaced with recreation leave for the period.

Executive Contract Officers – Christmas Closedown Leave cont...

The Department of Corporate and Digital Development has commented:

The Department of Corporate and Digital Development played a pivotal role in ensuring NTPS employees received Christmas leave entitlements where eligible, this included the bulk manual conversion in January 2022 of over 6,800 actions under the General Agreement. Bulk manual action was required due to the timing of this entitlement becoming available and in line with the Commissioner of Public Employment Bulletin 22 issued on the 17 December 2021. It is noted that a small number of instances identified Executive Contract Officers (ECO) where incorrectly processed as eligible in this conversion of recreational leave to Christmas Closedown leave (less than 0.1%). All instances identified have been rectified. Bulk action was a 'one off' activity with employees able to apply for Christmas Closedown through myHR system going forward.

DCDD has an established process through the release of bulletins and communications to ensure currency and timely distribution of information to staff on the processing of entitlements and conditions of service.

The Department of the Attorney-General and Justice has commented:

The two matters identified in the report have been reviewed with one identified as appropriately recorded as the employee was not an executive contract officer and the other leave was converted back to recreation leave for the period.

Matters Referred to the Auditor-General Pursuant to Section 6 of the *Public Information Act 2010*

Background

The *Public Information Act 2010* (the Act), as in force at 10 April 2019, and the associated Regulations, provide for the review of public information produced by public authorities. A public authority is defined in Section 5 of the Act as:

- an Assembly member;
- the holder or occupier of any of the offices of a Minister, the Speaker, the Leader of the Opposition or any other office of the Legislative Assembly;
- the holder or occupier of an office established by or under a law of the Territory;
- a person appointed or engaged to perform work for a public authority;
- an Agency;
- a body (whether incorporated or not) established by or under a law of the Territory;
- a body corporate to which one or both of the following apply:
 - the capital of the body corporate is owned by one or more public authorities;
 - one or more public authorities have a total of more than one-half of the voting power in the management of the body corporate;
- a body corporate that is a subsidiary of a public authority (whether or not through any interposed entity).

Excluded from the definition are:

- holders or occupiers of:
 - judicial office;
 - an office as a member of a tribunal established under a law of the Territory;
 - the office of the Auditor-General;
- a local government council;
- Jacana Energy;
- the Power and Water Corporation;
- Territory Generation; and
- a person or body prescribed by regulation.

Matters Referred to the Auditor-General Pursuant to Section 6 of the *Public Information Act 2010* cont...

Section 4(1) of the Act defines public information as 'information given by a public authority to the public by using money or other property of the Territory'. Exemptions from this definition are:

- information given to members of the electorate of an Assembly member if the preparation and giving of the information is funded by an allowance payable to the Member for the electorate under a law of the Territory; and
- a media release of a Member of the Legislative Assembly (whether or not in his or her capacity as an Assembly member); and
- information prescribed by regulation.

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

Section 6(1) of the Act provides that the Auditor-General must, upon the receipt of a written request of a Member of the Legislative Assembly, or may, on the initiative of the Auditor-General, conduct a review of that information to determine whether the provisions of the Act have been contravened, with regard to the Public Information Regulations.

The Auditor-General may determine that the Act is contravened in relation to particular public information if the Auditor-General is satisfied one or more of the following applies to the information:

- the information promotes particular party political interests;
- the information includes statements that are misleading;
- the information is an advertisement that includes an image of a minister or a minister's message;
- for public information that is not an advertisement – the information includes an image of a minister or a minister's message other than:
 - the Chief Minister; or
 - the relevant minister;
- the information includes facts (including comparisons), statistics or data that are not presented accurately; or
- the information fails to specify the source, or a means for identifying a source, of any facts (including comparisons), statistics or data.

The Auditor-General may also determine this Act is contravened in relation to particular public information if the Auditor-General is satisfied the content of the information is not for the purpose of the public interest.

There have been no matters referred since my August 2022 Report to the Legislative Assembly.

Appendices

Appendix 1: The Role and Responsibilities of the Auditor-General

Responsibilities of the Auditor-General

The Auditor-General's powers and responsibilities are established in the *Audit Act 1995* 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. 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. Results of any reviews of referred information under the *Public Information Act 2010* are included when the reviews are concluded.

In reporting these results, 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 required to report to the Accountable Officer (or equivalent) of public sector entities on matters arising from the conduct of audits at the conclusion of the audit.

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 by private sector Authorised Auditors.

The requirements of the *Audit Act 1995* 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.

