Northern Territory
Auditor-General's Office

Auditing for Parliament

November 2023

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

https://ago.nt.gov.au

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

27 November 2023

Dear Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits, reviews and assessments completed during the period from 1 August 2023 to 31 October 2023 that have not been previously reported and I request that you table the report in the Legislative Assembly.

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.

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

My audit opinion on the Treasurer's Annual Financial Statements was issued on 25 October 2023 with observations from the audit included in this report.

The results from one performance management system audit are included in this report.

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 Statements. The findings from these reviews are reported within this report.

My Office recently conducted an audit at three selected agencies to test the processes in place for valuing land and building assets and the accuracy of land and building valuations undertaken for the year ended 30 June 2022. The results of these audits are included in this report.

One matter was referred to me in April 2023 under the *Public Information Act 2010* and the results of my review 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 40 separate audits and other tasks completed during the period 1 August 2023 to 31 October 2023. This report summarises the results of the following types of audits and legislated tasks conducted during the period:

- Statutory Audits of Financial Statements
- Controls and Compliance Audits and Reviews
- Performance Management Systems Audits.

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 16 Northern Territory Government agencies. 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 Statements. The focus for these reviews is primarily the end of year financial data consolidated into the Treasurer's Annual Financial Statements. Observations from the audit of the Treasurer's Annual Financial Statements for the year ended 30 June 2023 are presented in this report.

This report includes the results of audits of financial statements for those entities with a financial year ended 30 June 2023 where the audits were completed between 1 August 2023 and 31 October 2023.

The results from one performance management system audit are included in this report. The audit assessed the approach to the development of the NT Infrastructure Plan and Pipeline including budgeting and reporting processes at the Department of Infrastructure, Planning and Logistics.

My Office recently conducted audits at three selected agencies to test the processes in place for valuing land and building assets and the accuracy of land and building valuations undertaken for the year ended 30 June 2022. The results of these audits are presented in this report.

One matter relating to the *Bail Amendment Bill* 2023 was referred to me in April 2023 under the *Public Information Act 2010* and the results of my review 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 2024, the last report was tabled during August 2023.

A number of audits scheduled to be commenced and completed in the period 1 July 2023 to 31 December 2023 are still to be completed and are listed in Appendix 4: Status of Audit Activity. The outcomes of these audits will be presented in a future report 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 2023

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)
- 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 2023.

Audit Opinion

The audit of the Board of the Museum and Art Gallery of the Northern Territory for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 29 September 2023.

Audit Observations

The audit did not identify any material weaknesses in controls.

Performance Overview

The Board incurred a net deficit of $165 thousand this year, $55 thousand higher than the deficit of $110 thousand reported in the prior year. Total revenue and total expenditure were both higher than the previous year. The most significant movements were:

- Sales of goods and services increased by $166 thousand reflecting increased visitor numbers.
- Interest income increased by $183 thousand as a result of higher interest rates and higher cash balances.
- Employee expenses were $480 thousand higher due to the recruitment of additional employees during the year to facilitate an increase in exhibitions and visitors.
- Agent service fees increased by $127 thousand of which $70 thousand was attributed to the Blue Whale project.
- Consumables and general expenses were $168 thousand lower than the previous year.
- Marketing and promotion expenses were $159 thousand lower than the prior year.
- Official duty fares increased by $172 thousand.

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

Net assets decreased by $165 thousand equivalent to the deficit for the financial year. Significant movements in the balance sheet are explained below.

Cash and deposits ($3.135 million) increased by $902 thousand during the year which is attributable to funding received from the Department of Territory Families, Housing and Communities. The funding also included $711 thousand to be remitted to the Australian Taxation Office for goods and services tax (GST) which was still in the bank account as at 30 June 2023.

Non-current assets decreased by $30 thousand as a result of annual depreciation and amortisation charges.

Accrued expenses and other payables collectively were $146 thousand higher than at the same time last year. The increase is largely within accrued salaries caused by higher employee numbers and a greater number of working days accrued at 30 June 2023 (being from 22 to 30 June).

Provisions were lower than the prior year by $191 thousand as the previous year included a large provision for annual leave which was paid out to the former director upon his resignation during the year ended 30 June 2023. The provision for long service leave has increased by $11 thousand reflecting more employees reaching seven years of service and becoming eligible for long service leave.

Other liabilities were $1,063 thousand higher than the prior year, most of which is attributable to the additional GST payable of $711 thousand. Within other liabilities, unearned revenue increased by $292 thousand due to the deferral of projects to the next financial year. A significant proportion of this unearned revenue relates to the Education Officer grant and Aboriginal Benefits Account grant.

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

Financial Performance for the year

	2023	2022
	$'000	**$'000**
Income		
Sales of goods and/or services	700	534
Current grants and subsidies	9,637	9,681
Other	365	170
Total income	**10,702**	**10,385**
Expenditure		
Employee expenses	(6,446)	(5,966)
Supplies and services	(2,765)	(2,890)
Depreciation and amortisation	(30)	(32)
Property management	(1,626)	(1,607)
Total expenditure	**(10,867)**	**(10,495)**
Surplus/(deficit)	**(165)**	**(110)**
Other comprehensive income	**-**	**-**
Comprehensive result	**(165)**	**(110)**

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

Financial Position at year end

	2023	2022
	$'000	$'000
Cash and cash equivalents	3,135	2,233
Receivables and other current assets	111	144
Current liabilities	(2,633)	(1,650)
Working Capital	**613**	**727**
Non-current assets	120	150
Non-current liabilities	(73)	(52)
Net Assets	**660**	**825**
Represented by:		
Accumulated funds	389	554
Reserves	30	30
Capital	241	241
Equity	**660**	**825**

Darwin Waterfront Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

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 2023.

Audit Opinion

The audit of the Darwin Waterfront Corporation for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 24 October 2023.

Audit Observations

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

Performance Overview

The Corporation reported a deficit of $0.9 million compared to prior year's deficit of $0.5 million. Total income increased by $1.5 million with increases in sales of goods and services of $0.3 million; current grants and subsidies of $0.5 million and other income of $0.6 million (primarily interest).

Total expenses increased by $1.9 million. Employee expenditure increased by $0.4 million as there were five additional full-time equivalent employees in the year ended 30 June 2023 when compared to the prior year. Depreciation and amortisation increased by $0.3 million. Property maintenance costs increased by $0.3 million. Finance costs and other expenditure decreased by $0.2 million and $0.4 million respectively.

Collectively the Territory availability, incentive and operating payments increased by $1.5 million. The individual components are explained below.

- Territory availability payments (TAP) (2023: $3.9 million, 2022: $3.5 million) are paid quarterly in arrears over the life of the asset and encompass capital, interest, return on equity (part) and maintenance costs. This payment is subject to permanent financial adjustment for failure to maintain a functioning asset.
- Territory operating payments (TOP) (2023: $3.4 million, 2022: $3.2 million) comprise the net cash shortfall arising from the operation of the convention centre during a year, capped to a maximum contribution and subject to negotiation. The legal framework for the centre includes incentives intended to encourage the operator to exceed benchmark levels of performance.

Darwin Waterfront Corporation cont…

- Territory incentive payments (TIP) (2023: $1.0 million, 2022: $0.1 million) are payments per delegate that are paid annually and are calibrated against the base 2005 business case such that if only the base business case is achieved, the Concession Holder maintains its required return of about 12 per cent on equity. Above/below the base business case results in an increase/decrease to this return.
- Territory efficiency payments (TEP) (2023: nil, 2022: nil) are a bonus payment to the Operator of the Convention Centre paid annually where there are savings between the actual revenue and expenditure for that operating year and the base business case operating contribution for that year (measured against the subsidy portion of the TOP). The TEP is capped at 35% of the savings where 100% of the key performance measures are met such that the Territory receives 65% of any savings to the operating subsidy.

The Corporation is predominantly funded by, and is reliant on, Northern Territory Government (NTG) grants. The NTG funds all employee expenses including annual leave, bonuses, long service leave, superannuation guarantee levy and other employee benefits.

	Reported Deficit (including TIP, TEP, TOP and TAP) $'000	Grant and Subsidy Income from the NTG $'000	Deficit Excluding NTG Grant and Subsidy Income $'000
2008-09	(4,666)	14,620	(19,286)
2009-10	(3,405)	17,480	(20,885)
2010-11	(7,326)	16,819	(24,145)
2011-12	(2,935)	16,868	(19,803)
2012-13	(3,405)	17,366	(20,771)
2013-14	(3,296)	17,842	(21,138)
2014-15	(4,232)	19,113	(23,345)
2015-16	(2,425)	21,281	(23,706)
2016-17	(656)	20,946	(21,602)
2017-18	(1,125)	22,147	(23,272)
2018-19	(3,022)	21,836	(24,858)
2019-20	(2,880)	22,151	(25,031)
2020-21	(992)	22,637	(23,629)
2021-22	(505)	23,020	(23,525)
2022-23	(890)	23,556	(24,446)

Darwin Waterfront Corporation cont…

At 30 June 2023, the Corporation had a positive working capital position of $5.7 million (2022: $3.3 million).

The Corporation continues to hold a strong net asset position. As at 30 June 2023, the net asset position of the Corporation was $195.2 million (2022: $193.3 million). The net assets at 30 June 2023 comprised:

- Cash and cash equivalents of $9.7 million (2022: $7.2 million);
- Trade and other receivables and prepayments of $2.0 million (2022: $0.8 million);
- Property, plant and equipment of $245.5 million (2022: $250.2 million); and
- Heritage and cultural assets of $0.1 million (2022: $0.1 million); offset by:
- Trade and other payables of $1.7 million (2022: $0.8 million);
- Borrowings and advances of $60.3 million (2022: $64.2 million); and
- Other liabilities of $0.03 million (2022: $0.03 million).

Equity increased by $1.8 million reflecting net deficit of $0.9 million and the transfer of capital work in progress of $2.7 million from the Department of Infrastructure, Planning and Logistics.

Darwin Waterfront Corporation cont…

Financial Performance for the year

	2023	2022
	$'000	$'000
Income		
Sales of goods and/or services	4,312	3,997
Current grants and subsidies	23,556	23,020
Other	1,471	827
Total income	**29,339**	**27,844**
Expenditure		
Territory availability payments	(3,863)	(3,485)
Territory efficiency payments	-	-
Territory incentive payments	(1,034)	(148)
Territory operating payments	(3,388)	(3,163)
Agent service arrangements	(883)	(891)
Depreciation and amortisation	(7,677)	(7,340)
Employee expenses	(1,757)	(1,395)
Finance costs	(4,173)	(4,389)
Property maintenance	(5,063)	(4,782)
Other	(2,391)	(2,756)
Total expenditure	**(30,229)**	**(28,349)**
Net deficit	**(890)**	**(505)**

Darwin Waterfront Corporation cont…

Financial Position at year end

	2023	2022
	$'000	$'000
Cash and cash equivalents	9,718	7,208
Receivables and other current assets	1,953	843
Current liabilities	(5,937)	(4,734)
Working Capital	**5,734**	**3,317**
Non-current assets	245,569	250,341
Non-current liabilities	(56,120)	(60,314)
Net Assets	**195,183**	**193,344**
Represented by:		
Accumulated funds	(37,530)	(36,640)
Reserves	56,293	56,293
Capital	176,420	173,691
Equity	**195,183**	**193,344**

Data Centre Services

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

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 Northern Territory 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 2023.

Audit Opinion

The audit of Data Centre Services for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 25 September 2023.

Audit Observations

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

Performance Overview

Data Centre Services generated a net surplus before tax of $5.2 million in 2022-23, $1.7 million higher than the previous financial year.

Total income of $31.1 million (2022: $31.3 million) decreased from the prior year by $0.2 million. Other income reduced by $2.8 million reflecting one-off recoveries of software licences in 2021-22. This decrease was partially offset by increases in sales of goods and services of $2.3 million and interest revenue of $0.3 million.

Total expenses of $25.8 million (2022: $27.8 million) decreased from the prior year by $2 million. The following were the significant decreases in expenditure categories:

- Employee costs ($0.3 million);
- Depreciation and amortisation ($0.5 million);
- Information and communication technology expenditure resulting from lower hardware and software licensing charges partially offset by higher contractor costs ($1.2 million); and
- Operational expenses ($0.06 million).

These decreases were partially offset by an increase in property management expenditure of $0.1 million.

Data Centre Services will pay an income tax equivalent of $1.6 million (2022: $1.1 million) and return a dividend of $1.8 million (2022: $1.2 million) to the Northern Territory Government for the year ended 30 June 2023.

Data Centre Services cont…

Data Centre Services continues to maintain a strong net asset position. As at 30 June 2023, net assets were $29.8 million (2022: $27.9 million) comprising:

- Cash and deposits of $10.5 million;
- Receivables and prepayments of $3.2 million and $11.5 million respectively; and
- Property, plant and equipment of $21.8 million; offset by:
- Payables and accrued expenses totalling $0.6 million;
- Employee and other provisions of $1.2 million;
- Lease liabilities and other liabilities of $11.1 million and $0.9 million respectively; and
- Tax payable of $1.6 million and a dividend payable of $1.8 million.

Data Centre Services cont…

Financial Performance for the year

	2023	2022
	$'000	**$'000**
Income		
Sales of goods and/or services	30,492	28,183
Other	580	3,141
Total income	**31,072**	**31,324**
Expenditure		
Operational costs	(15,097)	(16,263)
Employee expenses	(6,729)	(6,993)
Depreciation and amortisation	(4,004)	(4,524)
Total expenditure	**(25,830)**	**(27,780)**
Surplus before income tax	**5,242**	**3,544**
Income tax expense	(1,573)	(1,063)
Surplus after income tax expense	**3,669**	**2,481**
Dividends	(1,835)	(1,241)
Net surplus	**1,834**	**1,240**

Data Centre Services cont…

Financial Position at year end

	2023	2022
	$'000	**$'000**
Cash and cash equivalents	10,450	8,833
Receivables and other current assets	13,101	11,774
Current liabilities	(7,329)	(6,255)
Working Capital	**16,222**	**14,352**
Non-current assets	23,424	25,101
Non-current liabilities	(9,896)	(11,537)
Net Assets	**29,750**	**27,916**
Represented by:		
Accumulated funds	25,187	23,353
Capital	4,563	4,563
Equity	**29,750**	**27,916**

Land Development Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

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 2023.

Audit Opinion

The audit of the Land Development Corporation for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 4 October 2023.

Audit Observations

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

Performance Overview

The Corporation reported a surplus after income tax expense of $2.5 million compared to the prior year's surplus of $0.2 million. Total revenue of $10.7 million for the year ended 30 June 2023 included net revenue from land sales of $2.8 million (2022: $1.3 million). The land sales realised were solely from the sale of residential developments, with no industrial sales recognised in 2023. The increase in land sales from the prior year reflects the resolution of the delays experienced in finalisation of land developments in 2022 with sales subsequently realised in the 2023 year. Costs directly associated with sales of land totalled $18.6 million (2022: $4.7 million).

Expenditure increased by $0.2 million. Operational costs increased by $0.3 million from the prior year. Interest expenses and impairment losses increased from the prior year by approximately $0.1 million. The Corporation employed 16 full time equivalent employees at 30 June 2023 (2022: 17 employees) with employee related expenditure for the year reduced by approximately $0.2 million.

The Corporation continues to hold a strong net asset position of $128.1 million at 30 June 2023 (2022: $125.3 million).

Although the Corporation's total liquid assets have increased to $25.1 million (2022: $14.8 million), its current ratio of 2.44:1 has decreased (2022: 3.47:1). This decline is the result of an industrial sale being captured within unearned revenue and an increase in payables.

The Corporation has continued to increase its land portfolio to $133.8 million (2022: $120.2 million).

Land Development Corporation cont…

Financial Performance for the year

	2023	2022
	$'000	$'000
Income		
Revenue from land sales	21,401	5,991
Cost of land sold	(18,638)	(4,725)
Net revenue from land sales	**2,763**	**1,266**
Royalties, rents and dividends	3,711	2,453
Capital grants	1,119	2,497
Other	3,140	962
Total income	**10,733**	**7,178**
Expenditure		
Depreciation and amortisation	(747)	(724)
Employee expenses	(2,634)	(2,851)
Interest	(723)	(671)
Impairment losses	(48)	-
Operational costs	(2,940)	(2,635)
Total expenditure	**(7,092)**	**(6,881)**
Surplus before income tax expense	**3,641**	**297**
Income tax expense	(1,107)	(62)
Surplus after income tax expense	**2,534**	**235**
Dividends	(1,291)	(72)
Net surplus	**1,243**	**163**

Land Development Corporation cont…

Financial Position at year end

	2023	2022
	$'000	$'000
Cash and cash equivalents	25,138	14,829
Receivables and other current assets	2,338	892
Current inventories - land	50,373	32,220
Current liabilities	(31,845)	(13,808)
Working capital	**46,004**	**34,133**
Non-current assets	14,651	13,781
Non-current inventories - land	83,471	87,969
Non-current liabilities	(15,992)	(10,542)
Net assets	**128,134**	**125,341**
Represented by:		
Capital	54,339	54,339
Reserves	1,550	-
Accumulated funds	72,245	71,002
Equity	**128,134**	**125,341**

Motor Accidents (Compensation) Commission

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

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 2023. These were:

- The audit of the financial statements for the year ended 30 June 2023
- The audit of the Annual Return to the Treasurer for the year ended 30 June 2023
- The annual review of compliance with prudential standards issued by the Australian Prudential Regulation 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 2023.

Audit Opinion – Financial Statements

The audit of the financial statements of the Motor Accidents (Compensation) Commission for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 6 October 2023.

Key Audit Matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

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 $106.8 million for the year ended 30 June 2023, $84.1 million higher than the profit of $22.7 million in the previous financial year.

The Commission experienced an increase in the fair value of its investments as a result of the improvement in the Australian and international capital markets of $46.7 million in comparison to a reduction in fair value of $111.2 million in 2022. The Commission also recorded a net gain on disposal of investments of $7.9 million compared to a net gain on disposal in the prior year of $1.6 million. The Commission received $34.3 million in trust distributions this year in comparison to $56.9 million in 2022 (a decrease of $22.6 million from the prior year), partially offsetting the impact of the increase in investment values.

Changes in actuarial estimates and assumptions affected reported values for insurance and other recoveries by $1.7 million (2022: $2.2 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 increased in 2023 by $48.2 million however 2022 recorded a decrease in the provision of $15.6 million.

Compulsory third party contributions increased by $3.5 million from the prior year.

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 Regulation 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 2023 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 limited assurance report to the Commissioner of the Motor Accidents (Compensation) Commission.

Motor Accidents (Compensation) Commission cont…

Financial Performance for the year

	2023	2022
	$'000	$'000
Income		
Compulsory third party contributions	93,734	90,191
Interest revenue and trust distributions	36,231	58,920
Claims incurred	-	15,597
Net gain on the disposal of investments	7,958	-
Unrealised gain on fair value of investments	46,697	-
Foreign currency gain	956	-
Other	2,335	2,484
Total income	**187,911**	**167,192**
Expenditure		
Insurance expense	(1,736)	(1,889)
Insurance and other recoveries	(1,764)	(2,190)
Claims expense	(48,194)	-
Net loss on the disposal of investments	-	(1,611)
Unrealised loss on fair value of investments	-	(111,220)
Road safety program grants	(5,158)	(4,002)
Other	(24,232)	(23,596)
Total expenditure	**(81,084)**	**(144,508)**
Net profit	**106,827**	**22,684**

Motor Accidents (Compensation) Commission cont...

Financial Position at year end

	2023	2022
	$'000	**$'000**
Cash and cash equivalents	54,294	84,870
Receivables and other current assets	1,023,863	874,653
Current liabilities	(86,237)	(80,659)
Working capital	**991,920**	**878,864**
Non-current assets	49,799	58,640
Non-current liabilities	(490,412)	(493,024)
Net assets	**551,307**	**444,480**
Represented by:		
Retained earnings	551,307	444,480
Equity	**551,307**	**444,480**

Northern Territory Legal Aid Commission

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

Background

The Northern Territory Legal Aid Commission (Legal Aid NT) is established under the *Legal Aid Act 1990* (the Act). The function of Legal Aid NT is to provide legal assistance in accordance with the Act. Legal Aid NT 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 2023.

Audit Opinion

The audit of the Northern Territory Legal Aid Commission for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 19 September 2023.

Audit Observations

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

Performance Overview

Legal Aid NT incurred a surplus for the year of $1.6 million (2022: $0.5 million).

Total revenue of $22.1 million increased from the prior year (2022: $19.1 million) due mainly to an increase in grant income received to assist with the costs of expensive legal cases.

Total expenditure of $20.4 million increased from the prior year (2022: $19.1 million). There was an increase in total expenses of $1.3 million which is mainly attributable to higher payments to private solicitors for legal cases.

Legal Aid NT's net asset position of $5.2 million (2022: $3.6 million) increased by $1.6 million in 2023 due to the net surplus attributable to Legal Aid NT of $1.6 million. Significant movements in asset and liability balances included:

- Cash increased by $2.2 million;
- Property, plant and equipment decreased by $0.6 million, primarily influenced by additions of right-of-use assets of $0.4 million and amortisation of right-of-use assets $1.0 million;
- Lease liabilities reduced by $0.5 million; and
- Contract liabilities increased by $0.5 million.

Northern Territory Legal Aid Commission cont…

Financial Performance for the year

	2023	2022
	$'000	**$'000**
Income		
Grants – Northern Territory Government	10,818	8,267
Grants – Commonwealth	7,166	6,968
Grants – other	3,162	3,592
Rendering of services	280	272
Other	628	32
Total income	**22,054**	**19,131**
Expenditure		
Administration	(1,513)	(1,122)
Employee expenses	(11,987)	(12,246)
Legal	(4,673)	(3,728)
Depreciation and amortisation	(1,134)	(1,120)
Other	(1,120)	(862)
Total expenditure	**(20,427)**	**(19,078)**
Net surplus	**1,627**	**53**

Northern Territory Legal Aid Commission cont…

Financial Position at year end

	2023	2022
	$'000	$'000
Cash and cash equivalents	6,867	4,713
Receivables and other current assets	737	690
Current liabilities	(4,235)	(3,491)
Working capital	**3,369**	**1,912**
Non-current assets	7,071	7,637
Non-current liabilities	(5,205)	(5,941)
Net assets	**5,235**	**3,608**
Represented by:		
Reserves	4,168	3,575
Retained earnings	1,067	33
Equity	**5,235**	**3,608**

Northern Territory Major Events Company Pty Ltd

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

Background

The Northern Territory Government 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 2023.

Audit Opinion

The audit of the Northern Territory Major Events Company Pty Ltd for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 29 September 2023.

Audit Observations

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

Performance Overview

Grant money is received to fund the general operations and the events and festivals program of the Company. The Company's accounting policies require grants to be initially recorded as unearned revenue and then recognised as income in the year that the related expenses are incurred where the grant agreements have sufficiently specific performance obligations.

The Company received new grants of $25.4 million during the year, slightly less than the $26.0 million received as new grant funding in the prior year. In addition, grants totalling $6 million (received prior to 1 July 2022 and recorded as unearned revenue in the prior year) were recognised as income during the year ended 30 June 2023 as the grants were used to fund events and festivals that took place during this financial year. To summarise, the Company recorded income from grants of $31.4 million for the year ended 30 June 2023 (2022: $23.9 million).

Events revenue, consisting mainly of ticket / hospitality, sponsorship, and other merchandise sales, increased by $0.2 million to $5.9 million (2022: $5.7 million) due to one-off event sponsorship received from the Northern Territory Government.

Higher interest rates caused interest income earned from cash and term deposits to increase by $0.8 million.

Events and administration expenses incurred to deliver events and festivals for the year totalled $33.3 million (2022: $24.1 million). The higher operating expenditure aligns with higher grant income recognised during the year. There were more events held during the reporting year when compared with the previous year.

Northern Territory Major Events Company Pty Ltd cont…

Employee expenses for the year totalled $4.5 million, consistent with the previous year (2022: $4.5 million).

Overall, the Company reported a net profit for the year of $0.6 million (2022: $1.1 million). Last year's net profit included the reversal of an allowance for impairment of prepaid artist fees of $0.8 million following management's assessment that the Company was more likely to obtain economic benefits from the prepayments following the easing of COVID-19 restrictions.

As at 30 June 2023, the net assets of the Company were $3.5 million (2022: $2.9 million), including:

- Cash and cash equivalents and other financial assets of $20.0 million (2022: $26.4 million)
- Trade and other receivables and prepayments of $2.1 million (2022: $1.4 million); and
- Property, plant and equipment of $0.2 million (2022: $0.3 million); offset by:
- Trade and other payables of $7.1 million (2022: $7.2 million); and
- Income received in advance of $11.8 million (2021: $17.9 million).

Cash and cash equivalents and other financial assets decreased from $26.4 million in 2022 to $20.1 million in 2023 as grant funds received in previous years were spent to deliver events as reported earlier. These grant funds had been recognised as 'grant income received in advance' in the Company's Statement of Financial Position in previous years. Grant income received in advance decreased from $17.9 million in 2022 to $11.8 million in 2023.

Northern Territory Major Events Company Pty Ltd cont…

Financial Performance for the year

	2023	2022
	$'000	**$'000**
Income		
Government grants	31,444	23,891
Other income	5,943	5,709
Interest	1,002	185
Non-monetary income	651	791
Total income	**39,040**	**30,576**
Expenditure		
Employee expenses	(4,482)	(4,501)
Depreciation	(84)	(84)
Non-monetary expenditure	(651)	(791)
Other expenditure	(33,271)	(24,138)
Total expenditure	**(38,488)**	**(29,514)**
Profit before income tax expense	**552**	**1,062**
Income tax expense	-	-
Profit after income tax expense	**552**	**1,062**
Dividends paid or provided for(1)	-	-
Net profit	**552**	**1,062**

(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

	2023	2022
	$'000	**$'000**
Cash and cash equivalents	20,038	26,381
Receivables and other current assets	2,135	1,392
Current liabilities	(18,932)	(25,105)
Working capital	**3,241**	**2,668**
Non-current assets	248	261
Non-current liabilities	(16)	(9)
Net assets	**3,473**	**2,920**
Represented by:		
Event reserve	1,976	1,685
Retained profits	1,497	1,235
Equity	**3,473**	**2,920**

Northern Territory Treasury Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

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 2023.

Audit Opinion

The audit of the Northern Territory Treasury Corporation for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 26 September 2023.

Audit Observations

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

Performance Overview

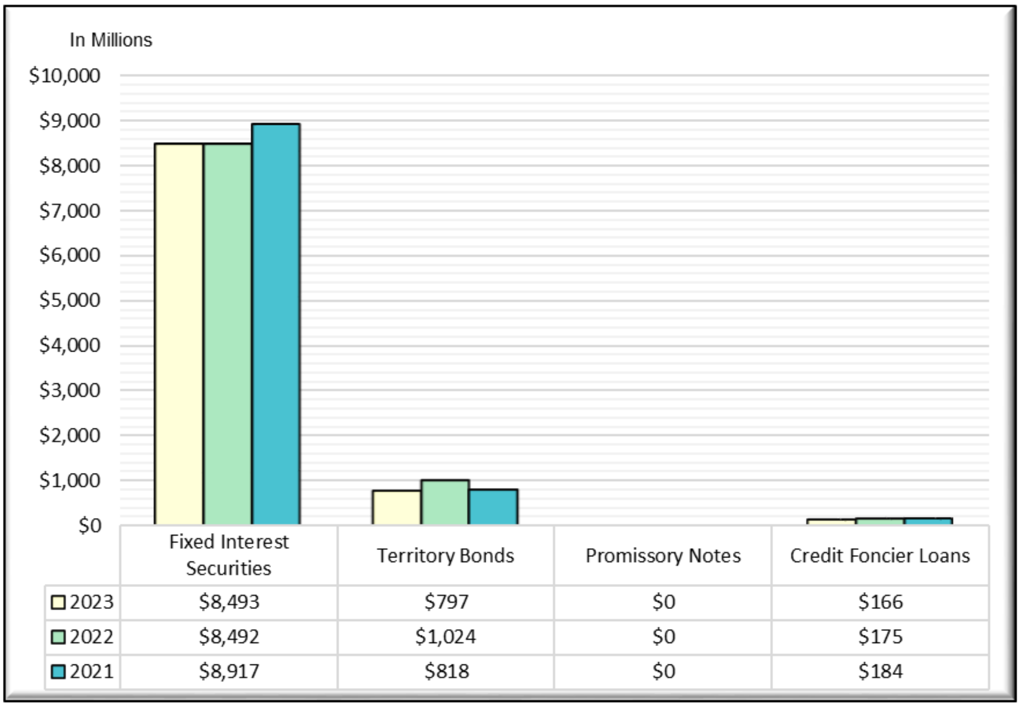
The Northern Territory Government Budget for 2022-23 estimated the Territory would need to refinance $887 million of maturing debt and borrow an additional $563 million to deliver a total borrowing program of $1.45 billion.

In May 2023, the budget for 2023-24 identified the need for refinancing maturing Territory debt of $895 million in 2022-23, offset by a debt reduction of $277 million and pre-funding (from 2021-22) of $43 million, resulting in a borrowing requirement of $575 million for the 2022-23 financial year. The Corporation also pre-funded $130 million for 2023-24 resulting in a total borrowing of $705 million.

In order to meet the Territory’s residual borrowing requirement of $705 million for 2022-23, the Corporation issued a total of $650 million to institutional investors in the Australian financial markets during the 2022-23 financial year at a weighted average interest rate of 4.6%. In addition to these institutional bond transactions, the Corporation raised almost $55 million during the 2022-23 financial year from retail investors in Territory Bonds at a weighted average interest rate of 3.84% with a term to maturity of approximately 3.5 years.

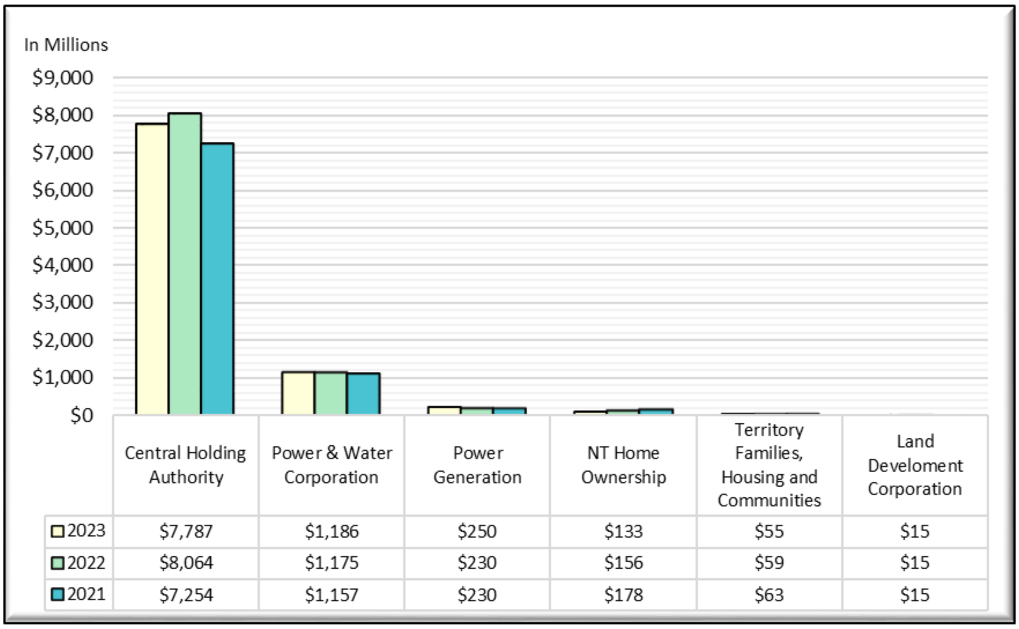
Northern Territory Treasury Corporation cont…

Outstanding borrowing balances at 30 June 2023 (and comparative years) are presented in the chart below:



	Fixed Interest Securities	Territory Bonds	Promissory Notes	Credit Foncier Loans
2023	$8,493	$797	$0	$166
2022	$8,492	$1,024	$0	$175
2021	$8,917	$818	$0	$184

The loan portfolio decreased by $273 million for the year ended 30 June 2023 (following an $802 million increase in 2022). These loans are presented in the chart below:



	Central Holding Authority	Power & Water Corporation	Power Generation	NT Home Ownership	Territory Families, Housing and Communities	Land Develoment Corporation
2023	$7,787	$1,186	$250	$133	$55	$15
2022	$8,064	$1,175	$230	$156	$59	$15
2021	$7,254	$1,157	$230	$178	$63	$15

Northern Territory Treasury Corporation cont…

The Corporation's profit after tax for the year was $38.2 million compared to $28.0 million in the prior year. The result was positively impacted by an increase in interest income of $10.9 million as a result of increased interest rates on the Corporation's cash balances. The related interest expense reduced by $3.5 million from the prior year due to lower average borrowings. The Corporation reported an overall increase in profit before tax from $40.0 million in 2021-22 to $54.6 million in the current year. Income tax expense for the year was $16.4 million compared to $12.0 million last year.

The weighted average cost of funds increased over the 12 month period from 2.92% in 2022 to 3.14% in 2023 as new borrowings incurred higher interest rates. The weighted average interest rate on interest earned from loans over the 12 month period increased from 3.57% in 2022 to 3.58% in 2023.

Northern Territory Treasury Corporation cont…

Financial Performance for the year

	2023	2022
	$'000	**$'000**
Income		
Interest	345,123	334,261
Other	981	822
Total income	**346,104**	**335,083**
Expenditure		
Interest	(289,443)	(292,930)
Administration	(2,074)	(2,160)
Total expenditure	**(291,517)**	**(295,090)**
Profit before income tax expense	**54,587**	**39,993**
Income tax expense	**(16,376)**	**(11,998)**
Profit after income tax expense	**38,211**	**27,995**
Dividends	**(38,211)**	**(27,995)**
Net profit	**-**	**-**

Northern Territory Treasury Corporation cont…

Financial Position at year end

	2023	2022
	$'000	**$'000**
Total assets	9,600,914	9,815,505
Total liabilities	(9,579,283)	(9,793,874)
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 2023

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 2023.

Audit Opinion

The audit of NT Build for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 30 October 2023.

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 in August 2023. 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 six months of 2023 is an extrapolation of past reporting patterns, introducing moderate uncertainty in this element. Any inaccuracies in the estimation 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 surplus of $3.5 million compared to prior year's deficit of $15.0 million. The current year's surplus is primarily driven by the gain on equity investments of $1.3 million (2022: loss of $14.8 million) due to the positive performance of the financial market.

Levy income has decreased to $2.3 million (2022: $4.9 million) as there was a reduced level of new construction activity in the current year. A number of projects in the defence and mining space commenced in the prior year.

Long service leave benefit payments made to workers in the Northern Territory for their long service leave benefits credited in other states are recovered from the respective states and are recorded as reciprocal income. Reciprocal income, which forms part of the balance of 'other income' was $0.9 million for the year ended 30 June 2023 and is largely consistent with the reciprocal income reported in the prior year of $1.1 million.

There was also a reduction in the value of the long service leave liability of $0.4 million in the year ended 30 June 2023 (2022: increase in value of $5.4 million) as determined by NT Build's actuary. A reduction in liability results in income being recorded, whereas an increase in liability results in an expense being recorded. Explanation of the factors influencing the change in value have been reported by NT Build in Note 11 to the financial statements.

The net asset position of $42.7 million (2022: $39.1 million) remains strong despite 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

	2023	2022
	$'000	**$'000**
Income		
Contributions from levy payers	2,334	4,881
Fair value gain on equity investments	1,277	-
Long service scheme revaluation – current	390	-
Investment income	6,833	7,168
Reciprocal income	933	1,143
Other	391	258
Total income	**12,158**	**13,450**
Expenditure		
Employee expenses	(855)	(916)
Occupancy costs	(22)	(24)
Depreciation and amortisation	(81)	(85)
Fees and allowances	(43)	(40)
Long service leave benefit payment	(7,103)	(6,700)
Long service scheme revaluation – current	-	(5,406)
Fair value loss on equity investments	-	(14,801)
Other	(536)	(436)
Total expenditure	**(8,640)**	**(28,408)**
Net surplus/(deficit)	**3,518**	**(14,958)**

NT Build cont...

Financial Position at year end

	2023	2022
	$'000	**$'000**
Cash and cash equivalents	2,247	44
Receivables and other current assets	100,389	99,466
Current liabilities	(18,209)	(15,919)
Working capital	**84,427**	**83,591**
Non-current assets	494	522
Non-current liabilities	(42,258)	(44,969)
Net assets	**42,663**	**39,144**
Represented by:		
Implementation funding	297	297
Accumulated surplus	42,366	38,847
Equity	**42,663**	**39,144**

NT Fleet

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

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 2023.

Audit Opinion

The audit of NT Fleet for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 25 September 2023.

Audit Observations

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

Performance Overview

NT Fleet produced a net surplus before tax of $12.5 million in 2022-23, $1.2 million more than the prior year's surplus of $11.3 million.

Total income of $43 million (2022: $41.8 million) increased from the prior year by $1.2 million due to higher gains on disposal of assets caused by increased prices of vehicles sold at auction in the 2023 financial year and recognition of losses on sales recovered from agencies as compensation receipts (other income).

NT Fleet estimates the residual value of fleet vehicles assuming a level of deterioration of vehicle condition attributable to normal use at the end of the lease. Where a vehicle is returned by an agency in a condition worse than anticipated, resulting in a lower vehicle value, NT Fleet recognises an asset impairment expense which is recovered from the leasing agency.

Total expenses of $30.4 million (2022: $30.5 million) decreased from the prior year by $0.1 million. The overall decrease in expenditure of $0.1 million arises from a decrease in depreciation and amortisation of $2.4 million primarily resulting from the extension of lease periods for fleet vehicles, partially offset by increases in employee expenditure ($0.2 million); purchases of goods and services ($1.7 million); and impairment expenses ($0.5 million). In 2022-23, NT Fleet started to recognise asset impairment expenses which resulted in compensation receipts recovered from agencies for loss on sales.

NT Fleet will pay an income tax equivalent of $3.8 million (2022: $3.4 million) and return a dividend of $4.4 million (2022: $3.9 million) for the year ended 30 June 2023. During the prior year, NT Fleet also paid a special dividend of $25 million.

NT Fleet cont...

NT Fleet continues to maintain a strong net asset position. As at 30 June 2023, net assets were $110.6 million (2022: $106.2 million), comprising:

- Cash and deposits of $17.3 million;
- Receivables of $3.7 million;
- Assets held for sale of $1.5 million; and
- Property, plant and equipment and intangibles of $102.3 million; offset by:
- Payables and accrued expenses totalling $5.7 million;
- Unearned revenue of $0.3 million;
- Employee and other provisions of $0.3 million;
- Provision for dividend of $4.4 million; and
- Tax payable of $3.8 million.

NT Fleet cont…

Financial Performance for the year

	2023	2022
	$'000	**$'000**
Income		
Revenue from vehicle lease rentals	35,177	35,346
Gain on disposal of assets	6,529	6,252
Other revenues	1,254	194
Total income	**42,960**	**41,792**
Expenditure		
Operational costs	(14,219)	(12,068)
Employee expenses	(1,988)	(1,820)
Depreciation and amortisation	(14,214)	(16,653)
Total expenditure	**(30,421)**	**(30,541)**
Surplus before income tax expense	**12,539**	**11,251**
Income tax expense	(3,762)	(3,375)
Surplus after income tax expense	**8,777**	**7,876**
Dividends	(4,389)	(3,938)
Special dividend	-	(25,000)
Net surplus/(deficit)	**4,388**	**(21,062)**

NT Fleet cont...

Financial Position at year end

	2023	2022
	$'000	**$'000**
Cash and cash equivalents	17,262	16,025
Receivables and other current assets	5,241	3,911
Current liabilities	(14,149)	(8,791)
Working capital	**8,354**	**11,145**
Non-current assets	102,268	95,089
Non-current liabilities	-	-
Net assets	**110,622**	**106,234**
Represented by:		
Accumulated funds	110,057	105,669
Capital	565	565
Equity	**110,622**	**106,234**

NT Home Ownership

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

Background

NT Home Ownership is a government business division that oversees the Government's home purchase assistance initiative. NT Home Ownership has required ongoing financial support, through its host Agency, the Department of Territory Families, Housing and Communities, 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 NT Home Ownership for the year ended 30 June 2023.

Audit Opinion

The audit of NT Home Ownership for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 28 September 2023.

Audit Observations

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

Performance Overview

NT Home Ownership recorded a net surplus before tax of $4.2 million for the year ended 30 June 2023 (2022: $3.9 million surplus). The revaluation of investments produced a valuation increment of $2.6 million which represents an unrealised gain, and is not considered taxable. Accordingly, NT Home Ownership's taxable income for the year ended 30 June 2023 was $1.6 million. The taxable income was further reduced to nil through the absorption of carried forward losses.

Total income of $14.4 million (2022: $14.0 million) has increased from the prior year due to the higher interest income, partially offset by a smaller revaluation gain on shared equity investments when compared to the prior year. The increase in interest income in the current year is consistent with the increases in the cash rate since May 2022.

Total expenditure of $10.3 million (2022: $10.1 million) slightly increased from the prior year, with the most significant movements being an increase in provision for doubtful debts of $0.3 million and an increase in other administrative expenses of $0.6 million, partially offset by a decrease in interest expenses of $0.6 million. The provision for doubtful debts increased in response to increased balances of loans in arrears. Other administrative expenses include losses on extinguishment of loans of $0.03 million; doubtful debts associated with advances of $0.3 million; and advances written off of $0.27 million. The reduction in interest expenses was consistent with the decrease in borrowings.

NT Home Ownership has reported negative working capital of $19.9 million in 2023 and in 2022 ($28.9 million). In 2023, total current liabilities of $42.6 million exceeded total current assets of $22.7 million. Negative working capital indicates that, without support from the Northern Territory Government, NT Home Ownership would not have sufficient funds available to meet its financial obligations as they fall due. It is an indicator of the potential for financial failure in the future.

NT Home Ownership cont…

Financial Performance for the year

	2023	2022
	$'000	**$'000**
Income		
Community service obligations	3,414	3,414
Interest revenue	8,399	6,058
Gain on revaluation of shared equity investment	2,624	4,274
Gain on disposal of shared equity investments	-	281
Other	4	3
Total income	**14,441**	**14,030**
Expenditure		
Employee expenses	(251)	(254)
Borrowing cost	(6,774)	(7,400)
Supplies and services	(2,502)	(2,448)
Write-offs and impairment expense	-	3
Other expenses	(733)	(26)
Total expenditure	**(10,260)**	**(10,125)**
Surplus/(deficit)	**4,181**	**3,905**

NT Home Ownership cont…

Financial Position at year end

	2023	2022
	$'000	$'000
Cash and cash equivalents	12,120	11,026
Receivables and other current assets	10,556	2,648
Less current liabilities	(42,554)	(42,578)
Working Capital	**(19,878)**	**(28,904)**
Add non-current assets	127,632	155,673
Less non-current liabilities	(90,455)	(113,651)
Net Assets	**17,299**	**13,118**
Represented by:		
Accumulated funds	(5,446)	(9,627)
Capital	22,745	22,745
Equity	**17,299**	**13,118**

NT Home Ownership cont…

NT Home Ownership has commented:

In respect to the NT Home Ownership Financial Statements Audit for the Year Ended 30 June 2023, the Department acknowledges and accepts the findings and is taking a number of actions to rectify these, with ongoing oversight provided by the Department's Risk and Audit Committee.

Power and Water Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

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, water and sewerage services 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 Power and Water Corporation for the year ended 30 June 2023.

Audit Opinion

The audit of Power and Water Corporation for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 13 October 2023.

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

> I draw attention to Notes 1.3, 4.1, 4.2, 5.1 and 7.4 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 draw attention to Notes 4.2 and 4.4 of the financial report, which describe the key sources of estimation uncertainty associated with measurement of the fair value of the make-up gas intangible asset and the considerations informing management's assessment of any impairment of the fair value of the make-up gas intangible asset which may be necessary as a result of present supply constraints. Management have determined there is no impairment required as the remaining term of the gas supply agreement provides sufficient time for the gas supply to be restored and the benefits from the make-up gas to be realised. My opinion is not modified in respect of these matters.

Power and Water Corporation cont…

Key Audit Matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

Unbilled Revenue

Revenue from the sale of goods includes estimated values for unbilled revenue from Power Networks, System Control, Electricity and Water totalling $34.4 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 $2.5 billion as at 30 June 2023.

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 $335.7 million as at 30 June 2023.

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 2023, no provision for onerous contracts 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 adopted an estimation methodology to identify indirect costs included in Corporate Services, Power Services and Water Services which are directly attributable to the acquisition, preparation or construction of capital assets for use by management. The financial effect of this methodology is a material reduction in the expenses recognised in the statement of profit or loss with a corresponding increase in the value of property, plant and equipment. The calculation of the expenditure eligible for capitalisation is a key audit matter as the calculation requires management's assessment and judgement and has a material impact on the allocation of expenditure from the statement of profit or loss and other comprehensive income to the property, plant and equipment balances within the statement of financial position.

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 Overhead Capitalisation

Whilst capitalisation of attributable costs is a common accounting practice, the extent of costs identified as reasonable for capitalisation does vary across essential service providers. Capitalisation does limit the visibility of expenditure movements including growth in corporate expenditure. It would be prudent for those charged with governance and stakeholders to understand the impacts and causes of increased corporate expenditure.

The extent to which costs have been capitalised has increased substantially over the past three years following changes to the Corporation's methodology as demonstrated below.

	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000
Capitalised overheads	16,851	2,187	42,602	47,173	53,458

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
- Availability of finance.

Power and Water Corporation cont…

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
- Report and explain the causes behind significant movements.

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 2023 was $45.9 million, whereas in the prior year, the impairment reversal recognised was $46.6 million.

	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000
Profit/(loss) before tax	(119,984)	212,919	(7,786)	91,470	56,489
Impact of impairment of non-current assets and onerous contract provisions	(156,166)	217,458	(1,940)	46,640	45,872
Profit/(loss) excluding impact	**36,182**	**(4,539)**	**(5,846)**	**44,830**	**10,617**

Revaluation of Property, Plant and Equipment

During the year the Corporation performed a valuation of its property, plant and equipment to determine the fair value of these assets. This resulted in a net revaluation increment of $126.4 million which raises the value of the property, plant and equipment and leads to higher net assets and equity values.

The revaluation was determined using the income approach to enterprise evaluation consistent with prior periods. Whilst the key assumptions were consistent with prior year assumptions, this year management elected to value its network assets using a model which considers 5 years of free cash flows and then applies a terminal value for perpetuity based on the fifth year. Previously the Corporation's model included 10 years of free cash flows and then applied a terminal value for perpetuity based on the tenth year. The five-year period is aligned with the Corporation's submission to the Australian Energy Regulator. As the free cash flows were higher at the 5-year period than at the 10-year period, the change has significantly increased the terminal value and therefore the value of the network assets.

It is generally accepted that the use of a shorter period in the calculation of asset values should produce a more accurate result of cash flows in the final year before the application of the terminal value.

Power and Water Corporation cont…

Performance Overview

Income of $671.1 million decreased by $12.5 million compared to the prior year primarily resulting from the decrease in gas revenue of $18.1 million. Also contributing to the reduction in income was lower revenue from electricity distribution which decreased by $7.5 million and water revenue which declined by $3.0 million. Revenue from sewerage services increased by $6.3 million from the prior year. Revenue from gifted assets and capital contributions increased by $6.4 million.

Excluding the financial impacts associated with the valuation of non-current assets, expenses of $466.0 million for the year ended 30 June 2023 increased by $15.4 million from the prior year, primarily due to increased employee benefits following finalisation of the enterprise agreement.

Description	Amount as at 30 June 2023 $' 000	Amount as at 30 June 2022 $' 000	(Unfavourable)/ Favourable Variance $' 000
Revenue	**671,053**	**683,573**	**(12,520)**
Energy and materials	(255,905)	(259,710)	3,805
Repairs and maintenance expense	(60,030)	(54,006)	(6,024)
Employee benefits expense	(72,684)	(65,868)	(6,816)
External service agreements	(38,940)	(35,260)	(3,680)
Impairment of non-current assets and onerous contract provisions	45,872	46,640	(768)
Net loss on disposal of property, plant and equipment, including gifted streetlights	(1,366)	(4,792)	3,426
Other expenses	(37,045)	(30,959)	(6,086)
Total expenses	**(420,098)**	**(403,955)**	**(16,143)**
EBITDA	**250,955**	**279,618**	**(28,663)**

Power and Water Corporation cont…

Financial Performance for the year

	2023	2022
	$'000	$'000
Income		
Revenue from contracts with customers	627,063	643,207
Finance revenue	4,188	1,394
Other	39,802	38,972
Total income	**671,053**	**683,573**
Expenditure		
Raw materials and consumables used	(255,905)	(259,710)
Finance costs	(56,524)	(53,190)
Repairs and maintenance expenses	(60,030)	(54,006)
Employee expenses	(72,684)	(65,868)
External service agreements	(38,940)	(35,260)
Depreciation and amortisation	(137,942)	(134,958)
Impairment of non-current assets and onerous contract provisions	45,872	46,640
Net loss on disposal of property, plant and equipment	(1,366)	(4,792)
Other expenditure	(37,045)	(30,959)
Total expenditure	**(614,564)**	**(592,103)**
Profit/(loss) before income tax expense	**56,489**	**91,470**
Income tax (expense)/benefit	(16,027)	(32,097)
Profit/(loss) after income tax expense	**40,462**	**59,373**
Dividends paid or provided for[1]	(10,000)	(2,000)
Net profit/(loss) after dividends	**30,462**	**57,373**

[1] *Since the end of the financial year, the Directors have declared a special dividend of $2.0 million (2022: $10.0 million).*

Power and Water Corporation cont…

Financial Position at year end

	2023	2022
	$'000	$'000
Cash and cash equivalents	30,871	79,324
Receivables and other current assets	183,608	160,614
Current liabilities	(513,510)	(450,606)
Working capital	**(299,031)**	**(210,668)**
Non-current assets	3,018,028	2,857,658
Non-current liabilities	(1,474,204)	(1,458,011)
Net assets	**1,244,793**	**1,188,979**
Represented by:		
Retained profits	734,364	703,317
Contributed equity	44,336	44,336
Asset revaluation reserve	466,093	441,326
Equity	**1,244,793**	**1,188,979**

Indigenous Essential Services Pty Ltd

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

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 2023.

Audit Opinion

The audit of Indigenous Essential Services Pty Ltd for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 13 October 2023.

The audit opinion, while unmodified, did include the following Material Uncertainty Related to Going Concern paragraph:

> I draw attention to Note 1.1 in the financial report, which reports that the Company incurred a net deficit of $9.2 million during the year ended 30 June 2023 and, as at that date, the Company's current liabilities exceeded its current assets by $6.8 million. These events or conditions, along with matters as set forth in Note 1.1, indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. 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.

The Company's transactions are processed through PWC's accounting systems and coded to the Company for financial management and reporting purposes. I have previously highlighted the importance of recognising the Company as a separate legal entity and ensuring its governance arrangements and operations comply with the requirements of the *Corporations Act 2001*.

Indigenous Essential Services Pty Ltd cont…

A proportion of PWC's corporate overheads are also charged to the Company and a proportion of costs are capitalised.

Consistent with the observations from PWC, the extent to which costs have been capitalised has increased substantially over the past three years following changes to the Corporation's methodology as demonstrated below.

	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000
Capitalised overheads	1,937	3,679	15,775	15,525	10,780

The Company reported a net deficit of $9.3 million (2022: deficit of $0.7 million). The higher deficit resulted from an upward movement in total expenses of $31.1 million partially offset by an increase in total revenue of $22.6 million. Distillate expenditure was the single largest factor influencing the movement, with an increase of $13.3 million primarily driven by a significantly higher average fuel price when compared to the prior year.

Given the limitations on the Company's ability to generate additional revenue, those charged with governance will need to be vigilant in managing cost pressures and controlling expenditure.