Appendix 1: 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 including End of Year Reviews and the results of financial statement audits, an audit approach is designed and implemented to obtain assurance that the 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 standards.

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 observed during the course of an audit, specific comment may be included in a subsequent 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*. Audits of these companies 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 conducted through the Auditor-General's 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 1995* also requires that the Auditor-General has regard to those standards.

The Public Account

The Public Account is defined in the *Financial Management Act 1995* as:

- The Central Holding Authority; and
- Operating accounts of agencies and Government Business Divisions.

Appendix 1: The Role and Responsibilities of the Auditor-General cont...

Audits of Performance Management Systems

Legislative Framework

A Chief Executive Officer, as an Accountable Officer, is responsible to the appropriate Minister under section 23 of the *Public Sector Employment and Management Act 1993* for the proper, efficient and economic administration of his or her agency. Under section 13 (2)(b) of the *Financial Management Act 1995*, an Accountable Officer shall ensure that procedures 'in the agency are such as will at all times afford a proper internal control'. Internal control is defined in section 3 of the *Financial Management Act 1995* to include 'the methods and procedures adopted within an agency to promote operational efficiency, effectiveness and economy'.

Section 15 of the *Audit Act 1995* complements the legislative requirements imposed on Chief Executive Officers by providing the Auditor-General with the power to audit performance management systems of any agency or other organisation in respect of the accounts of which the Auditor-General is required or permitted by a law of the Territory to conduct an audit.

A performance management system is not defined in the legislation, but section 15 of the *Audit Act 1995* identifies that: 'the object of an audit conducted under this section includes determining whether the performance management systems of an agency or organisation in respect of which the audit is being conducted enable the Agency or organisation to assess whether its objectives are being achieved economically, efficiently and effectively.' Performance management system audits can be conducted at a corporate level, a program level, or at a category of cost level, such as capital expenditure.

Operational Framework

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

- identification of the policy and corporate objectives of the entity;
- incorporation of those objectives in the entity's corporate or strategic planning process and allocation of these to programs of the entity;
- identification of what successful achievement of those corporate objectives would look like, and recording of these as performance targets;
- development of strategies for achievement of the desired performance outcomes;
- monitoring of the progress toward that achievement;
- evaluation of the effectiveness of the final outcome against the intended objectives; and
- reporting on the outcomes, together with recommendations for subsequent improvement.

Appendix 2: Guide to Using this Report

Auditing

There are 2 general varieties of auditing undertaken in the Northern Territory Public Sector, independent auditing and internal auditing. Only independent audits are undertaken through the Northern Territory Auditor-General's Office. The Auditor-General and personnel of the Office 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 management system audits.

Internal Audit

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

Types of Financial Reports

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.

Appendix 2: Guide to Using this Report cont...

Types of Assurance Engagements

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

Reasonable Assurance

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

Limited Assurance

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

Audit Opinions

There are 2 overarching categories of audit opinion, an unmodified audit opinion (sometimes referred to as a 'clean' opinion) and a modified audit opinion.

Unmodified Audit Opinion

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

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

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.

Australian Auditing Standard ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* deals with the auditor's responsibility to communicate key audit matters in the auditor's report. The purpose of communicating key audit matters is to enhance the communicative value of the auditor's report by providing additional information to intended users of the financial report to assist them in understanding those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period.

Appendix 2: Guide to Using this Report cont...

Modified Audit Opinion

Australian Auditing Standard ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*, paragraph 2, establishes 3 types of modified opinions, namely, a qualified opinion, an adverse opinion and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon:

- 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.

Qualified Opinion

An auditor shall express a qualified opinion when:

- a) the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial report; or
- b) the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be material but not pervasive. [ASA 705, paragraph 7]

Adverse Opinion

An adverse opinion is expressed when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial report. [ASA 705, paragraph 8]

Disclaimer of Opinion

An auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be both material and pervasive. [ASA 705, paragraph 9]

The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial report due to the potential interaction of the uncertainties and their possible cumulative effect on the financial report. [ASA 705, paragraph 10]

Appendix 2: Guide to Using this Report cont...

Assurance Engagements Conducted by the Auditor-General

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

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

Statutory Financial Statements Audits

Statutory audits of financial statements are conducted on the full financial reports of government business divisions, government owned corporations and other government controlled entities that prepare statutory financial statements.

Agencies are required, by Treasurer's Directions issued pursuant to the *Financial Management Act 1995*, to prepare financial statements that comply with Australian Accounting Standards. Agencies are not, however, required to submit those statements to the Auditor-General unless directed to do so by the Treasurer pursuant to section 11(3) of the *Financial Management Act 1995*. As no such direction has been given, agencies' financial statements are not audited separately, but are reviewed as part of the audit of the Public Account and of the Treasurer's Annual Financial Statement.

In the case of a financial statement audit, an 'unqualified audit opinion' means that the Auditor-General is satisfied that the agency or entity has prepared its financial statements in accordance with Australian Accounting Standards and other mandatory financial reporting requirements or, in the case of acquittal audits, the relevant legislation or the agreement under which funding was provided. It also means that the Auditor-General believes that the report is free of material error and that there was nothing that limited the scope of the audit. If any of these conditions should not be met, a 'modified audit opinion' is issued together with an explanation of why a modified audit opinion was issued.

Within this report, the audit opinions, key audit matters and summaries of audit observations represent the more important matters relating to each audit. By targeting these sections, readers can quickly understand the major issues faced by a particular agency or entity or by the public sector more broadly.

Information Technology Audits

Information technology audits are undertaken as stand-alone audits of key agency or across government systems. Systems selected for audit may directly have an important role in processing data and providing information for the purposes of financial management or may be non-financial systems that are of critical importance to the delivery of government services such as those related to health, justice and education.

A number of financial information technology systems are audited specifically to provide assurance to the Auditor-General and the Legislative Assembly on the completeness and accuracy of information used for the purposes of financial reporting and the preparation of the Treasurer's Annual Financial Statement.

Appendix 2: Guide to Using this Report cont...

End of Year Reviews

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

Whilst these audits are primarily intended to inform the Auditor-General's opinion on the Treasurer's Annual Financial Statements, the results from these audits may also assist Accountable Officers by identifying departures from the requirements of Australian Accounting Standards and the Northern Territory government's Financial Management Framework and misstatements in recorded financial transactions and balances. Resulting reports to Accountable Officers contain recommendations to enhance the agencies' financial management processes.

Controls and Compliance Audits

Controls and Compliance Audits are conducted of selected systems or accounting processes to determine whether the systems and processes achieve compliance with legislated or otherwise mandated requirements. These audits are primarily intended to assist in the audit of the Public Account as they provide the Auditor-General and the Legislative Assembly with assurance that adequate financial and governance controls are designed, implemented and operating effectively across government.

Controls and Compliance Audits can assist Accountable Officers by identifying weaknesses in financial and governance processes and controls that, if left unaddressed, may contribute to regulatory non-compliance, financial mismanagement or inefficient operations, or the realisation of other risks to the agency.

Performance Management System Audits

The audit process determines whether existing systems or practices, or management controls over systems, are adequate to provide relevant and reliable performance information that will assist intended users of the information make decisions relating to accountability and the achievement of results. These audits are also intended to provide the Legislative Assembly with assurance that audited agencies have appropriate systems and processes in place to effectively monitor and manage projects, programs and policy directions.

Performance management system audits are not directed at assessing the extent to which an agency has achieved a particular outcome however they can assist Accountable Officers by identifying opportunities to enhance their ability to effectively monitor and manage the implementation of projects, programs and policies to ensure the intended outcomes are achieved.

Public Information Act 2010 Referrals

The *Public Information Act 2010* requires the Auditor-General, upon receipt of a written request of an Assembly member, or on the Auditor-General's initiative, to conduct a review of particular public information to determine whether the Act is contravened in relation to the information. If review of the information suggests a contravention, a preliminary opinion is issued to the public authority that gave the relevant public information. When preparing the report about the review, any comments provided by the public authority following the preliminary opinion are taken into consideration. The associated reports are included in reports to the Legislative Assembly.