Indigenous Essential Services Pty Ltd cont…

Financial Performance for the year

	2023	2022
	$'000	**$'000**
Income		
Revenue from contracts with customers	47,109	45,531
Grants – recurrent	86,385	68,106
Grants – capital	36,982	35,292
Other revenues	1,180	93
Total income	**171,656**	**149,022**
Expenditure		
Raw materials and consumables	(51,469)	(36,609)
Contract labour expenses	(8,113)	(4,942)
Repairs and maintenance	(21,741)	(17,355)
Corporate allocation costs	(6,080)	(5,996)
Agents – community contract fees	(16,693)	(14,348)
Depreciation and amortisation	(58,790)	(61,902)
Finance costs	(2,397)	(2,129)
Other costs	(15,652)	(6,490)
Total expenditure	**(180,935)**	**(149,771)**
Net deficit	**(9,279)**	**(749)**

Indigenous Essential Services Pty Ltd cont…

Financial Position at year end

	2023	2022
	$'000	**$'000**
Cash and cash equivalents	63,540	67,988
Receivables and other current assets	23,308	12,849
Current liabilities	(93,655)	(74,428)
Working capital	**(6,807)**	**6,409**
Non-current assets	736,167	702,822
Non-current liabilities	(51,309)	(64,237)
Net assets	**678,051**	**644,994**
Represented by:		
Accumulated funds	167,734	167,599
Asset revaluation reserve	510,317	477,395
Equity	**678,051**	**644,994**

Power Generation Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

Background

Power Generation Corporation trading as Territory Generation (the Corporation) 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 Power Generation Corporation for the year ended 30 June 2023.

Audit Opinion

The audit of Power Generation Corporation for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 26 September 2023.

Key Audit Matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

Property, Plant and Equipment

Property, plant and equipment totalling $359.2 million represents a significant balance. The net asset impairment of $4.7 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 $6.5 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 $22.8 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.

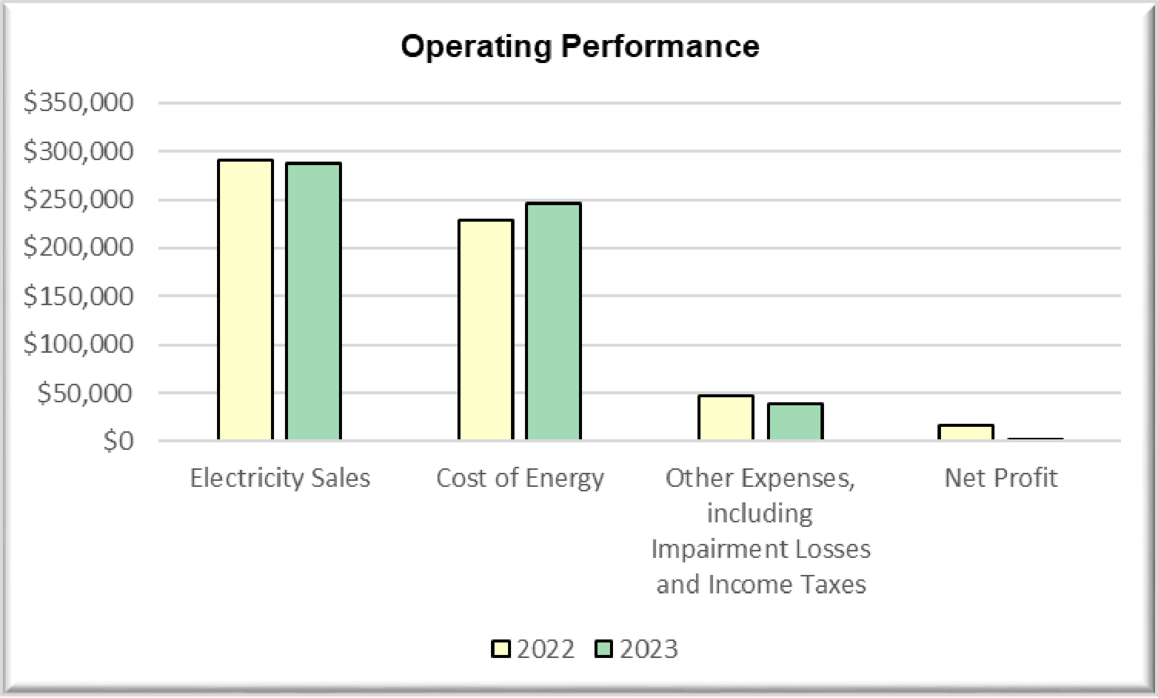
Unbilled Revenue

Unbilled revenue of $23.5 million represents an estimate of the value of electricity generated and sent out but not billed as at 30 June 2023. Management's estimate is based upon information provided by the market operator, Power and Water Corporation.

Audit Observations

The audit did not identify any material weaknesses in controls.

Performance Overview



The Corporation recognised a net profit of $2.0 million during the year compared to a net profit of $16.93 million for the year ended 30 June 2022. The combination of reduced electricity demand and higher input costs contributed to the decrease in the Corporation's net profit during the year.

Significant contributing factors are explained below:

- The continued influx of solar generator players and the preference of end users for renewable energy to reduce users' costs have significantly impacted the Corporation's electricity sales during the year. The Corporation's total generated and billed Mega Watt Hours (MWh) of 1.46 million MWh during the year is 4.60% lower than the previous year's electricity sent-out of 1.53 million MWh.
- Distillate consumption increased by 1.84 million litres or $6.53 million during the year. This was driven primarily by distillate consumption at Yulara Power Station and Owen Springs Power Station during the year. The average price of diesel increased from $0.96 per litre in 2022 to $1.38 per litre during the year.

Power Generation Corporation cont…

- The impact from the above factors was partly reduced by the 3.16% increase in average selling price per MWh for the year (2022: 1.61% increase). The upward movement in average selling price, reduced to some extent, the impact of losses incurred by the Corporation from lower MWh sold during the year.

The above impacts resulted in a decline of the Corporation’s gross profit to 14.23% for the year (2022: 21.78%). Operating expenses were lower than the prior year by $7.60 million influenced by less legal costs incurred as a result of contractual disputes and lower income tax expense during the year.

Cash Flows

Whilst the Corporation continued to generate positive cash flows of $27.54 million from its operating activities during the year, the net operating cash flow experienced a reduction from the positive cash flows of $53.46 million in the previous year. The downward movement of net cash generated from operations was driven mainly by reduced electricity demand and increased input costs.

In addition to net cash generated from operations, the Corporation received $20 million in proceeds from a new loan drawn down during the year and $15 million through a capital grant. The cash from these activities was used to fund the Corporation’s capital expenditure projects of $43.53 million during the year. Dividends of $8.47 million were paid in November 2022.

Cash Dividends

The Corporation’s Directors declared, and paid, a dividend of $8.47 million during the year and have declared a dividend of $1 million to be paid during the financial year ended 30 June 2023.

Going Concern

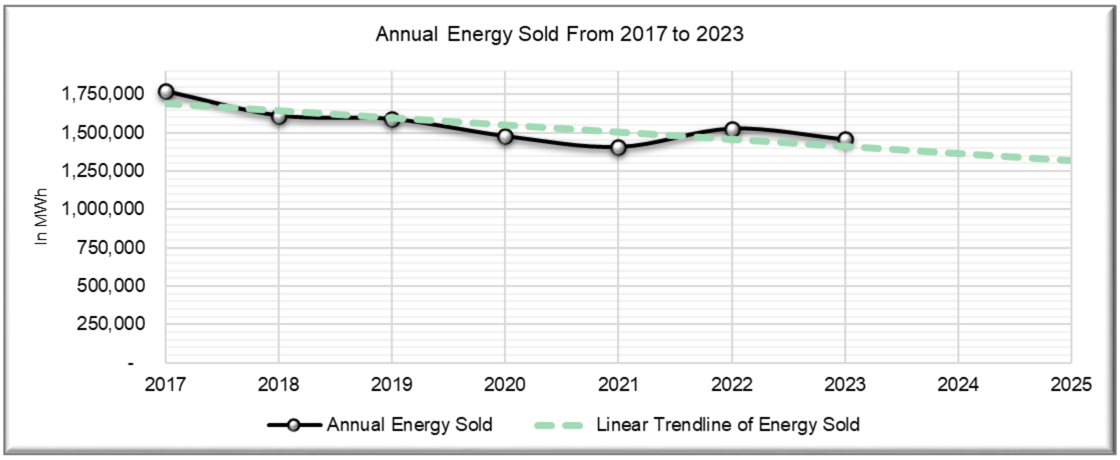
There has been a considerable shift in the approach to renewable energy electricity generation and consumption over the last few decades. This was caused by a global drive to address climate change and rising electricity costs. In 2017, the Northern Territory Government (NTG) committed to a target of 50% renewable energy by 2030, that is, 50% of the actual electricity consumed in the Northern Territory will need to be from renewable energy by 2030. A number of NTG Policy initiatives were introduced at that time to encourage consumer investment in solar installations.

The uptake of residential and commercial renewable energy will present challenges to the Corporation’s perceived obligation to be the generator of last resort and provider of ancillary services including ensuring stability of supply.

The Corporation continues to face the risk of losing market share due to the introduction of solar power at lower costs and competitors entering the market with newer technologies. The Corporation recognised an impairment against its cash generating unit assets of $143.92 million in the 2017-18 financial year to respond to this risk. Since then, the Corporation has continued to assess the value in use of its assets each year based on underlying data and information at each point in time. This annual assessment resulted in an additional impairment loss of $4.65 million during the year (2022: $5.32 million impairment loss).

Power Generation Corporation cont…

Since the 2017 NTG announcement of its 50% renewable target by 2030, the Corporation's annual energy sold (in MWh) is on a downward trend as illustrated below:



Note: There were Commonwealth and NTG imposed movement restriction during the last quarter of 2020, full financial year of 2021 and first six months of 2022 due to Covid-19 Pandemic.

The Corporation's total MWh generated and billed during the year is 18% less when compared to the total MWh generated and billed prior to NTG's announcement of its commitment on renewable energy.

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 a 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

	2023	2022
	$'000	**$'000**
Income		
Electricity sales	283,376	287,985
Deferred grant income	4,186	3,333
Interest revenue	1,770	136
Other revenue	3,204	13,371
Total income	**292,536**	**304,825**
Expenditure		
Cost of energy	(246,650)	(227,883)
Administrative expenses	(24,571)	(29,096)
Finance costs	(8,601)	(7,533)
Impairment reversal/(expense)	(4,652)	(5,319)
Other expenses	(2,328)	(11,096)
Total expenditure	**(286,802)**	**(280,927)**
Profit before income tax expense	**5,734**	**23,898**
Income tax expense	(3,729)	(6,967)
Profit after income tax expense	**2,005**	**16,931**
Dividends paid or provided for[1]	(8,465)	(5,430)
Net profit after dividends	**(6,460)**	**11,501**

[1] *Since the end of the financial year, the directors have declared a dividend of $1 million (2022: $8.46 million).*

Power Generation Corporation cont…

Financial Position at year end

	2023	2022
	$’000	**$’000**
Cash and cash equivalents	76,708	67,122
Receivables and other current assets	56,961	54,650
Current liabilities	(61,823)	(60,350)
Working Capital	**71,846**	**61,422**
Non-current assets	382,015	362,716
Non-current liabilities	(311,547)	(275,364)
Net Assets	**142,314**	**148,774**
Represented by:		
Retained earnings/(deficit)	(71,386)	(64,926)
Reserves	107	107
Contributed equity	213,593	213,593
Equity	**142,314**	**148,774**

Power Retail Corporation

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

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 Power Retail Corporation for the year ended 30 June 2023.

Audit Opinion

The audit of Power Retail Corporation for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 27 September 2023.

Key Audit Matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

Unbilled Consumption

Revenue from sale of goods includes estimated values for unbilled revenue from electricity totalling $40.5 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 $8.2 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.

Audit Observations

The audit did not identify any material weaknesses in controls.

Performance Overview

The Corporation generated a net profit of $6.7 million (2022: net profit of $1.2 million). Revenue declined by $10 million whilst direct costs decreased by $17 million.

Power Retail Corporation cont…

Significant movements are presented below.

- Electricity revenue decreased by $7.4 million from $421.1 million to $413.7 million due to lower volumes of sales reflecting lower demand combined with lower average variable tariffs and higher average fixed tariffs when compared to the prior year.
- Community service obligation revenue decreased by $3.2 million from $93.5 million to $90.3 million due to lower costs of delivering electricity influenced by lower demand.
- Interest income increased by $1.0 million.
- Cost of sales decreased by $17.1 million from $492.3 million to $475.2 million and reflected decreases in generation costs, system control costs and network charges, partially offset by higher renewable energy certificate costs which increased by $5.34 million from the prior year.
- Employee benefits expense and other expenses were largely consistent with the previous year.
- Income tax increased by $2.5 million aligned with the increase in profitability of the Corporation.

The Corporation had a net asset position of $57.2 million as at 30 June 2023 (2022: $51.1 million).

The following significant movements affected the statement of financial position.

- Cash and cash equivalents increased by $11.8 million from $27.3 million to $39.1 million, resulting from positive operating cash flows partially offset by net cash outflows for investment and financing activities during the year.
- Trade and other receivables decreased by $11.6 million from $86.8 million to $75.2 million. At the end of the prior year, community service obligation income of $15.1 million was outstanding however this income has been received on a timely basis during the 2022-23 financial year. There were also decreases in the provision for impaired receivables, bad debts and unbilled consumption when compared to 30 June last year.
- Other current assets mainly consist of renewable energy certificates (RECs) which increased significantly from $0.15 million to $7.6 million. A higher number of RECs were purchased during the year when compared to the prior year partly as a result of the Corporation's decision to purchase RECs in advance to lock in a spot price to mitigate risks associated with rising REC prices.
- Trade and other payables decreased by $2.6 million from $50.5 million to $47.9 million. The decrease in trade and other payables is mainly due to a decrease in accrued network and system control charges by $3.3 million and trade payables by $1.5 million. Both decreases are consistent with the reduction in electricity demand during the year. Unbilled consumption increased by $2.0 million and relates to timing of billings and estimation impacts.
- Current provisions increased by $2.9 million due to a higher provision for RECs. Large-scale generation certificate and small-scale technology certificates rates increased during the year. Consequently, an increased number of RECs are required to be surrendered. Other provisions were consistent with the previous year.
- Current income tax liabilities were higher than the previous year, consistent with the increased profitability of the Corporation.

Power Retail Corporation cont…

Financial Performance for the year

	2023	2022
	$'000	**$'000**
Income		
Sale of goods	410,043	418,281
Community service obligations	90,353	93,538
Interest revenue	1,049	49
Other income	3,716	2,850
Total income	**505,161**	**514,718**
Expenditure		
Energy cost of sales	(475,206)	(492,269)
Depreciation	(813)	(712)
Employee expenses	(10,010)	(10,596)
External service agreements	(899)	(980)
Other expenses	(8,555)	(8,589)
Total expenditure	**(495,483)**	**(513,146)**
Profit/(loss) before income tax expense	**9,678**	**1,572**
Income tax benefit/(expense)	(3,006)	(456)
Profit/(loss) after income tax expense	**6,672**	**1,116**
Dividends paid or provided for(1)	(558)	-
Net profit/(loss) after dividends	**6,114**	**1,116**

(1) *Since the end of the financial year, the directors have declared a dividend of $3.3 million (2022: 0.6 million).*

Power Retail Corporation cont…

Financial Position at year end

	2023	2022
	$'000	$'000
Cash and cash equivalents	39,138	27,311
Receivables and other current assets	83,013	87,213
Current liabilities	(72,072)	(69,322)
Working capital	**50,079**	**45,202**
Non-current assets	12,678	11,782
Non-current liabilities	(5,567)	(5,908)
Net assets	**57,190**	**51,076**
Represented by:		
Accumulated funds	9,524	3,410
Capital	47,666	47,666
Equity	**57,190**	**51,076**

Territory Wildlife Parks

Audit Findings and Analysis of the Financial Statements for the Year Ended 30 June 2023

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 2023.

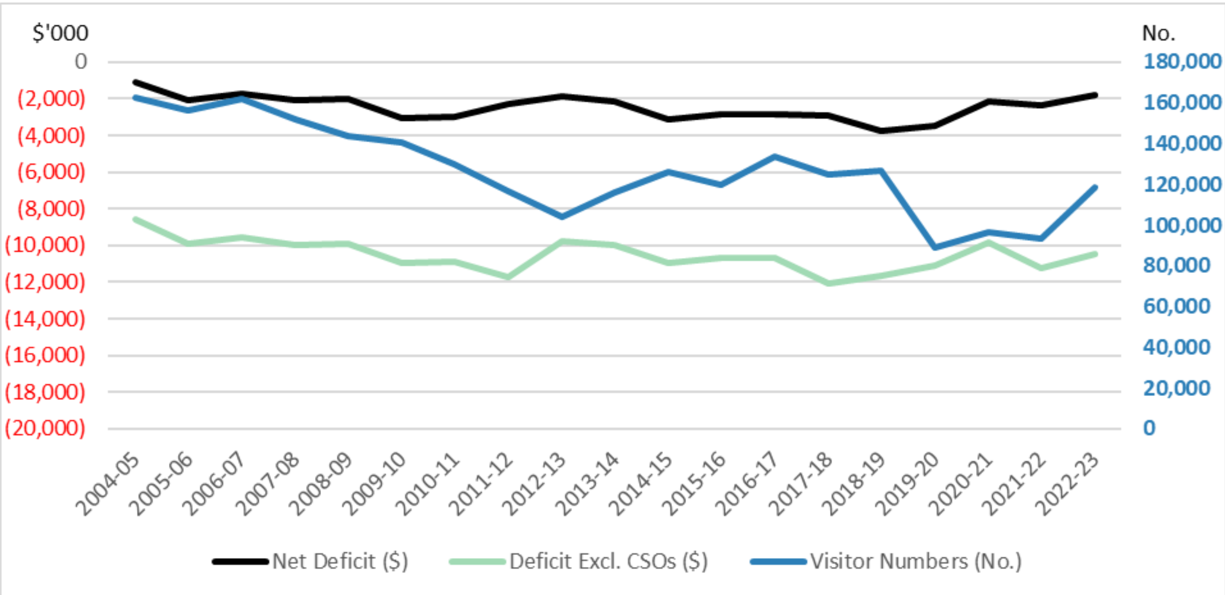
Audit Opinion

The audit of Territory Wildlife Parks for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 18 October 2023.

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 obligation (CSO) income 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.

Figure 1: Territory Wildlife Parks deficit and visitor numbers



Source: Agency documentation

Territory Wildlife Parks cont…

Table 1: Territory Wildlife Parks deficit and visitor numbers

	Net Deficit $'000	CSO Income $'000	Deficit Excluding CSO's $'000	Visitor Numbers
2004-05	(1,123)	7,445	(8,568)	162,424
2005-06	(2,080)	7,817	(9,897)	156,323
2006-07	(1,700)	7,834	(9,534)	161,660
2007-08	(2,063)	7,915	(9,978)	151,675
2008-09	(1,990)	7,915	(9,905)	143,775
2009-10	(3,063)	7,915	(10,978)	140,854
2010-11	(2,970)	7,915	(10,885)	129,933
2011-12	(2,294)	9,418	(11,712)	116,954
2012-13	(1,854)	7,915	(9,769)	104,177
2013-14	(2,128)	7,842	(9,970)	115,877
2014-15	(3,118)	7,842	(10,960)	126,153
2015-16	(2,818)	7,824	(10,642)	120,073
2016-17	(2,868)	7,824	(10,692)	133,327
2017-18	(2,882)	9,174	(12,056)	124,888
2018-19	(3,772)	7,913	(11,685)	126,856
2019-20	(3,464)	7,660	(11,124)	88,800
2020-21	(2,159)	7,676	(9,835)	96,800
2021-22	(2,364)	8,842	(11,206)	93,100
2022-23	(1,820)	8,657	(10,477)	118,700

Source: Agency documentation

Territory Wildlife Parks cont…

Performance Overview

Total income for the Territory Wildlife Parks increased by $0.7 million (7%) to $12.2 million in the current year. The increase is largely attributed to the sales of goods and services which increased by $0.7 million to $3.2 million in 2023. This revenue constitutes the sale of various gift shop items and consumable goods from the cafeteria as well as the sale of entry tickets to park visitors.

As demonstrated in the previous table, visitor numbers increased considerably during 2022-23 following several years where visitor numbers were negatively affected by the COVID-19 pandemic.

Total expenditure has increased by $0.2 million (2%) to $14.0 million in the current year. The increase was primarily attributable to higher purchases of goods and services including marketing and promotion; corporate support provided by external parties; and zoology expenses.

Property, plant and equipment decreased by $2.0 million to $30.9 million in 2023 resulting from depreciation expense for the period of $2.3 million partially offset by additions to assets totalling $0.3 million.

Equity decreased by $1.5 million to $30.5 million in the current year representing the operating deficit of $1.8 million offset by equity transfers in (being the contribution of assets) from the Northern Territory Government of $0.3 million.

Territory Wildlife Parks has reported negative working capital since 2008. In 2023, total current liabilities of $1.7 million exceeded total current assets of $1.6 million. This resulted in a negative working capital position as at 30 June 2023 of $0.1 million. Negative working capital indicates that, without support from the Northern Territory Government, Territory Wildlife Parks would not have sufficient available funds to meet its financial obligations as they fall due. It is an indicator of the potential for financial failure in the future.

Territory Wildlife Parks cont...

Financial Performance for the year

	2023	2022
	$'000	**$'000**
Income		
Community service obligations	8,657	8,842
Sales of goods and/or services	3,239	2,449
Other	325	165
Total income	**12,221**	**11,456**
Expenditure		
Employee expenses	(7,257)	(7,269)
Depreciation and amortisation	(2,283)	(2,555)
Property management	(1,172)	(1,050)
Repairs and maintenance	(739)	(602)
Other expenses	(2,590)	(2,344)
Total expenditure	**(14,041)**	**(13,820)**
Surplus/(deficit)	**(1,820)**	**(2,364)**

Territory Wildlife Parks cont …

Financial Position at year end

	2023	2022
	$'000	$'000
Cash and cash equivalents	1,334	866
Receivables and other current assets	244	331
Less current liabilities	(1,699)	(1,647)
Working Capital	**(121)**	**(450)**
Add non-current assets	30,866	32,880
Less non-current liabilities	(280)	(397)
Net Assets	**30,465**	**32,033**
Represented by:		
Accumulated funds	(43,455)	(41,635)
Capital	35,224	34,972
Asset revaluation surplus	38,696	38,696
Equity	**30,465**	**32,033**

Treasurer's Annual Financial Statements

Audit findings and analysis of the financial statements for the year ended 30 June 2023

Background

This report outlines the results of the audit of the Treasurer's Annual Financial Statements (TAFS) for the year ended 30 June 2023. The TAFS form part of the Treasurer's Annual Financial Report (TAFR).

The Northern Territory Government's Budget and the TAFS are prepared based on the reporting standards of the Australian Bureau of Statistics Government Finance Statistics (GFS) accrual based Uniform Presentation Framework. This financial reporting framework is promulgated by the *Fiscal Integrity and Transparency Act 2001* which requires the Northern Territory Government (NTG) to report on a basis consistent with external reporting standards.

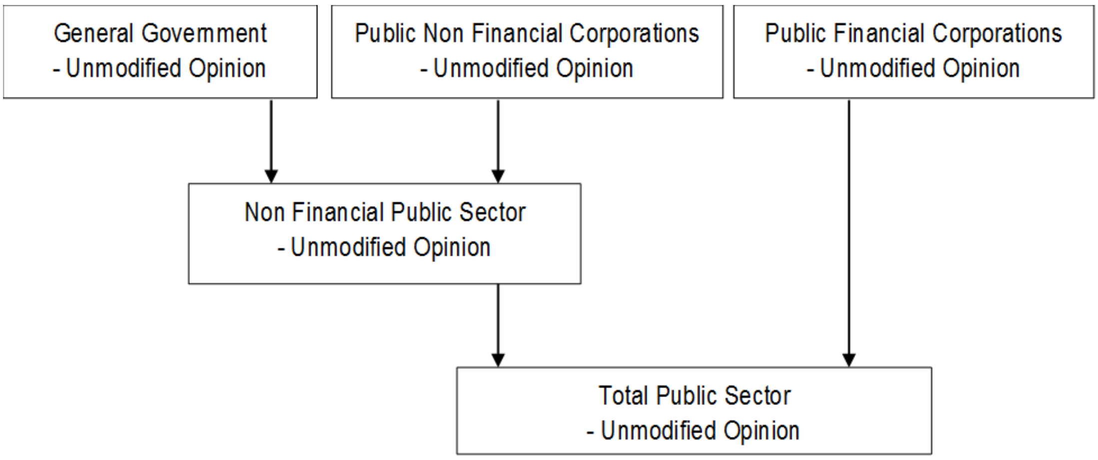
The TAFR provides information about the financial performance, financial position and cash flows of the NTG with the principal objectives of providing informative, comprehensive and clear information on financial outcomes. The members of the Legislative Assembly represent the Northern Territory community in scrutinising this performance information and have the opportunity to directly question the Government about its financial stewardship and management.

The Legislative Assembly, through the *Financial Management Act 1995* and the *Fiscal Integrity and Transparency Act 2001*, requires the Treasurer to account for the Government's stewardship of the financial resources made available to it each year through the budget allocations in accordance with the *Appropriation Act*. Section 9 of the *Financial Management Act 1995* sets out broad areas to be reported upon yet allows the Treasurer discretion in how those matters will be reported.

Reporting by sectors and by whole of government (Total Public Sector)

A key aspect of the GFS is the identification of different sectors, recognising that territory and state government operations cover a wide range of activities. Three sectors (which are then consolidated into 2 additional sectors) of government activity are reported as demonstrated by the following diagram.

Figure 1: TAFS Composition



Treasurer's Annual Financial Statements cont…

Table 1 outlines the key reporting elements of the NTG.

Table 1: NTG reporting entity

General Government Sector	Public Non Financial Corporations Sector	Public Financial Corporations Sector
Includes: All government departments; other administrative units such as NT Police, Fire and Emergency Services and the Office of the Independent Commissioner Against Corruption; and other entities that provide services that are mainly non-market in nature, for the collective consumption by other agencies or by the community. This sector also includes the results of the Motor Accidents (Compensation) Commission.	*Comprises:* Power and Water Corporation and its subsidiary Indigenous Essential Services Pty Ltd; Power Retail Corporation (trading as Jacana Energy); Power Generation Corporation (trading as Territory Generation); and Land Development Corporation.	*Comprises:* Northern Territory Treasury Corporation

In summary, the 3 sectors and their consolidated sectors are defined as:

General Government Sector – all budget dependent agencies providing services free of charge or at prices below their cost of production or service cost. These agencies are mainly engaged in the delivery of goods and services outside the normal market mechanism for consumption by governments and the general public. Costs of production are mainly financed from public tax revenues. For this reason, this sector tends to be the focus of fiscal targets (deficit or surplus).

Public Non Financial Corporations Sector – trading enterprises mainly engaged in the production of goods and supply of services of a non-financial nature for sale in the market place at prices that aim to recover all or most of the costs involved in production or supply.

Non Financial Public Sector – the sector formed through a consolidation of the General Government Sector and the Public Non Financial Corporation Sector. This sector provides the focus for the determination of net debt.

Public Financial Corporations Sector – public enterprises mainly engaged in acquiring financial assets and incurring liabilities in the financial market on their own account.

Total Public Sector – comprises the consolidation of the Non Financial Public Sector and the Public Financial Corporations Sector and represents the '*whole of Territory financial statements*'.

Treasurer's Annual Financial Statements cont…

Entities not consolidated into any of the above sectors

The consolidated financial statements of the Total Public Sector comprise all agencies, government business divisions, government owned corporations and other entities controlled by the Northern Territory Government. The following entities are excluded from the consolidation:

- Charles Darwin University and its associated entities
- Menzies School of Health Research and its associated entities
- Northern Territory Land Corporation
- Northern Territory Conservation Land Corporation
- Cobourg Peninsula Sanctuary and Marine Park Board
- Nitmiluk (Katherine Gorge) National Park Board
- Northern Territory Grants Commission
- Northern Territory Police Supplementary Benefit Scheme
- Public Trustee Common Funds
- Local government entities.

These entities have not been consolidated into the TAFS on the basis that they are not controlled by the NTG or their net assets are not available to the NTG. The TAFS does however include the unfunded element of superannuation liabilities.

In addition, with the exception of payroll costs and land and buildings, the TAFS excludes revenues, costs, assets and liabilities of Territory schools.

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

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

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

Fiscal balance – a measure of financial performance sometimes referred to as Net Lending/Borrowing and calculated as the Net Operating Balance less the net acquisition of non-financial assets. It is a measure of the extent to which a government is either putting financial resources at the disposal of other sectors in the economy or utilising the financial resources generated by other sectors. A net lending (or fiscal surplus) balance indicates that a government is saving more than enough to finance all of its investment spending. A net borrowing (or fiscal deficit position) indicates that a government's level of investment is greater than its level of savings.

Treasurer's Annual Financial Statements cont…

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

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

Net debt – a measure of financial position comprising certain financial liabilities less financial assets. Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, less the sum of cash and deposits, advances paid and investments, loans and placements.

Net financial liabilities – a measure that is broader than net debt as it includes significant liabilities, other than borrowings. Significant liabilities include accrued employee liabilities such as superannuation and long service leave entitlements. This measure is used only in the case of the General Government Sector.

Scope and objectives

The objective of the audit was to complete sufficient audit procedures to enable an opinion to be expressed upon the TAFS for the year ended 30 June 2023.

The purpose of an audit report on a financial report is to enhance the credibility of the financial information presented in relation to an entity's financial performance, financial position and cash flows and, where relevant, advise readers of matters of importance relating to the financial report. The audit report is structured to clearly define the financial report being audited, identify those responsible for preparing the financial report, explain the scope of the audit and present the auditor's opinion on the financial report.

The extent or scope of the audit

The first 2 paragraphs of my audit report detail my opinion and the elements of the TAFS upon which I am forming an opinion.

The audit report explains that the Treasurer is responsible for preparing and presenting the TAFS and the information it contains is in accordance with the requirements of the *Financial Management Act 1995* and the *Fiscal Integrity and Transparency Act 2001*. Section 9 of the *Financial Management Act 1995* allows the Treasurer to prescribe the form of the TAFS, including the accounting policies to be used, and these are detailed in the Reporting Framework.

The audit report also details the nature and extent of the audit work. I indicate that my audit was conducted in accordance with Australian Auditing Standards, which includes a requirement that I consider whether the TAFS complies with Australian Accounting Standards and other mandatory professional reporting requirements in Australia. The Auditing Standards applied provide professional guidance that is required to be followed to ensure the appropriateness and quality of the audit work and the reliability of the audit opinion.

Treasurer's Annual Financial Statements cont…

My audit report indicates that the audit procedures are performed to provide reasonable assurance as to whether the TAFS is free of material misstatement and is prepared from proper accounts and records and, in all material respects, is presented fairly. The audit provides a high, but not absolute, level of assurance. Absolute assurance in auditing is not attainable because of such factors as the use of judgements and estimates in the preparation of financial reports, the use of testing and sampling for gathering and evaluating evidence, the inherent limitations of systems of internal control and the fact that much of the evidence available to auditors is persuasive rather than conclusive in nature.

An audit is not designed to detect all errors in the vast number of transactions that make up a financial report, but the audit procedures are designed to ensure that the aggregate of any errors detected do not exceed a level above which the users of financial reports would have their judgement affected by that level of error.

I explain in my audit report that judgements are made when evaluating the reasonableness of significant accounting estimates included in the TAFS. Many of the significant amounts detailed in the TAFS, such as the valuation of certain assets, outstanding claim liabilities and the calculation of unfunded superannuation and other employee liabilities are based on estimates made by public sector entities. In order to determine whether misstatements exist in these estimates, a review is undertaken of the validity of the assumptions and the completeness of the data used in determining the estimates.

Impact of materiality and audit procedures on the audit opinion

The aggregate of all misstatements in a financial report is considered material if, in light of the surrounding circumstances, it is probable that the misstatements would change or influence the decision of a person who was relying on that financial report and who had reasonable knowledge of the Northern Territory public sector and its activities. Where I am unable to determine the impact, if any, on a user's decision making, however believe the impact on the financial report may be materially pervasive to the report, I am required to disclaim the opinion.

Australian Auditing Standards require that the audit work '*provides assurance*' that any financial misstatements aggregating to more than a predetermined level of materiality will be revealed in the audit opinion. Before commencing the audit, a judgement is made based on the NTG's total revenues, expenditures, assets and liabilities as to what dollar magnitude (materiality) of misstatements in the financial report would influence the decisions of users about the allocation of scarce resources or the discharge of accountability. The dollar amount is then used as a basis for determining the nature, extent and timing of the audit work required. Materiality also involves a qualitative aspect involving judgements as to the nature of any errors and whether any omissions or misstatements have the potential to adversely affect decisions of users.

In planning the audit, risk is accepted that the audit procedures may fail to detect whether the financial report is materially misstated. The pre-determined level of risk is accepted because of the judgements involved in determining the nature, timing and extent of audit procedures, evaluating the evidence obtained and also to enable the audit to be conducted cost effectively. In order to reduce this risk to an acceptable level, detailed audit procedures are performed. These procedures include, for example, understanding the business of government, obtaining an understanding of and evaluating the internal control structure and, where considered necessary, testing significant internal controls and samples of transactions and account balances, performing tests of the reasonableness of amounts and confirming year end balances with third parties.

Treasurer's Annual Financial Statements cont…

What the audit opinion does not provide

The audit opinion is not designed to consider whether the resources used by the NTG were applied efficiently, economically or effectively nor is my work designed to provide assurance that all the transactions of the NTG are in compliance with laws and regulations, except for those that impact on the information presented in the TAFS.

My audit of the Public Account assists considerably in forming a view on the TAFS however users of this report are reminded that I do not separately audit and form an opinion on the financial statements of individual agencies.

Audit opinion

The audit of the TAFS for the year ended 30 June 2023 resulted in an unmodified independent audit opinion, which was issued on 25 October 2023.

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

> Emphasis of matter – Restatement of comparative balances
>
> I draw attention to Note 1 (e) to the Financial Report, which states that the amounts reported in the previously issued financial statements for the year ended 30 June 2022 have been restated and disclosed as comparatives in the financial report. My opinion is not modified in respect of this matter.

Audit observations

Restatement of prior periods

In addition to being restated this year, prior period balances have been restated in the previous three financial years. The incorrect accounting for fixed assets is a recurring cause for the restatements.

I have reported internal control weaknesses relating to accounting for fixed assets and capital work-in-progress in my previous reports to the Legislative Assembly, predominantly when reporting on End of Year Reviews, and Agency Compliance Audits.

The Selected Agencies Asset Valuations audit conducted this year at three agencies, relating to 30 June 2022 asset valuations, identified issues at all three agencies and resulted in a qualified opinion for one agency. The results of this audit are reported in the Asset Valuations section of this report.

The results and observations from End of Year reviews (reported in this report) and Agency Compliance Audits (reported in my August 2023 report) undertaken this year also identified deficiencies relating to accounting for fixed assets.

A summary of the reasons for the restatements (extracted from the relevant Treasurer's Annual Financial Statement) is provided below.

2019 restatements

Misinterpretation of legislation and coding errors resulted in underpaid superannuation guarantee entitlements across agencies and current and former employees for periods of up to 10 years.

Treasurer's Annual Financial Statements cont…

The error in superannuation payments has been corrected and restated in the 2018-19 comparatives. This has resulted in an increase in both superannuation expenses of $4.03 million and other employee benefits liabilities of $39.54 million, and a reduction in accumulated funds of $39.54 million.

Capitalised asset expenditure for ongoing ICT projects within the (former) Department of Corporate and Information Services was incorrectly recognised within property, plant and equipment rather than intangible assets. As such, 2018-19 comparative balances were restated to reduce property, plant and equipment by $56.08 million and increase intangible assets by $56.08 million. Similarly, restatements were also required for 2018-19 opening balances to reduce property, plant and equipment and increase intangible assets by $27.51 million.

The Department of Infrastructure, Planning and Logistics (DIPL) identified various construction works in progress and land assets that should have been removed in 2018-19 and prior financial years. The construction works in progress assets that should have been removed from its records relate to road, water and sewerage works that were constructed on behalf of the Power and Water Corporation and various local government councils. The land assets that should have been removed relate to land sales that should have been recognised prior to 2018-19.

In addition, DIPL reclassified a $3.5 million payment in 2018-19 to the Land Development Corporation for road upgrades from capital grants expense to prepaid assets on the balance sheet. The upgrades relate to DIPL controlled land and will be recognised as assets on the balance sheet as works are completed by Land Development Corporation.

2020 restatements

The (former) Central Australia Health Service identified that revaluation adjustments made in 2019-20 for the Alice Springs Hospital and Tennant Creek Hospital were overstated. This error resulted in an overstatement in net assets and net worth in both the general government and total public sectors of $28.61 million.

The Darwin Waterfront Corporation identified it had erroneously recognised undeveloped land parcels that were owned and recognised by DIPL. This error resulted in an overstatement in net assets and net worth in both the general government and total public sectors of $18.64 million.

DIPL identified some developed land parcels that were owned by the Darwin Waterfront Corporation had not been derecognised. This error resulted in an overstatement in net assets and net worth in both the general government and total public sectors of $34.84 million in 2019-20.

The (former) Top End Health Service identified that revaluation adjustments made in 2019-20 for the Royal Darwin Hospital, Katherine Hospital and Gove District Hospital were overstated. This error resulted in an overstatement in net assets and net worth in both the general government and total public sectors of $169.02 million. As such, the 2019-20 comparatives were restated and have resulted in a reduction to property, plant and equipment balances and asset revaluation reserves by $169.02 million.

2021 restatements

During 2021-22, it was identified that land under the AustralAsia Railway infrastructure had not been recognised. This error resulted in an understatement in net assets and net worth in both the general government and total public sectors of $17.4 million.

Treasurer's Annual Financial Statements cont…

The Department of Health and Flinders University entered into an agreement granting Flinders University the right to construct a building on the department's land, partly funded by the Commonwealth and Territory governments. On completion, the building was transferred to the department in 2014, in exchange for Flinders acquiring the right to use the building at peppercorn rental over a lease term of 25 years. During 2021-22, it was identified that the department had not recognised the building asset and associated rental income received in advance.

DIPL identified that a number of subdivided land parcels were erroneously each assigned values equivalent to the original land parcel. The error resulted in an overstatement in net assets and net worth in both the general government and total public sectors of $103.8 million. As this restatement also impacts prior financial years, the 2020-21 opening balances were also restated to decrease both property, plant and equipment and asset revaluation reserves by $103.8 million.

DIPL also identified various construction works in progress that should have been removed in prior years and completed road construction works that should have been capitalised and depreciated over time. This error was corrected and restated in the 2020-21 comparatives and resulted in an increase to depreciation and amortisation expense of $2.8 million, capital grants expense of $1.8 million for assets transferred to local government councils and other economic flows of $6 million for costs that cannot be capitalised and written off. Property, plant and equipment and net worth both decreased by $22.6 million.

The Department of Territory Families, Housing and Communities identified an error in the revaluation of its remote housing rental dwellings. The error resulted in overstatement of property, plant and equipment and asset revaluation reserves of $32.3 million.

An error was identified relating to borrowing costs initially capitalised in the cost of assets, paid from one Territory government entity to another, that were erroneously deducted from the value of infrastructure assets subsequently re-measured at fair value. This error resulted in an understatement of net assets and net worth in the total public sector of $43.8 million.

2022 restatements

During 2022-23, it was identified that incorrect values relating to accrued capital works were recognised in 2021-22. This error caused an understatement to the fiscal balance deficit in the general government sector and total public sector of $22.3 million and $33.8 million, respectively.

DIPL identified that the valuation of a number of urban land parcels had not been updated to align with unimproved capital values provided by the Northern Territory Valuer-General. This error caused an understatement to net assets and net worth in both the general government and total public sectors of $166.6 million. DIPL also identified that various capital works completed on behalf of external parties were incorrectly capitalised and recognised in its accounting records. This error caused an overstatement to net assets and net worth in both the general government and total public sectors of $5.2 million.

DIPL further identified that land relating to Limmen National Park, which was transferred to another agency prior to 2021-22, had not been removed from its records. This error caused an overstatement to net assets and net worth in both the general government and total public sectors of $1.5 million.

Treasurer's Annual Financial Statements cont…

Summarised Restatement Impact – General Government Sector

The total financial impact of restatements for each of the past four years are presented below.

TAFS year-ended	30 June 2020		30 June 2021	
Restatement for year-ended	**2018**	**2019**	**2019**	**2020**
Fiscal balance	-	(527)	-	1,711
Assets	(68,164)	(82,183)	(45,082)	(245,110)
Liabilities	35,510	39,537	14,302	12,591
Net worth	(103,674)	(121,720)	(59,384)	(257,701)

TAFS year-ended	30 June 2022		30 June 2023	
Restatement for year-ended	**2020**	**2021**	**2021**	**2022**
Fiscal balance	-	401	-	(22,344)
Assets	(45,019)	(88,900)	134,488	159,933
Liabilities	7,620	7,219	-	-
Net worth	(52,639)	(96,119)	134,488	159,933

Revaluation of Assets in 2023

Significant asset revaluations occurred at several agencies within the General Government Sector this year that resulted in a net increase of $1.46 billion to the asset valuation predominantly relating to:

- Roads ($959.0 million)
- Urban, remote, social and employee housing ($246.5 million)
- Hospitals ($131.7 million)
- Land ($79.7 million)
- Accommodation leases ($42.0 million)
- Schools ($19.2 million).

These increments were offset by a write down of the value attributed to the Centre for National Resilience buildings ($23.5 million) and infrastructure ($20.8 million).

There were also large revaluation increments for infrastructure assets at Indigenous Essential Services and the gas pipelines at Power and Water Corporation (both in the Public Non Financial Corporation Sector) also occurred. Refer to the paragraph entitled *Valuation of Property, Plant and Equipment* on page 54 of this report. The net increase to asset values has a positive effect on the debt to equity ratio. The debt to equity ratio is one of the measures used to demonstrate the effective commercial management of government owned corporations in accordance with the government's fiscal strategy objective *Principle 5*.

Treasurer's Annual Financial Statements cont…

Performance overview

My comments and findings on the most recent audits I have conducted in relation to individual entities within the Total Public Sector are reported separately, either within this report or other reports to the Legislative Assembly. Accordingly, the comments that follow are largely confined to the General Government Sector, that being the sector that is funded largely through taxation and also the sector that is responsible for the provision of those services that the community commonly associates with the role of government.

Financial performance

The financial performance of the General Government Sector, as measured by the net operating balance, for the year ended 30 June 2023 was an improvement from the prior year. The net operating balance for the year ended 30 June 2023 was a surplus of $145.5 million. The surplus was a $282.1 million improvement over the restated deficit of $136.6 million reported for the year ended 30 June 2022.

Total revenues increased by $334.7 million when compared to the previous year.

Taxation revenue decreased by $26.4 million influenced by a decrease in stamp duty revenue of $82.2 million, due to a moderation in the residential property market following recent strong growth, combined with greater large commercial transactions in 2021-22 than 2022-23. This decrease was partially offset by an increase in payroll related taxes of $37.8 million reflecting higher employment activity and an increase in taxes on gambling of $11.6 million due to increased gambling activity.

Current and capital grants revenue increased by $405.1 million predominantly due to additional goods and services tax (GST) revenue of $389.4 million as a result of the higher national GST pool and the effect of national inflation, combined with an increase in the Territory's GST relativity. National partnership payments decreased by $114.5 million since 2021-22, with the decrease attributable to the net result of:

- Lower reimbursements under the grant agreement for COVID-19 quarantine arrangements for repatriated Australians ($154.8 million) and lower National Critical Care and Trauma Response Centre funding ($8.1 million) in the Department of Health.
- Cessation of the Darwin City Deals agreement in 2021-22 ($27.3 million) within the Department of the Chief Minister and Cabinet.
- Cessation of the Universal Access to Early Childhood Education agreement in 2021-22 ($3.3 million) in the Department of Education.
- Additional funding in 2022-23 for Family, Domestic and Sexual Violence Responses ($13.1 million), women's safe houses and remote family support services ($9.8 million) and Homelands Housing and Infrastructure upgrades ($7.5 million) in the Department of Territory Families, Housing and Communities.
- Additional funding in 2022-23 for Northern Territory Remote Housing repairs and maintenance ($12.8 million), a one-off grant for repairs and maintenance at the Centre for National Resilience ($5 million) and various road repairs and maintenance ($4.6 million) in the Department of Infrastructure, Planning and Logistics.
- New funding for Bilateral Energy and Emissions Reductions in 2022-23 ($15 million) to deliver affordable and reliable power and unlock gas supplies in the Department of Industry, Tourism and Trade.

Treasurer's Annual Financial Statements cont…

- Additional funding in 2022-23 for Preschool reform ($4.3 million) and a new Student Wellbeing Boost in 2022-23 ($4 million) to provide additional mental health and wellbeing resources to students following COVID-19 in the Department of Education.
- New funding for Strengthening community safety in Central Australia in 2022-23 ($3.8 million) in Northern Territory Police, Fire and Emergency Services.
- Other initiatives receiving specific funding included Nation building roads ($126.4 million); National Partnership for Remote Housing Northern Territory ($89.7 million); Roads of Strategic Importance ($62.8 million); Bees Creek – Emergency training facility ($5 million); and Fuel Indexation Road Funding ($4.9 million).
- Reduced funding was received in 2022-2023 for the Centre for National Resilience, Asset Recycling Initiative, Remote Policing, North Australian Roads Program, and Government Employee Housing.

Sales of goods and services increased by $7.0 million. Fees from regulatory services have decreased by $12.6 million since 2021-22 due to lower quarantine fees for the use of the Centre for National Resilience following the lifting of border restrictions. There were higher than anticipated revenues from gaming licences, fees and permits within the Department of Industry, Tourism and Trade. Other goods and services revenue has increased due to:

- Increases in Compulsory Third Party (CTP) contributions for motor vehicles registered in the Northern Territory in the Motor Accidents (Compensation) Commission;
- Increases in cross border revenue, payments from hospital patients, Medicare bulk billing received from the Commonwealth and funding relating to the Pharmaceutical Benefits Scheme pharmacy reform agenda in the Department of Health.

Dividend and income tax equivalent income represents increased returns from government controlled entities such as government business divisions and government owned corporations. The increase is the net result of:

- Dividend revenue from the Public Non Financial Corporations which increased by $12.8 million from the prior year;
- A $13.3 million decrease in tax equivalents income from Public Non Financial Corporations; and
- Dividend income and tax equivalents received from Northern Territory Treasury Corporation which increased from 2021-22 by $10.2 million and $4.4 million respectively.

Other revenue decreased by $76.2 million due to royalty income decreasing by $96.8 million due to reduced production, refunds of royalty overpayments received in previous years and softening of commodity prices, partially offset by increases in miscellaneous revenue.

Total expenses were $52.6 million higher than the total (restated) expenditure for the prior year.

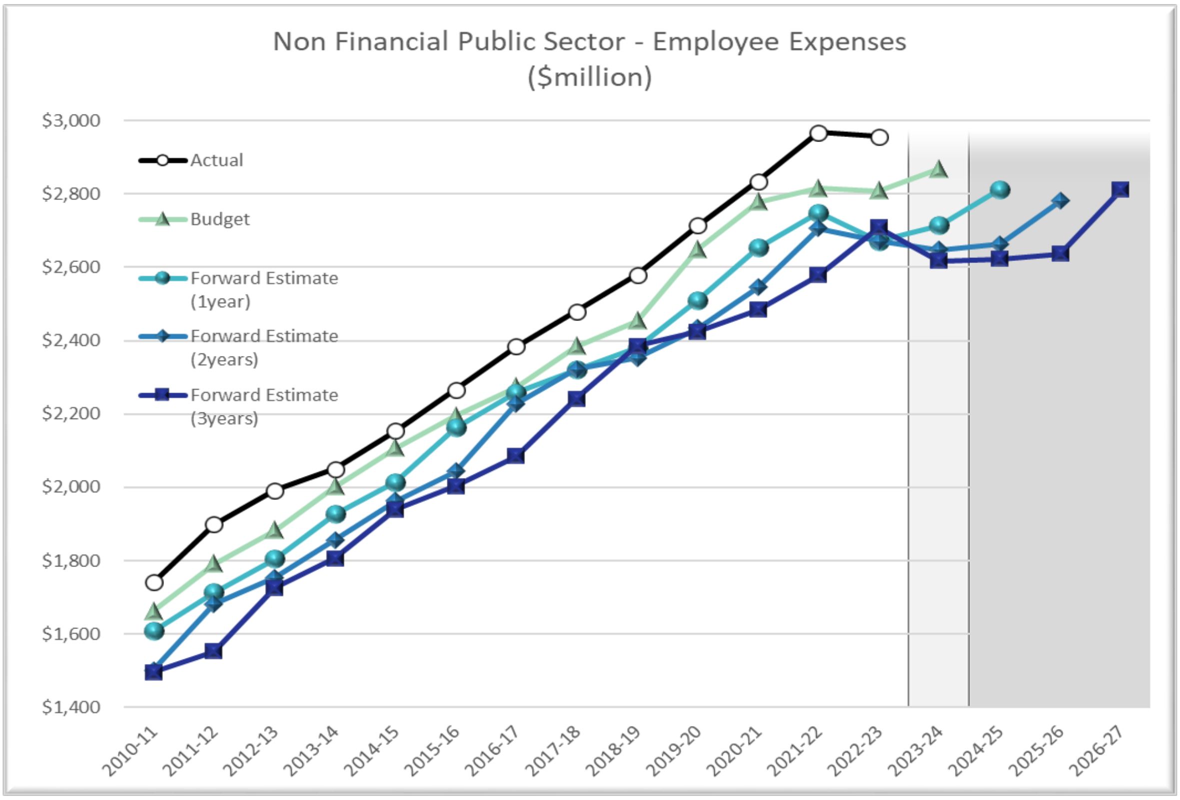
Treasurer's Annual Financial Statements cont…

Employee expenses represent the largest expenditure category within the General Government Sector and the Total Public Sector. Employee expenses in the General Government Sector were $2.857 billion for the year ended 30 June 2023, representing a decrease of $19.4 million from the 2021-22 year. Of the decrease, $68.6 million resulted from the COVID-19 repatriations ceasing and the Department of Territory Families, Housing and Communities employee expenses decreased by $8.7 million. Reducing the impact of the decreased employee expenditure were increases in the provisions held by the Central Holding Authority (e.g. long service leave, superannuation, workers compensation) of $36.5 million and additional employee expenditure at NT Police, Fire and Emergency Services of $15.3 million and the Department of the Attorney-General and Justice of $10.1 million.

The following figure presents a summary of the Non Financial Public Sector actual, budget and estimated employee expenses from the TAFS data for 2010-11 to 2022-23 and Budget Paper 2 (2023-24). Total Public Sector forward estimates are not available for analysis as the Total Public Sector includes the Northern Territory Treasury Corporation and previously included the Territory Insurance Office. The Territory Insurance Office was an off-budget entity, consequently budgets and forward estimates were not available.

The graph demonstrates the growth of employee expenses since the 2010-11 financial year with employee expenses almost doubling over the 12-year period. Of significance is the gap between actual employee expenses and budget. Actual employee expenditure has exceeded the budgeted expenditure and all forward estimates of employee expenditure for each of the years presented.