Appendix 3: Audit Opinions Issued

Issued between 1 August 2022 and 31 October 2022

Financial Statements for the year ended 30 June 2022

	Date 2022 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 30 June 2022	Date of Audit report year ended 30 June 2021
Board of the Museum and Art Gallery of the Northern Territory	Not yet tabled	7 October 2022	1 October 2021
Darwin Waterfront Corporation	Not yet tabled	13 October 2022	18 October 2021
Data Centre Services	12 October 2022	21 September 2022	27 September 2021
Indigenous Essential Services Pty Ltd	Not yet tabled	30 September 2022	30 September 2021
Land Development Corporation	Not yet tabled	21 September 2022	27 September 2021
Motor Accidents (Compensation) Commission	Not yet tabled	20 October 2022	28 September 2021
Northern Territory Grants Commission ⁽¹⁾	Not yet tabled	27 September 2022	31 August 2021
Northern Territory Legal Aid Commission	Not yet tabled	30 September 2022	24 September 2021
Northern Territory Major Events Company Pty Ltd	Not yet tabled	19 September 2022	14 October 2021
Northern Territory Treasury Corporation	12 October 2022	28 September 2022	24 September 2021
NT Build	Not yet tabled	20 October 2022	25 October 2021
NT Fleet	12 October 2022	26 September 2022	27 September 2021
NT Home Ownership	Not yet tabled	30 September 2022	29 September 2021
Power and Water Corporation	Not yet tabled	30 September 2022	30 September 2021
Power Generation Corporation	Not yet tabled	27 September 2022	28 September 2021
Power Retail Corporation	Not yet tabled	27 September 2022	30 September 2021
Territory Wildlife Parks	Not yet tabled	27 September 2022	29 September 2021

Not yet tabled – as at 31 October 2022

Not required – Financial statements are not required to be tabled

⁽¹⁾ Not separately reported within this report

Appendix 3: Audit Opinions Issued cont...

Acquittals or other returns for the year ended 30 June 2022

	Deadline for submission of Audited Financial Statements	Date of Audit report year ended 30 June 2022	Date of Audit report year ended 30 June 2021
Health Pool Funding Acquittal ⁽¹⁾	30 September 2022	29 August 2022	9 September 2021
Local Government Financial Assistance Acquittal ⁽¹⁾	Not specified	13 September 2022	4 August 2021
Motor Accidents (Compensation) Commission Annual Return	31 October 2022	27 October 2022	29 October 2021
<i>National Land Transport Act 2014</i>			
Roads to Recovery ⁽¹⁾	31 October 2022	26 October 2022	26 October 2021
Northern Territory Regional Health Services Funding Acquittal ⁽¹⁾	30 September 2022	26 September 2022	N/A

⁽¹⁾ Not separately reported within this report

N/A – Not Applicable

Appendix 4: Status of Audit Activity

Listed below is the status, as at 31 October 2022, of non-routine audits and reviews identified as not yet complete in Appendix 4 of my August 2022 Report to the Legislative Assembly:

Department of Corporate and Digital Development

Payment Gateway Refer page 76

Department of Infrastructure, Planning and Logistics

Accounting for Assets on Leased Land Not yet completed

Department of the Chief Minister and Cabinet

Darwin City Deal Management Not yet completed

Implementation of the TERC Recommendations Not yet completed

Local Jobs Fund Not yet completed

Selected Agencies

Prefabricated Housing Project Not yet completed

Youth Justice Facility Not yet completed

In addition to the routine audits, primarily being end of year audits of agencies and audits of financial statements, the following audits and reviews were identified in Appendix 5 of my August 2022 Report to the Legislative Assembly as scheduled to be conducted during the 6 months to 31 December 2022:

Department of Education

Program Evaluation Audit Not yet completed

Department of Health

Outsourcing – Achievement of Outcomes/Outputs Not yet completed

Department of the Attorney-General and Justice

Grants – Achievement of Outcomes/Outputs Not yet completed

Department of Infrastructure, Planning and Logistics

Infrastructure Program Development and Reporting Not yet completed

Selected Agencies

Wages Policy and Lump Sum Payment Implementation Not yet completed

Appendix 5: Proposed Audit Activity in the Six Months Ending 30 June 2023

In addition to the routine audits, primarily being agency compliance audits and audits of financial statements conducted at entities with a 31 December financial year end, the following audits have been scheduled for the period:

Selected Agencies

Asset Valuations

Appendix 6: Abbreviations

AASB	Australian Accounting Standards Board
APRA	Australian Prudential Review Authority
ASA	Australian Auditing Standard
BOXI	BusinessObjects
COVID-19	Coronavirus Disease 2019
CPS	Cross Industry Prudential Standard
CSO	Community Service Obligation
DCDD	Department of Corporate and Digital Development
EBA	Enterprise Bargaining Agreement
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
ECO	Executive Contract Officer
FTE	Full time equivalents
GPS	General Insurance Prudential Standard
HR	Human Resources
MAGNT	Board of the Museum and Art Gallery of the Northern Territory
NAB	National Australia Bank
NT	Northern Territory
NTG	Northern Territory Government
NTHO	NT Home Ownership
PWC	Power and Water Corporation

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