Figure 2: Non Financial Public Sector – Employee Expenses ($'million)

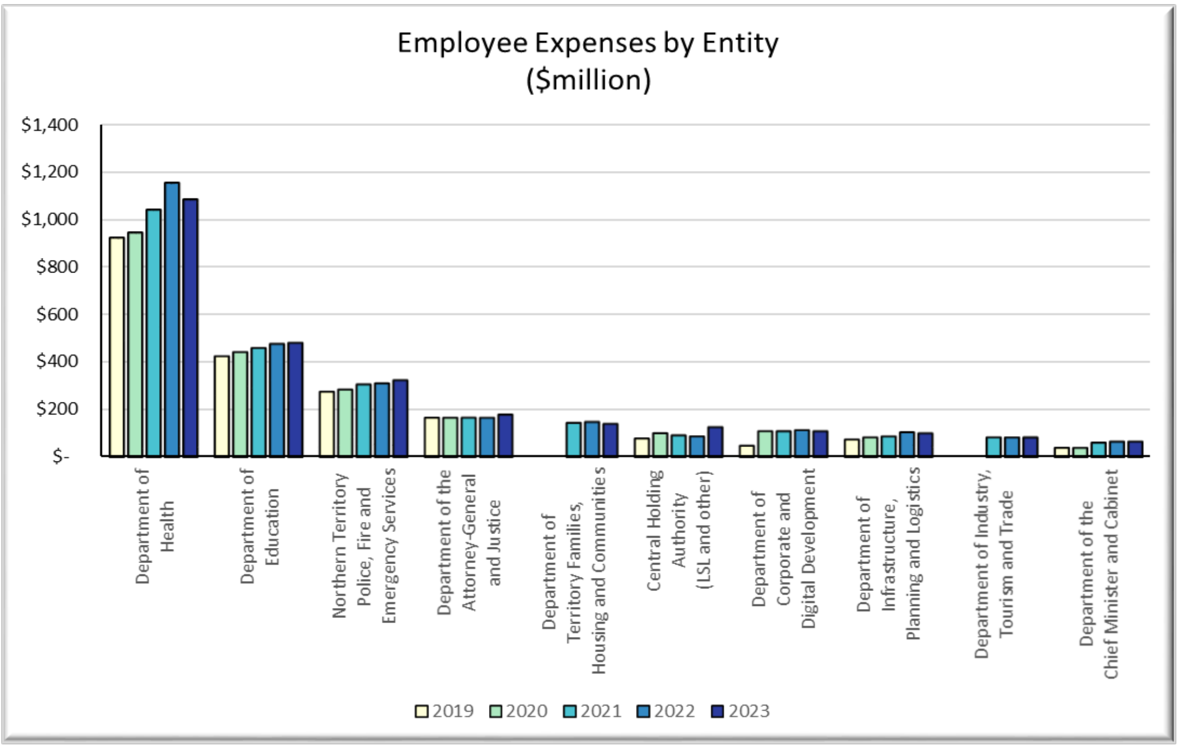


Source: Treasurer's Annual Financial Statements and Budget Paper 2 (2023-24)

Treasurer's Annual Financial Statements cont…

Figure 3: Employee expenses by entity presents a summary of the employee expenses for the 10 entities with the highest employee expenses. This figure demonstrates the movement in employee expenditure within these entities over the past 5 reporting periods. The Department of Territory Families, Housing and Communities and the Department of Industry, Tourism and Trade were new agencies formed as a result of the machinery of government changes from the 2020-21 financial year. During the year ended 30 June 2022, the Top End Health Service, Central Australia Health Service and the Department of Health merged. The employee expenses for the 3 entities are reported within the Department of Health.

Figure 3: Employee expenses by entity



Source: NTAGO developed from Treasurer's Annual Financial Statements consolidation data

Related to employee expenditure are the government's liabilities for long service leave and superannuation defined benefit arrangements. Changes in economic assumptions applied to determine the liability for superannuation caused the increase in superannuation expenses from the prior year. These changes included the increase in imputed interest costs from the upward movement in the interest rate from 1.49% in 2022 to 3.69% in 2023. Movements in the value of the superannuation liability (which are recognised within superannuation expenses) are also caused by the value of exit and benefit payments for members who have exited during the year.

The results presented for the year ended 30 June 2023 reflect the recent enterprise agreement wage increases with future escalation of wages being factored into the liabilities reported in the balance sheet.

Depreciation and amortisation expenses represent the annual charges recognised as the benefits from controlled assets are consumed. This distinction is important as these expenses are not met through the application of cash and will fluctuate in response to non-cash movements such as revaluation and impairment of fixed assets. Rates of depreciation and amortisation are established based on the estimated useful lives of the underlying assets and the estimated level of use required to meet demand, therefore there is limited ability to actively reduce these expenditure categories.

Treasurer’s Annual Financial Statements cont…

Current grant expenditure decreased by $14.2 million and represents the third largest expense component. Stronger across-government monitoring of these arrangements will be necessary to ensure these grants are delivering agreed and optimal returns to the public.

Other economic flows – other comprehensive income increased by $614.9 million, reflecting:

- The differences in outcomes between 2021-22 and 2022-23 resulting from re-measurement of the superannuation liability as a result of changes in actuarial assumptions and in the 10-year bond rate used in valuing the Territory's superannuation liability. The difference between years is $753.5 million (2023: decrement $78.9 million, 2022: increment $674.6 million. The superannuation liability was also impacted by the discount rate which has increased from 3.69% to 4.07% this financial year.
- Revaluations and asset impairments resulted in an overall increase of $1.246 billion (2023: $1.4 billion, 2022: $161.2 million) as outlined previously in this report.
- Other economic flows also include a $26.2 million decrease from the realisation of reserves upon the disposal of public housing dwellings and public buildings and land.

Financial position

Net financial worth deteriorated by $328.8 million to negative $8.6 billion when compared to the restated position at 30 June 2022.

Net financial liabilities increased by $435.3 million with equity investments in other public sector entities increasing by $109.5 million.

Net debt increased by $307.1 million from $6.0 billion to $6.3 billion.

Total cash and deposits are $181.3 million higher in 2022-23. The increase is largely due to cash balances of $130.0 million held by the Central Holding Authority following the Northern Territory Treasury Corporation pre-funding part of the 2023-24 borrowing program. This was combined with a net increase in cash held of $70.0 million mainly relating to mining remediation funds and funds received from the Northern Australia Infrastructure Facility, partially offset by a reduction in cash held in the Motor Accidents (Compensation) Commission used to fund purchases of investments.

Advances decreased by $12.9 million compared to 2021-22 comprising the following movements:

- A $9.2 million net increase in advances paid under the Local Jobs Fund this year of which $1.8 million was provided against due to uncertainty of recovery prior to year-end;
- A decrease of $18.3 million resulting from lower demand for home ownership products combined with greater home owner repayments; and
- The waiver of $8.8 million advanced to the former Jabiru Town Development Authority.

Investments, loans and placements decreased by $648.7 million compared to 2021-22, with the value of securities held by the Central Holding Authority being $754.5 million lower than the prior year. This decrease was partially offset by:

- An increase of $142.1 million in investment securities held by the Motor Accidents (Compensation) Commission; and
- The increase in the value of Conditions of Service Reserve investments of $105.8 million when compared to 2021-22 largely as a result of revaluation increments recognised this year.

Treasurer's Annual Financial Statements cont…

The overall decrease in receivables of $46.2 million results from:

- A decrease of $86.2 million relating to royalties and mining rent receivable resulting from reduced production, refunds of royalty overpayments in previous years and a softening of commodity prices; and
- A decrease of $31.1 million in stamp duties receivable as a result of the moderation in the residential property market and a lesser number of large commercial transactions in 2022-23; offset by increases of:
- $83.1 million in accrued revenue that relates to works completed, and funds owing, for Remote Housing NT, NT Remote Aboriginal Investment and Roads of Strategic Importance funding, partially offset by a $23.2 million decrease at the Department of Health relating to cross border accruals and settlements during the year;
- $11.4 million in dividends receivable from the Northern Territory Treasury Corporation and the Land Development Corporation; and
- $12.1 million in revenue receivables related to public housing rent, however the loss allowance relating to the revenue receivable has increased by $7.1 million. It is also noteworthy that 2021-22 saw a $56.6 million write off and waiver of public housing debt. As at 30 June 2023, rent receivable is $24.1 million with a loss allowance of $18.3 million.

Investments in other public sector entities increased by $109.5 million predominantly due to net revaluation increments on infrastructure assets within Indigenous Essential Services of $32.9 million and water and sewerage infrastructure assets in Power and Water Corporation of $30.2 million, combined with a year-on-year improvement in the operating outcomes of government owned corporations ($44.8 million).

Investments in private sector entities funded through the Local Jobs Fund increased to $8.2 million in 2022-23 compared to $3.0 million in 2021-22. The $5.2 million increase relates to a further investment of $2.0 million in one entity and a $2.0 million revaluation increment in the same entity, and a $1.2 million investment in another entity.

The increase in property, plant and equipment of $1.9 billion included revaluation increments of $1.5 billion of which $0.959 billion related to the upward revaluation of roads with the remainder relating to housing, hospitals, land, schools and accommodation leases.

The value of intangible assets increased by $62.7 million from the prior year, primarily attributable to funds spent on information technology projects relating to child protection, health, policing and budget management.

Borrowings have decreased since 2021-22 by $217.5 million to $9.2 billion.

As reported earlier, the $17.0 million decrease in the superannuation liability between years (2023: $3,086.6 million, 2022: $3,103.6 million) is largely due to the change in economic assumptions in arriving at the liability for the year. The impacts of the changes to wage policy announced subsequent to the 2021-22 year end have been recognised in the 2022-23 liability however the related increase in wages was offset by an increase in the discount rate applied (2023: 4.07%, 2022: 3.69%)

Treasurer's Annual Financial Statements cont…

The liability for other employee benefits increased by $56.6 million this year. Of this increase, $32.2 million relates to the back payment of entitlements resulting from new enterprise agreements, increased staffing and the timing of the last pay day. The same factors resulted in the provision for employee superannuation contributions increasing by $4.1 million.

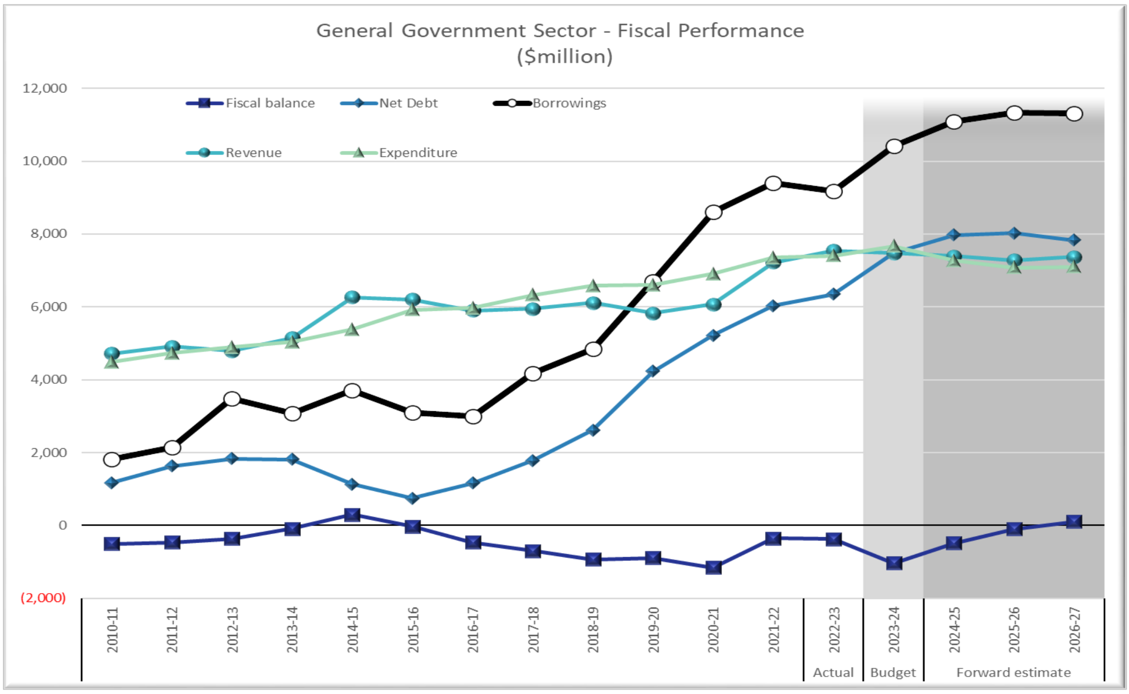
The provision for long service leave incurred a $20.6 million increase due to the anticipated pay increases offset by an increase in the discount rate. It is estimated that the long service leave provision was overstated by approximately $4.0 million due to errors in the long service leave report used to value the provision.

The increase of $100.6 million in other liabilities is due to increases of $32.7 million in workers compensation liability following this year's actuarial valuation and $92.3 million in other unearned revenue predominantly related to New Partnership programs. These increases are offset by a $25.8 million decrease in unearned capital grants following completion of the infrastructure works.

The $32.7 million increase in workers compensation liability results from several factors including an allowance for changes to the ability of police officers to access long-term personal leave. Removing the ability to access the long-term leave is expected to result in additional workers compensation claims. Other contributing factors were the increase in payments during the year, an increased prevalence of non-bodily claims, and changes in the inflation rate. These factors have been partially offset by an increase in the applied discount rate.

Depicted in the graph below are the movements in five key indicators of fiscal performance from the TAFS data for the financial years 2010-11 to 2022-23 and the forward estimates for the same five indicators from Budget Paper 2 2023-24 for the years 2023-24 to 2026-27.

Figure 4: Fiscal Performance from 2010-11 to 2026-27



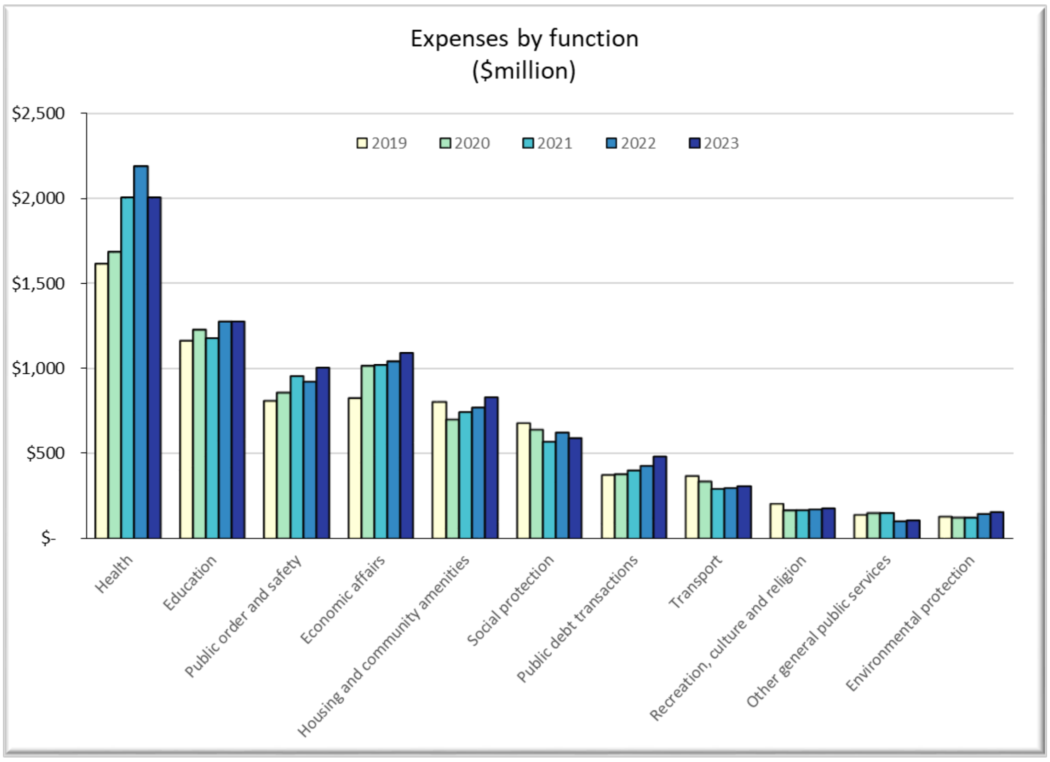
Source: Treasurer's Annual Financial Reports and Budget Paper 2 2023-24

The above graph demonstrates that maintaining fiscal restraint, including effective scrutiny and management of personnel and administrative costs is critical to stay within the legislated debt ceiling of $15 billion established in the *Fiscal Integrity and Transparency Act 2001*.

Treasurer's Annual Financial Statements cont…

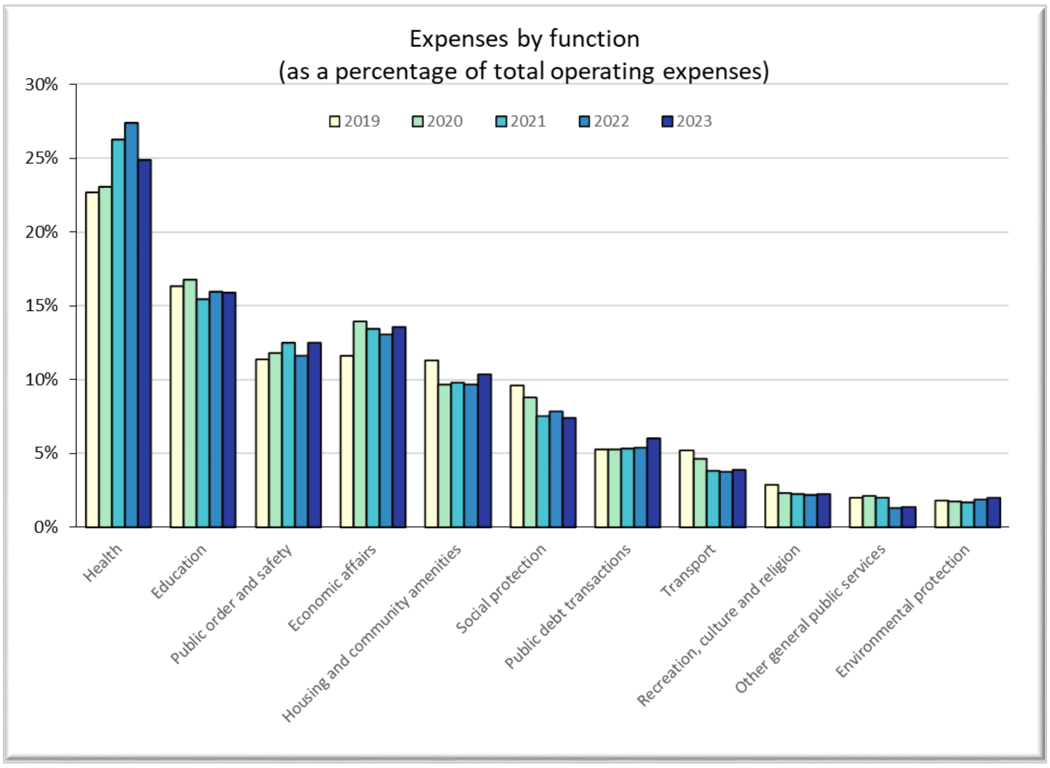
Figure 5 and Figure 6 present the total public sector expenses classified according to the Classifications of Functions of Government – Australia.

Figure 5: Total Public Sector expenses by function ($'million)



Source: Note 16 of the Treasurer's Annual Financial Statements

Figure 6: Total Public Sector expenses by function (as a percentage of total operating expenses)



Source: Note 16 of the Treasurer's Annual Financial Statements

Treasurer's Annual Financial Statements cont…

General Government Sector – components of financial performance

	2023	2022 Restated
	$'million	$'million
Taxation revenue	714.6	741.0
Grants – current	5,241.4	5,009.3
Grants – capital	491.5	318.5
Sales of goods and services	434.3	427.3
Interest income	148.4	137.2
Dividend and income tax equivalent income	80.6	66.5
Other revenue	439.5	515.7
Total revenue	**7,550.2**	**7,215.5**
Employee expenses	(2,856.5)	(2,875.9)
Superannuation expenses	(387.8)	(352.8)
Depreciation	(594.1)	(570.8)
Other expenses	(1,712.1)	(1,679.0)
Interest expenses	(360.1)	(350.4)
Other property expenses	(4.1)	(3.7)
Grants – current	(1,123.9)	(1,138.1)
Grants – capital	(160.9)	(165.5)
Subsidies and personal benefit payments	(205.2)	(215.8)
Total expenses	**(7,404.7)**	**(7,352.1)**
Net operating balance	**145.5**	**(136.6)**
Other economic flows	48.4	(237.7)
Operating result	**193.9**	**(374.3)**
Net operating balance	**145.5**	**(136.6)**
Less net acquisition of non financial assets	(515.4)	(216.8)
Fiscal balance	**(369.8)**	**(353.4)**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont…

General Government Sector – components of financial position

	Balance at 30 June 2023	Movement for 2022-23	Balance at 30 June 2022 Restated
	$'million	$'million	$'million
Cash and deposits	1,062.3	181.3	881.0
Advances paid	162.1	(12.9)	175.0
Investments, loans and placements	2,434.6	(648.7)	3,083.3
Deposits held	(603.2)	(71.9)	(531.3)
Advances received	(212.8)	27.6	(240.4)
Borrowing	(9,184.3)	217.5	(9,401.8)
Net debt	**(6,341.3)**	**(307.1)**	**(6,034.2)**
Other non-equity financial assets	697.8	(44.5)	742.3
Equity assets	2,460.1	114.7	2,345.4
Superannuation liabilities	(3,086.6)	17.0	(3,103.6)
Other employee entitlements and provisions	(886.1)	(56.6)	(829.5)
Other non-equity liabilities	(1,480.6)	(52.3)	(1,428.3)
Net financial worth	**(8,636.6)**	**(328.8)**	**(8,308.0)**
Less: Investments in other public sector entities	(2,451.9)	(109.5)	(2,342.4)
Net financial liabilities	**(11,088.5)**	**(438.3)**	**(10,650.3)**
Net carrying amounts of non financial assets	20,874.1	1,963.7	18,910.5
Equity investments in other public sector entities	2,451.9	109.5	2,342.4
Net worth	**12,237.4**	**1,634.9**	**10,602.5**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont…

General Government Sector – changes in equity

	Equity at 1 July	Comprehensive Result	Equity at 30 June
2022-23	**$'million**	**$'million**	**$'million**
Accumulated funds	**46.8**	**193.9**	**240.7**
Transfers from reserves	-	1.6	1.6
Other movements directly to equity	-	(77.9)	(77.9)
Total accumulated funds	**46.8**	**117.6**	**164.4**
Reserves			
Asset revaluation surplus	8,869.9	1,405.2	10,275.1
Investments in public sector entities revaluation surplus	1,670.1	109.5	1,779.6
Other reserves	15.7	2.6	18.3
Total reserves	**10,555.7**	**1,517.4**	**12,073.0**
Total equity at end of financial year	**10,602.5**	**1,635.0**	**12,237.4**
2021-22 restated			
Accumulated funds	**(282.2)**	**(374.3)**	**(656.5)**
Transfers from reserves	-	29.8	29.8
Other movements directly to equity	-	673.5	673.5
Total accumulated funds	**(282.2)**	**329.0**	**46.8**
Reserves			
Asset revaluation surplus	8,705.7	164.2	8,869.9
Investments in public sector entities revaluation surplus	1,709.1	(38.9)	1,670.1
Other reserves	18.0	(2.3)	15.7
Total reserves	**10,432.6**	**123.0**	**10,555.7**
Total equity at end of financial year	**10,150.5**	**452.0**	**10,602.5**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont…

Total Public Sector – components of financial performance

	2023	2022 Restated
	$'million	$'million
Taxation revenue	704.0	730.4
Grants – current	5,241.3	5,009.2
Grants – capital	500.1	318.4
Sales of goods and services	1,131.2	1,152.0
Interest income	150.4	137.4
Other	451.3	533.0
Total revenues	**8,178.3**	**7,880.4**
Employee expenses	(2,957.1)	(2,968.9)
Superannuation expenses	(404.7)	(367.2)
Depreciation	(811.8)	(787.3)
Other expenses	(2,263.5)	(2,183.4)
Interest expenses	(370.8)	(374.0)
Other property expenses	(4.0)	(3.7)
Grants – current	(1,054.7)	(1,072.7)
Grants – capital	(96.2)	(132.5)
Subsidies and personal benefit payments	(72.5)	(85.5)
Total expenses	**(8,035.2)**	**(7,975.2)**
Net operating balance	**143.1**	**(94.8)**
Other economic flows	80.7	(210.3)
Operating result	**223.8**	**(305.1)**
Net operating balance	**143.1**	**(94.8)**
Less net acquisition of Non Financial assets	(597.3)	(268.9)
Fiscal balance	**(454.2)**	**(363.7)**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont…

Total Public Sector – components of financial position

	Balance at 30 June 2023	Movement for 2022-23	Restated Balance at 30 June 2022
	$'million	**$'million**	**$'million**
Cash and deposits	1,063.1	181.5	881.6
Advances paid	162.0	(13.0)	175.0
Investments, loans and placements	2,434.6	(648.7)	3,083.3
Deposits held	(201.8)	(36.0)	(165.8)
Advances received	(191.5)	9.2	(200.7)
Borrowing	(11,126.3)	165.8	(11,292.1)
Net debt	**(7,859.8)**	**(341.3)**	**(7,518.6)**
Other non-equity financial assets	806.9	(55.2)	862.1
Equity assets	8.2	5.2	3.0
Superannuation liabilities	(3,086.6)	17.0	(3,103.6)
Other employee entitlements and provisions	(957.1)	(61.6)	(895.5)
Other non-equity liabilities	(1,778.8)	(125.1)	(1,653.7)
Net financial worth	**(12,867.2)**	**(561.0)**	**(12,306.3)**
Less: Investments in other public sector entities	-	-	-
Net financial liabilities	**(12,867.3)**	**(561.0)**	**(12,306.3)**
Net carrying amounts of Non Financial assets	25,104.7	2,195.7	22,908.8
Equity investments in other public sector entities	-	-	-
Net worth	**12,237.4**	**1,634.7**	**10,602.5**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont…

Total Public Sector – changes in equity

	Equity at 1 July	Comprehensive Result	Equity at 30 June
2022-23	**$'million**	**$'million**	**$'million**
Accumulated funds	**803.6**	**223.8**	**1,027.4**
Transfers from reserves	-	16.6	16.6
Other movements directly to equity	-	(78.0)	(78.0)
Total accumulated funds	**803.6**	**162.4**	**966.0**
Reserves			
Asset revaluation surplus	9,783.2	1,470.0	11,253.2
Other reserves	15.7	2.6	18.3
Total reserves	**9,798.9**	**1,472.6**	**11,271.5**
Total equity at end of financial year	**10,602.5**	**1,635.0**	**12,237.4**
2021-22 Restated			
Accumulated funds	**403.0**	**(305.1)**	**97.9**
Transfers from reserves	-	31.6	31.6
Other movements directly to equity	-	674.1	674.1
Total accumulated funds	**403.0**	**400.6**	**803.6**
Reserves			
Asset revaluation surplus	9,729.6	53.6	9,783.2
Other reserves	18.0	(2.3)	15.7
Total reserves	**9,747.6**	**51.3**	**9,798.9**
Total equity at end of financial year	**10,150.6**	**451.9**	**10,602.5**

Note: Totals may not add due to rounding

Treasurer's Annual Financial Statements cont…

The Department of Treasury and Finance has commented:

The Department of Treasury and Finance (DTF) acknowledges the inclusion of restatements to prior period balances in the past three financial years, relating to the recognition and valuation of fixed assets.

Due to the reoccurring issues, DTF initiated a project in 2022-23 to investigate and address deficiencies in asset management and valuation processes across government, and to mitigate the risk of errors of this nature occurring in the future. The project comprised an inter-agency working group and included a review of: contract management governance and performance assessment of across government valuation contracts; roles and responsibilities of key stakeholders regarding valuation of the Territory's non financial (fixed) assets, capabilities and limitations of asset-related ICT systems; and agency processes on fixed asset capitalisation, transfers of works in progress, and valuation of fixed assets.

All of the recommendations arising from the review have been accepted by the inter-agency working group, and are in the process of being addressed.

As part of the recommendations, and to further strengthen internal controls, a new Treasurer's Direction (TD) on non financial assets is expected to be released in early 2024. The TD incorporates findings from the project and contains enhanced asset revaluation requirements, including a new requirement for agencies to maintain an internal policy governing the measurement and valuation of non financial assets.

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 Statements (TAFS) through reviewing the reasonableness of agencies' end of year financial data that is consolidated into the TAFS 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
- 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
- Ombudsman's Office.

Scope and Objectives

The objective of each 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 TAFS.

End of Year Review cont…

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

Observations

Whilst an audit opinion is not expressed on the financial statements of each agency, the relevant 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 TAFS 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 23 July 2023. In most instances, established month-end processes in place at the agencies should have identified the need for these journals and enabled them to be processed within the normal month-end close timeframe. The processing of journals by agencies after the mid-July ledger close date has, for the past two years, affected the timely completion of the audit of the TAFS and may result in material unanticipated changes to forecast results. Whilst findings regarding late journals were reported to relevant Accountable Officers, the following table excludes these findings.

Number of Issues Raised	Number of Agencies 2023	Number of Agencies 2022
0	4	5
1	3	5
2	2	2
3	3	2
4	1	2
5	2	-
13	1	-
Total Agencies	**16**	**16**
Total Issues Raised	**43**	**23**

The above table demonstrates an increased number of issues being identified during the reviews when compared to the prior year. This is particularly concerning given that the breadth of the review procedures undertaken at each agency was substantially reduced this year in order to ensure the Auditor-General's Office did not incur an operating deficit.

Due to the number and/or magnitude of the findings from my review, I qualified my opinion in relation to one agency. Whilst my review did not identify any material error in the TAFS, the identified weaknesses present a risk of material error occurring and remaining undetected within agencies.

End of Year Review cont…

Department of Territory Families, Housing and Communities

My review at this agency identified a number of matters causing me to issue a qualified opinion regarding weaknesses in internal control. My qualified opinion and the basis for the qualified opinion are presented below.

Qualified Review Opinion

My review opinion included the following qualification:

> *The review was not directed at auditing the financial information in your Agency's annual report, no opinion is expressed on that financial information.*
>
> *Significant weaknesses in internal control were identified during this review as documented in the attached schedules. Whilst my review has not identified any material error in the Treasurer's Annual Financial Statements, the identified weaknesses present a risk of material error occurring and remaining undetected.*
>
> *In my opinion, except for the matters described in the Basis for Qualified Opinion paragraph, in all material respects, the Agency's accounting and control procedures were found to be generally satisfactory.*

Basis for Qualified Opinion

> *Significant weaknesses in internal control were identified during the review.*
>
> *As reported in the previous year, there were a large number of high value journals posted during the month of August 2023 after the general ledger had been closed. The late posting of large journals presents a risk of misstatement in the TAFS and increased risk that the Agency's financial statements, as reported in the Agency's annual report, will be materially different from the information reported in the TAFS as occurred for the year ended 30 June 2022.*
>
> *As reported previously, the Agency's controls over the recognition and subsequent valuation of fixed assets have not prevented substantial errors in the recorded values of property, plant and equipment. Whilst the value of these errors is not material to the TAFS, they would be considered material to the Agency's financial statements.*
>
> *Despite the recent change in approach to the charging and collection of rental income and the significant write-off of long outstanding rental debts owed to the Agency at the time of that change, the value of outstanding debtors, and the associated provision for doubtful debts have risen substantially since the prior year.*

Matters Arising

Matters arising from the review include:

- The agency's processes relating to the valuation of land and buildings could be improved.
- Deficiencies were identified in relation to the recording and reporting of fixed assets.
- The values of assets and liabilities arising as a result of entering into a service concession arrangement have not been determined.
- The appropriateness of the useful economic life of remote housing assets requires reviewing.
- There is potential duplication of Government Employee Housing assets.

End of Year Review cont…

- Tenancy receivables may be overstated.
- The calculation of the provision for doubtful debts was not in accordance with the Loss Allowance/Provision for Doubtful Debts policy.
- Deficiencies were identified in relation to accounting for leases in accordance with *AASB 16 Leases*.
- Deficiencies were observed in relation to accounting for trade creditors and accrued expenses.
- The opening balances presented in the agency's financial statements contained material errors.
- Delays were experienced in the provision of the initial documentation for the review.
- Agency personnel had excessive annual leave entitlements as at 30 June 2023.
- Six agency personnel had negative annual leave entitlements as at 30 June 2023.

Other agencies

My reviews at the remaining agencies identified a number of findings that were raised in relation to the general controls environment. In particular it was noted that:

- Employees with excessive annual leave entitlements were identified at 11 agencies.
- Deficiencies were identified that related to accounting for fixed assets at two agencies.
- One agency has an employee with a negative recreational leave entitlement that was unable to be explained by the agency.
- Expenses were not accrued within the correct financial year at one agency.
- Financial year-end processes could be strengthened at six agencies.
- The concentrated credit risk and loss allowances related to the Local Jobs Fund indicate controls may need to be strengthened.
- One agency had an incomplete contingent liabilities register.
- One agency did not fully comply with AASB 101 *Presentation of the Financial Statements* in respect of the classification of lease liabilities, which led to an understatement of the current lease liability.
- The creditors listing at one agency included payables and purchase orders dating back to 2008.
- At one agency, the Northern Territory Government had entered into a signed loan agreement with unspecified guarantors.
- Variances and unsupported items within one agency's reconciliations and balances require resolution. Similar matters have been raised at this agency since my 2018 review however I considered any impact from the reported matters was unlikely to be financially material to my audit of the TAFS.

End of Year Review cont…

The Department of Territory Families, Housing and Communities has commented:

In respect to the qualified review opinion of the Department of Territory Families, Housing and Communities End of Year Review, the Department acknowledges and accepts the outcome of the review and is taking necessary steps to address the internal control weaknesses identified by the review, with oversight provided by the Department's Risk and Audit Committee.

The Department of Treasury and Finance has commented:

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

The audit findings from agency end of year reviews included in the November 2023 report provides valuable input into the Treasurer's Direction review project and will be addressed as part of that process.

A new Treasurer's Direction on non financial assets is anticipated to be released in early 2024, and is expected to address deficiencies identified in relation to asset accounting.

DTF will also continue to work with affected agencies on the implementation of agency specific reforms and to improve practices across government.

Northern Territory Police, Fire and Emergency Services has commented:

NTPFES notes the findings of the End of Year Review and has taken action where deemed necessary.

Infrastructure Program Development, Budgeting and Reporting

Department of Infrastructure, Planning and Logistics

Background

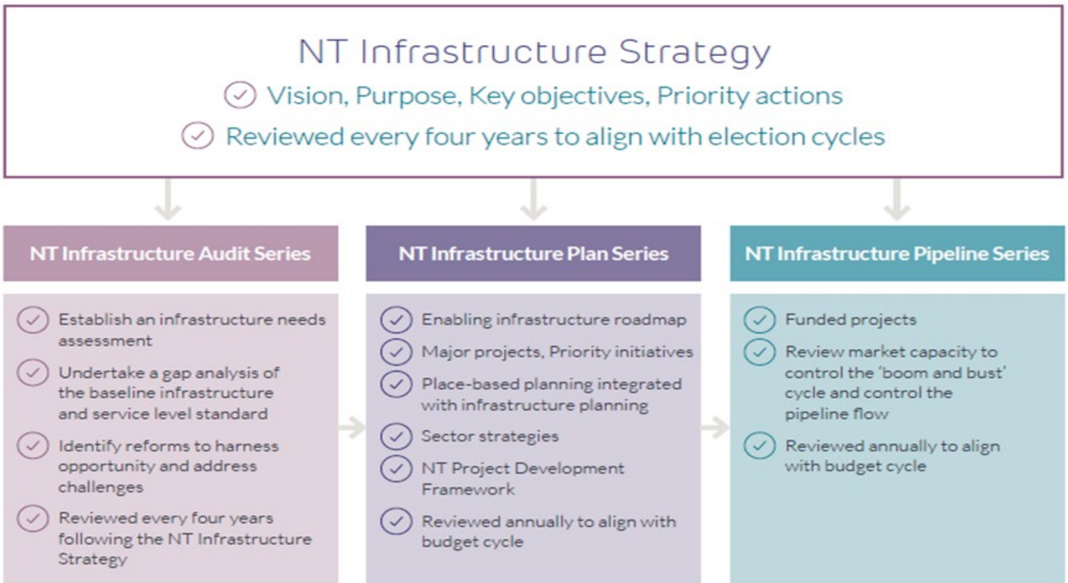
Infrastructure NT was established in 2021 to deliver strategic infrastructure planning and development that plans for, coordinates and aligns infrastructure needs with industry and population growth. Infrastructure NT provides an advisory role on significant and major projects, and is the lead liaison with Infrastructure Australia. Infrastructure NT is also responsible for the management and delivery of significant enabling infrastructure projects, including the:

- $2 billion Middle Arm Sustainable Development Precinct
- $440 million Regional Logistics Hubs
- $515 million Ship Lift
- $50 million new Mandorah marine facilities
- Adelaide River Off-stream Water Storage.

Infrastructure NT developed a new NT Infrastructure Framework. The NT Infrastructure Framework aims to provide clear direction and whole-of-government leadership for project planning, development and delivery that analyses, prioritises and supports well informed, evidence based government infrastructure investment.

The NT Infrastructure Framework is a place-based strategic plan that integrates land and infrastructure planning with economic development and population growth. The NT Infrastructure Framework includes an Infrastructure Strategy, Infrastructure Plan and Pipeline and Infrastructure Audit.

Figure 1: NT Infrastructure Strategy



Source: NT Infrastructure Plan and Pipeline in June 2022

Infrastructure Program Development, Budgeting and Reporting cont…

Other documents to support the Framework include an interactive plan and pipeline; instructions and information; and metadata for the plan and pipeline.

The annual budget is a financial plan developed by government to allocate its resources for the budget year (the financial year to which a budget relates) and over the forward estimates period (being the three financial years following the budget year). *Budget Paper 4 The Infrastructure Program* (BP4) details the NT's infrastructure program over the budget year.

BP4 outlines the government's infrastructure works planned for the budget year: new and continuing (revoted) capital projects, as well as capital grants and repairs and maintenance. It includes descriptions of projects and the funding for each project, by agency.

The Department of Treasury and Finance provides whole of government budgetary and actual financial reports under the framework of the *Fiscal Integrity and Transparency Act 2001* and the *Financial Management Act 1995*. The Budget Papers are released in May each year.

Machinery of Government Changes

A machinery of government change occurs when the government decides to change the structure by which government responsibilities are managed. This may involve the movement of functions, resources and people from one agency to another. It may result in the creation and/or cessation of some government functions.

The machinery of government change in July 2017 saw infrastructure planning, management and delivery, including repairs and maintenance, transferred to the Department of Infrastructure, Planning and Logistics (the Agency) from all Northern Territory Government (NTG) general government sector agencies.

Scope and Objectives

The audit assessed the performance management systems in place at the Agency that support management in the application of the Northern Territory Government's approach to the development of the NT Infrastructure Plan and Pipeline and enable management to assess whether the projects, as they relate to the infrastructure program, are being managed effectively, efficiently and with economy.

When reviewing the performance management systems in place at the Agency, the audit assessed:

- Whether processes are in place to identify and assess a project for inclusion in the NT Infrastructure Plan and Pipeline.
- The processes for including pre-existing projects in the NT Infrastructure Plan and Pipeline in the new NT Infrastructure Framework (2022).
- How the NT Infrastructure Plan and Pipeline is used to inform the NTG budget process.
- The extent and clarity of external reporting related to the NTG infrastructure program including reporting against budgeted and actual expenditure by project.
- The alignment between Budget Papers and the NT Infrastructure Plan and Pipeline.
- Compliance with the Treasurer's Direction - Infrastructure including the mandatory Northern Territory Project Development Framework.

The audit assessed the performance management systems in place from commencement of the NT Infrastructure Framework in June 2022 to January 2023. The audit focused on infrastructure management for the general government sector.

Infrastructure Program Development, Budgeting and Reporting cont…

Limitation of Scope

As part of the audit process, testing was performed on a sample of projects to verify the application of policies and processes. A small sample of 10 projects was selected for testing.

A significant amount of information required to demonstrate the application of policies and processes was not provided by the agency. As a result of the limitation, I was not able to verify that policies and processes were being applied as intended.

Index

The report on this audit is structured as follows:

Audit Opinion

The audit assessed the performance management systems in place at the Agency that support management in the application of the NTG's approach to the development of the NT Infrastructure Plan and Pipeline and enable management to assess whether the projects, as they relate to the infrastructure program, are being managed effectively, efficiently and with economy.

Acknowledging that the Agency is still in the process of forming and implementing new processes, the audit identified that the Agency could implement some improvements to the performance management systems.

Of significant concern is that key project documentation was not maintained by the Agency to support decisions made and was unable to be provided in response to audit requests. The Agency could implement improvements in order to ensure key decisions are supported and to ensure the key documentation can be easily provided when required. As a result of the limitation, I was not able to complete some aspects of the audit and gain assurance that relevant policies and processes were being applied.

Infrastructure Program Development, Budgeting and Reporting cont…

Recommendations

Opportunities recommended to the Agency in order to improve infrastructure program development, budgeting and reporting are presented below.

Maintain key documentation

- Assess record management practices and, at a minimum, identify key documentation required to be maintained for each project and develop and implement a systematic process to capture and maintain the key project documentation.

Framework and processes

- Align the NTG infrastructure frameworks to ensure the terms, processes and requirements are consistent, comparable and capable of working together to increase efficiencies in program and project planning and delivery.
- Develop, document, implement and maintain systems, procedures and processes that support the framework. Ensure there is guidance for the following stages:
  - Identifying and defining the problem or opportunity
  - Identifying multiple solutions (with and without infrastructure)
  - Analysing the solutions and selecting a preferred solution
  - Developing a business case
  - Assessing and analysing proposed projects
  - Evaluating long-standing projects to assess whether the purpose and scope are still relevant.
- When undertaking project planning activities, consider the time and cost associated with undertaking the required activities and at what stage each activity should be undertaken. Develop systems, procedures and documentation to support these activities. Ensure the approach supports the prudent management of government resources (focusing on both efficiency and economy) and accountability of decision-making.
- Ensure the lead agency is included as the project sponsor and given opportunities to provide necessary guidance and advice including agency agreement that the final scope meets the agency's business objectives and needs.
- Prepare a framework for evaluating a potential project's priority. Incorporate a requirement to identify a project's priority as part of the NT Infrastructure Plan and Pipeline process ensuring the process includes appropriate collaboration and approvals from the lead Agency.

Reporting

- Align the NTG infrastructure reporting to ensure the terms, criteria and presentation are consistent and comparable. When there are differences, ensure information provided is understandable and clear to the users and includes sufficient information to enable comparison.
- Develop and publish reporting that focuses solely on NTG wholly and partially funded projects to increase NTG accountability and provides relevant information to external users. Current reporting includes projects fully funded by Commonwealth and local governments, the private sector and non-government organisations.

Infrastructure Program Development, Budgeting and Reporting cont…

Project development

- Develop and implement a consistent approach to developing and presenting business cases that supports consistency and comparability in the information and detail provided. This may involve a staged process whereby an initial high level business case is subsequently enhanced as the likelihood of the project being funded increases.
- Implement additional procedures to re-assess the purpose and cost associated with projects running over a long time period or where there are significant changes to the market.

NT Infrastructure Plan and Pipeline records

- Continue to improve the underlying records to support the NT Infrastructure Plan and Pipeline.
- Enhance checks and reviews for data to ensure information is secure, complete, accurate and able to be reconciled where relevant.

Future works

- The Agency has a range of future works planned. To ensure the future works are cohesive, it would be beneficial to have an overarching plan that considers the scope and timing of all future works including any interrelated projects.
- Prepare investment plans using functional alignment (e.g. transport, tourism) rather than purely agency alignment so that components of the plans can be easily transferred following machinery of government changes.

Key Terms

Term	Description
Cash	The funding expected to be spent on a project in a financial year. Reported in BP4.
Estimate	The total lifetime and annual costs estimated for a project. Reported in the NT Infrastructure Plan and Pipeline.
Enabling infrastructure plan	The infrastructure proposals that are not yet funded; are in the planning phase; or have been identified as enabling an outcome. Identified in the NT Infrastructure Plan and Pipeline.
General government sector	Agencies and other entities controlled by government mainly engaged in the production of goods and or services outside the normal market mechanism, where goods and services are provided free of charge or at nominal charges well below cost of production. This sector is generally funded by taxation (directly or indirectly) and Commonwealth grants.
Infrastructure pipeline	A list of committed projects, funded by either government or the private sector. Identified in the NT Infrastructure Plan and Pipeline.
Infrastructure related expenses	Operational costs that directly relate to the infrastructure program, including strategic infrastructure-related studies, investigations, master planning, project development and consultancy costs not specific to an asset.

Infrastructure Program Development, Budgeting and Reporting cont…

Term	Description
Major works	Construction projects with an estimated value greater than $1 million that relate to improvements to or construction of a new NTG asset.
Minor works	Construction projects with an estimated value of up to $1 million that relate to improvements to or construction of a new NT asset. The NTG budget papers report the total program value of minor works projects by agency.
New works	Projects approved to start in the next financial year. Individual new works projects are recorded in Budget Paper 4 (BP4) for projects over $1 million (major new works), with projects of $1 million or less (minor new works) recorded in aggregate for each agency.
Program	The total unspent commitment approved to deliver a project. Reported in BP4.
Public non financial corporations	Public enterprises primarily engaged in the production of goods or services of a non-financial nature, for sale in the market place, at prices that aim to recover most of the costs involved. In the budget paper, public non financial corporations include Land Development Corporation, Indigenous Essential Services Pty Ltd and government owned corporations.
Repairs and maintenance	Works undertaken to maintain existing assets in working condition. Repairs and maintenance keep an asset functioning at its current capacity and do not enhance the asset significantly or extend its useful life. This is in contrast to capital works on existing assets, which will substantially change or improve the asset through expansion or upgrade.
Revoted works (Revoted in, Revoted out)	Capital works initiated in previous years carried forward into the budget year. As construction of larger projects will often span more than one financial year, the works not completed at the end of the financial year are revoted into the new financial year. These incomplete portions of projects are referred to as revoted works and are distinct from new works. Reported in BP4.
Total estimated	The total amount estimated to deliver a project or projects. Reported in the NT Infrastructure Plan and Pipeline.
Total infrastructure payments	A summary of payments for infrastructure projects and grants at the total public sector. The total infrastructure payments table is the primary infrastructure budget table that identifies the total approved program for the general government sector, including sub-components and budgeted payments (cash). Reported in BP4.

Infrastructure Program Development, Budgeting and Reporting cont…

Audit Observations

Infrastructure frameworks

There are 4 key frameworks that apply to NTG infrastructure projects and spending. Review of the different frameworks demonstrated that the frameworks are not aligned. Each framework uses different terms and categories to group and identify infrastructure projects.

The infrastructure frameworks relevant to NTG projects and spending include the NT Infrastructure Framework; Treasurer's Direction - Infrastructure; Northern Territory Project Development Framework; and Infrastructure Australia Assessment Framework. These are described below. Each framework was developed at a different time. The figure below displays the current frameworks and the most recent release date.

Figure 2: NTG Infrastructure Framework Timeline

2017	Northern Territory Project Development Framework (2017 - current)
	10 Year Infrastructure Plan (2017 - 2021)
2019	Machinery of Government transfer of infrastructure services, including repairs and maintenance for most NTG agencies
2022	Treasurer's Direction – Infrastructure
	NT Infrastructure Framework

Source: NTAGO developed

NT Infrastructure Framework

The NT Infrastructure Framework was established in 2022 with the release of the 2022 Infrastructure Plan and Pipeline. The Agency intends to continue to develop the Infrastructure Plan and Pipeline and to further align it with the Infrastructure Australia Assessment Framework ensuring it is fit-for-purpose and scaled to reflect the scope of infrastructure requirements in the NT. Further alignment with the Infrastructure Australia Assessment Framework would enable one process to be applied to all projects, increase the efficiency of the assessment and approval process and management expect this would increase the success rate of projects that are assessed using the Infrastructure Australia Assessment Framework.

Treasurer's Direction – Infrastructure

Treasurer's Directions form part of the financial management and accountability framework and support the *Financial Management Act 1995*. They specify the practices that Accountable Officers should follow in the financial management of their agencies. Treasurer's Direction - Infrastructure outlines the infrastructure framework and minimum requirements for managing the NTG's infrastructure program.

Northern Territory Project Development Framework (NTPDF)

The NTPDF applies to capital projects funded wholly or in part by the NTG, where the NTG contribution (cash and non cash) is $30 million and above. It uses levels to outline requirements and provide additional guidance to users for project planning, development and delivery. The mandated requirements are for level 1 projects. The 3 levels are:

- Level 1: NTG contribution of $30 million and over, or as otherwise determined by government.
- Level 2: NTG contribution of $10 million to $30 million.
- Level 3: NTG contribution of $500 000 to $10 million.

Infrastructure Program Development, Budgeting and Reporting cont…

While the NTPDF is not mandated for Level 2 and 3 projects, the guidance material provides examples of where the level of information and detail may differ, depending on the size and complexity of the project.

The NTPDF presents a structured framework comprising the following 10 stages:

- Stage 1 – Determine the Strategic Need
- Stage 2 – Options Assessment and Strategic Business Case
- Stage 3 – Detailed Business Case
- Stage 4 – Delivery Options Analysis
- Stage 5 – Funding Model Development
- Stage 6 – Final Business Case and Recommended Delivery Approach
- Stage 7 – Prioritisation and Investment Decision
- Stage 8 – Project Delivery
- Stage 9 – Project Implementation
- Stage 10 – Project Close and Evaluation.

A Strategic Business Case, Detailed Business Case, Project Management Plan and Benefits Realisation Register are required to be developed for each Level 1 project. The process includes 2 mandatory stage gate review points that must be approved by the appropriate governance body.

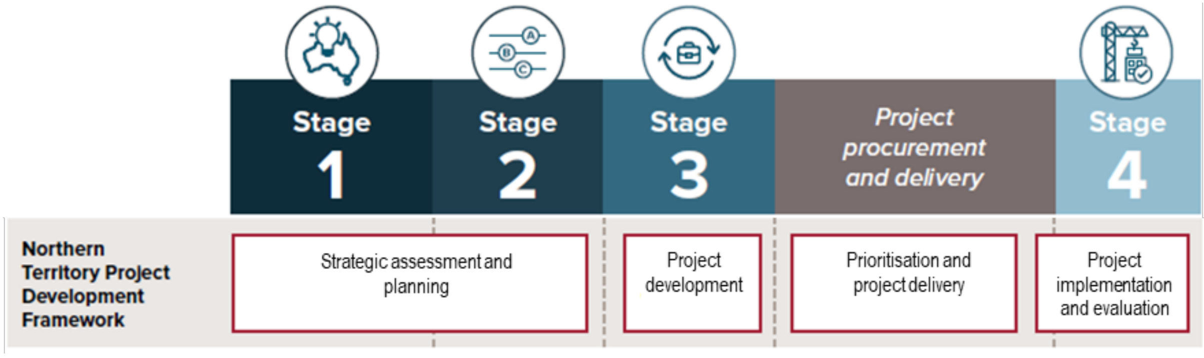
Responsibility for the NTPDF was transferred to the Agency in 2021 with the establishment of Infrastructure NT. Infrastructure NT has been tasked with reviewing and redeveloping the framework to further align it with the Infrastructure Australia Assessment Framework and to make it fit-for-purpose, more scalable and more relevant to NTG projects.

Infrastructure Australia Assessment Framework

Infrastructure proposals that require $250 million or more of Australian Government funding are required to be submitted to Infrastructure Australia for assessment. The Infrastructure Australia Assessment Framework is designed to provide applicants with guidance for developing high-quality infrastructure proposals for submission to Infrastructure Australia.

The Infrastructure Australia Assessment Framework explains that it aims to align closely with state and territory gateway assurance processes and demonstrates the alignment:

Figure 3: Alignment of the Assessment Framework with Territory guidelines



Source: Overview Assessment Framework, Australian Government, July 2021

Infrastructure Program Development, Budgeting and Reporting cont…

Infrastructure reporting

Information pertaining to current NTG infrastructure projects and spending is published in 2 key reports: the NT Infrastructure Plan and Pipeline (estimated cost) and BP4 (program cost). In addition, NTG prepares a quarterly report called *Construction Snapshot* (estimated cost).

Each document uses different terms and approaches to categorise and display infrastructure project estimated/program cost. As a result, the infrastructure spending in each report is not comparable.

Table 1: Total infrastructure allocation inclusions: NT Infrastructure Plan and Pipeline & BP4

	NT Infrastructure Plan and Pipeline	BP4
Capital works (major and minor) –		
General Govt. Sector – major works	✔	✔
General Govt. Sector – minor woks	✕	✔
Externally Funded – 99% Federal Govt.	✔	✔
Proposed (unfunded) projects	✔	✕
Capital grants	✕ (1)	✔
Repairs and maintenance	✕	✔
Infrastructure related expenses	✕	✔
Public Non Financial Corporations	✔	✔
Privately Sector Funded Projects	✔	✕ (2)

Source: NTAGO developed

(1) A capital grant to a private business may be captured.

(2) The total figure is reported, individual projects are not listed.

A reconciliation between the two project listings is not performed, making it difficult to compare and contrast the information. Individual project information is reconciled between the NT Infrastructure Plan and Pipeline and BP4 to ensure accuracy. A high level review on a small sample found no differences in the projects' costing data. There was no documentation maintained to demonstrate a reconciliation was undertaken.

Infrastructure Program Development, Budgeting and Reporting cont…

2022 NT Infrastructure Plan and Pipeline

The NT Infrastructure Plan and Pipeline includes:

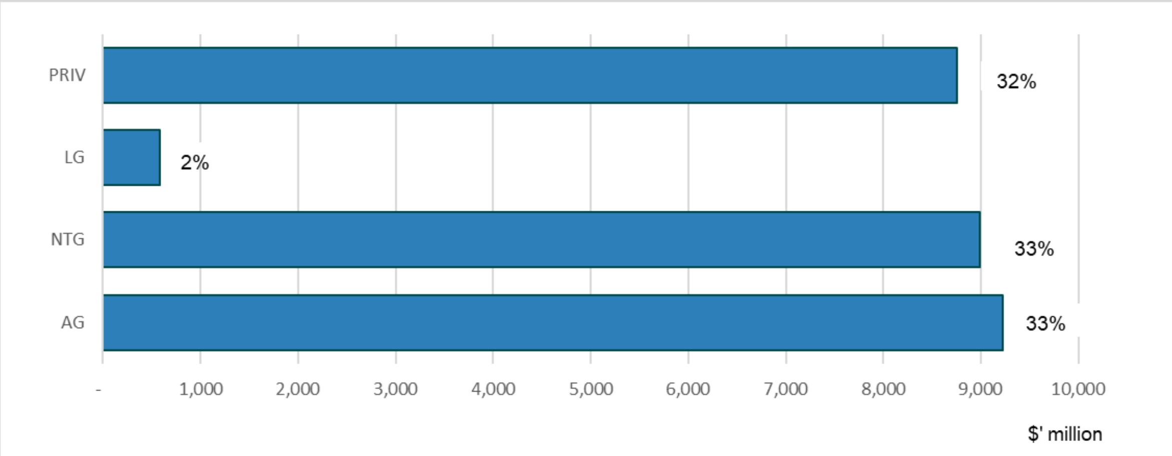
- **Enabling infrastructure plan:** The enabling infrastructure plan lists infrastructure proposals that are not yet funded; are in the planning phase; or have been identified as enabling an outcome.
- **Implementation pathway:** The implementation pathway describes actions that can be taken to respond to anticipated economic and population growth challenges and opportunities.
- **Infrastructure pipeline:** This comprises a list of committed projects, funded by either government or the private sector.

The infrastructure plan and infrastructure pipeline projects are presented separately in the NT Infrastructure Plan and Pipeline document. The metadata presents the plan and pipeline as one listing with a category to identify if the project is funded or proposed (unfunded).

The 2022 NT Infrastructure Plan and Pipeline metadata includes 888 projects with a total estimated cost of $28,419 million, with $3,008 million to be spent in 2022-23 by the Australian Government (AG), NTG, local government (LG) and private sector (PRIV). The financial contribution by each sector is not identifiable. Internal data provides an estimated percentage attributable to the prospective contributor. Agency representatives advised publishing the financial contribution by each sector had been considered, however when a project is in the infrastructure plan, the funding has not been committed and the funding source is not sufficiently reliable to publish. It was the view of Agency representatives that publishing the prospective funding source in past years has inaccurately created an expectation of funding commitment.

Based on the prospective contribution, 649 (33%) projects had a potential NTG contribution with a total value of $8,995 million.

Figure 4: 2022 NT Infrastructure Plan and Pipeline funding prospective contribution by sector



Source: NTAGO developed

While non-government projects are important to consider when planning infrastructure requirements, the combination of NTG projects with other projects is confusing for external users and makes it difficult for a user to identify NTG led and funded projects.

Infrastructure Program Development, Budgeting and Reporting cont…

The NT Infrastructure Plan and Pipeline is maintained in Microsoft Excel. Of the projects in the published data:

- 147 projects did not have an estimated cost (a dot was used where the value is either unknown or confidential);
- 104 projects did not have a 2022-23 cost (a dot was used where the value is either unknown or confidential);
- 540 projects did not have any planned 2022-23 expenditure; and
- 5 projects had a 2022-23 cost but no total estimated cost (the total estimated cost was unknown or confidential).

As it is difficult to implement controls to protect the completeness and accuracy of data maintained in Microsoft Excel, the use of Microsoft Excel can result in a higher risk of human error and errors remaining undetected and unresolved.

Construction Snapshot

The Construction Snapshot report is published quarterly. It identifies current and upcoming construction activities for major works over $500,000 in the Northern Territory. Audit observations in relation to the Construction Snapshot were that:

- The Construction Snapshot includes NTG, local government and private projects.
- Projects cannot be directly agreed to the NT Infrastructure Plan and Pipeline and NTG budget papers.
- Information provided is limited to anticipated commencement for proposed projects; and estimated cost and estimated completion for current projects. It is not clear if the estimated cost is the annual cost, total project cost or remaining cost.

The Agency sought and obtained feedback from users of the Construction Snapshot in 2016 and 2022. While feedback was received from a limited number of respondents, the responses indicate the Construction Snapshot meets the users' needs.

Improvements could be made to enhance reporting of NTG construction activity by aligning the projects with existing reporting, limiting the report to NTG projects and providing additional base information on the projects. Additional information could include: budget cost and actual cost (to enable comparison); estimated due date; current due date; awarded supplier; and upcoming procurements.

2022-23 BP4

BP4 reports on infrastructure for all of the NTG, including the general government sector and the public non financial corporations. BP4 identifies infrastructure budgets in the following categories:

- **Capital works:** Building and engineering works that create an asset, as well as constructing or installing facilities and fixtures associated with and forming an integral part of those works.
- **Capital grants:** Grants provided to fund the construction or upgrade of significant assets owned by entities outside the budget sector (grant recipients).
- **Repairs and maintenance:** Works undertaken to maintain existing assets in working condition.
- **Infrastructure-related expenditure:** Operational costs that directly relate to the infrastructure program.

Infrastructure Program Development, Budgeting and Reporting cont…

The budget refers to 'Program' as the total unspent approved budget and 'Cash' as the budgeted annual spend.

The 2022-23 BP4 reports a total estimated program cost for the general government sector of $3,279 million, with $922 million budgeted to be spent in 2022-23.

Table 2: Total infrastructure budget for 2022-23

	2021-22 Budget		2021-22 Revised		2022-23 Budget	
	Program	Budget	Program	Budget	Program	Budget
	$ million					
GENERAL GOVERNMENT SECTOR						
Capital Works	2,760	952	3,180	778	3,279	922
Northern Territory funded		400		369		465
Externally funded		552		409		456
Capital grants		92		143		53
Repairs and maintenance		215		214		211
Infrastructure-related expense		12		20		15
TOTAL GENERAL GOVERNMENT SECTOR		**1,274**		**1,155**		**1,200**
PUBLIC NON FINANCIAL CORPORATIONS						
Capital Works		243		225		359
Repairs and maintenance		102		102		137
TOTAL PUBLIC NON FINANCIAL CORPORATIONS		**345**		**327**		**495**
TOTAL INFRASTRUCTURE PAYMENTS		**1,619**		**1,482**		**1,695**

Source: 2022-23 BP4 – Table 1

Spending over financial years

As infrastructure projects can take considerable time to plan and build, projects can run for multiple years. With project costs spanning more than one financial year, the remaining approved funding at the end of the financial year is carried over to the new financial year.

The NT Infrastructure Plan and Pipeline reports the total estimated cost, and the annual estimated cost for the upcoming financial year. It does not report the balance of the remaining approved funding.

BP4 reports the remaining approved funding available on a project (total approved funding less actual spent to date) as 'Program' and the annual estimated cost as 'Cash'.

The remaining approved funding on a project at the end of a financial year is referred to as 'revoted works'. This is displayed in Table 2 of BP4.

Infrastructure Program Development, Budgeting and Reporting cont…

Table 3: General government sector capital works - estimated expenditure

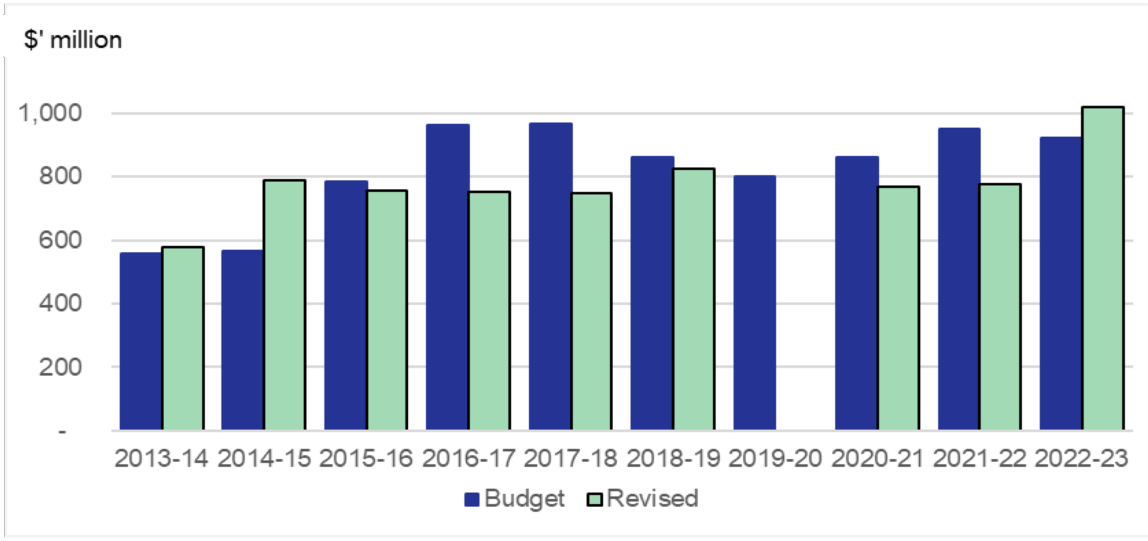
	Revote in A	Minor new works B	Major new works C	Total capital works D (A+B+C=D) (E+F=D)	Cash E	Revote out F
	$ million					
2021-22 Revised	2,049	68	1,063	3,180	778	2,402
2022-23 Budget	2,402	84	794	3,280	922	2,358

Source: 2022-23 BP4 – Table 2

The 'Revote' figure for 2021-22 of $2,402 million is the approved unspent project funding that was rolled from the 2021-22 budget to the 2022-23 budget. The 'Cash' balance is what is expected to be spent that financial year, in 2022-23 this is $922 million. The 2022-23 budget paper was published in May 2022 at which time, the actual 'Revote' figure for 2022-23 was unknown so an estimate was used.

The revoted works have increased from $280 million in 2013-14, where revoted works represented 33% of the total program; to $2,768 million in 2022-23 (revised figure published in 2023-24 BP4). The 2022-23 revoted works represent 73% of the total program.

Figure 5: General government sector capital works - revoted works



Source: BP4 2013-14 to 2022-23

Agency representatives advised that, over time, the program balance has increased as well as the cash balance. The key factors for the increase in revoted works include:

- An increased number of infrastructure projects
- An increased number of large value projects which take longer to complete
- Projects being combined as a program of works with a funding commitment over multiple financial years
- Delays in completing the program due to shortages of skilled labour.

Infrastructure Program Development, Budgeting and Reporting cont…

Identifying and selecting projects

The NT Infrastructure Plan and Pipeline aims to provide a roadmap of upcoming infrastructure projects to guide infrastructure decisions. The NT Infrastructure Plan and Pipeline is intended to give consideration to:

- The NT Infrastructure Strategy vision
- Private investment and projects
- Lead government agencies' requirements
- Results from the NT infrastructure audit (when available).

The first NT Infrastructure Plan and Pipeline was developed in 2022. The previous 10-year Infrastructure Strategy and Plan (last published in 2021) was used as a base to develop the 2022 Infrastructure Plan and Pipeline. As part of the 2022 review process, agencies were asked to review their project listing to identify projects that align with the agency strategy and to remove or adjust the scope, cost or timeline as appropriate. Comparison of the two infrastructure project listings showed 508 projects, with total estimated project costs of $71,729 million, were removed. Removed projects may be either complete, cancelled or combined with another project.

My audit sought to understand how an infrastructure project for the general government sector (excluding private investment) is identified and selected. In line with the Infrastructure Australia Assessment Framework, the audit evaluated the extent to which NTG procedures and processes considered:

- Identifying and defining the problem – opportunity
- Identifying multiple solutions (with and without infrastructure)
- Analysing the solutions and selecting a preferred solution
- Developing a business case.

The Agency holds stakeholder meetings to outline the need to review the Infrastructure Plan and Pipeline annually to ensure it aligns with stakeholder's strategic directions and current planning processes.

Rules on how to update the infrastructure pipeline (for a funded project) are outlined within the Treasurer's Directions Guidelines maintained by the Department of Treasury and Finance.

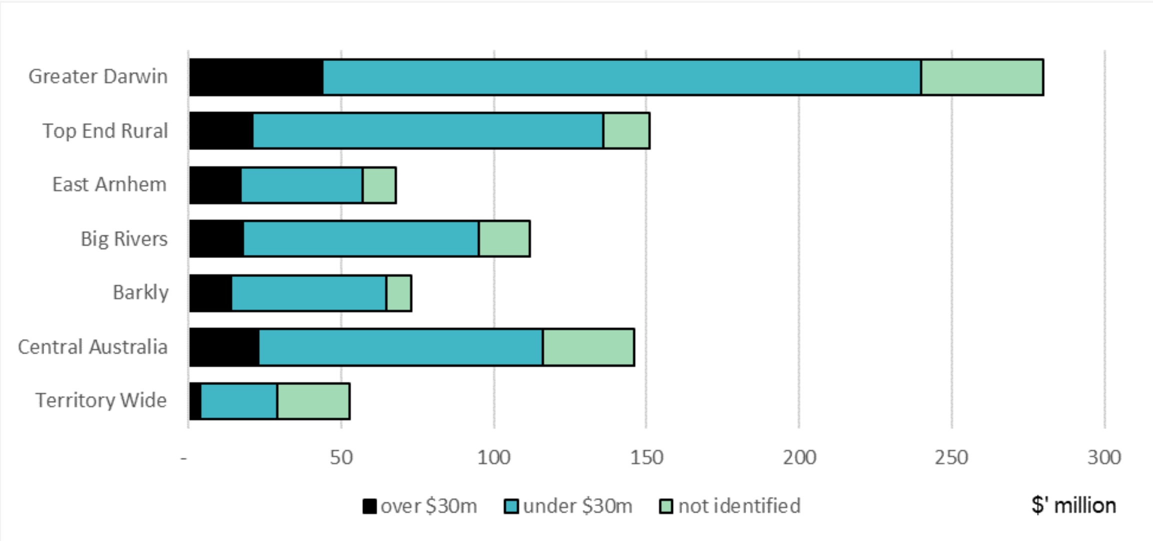
There is currently no defined or documented framework that provides guidance for assessing projects when adding, removing or amending projects relevant to the Infrastructure Plan.

Projects in excess of $30 million need to be progressed in accordance with the NTPDF. Agency personnel raised concerns that the NTPDF was only applicable to a small number of projects and was not pragmatic when applied.

The NT Infrastructure Plan and Pipeline metadata identified 141 (of 888) projects with an estimated cost of over $30 million, the projects were funded by the Australian Government, NTG, local government and private sector. Of the 141 projects, 57 projects have a potential NTG funded contribution exceeding $30 million.

Infrastructure Program Development, Budgeting and Reporting cont…

Figure 6: Number of Infrastructure Projects by region



Source: NTAGO developed from 2022 NT Infrastructure Plan and Pipeline metadata

Interviews with Agency personnel and review of project documentation for 10 projects demonstrated there are processes in place to support the following 2 key phases:

1. Proposed projects
2. Funded projects.

The NT Infrastructure Plan and Pipeline looks to identify projects and undertake analysis prior to the funding request and final approval. The NTG Budget process is to approve funding for a project, at which stage the project will be added to the budget papers.

Proposed projects

The NT Infrastructure Plan and Pipeline is updated once a year through consultation with lead agencies and external stakeholders. Projects can be added or removed based on the lead stakeholders needs. There are no changes outside of the formal annual process. Internal records are maintained that show key changes to the NT Infrastructure Plan and Pipeline.

'The Enabling Infrastructure Plan component of this document [NT Infrastructure Plan and Pipeline] will enable evidence based decision making by Government that in turn helps ensure infrastructure investment is prioritised to where it can have the most impact.'

BP4 is released in May each year. When the budget process is finalised, the NT Infrastructure Plan and Pipeline is updated and released in July to September. The current timing results in the NT Infrastructure Plan and Pipeline being in place for the commencement of the following Budget Process.

Projects are selected for consideration in the budget by Budget Cabinet in late November.

Infrastructure Program Development, Budgeting and Reporting cont…

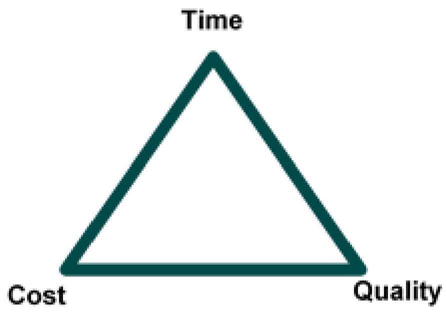
Funded projects

Projects selected for further consideration by Budget Cabinet are required to have business cases prepared by the end of January for assessment.

For projects on the infrastructure plan, the Agency works with lead agencies throughout the year to develop infrastructure development plans which will inform business cases.

It is not uncommon for projects to be considered for funding without being on the infrastructure plan. As a result, the business case is required to be completed within an approximate 8 week period. Agency staff expressed that this time pressure can reduce the quality of business cases. This time pressure may impact the project's outcome as demonstrated through the time, cost and quality relationship.

Figure 7: Time, cost and quality principle



Time represents the available time to deliver the project, cost represents the amount of money or resources available and quality represents how a projects meets its requirements for success (fit-for-purpose). The time, cost and quality principle is that one factor is fixed and the other two vary in inverse proportion to each other. To demonstrate, time is often fixed and the quality of the end product will depend on the cost or resources available.

Source: NTAGO developed

Changes to a project's approved budget are required to be made in line with the requirements and approval processes established by the Treasurer's Direction - Infrastructure.

The NT Infrastructure Plan and Pipeline includes 28,419 projects. There is currently no documented process for prioritising projects.

The intent is for the NT Infrastructure Plan and Pipeline to be used to assess and progress a project's priority based on need and evidence based decision making. There is a plan to establish criteria aligned to the Core Values and Objectives presented in the Infrastructure Strategy.

The 2022 Core Values are:

- Cross cutting objectives that support a more holistic vision for infrastructure development, enabling infrastructure ecosystems essential for economic and social development and merging and established industry sectors.
- Identify projects still under development and clarify the relationship to industry and sector strategies to create an overarching picture of infrastructure at a Territory, regional or community level.
- Enabling infrastructure ecosystems by identifying projects that will be delivered in the short term to enable industry to plan its workforce more effectively and manage market capacity issues.

Infrastructure Program Development, Budgeting and Reporting cont…

The 2022 Objectives are:

- Invest in the right infrastructure, in the right place, at the right time
- Support increased growth, productivity and innovation
- Improve liveability
- Embed sustainability and resilience.

For the 2022-23 budget, the Budget Review Subcommittee of Cabinet selected the infrastructure projects to be assessed as part of the budget process. From this selection, the lead agencies developed a business case for each project with the support of Agency staff. Each business case was then presented to Budget Cabinet to decide the infrastructure projects approved for funding.

For the 2023-24 budget, Agency personnel worked with the lead agencies to develop a listing of proposed projects to be included in BP4. The listing was presented to Budget Cabinet in November 2022 for projects to be approved for further assessment.

There was no formal advice provided by the Agency or the lead agencies on each project's priority in either year.

Having a prioritised proposed projects list allows sufficient time for project assessments to be undertaken and business cases, preferred methods and robust cost estimates to be developed. This will support the selection process for a project to move to the funding phase.

Annual budget infrastructure spending

The Agency develops the annual estimated spend based on a detailed review of the approved infrastructure projects. The annual estimated spend is developed by project managers assessing each project's current status and expected cash flows. Quality reviews are performed at the project level by the Agency's General Managers, Chief Financial Officer and Chief Executive.

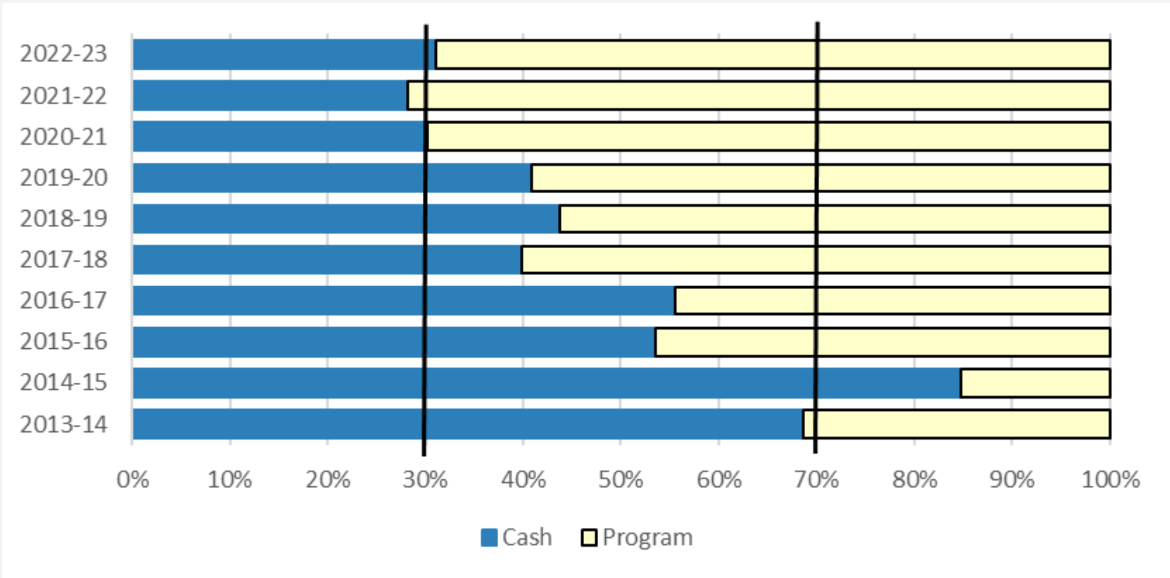
As part of the final budget approval process, the annual estimated spend can be reduced by deferring projects depending on prioritisation and competing budget demands.

The annual estimated spend is reported in the NT Infrastructure Plan and Pipeline as an 'estimate' for each project. In BP4, the total annual estimated spend is reported as 'cash', the annual estimated spend by project is not reported.

Infrastructure Program Development, Budgeting and Reporting cont…

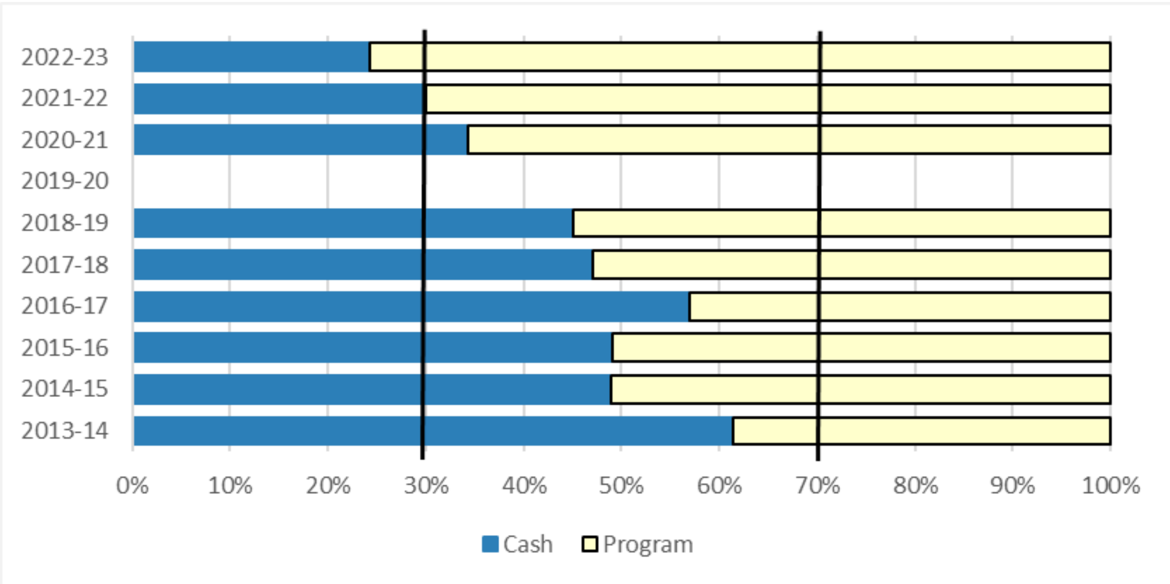
The general government sector capital works cash budget increased from $560 million in 2013-14, where it represented 67% of the total program, to $922 million in 2022-23. The 2022-23 cash budget represents 28% of the total program.

Figure 8: General government sector capital works - Cash Budget vs Program Budget – Budget



Source: BP4 2013-14 to 2022-23

Figure 9: General government sector capital works - Cash Budget vs Program Budget - Revised



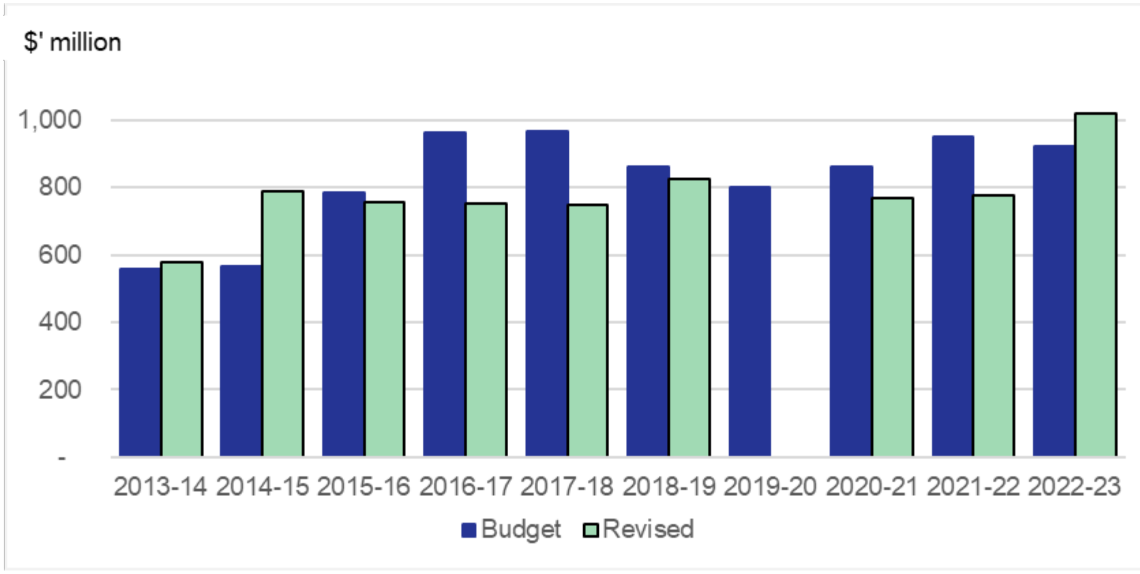
Source: BP4 2013-14 to 2022-23

The program portion in the above graphs represents revoted project expenditure and is rolled over to the next financial year.

Infrastructure Program Development, Budgeting and Reporting cont…

In 6 of the 9 years reported, the revised cash budget was lower than the initial budget.

Figure 10: General government sector capital works - Cash Budget vs Cash Revised



Source: BP4 2013-14 to 2022-23

The 2022-23 BP4 identifies this is *'predominantly a result of the revised timing of expenditure for Commonwealth-funded programs, as well as additional time required for planning and preliminary works on large Territory Government-funded projects.'*

The 2022-23 budget saw the revised cash expenditure exceed the original budget. The 2023-24 budget explained this is *'predominantly due to accelerated delivery of Commonwealth-funded housing programs and additional Commonwealth investment in homelands.'*

Testing current infrastructure projects

My audit procedures included testing of 10 projects selected from the 2022 NT Infrastructure Plan and Pipeline that are funded, either wholly or partially, by the NTG. The projects ranged in value and status, with some projects still being considered and others nearing completion. The following supporting documentation was requested, where applicable:

- Business case
- Support that demonstrates why the project was selected (identifying and defining the problem-opportunity and identifying and analysing solutions)
- Support that demonstrates the project's priority
- Support for the total estimated infrastructure cost.

Consistent with the varying processes described as being in place by Agency representatives, the documentation provided demonstrated that different processes were applied for determining and documenting a project's purpose, options analysis, priority and cost.

Infrastructure Program Development, Budgeting and Reporting cont…

Table 4: Infrastructure projects tested

ID	Project	Total Est Cost $'m	NTPDF applied	Business case	Support for estimated cost
796	Palmerston Regional Fire, Rescue and Emergency Services Complex	25	n/a	✗	✗
0c01	Mandorah new marine facilities	50	✗	✗	✗
299	Berrimah Farm - NTG Research Precinct - new Science Services Laboratory Building	19	n/a	✓	✗
394	Civic and State Square Revitalisation (includes City Deals) - CBD Art Gallery, central heart shade structure, walkways, landscaping and public art	165	✗	✓	✓
1187	Tiger Brennan Drive - overpass at Berrimah Road	110	✗	✗	✗
2g39	Yuendumu School - new play equipment, outdoor eating area and amphitheatre	4	n/a	✗	✗
0x5.1	Katherine East - infrastructure to support residential land release	26	n/a	✓	✓
824	Timber Creek - new police complex	14	n/a	n/a	✗
2a13	Across the region - new or refurbished health clinics	•	n/a	n/a	n/a
0k5	Red Centre Way - Mereenie Loop Road - seal outer loop to better connect Watarrka and West MacDonnell National Park	165	✗	✗	✗

Source: NTAGO developed

The 4 projects that were over $30 million did not apply the NTPDF. The following reasoning was provided by Agency representatives:

- Mandorah new marine facilities - The original estimate for Mandorah, when the business case was developed in 2016-17, was only $26 million. The original business case was not able to be verified during the audit.
- Civic and State Square Revitalisation - the Civic and State Square Revitalisation project is tied to Australian Government funding and the Australian Government processes were applied. The processes are aligned with a larger program of work under the Darwin City Deal Agreement with the Australian Government and City of Darwin.
- Tiger Brennan Drive – Transport projects use the Project Proposal Report when seeking funding from the Australian Government.
- Red Centre Way - Mereenie Loop Road – Transport projects use the Project Proposal Report when seeking funding from the Australian Government. This is part of the Territory Roads Capital Works Program. This project is in the early stage of planning and processes have not been completed to date. With current staffing levels and demands, delays to progress will be incurred.

Infrastructure Program Development, Budgeting and Reporting cont…

The key document for each project is the business case. The business case is used as part of the NTG budget process to secure funding. Prior to the 2019 machinery of government change, the business case for each project was owned and maintained by the lead agency.

For the 10 projects tested, 3 business cases were provided, 2 projects undertook a separate process and 2 projects were unfunded and business cases had not been prepared.

For 2 projects, business cases were not maintained by Agency and had to be sourced from outside the Agency. The two projects were in progress at the time of the audit. A robust process would result in a business case that is readily accessible to the people tasked with delivering, overseeing and auditing the project.

A business case was not received for one project.

Explanations provided by Agency representatives for the absence of business cases are documented below:

- Palmerston Regional Fire, Rescue and Emergency Services Complex – the documentation is maintained by the responsible agency and was not held by the Agency.
- Mandorah new marine facilities – A business case was not maintained by the Agency. A copy was sourced from outside the Agency and provided.
- Tiger Brennan Drive – a Project Proposal Report was provided, this is used when seeking funding from the Australian Government.
- Yuendumu School – A business case was not maintained by the Agency. A copy was sourced from outside the Agency and provided.
- Red Centre Way - Mereenie Loop Road –This is part of the Territory Roads Capital Works Program. This project is in the early stage of planning and processes have not been completed to date. With current staffing levels and demands, delays to progress will be incurred. A Project Proposal Report will be used when seeking funding from the Australian Government.

A business case is a document that *'brings together the results of all the assessments of an infrastructure proposal. It is the formal means of presenting information about a proposal to aid decision-making. It includes all information needed to support a decision to proceed, or not, with the proposal and to secure necessary approvals from the relevant government agency.'* (Infrastructure Australia Assessment Framework, 2021)

Review of the business cases and other supporting documents provided demonstrated that inconsistent information and detail was included in each document.

Agency personnel advised that there is a time and cost impost required to develop a business case. For small projects, a business case may be a few pages. For larger projects, a business case may be complex and require significant research and use of contractors for expert advice. Staff need to assess how much time and resources to spend scoping a project that ultimately may not receive funding.

With over 200 unfunded projects on the NT Infrastructure Plan and Pipeline attributable to the general government sector, the time and cost of preparing business cases is significant. Guidance is required to ensure when a project undergoes the final assessment stage to secure funding to ensure there is sufficient support for an evidence based decision.

Infrastructure Program Development, Budgeting and Reporting cont…

Funding for a project is approved as part of the budget process based on the business case submission. A project's estimated cost is developed through different methods, including square metre range, previous projects, fixed price, costing models, and consultants' estimates.

For the 10 projects tested, supporting documentation that agreed to the estimated cost was provided for 2 projects. One project did not have an estimated cost due to the stage of the project. Supporting documentation that agreed to the estimated cost was not provided for 7 projects.

The following explanations were provided by Agency representatives:

- Palmerston Regional Fire, Rescue and Emergency Services Complex – the documentation is maintained by the lead agency only.
- Mandorah new marine facilities – documentation dated 11 February 2020 was provided which included preliminary estimated costs for different design options with a cost range from $123 million to $126 million.
- Berrimah Farm – documentation was provided with two new total project cost requests for 2 options being $20.5 million and $21.3 million. Support for the original $19 million was not provided.
- Tiger Brennan Drive – the Project Proposal Report included a cost of $165 million. Support for the original $110 million was not provided.
- Yuendumu School –The supporting documentation is held by the lead agency only.
- Timber Creek – Agency representatives advised the project is unfunded and supporting documents will be developed in the lead up to funding submissions. The NT Infrastructure Plan and Pipeline reports a total estimated cost of $14 million.
- Red Centre Way - Agency representatives advised the project is in the early planning stages. The NT Infrastructure Plan and Pipeline reports a total estimated cost of $165 million.

For the Mandorah new marine facilities and Tiger Brennan Drive project, the documentary support for the estimated cost significantly exceeds the approved budgeted cost. An inadequate project budget can lead to incorrect resource allocation resulting in the project outcomes not being met, the quality of deliverables being impaired, user expectations not being met and ultimately to a failed project.

Infrastructure spending data

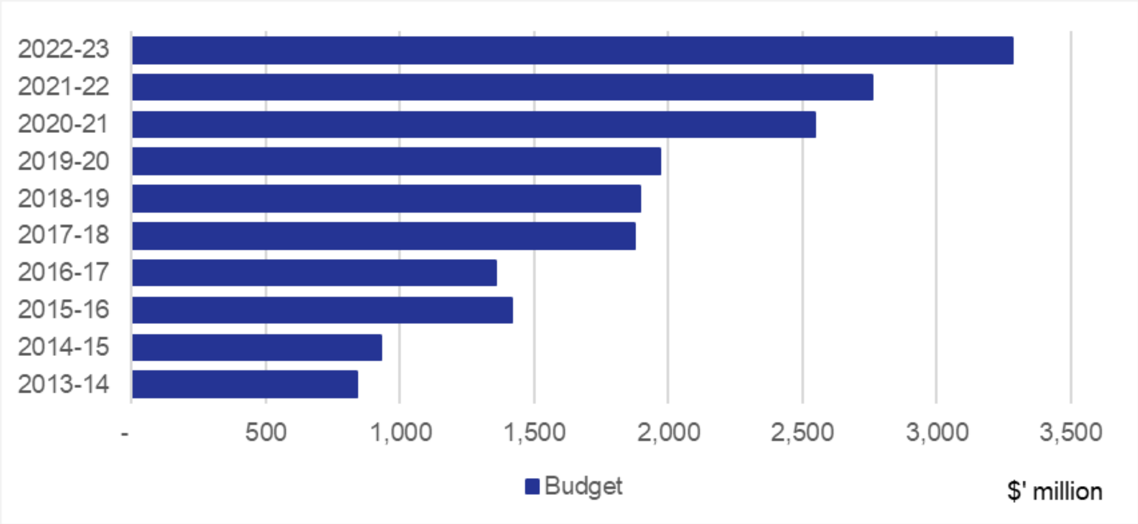
BP4 reports on the infrastructure program and cash budgeted spend. BP4 for 2022-23 reported:

> *'$921.7 million is allocated to the capital works program for the general government sector. This includes the first year of a $186 million commitment to bring forward land development in Darwin, Alice Springs, Katherine and Tennant Creek. Additional Commonwealth and Territory Government funding is also provided for roads projects across the Territory.'*
>
> *'The $3.28 billion capital works program in 2022-23 remains above long-term average levels, with a number of major projects continuing from 2021-22.'*
>
> *New projects commencing in 2022-23 ($0.88 billion) will improve transport infrastructure for tourism and industry, and access to remote and regional communities, as well as construct and upgrade community and economic infrastructure.'*

Infrastructure Program Development, Budgeting and Reporting cont…

The total NTG infrastructure program has increased by 290% ($2,440 million) from $840 million in 2013-14 to $3,280 million in 2022-23.

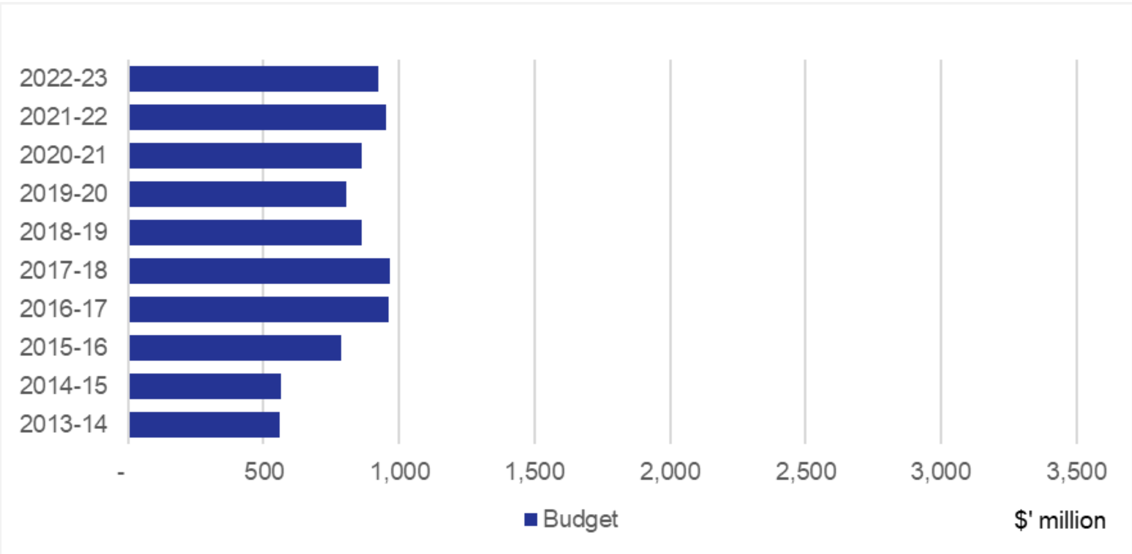
Figure 11: General government sector capital works – Program



Source: BP4 2013-14 to 2022-23

Compared to the 290% increase in the program, the budgeted annual cash spend has increased by 65% ($362 million) from $560 million in 2013-14 to $922 million in 2022-23.

Figure 12: General government sector capital works – Cash



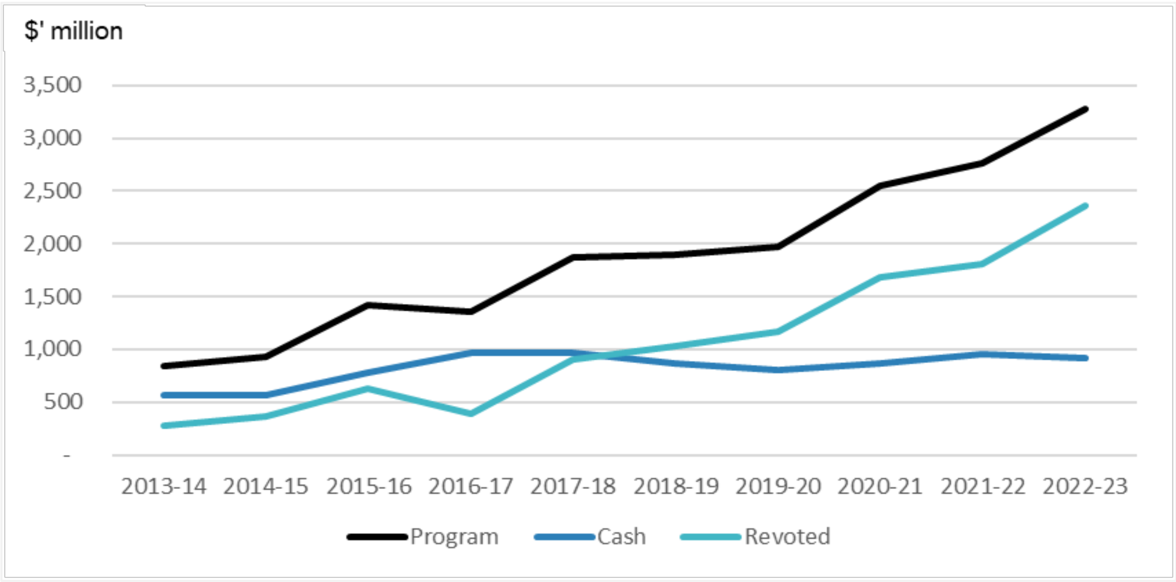
Source: BP4 2013-14 to 2022-23

The result is an increase in revoted works being rolled over year on year until the project spend is completed. Agency representatives advised the increase in revoted works results from increases in larger projects and programs of works that have upfront funding commitments that will be spent over multiple financial years.

The risks of projects and programs running over an extended time period include increased cost, loss of knowledge due to changes to governance and stakeholders and changes to the business environment resulting in the project no longer being fit for purpose.

Infrastructure Program Development, Budgeting and Reporting cont…

Figure 13: General government sector capital works – Program, Cash and Revoted works



Source: BP4 2013-14 to 2022-23

The actual infrastructure expenditure has been recorded in the Treasurer's Annual Financial Report since 2018-19. Only the total actual infrastructure expenditure is reported, with the remaining budget data not being reported. For 2021-22, the actual infrastructure expenditure was $1,319 million, $300 million below the budgeted cash spend of $1,619 million.

Table 5: Total Infrastructure expenditure 2021-22 – Budget, Revised and Actual

	Total $'m
Budget cash spend (BP4)	1,619
Budget cash adjustment	(137)
Revised cash spend (BP4)	1,482
Actual expenditure	1,319
Variance	(163)

Source: NTAGO developed

The following explanation was reported in the 2021-22 Treasurer's Annual Financial Report:

> *'The Territory Government's headline figure for infrastructure expenditure is 'total infrastructure payments' as reported annually in Budget Paper No.4 The Infrastructure Program. The 2021- 22 total infrastructure payments for the non financial public sector 2021-22 outcome were $1.32 billion, $163 million lower than the revised 2021-22 Budget of $1.48 billion. This largely reflects the revised timing of capital works and infrastructure-related grants from 2021-22 to 2022-23 and forward years.*
>
> *For reporting purposes in TAFR, the purchases of non financial assets measure, as reported on the comprehensive operating statement, is presented. As shown in Table 9, this measure differs from government's total infrastructure payments measure as it excludes capital-related grants, and repairs and maintenance expenses but includes capital purchases such as vehicles, ICT and equipment.'*

Infrastructure Program Development, Budgeting and Reporting cont…

Future works

Infrastructure NT plans to continue to enhance the NT Infrastructure Plan and Pipeline strategic documents to support evidence based decision making. The aim is to have infrastructure projects included on the NT Infrastructure Plan and Pipeline for at least a year prior to undertaking the budget process to enhance the quality of the business cases and ensure project funding requests are better supported prior to funding being committed.

The Agency has a range of future works planned. To ensure the future works are cohesive, it would be beneficial to have an overarching plan that considers the scope and timing of all future works including any interrelated projects.

Infrastructure needs audit

An infrastructure needs audit was being undertaken at the time of my audit fieldwork in early 2023. The purpose of the infrastructure needs audit is to *'undertake a needs assessment and gap analysis of the Territory's infrastructure to provide an evidence base to guide future infrastructure investment decision making and focus attention on the investments and reforms that will improve both our living standards and local and national productivity.'*

Infrastructure NT representatives advised the initial results from the infrastructure needs audit identified proposed projects that were presented to the lead agencies for consideration in the 2023-24 budget preparation. Agency staff match the projects to the relevant agency based on the agency's priorities, strategic plan or direction.

The final deliverables resulting from the infrastructure needs audit were expected in April 2023. Due to timing, the deliverables were not evaluated as part of my audit. As at August 2023, the release of the final audit had been delayed to October 2023.

It is intended that the results of the infrastructure needs audit will be incorporated into the future NT Infrastructure Plan and Pipeline.

Strategic asset management

The Agency plans to conduct an internal audit of existing assets to:

- Identify the end of life for each asset;
- Analyse if assets are fit for purpose; and
- Assess options to determine if refurbishment, rebuild or lease is required.

Work on this had commenced at the time of my audit fieldwork in early 2023. Due to timing, the strategic asset management activities were not evaluated as part of my audit.

Agency infrastructure investment plan

The Agency plans to assist each agency prepare an infrastructure investment plan. The infrastructure investment plan will identify the infrastructure needs and develop an approach to deliver a responsive program resulting in a planned program of work with prioritised infrastructure projects.

Work on the development of agency infrastructure investment plans had commenced at the time of my audit fieldwork in early 2023. Due to timing, the infrastructure investment plan activities were not evaluated as part of my audit.

Infrastructure Program Development, Budgeting and Reporting cont…

The Department of Infrastructure, Planning and Logistics has commented:

NT Government approved the new NT Infrastructure Framework in December 2021. This new Framework included a strategy, plan, pipeline and audit. The Framework also considered alignment with Infrastructure Australia's processes. The first edition of the new Infrastructure Plan and Pipeline stated that it was a transitional document. Further improvements will continue to be made with each ongoing, annual release of the Infrastructure Plan and Pipeline. Additionally, the soon to be released Infrastructure Audit improved the evidence basis for the full list of projects.

Infrastructure NT will review the Northern Territory Project Development Framework (NTPDF) and optimise the existing Framework to ensure it is fit for purpose and scaled for NT specific project needs. This wilt ensure a consistent approach is followed for Infrastructure project development.

The period for which the audit applied was prior to the stronger integration of a centralised Infrastructure model of all infrastructure delivery within DIPL and in the initial implementation phase of the Infrastructure NT. The department is already well advanced in developing many of these improvements to infrastructure planning and budgeting through the centralised model. DIPL is consulting with agencies as part of this critical work. Many of the sampled projects originated prior to the full Infrastructure amalgamation into DIPL.

The infrastructure cash budget available for delivery is not directly proportional to total program levels. Capital Works projects currently managed by the department are larger, more complex and span across multiple years for delivery in comparison to 10 years ago. The method of delivery for many projects has also changed, for example awarding multiyear transport projects up front, to a lead managing contractor model as an alternative delivery method. The transition out of COVID-19, the impact of overseas migration shortages and the significant infrastructure projects across the nation have all impacted on a shortage of skilled labour nationally, which in turn has been felt in the Territory and has some impact on delivery. Infrastructure Australia has repeated the same through their annual Market Capacity Report.

Asset Valuations

Selected Agencies

Background

This audit was conducted pursuant to section 13 of the *Audit Act 1995*. It complemented Agency Compliance Audits and End of Year Reviews and contributed to the audit of the Treasurer's Annual Financial Statements (TAFS).

As reported in my February 2023 report to the Legislative Assembly, the 2022 End of Year Review at one agency identified significant issues with the remote housing valuations commissioned by the agency that were subsequently posted to the Government Accounting System.

The errors identified resulted in the delayed completion of the TAFS and the published unaudited financial statements of the agency for the year ended 30 June 2022 were materially misstated.

Scope and Objectives

The objective of the audit was to provide reasonable assurance over the accuracy of land and building valuations undertaken by selected agencies for the year ended 30 June 2022.

The agencies selected for the audit were:

- Department of Education (land and buildings)
- Department of Infrastructure, Planning and Logistics (land)
- Northern Territory Police, Fire and Emergency Services (land and buildings).

This audit included assessment of the:

- Agency's compliance with Australian Accounting Standards and Treasurer's Directions
- Agency's title to, or the right to control, material assets
- Appropriateness of the replacement cost (whether identified by the agency or the valuer) used within the valuation process
- Methodology and processes implemented so as to ensure appropriate assessment of the asset's existence and condition
- Agency's identification of impairment indicators so as to ensure that valuations are obtained when there are indicators of impairment
- Data cleansing undertaken by the agency
- Agency's review of the valuation prior to accepting and posting the results of the valuation
- Journals posted in the Government Accounting System
- Agency's reconciliation of the Asset Revaluation Reserve.

Asset Valuations cont…

Index

The report on this audit is structured as follows:

Qualified Audit Opinion

My audit at the Department of Infrastructure, Planning and Logistics identified a number of matters causing me to issue a qualified opinion regarding weaknesses in accounting and internal controls as they related to land and building valuations. My qualified opinion is presented below.

Department of Infrastructure, Planning and Logistics

> *In my opinion, except for the possible effects of the matters described in this report, the accounting and control procedures examined, in relation to the land and building valuation, provide reasonable assurance that the responsibilities of the Accountable Officer, as set out in Treasurer's Directions and relevant Australian Accounting Standards, will be met if those systems continue to operate in the manner identified in the audit.*

Other Audit Opinions

I issued unmodified opinions following audits undertaken at the Department of Education and Northern Territory Police, Fire and Emergency Services. The content of my unmodified opinion is presented below.

Department of Education and Northern Territory Police, Fire and Emergency Services

> *Overall, the accounting and control procedures examined, in relation to the land and building valuation, provide reasonable assurance that the responsibilities of the Accountable Officer, as set out in Treasurer's Directions and relevant Australian Accounting Standards, will be met if those systems continue to operate in the manner identified in the audit.*

Asset Valuations cont…

Recommendations

Presented below is a summary of recommendations arising from the three audits.

I recommended that management:

- Develop, document and implement procedures to strengthen the internal review processes to ensure the accuracy and completeness of the valuation of land and buildings.
- Review the source data relating to the agency's land and building disclosures to ensure the information maintained in the relevant registers/systems is complete, accurate and consistently recorded between registers/systems. Review of the information recorded in the fixed asset register, prior to providing the information to the independent external valuer, would contribute to improved accuracy in the valuation process.
- Review and enhance the current controls in place relating to the recognition of the revaluation results in the fixed asset register.
- Review, document and communicate the current processes relating to the identification and assessment of impairment of land and buildings ensuring compliance with the requirements of the Treasurer's Directions and Australian Accounting Standards. Once documented, any changes to processes will need to be implemented and communicated to relevant agency personnel. This will assist internal personnel involved in these processes to understand their roles and responsibilities.
- Implement effective reconciliation and review procedures to ensure accurate information is maintained in all relevant registers and the information recorded in the agency's ledger is accurate and complete.
- Investigate whether an automatic interface could be established between the Government Land Register (GLR) and the land title register.
- Review the fair value of land recognised in the general ledger to ensure the recognised fair value of land is appropriately substantiated and compliant with the agency's Land Valuation Policy and the requirements of Treasurer's Direction A2.4 and the *AASB 116 Property, Plant and Equipment*.
- Seek advice from the Department of Treasury and Finance as to the appropriateness, when complying with Treasurer's Direction A2.4 Revaluation, of using Unimproved Capital Value (UCV) for valuing land parcels.
- Compare the NT's approach in valuation of land parcels to that of other Australian jurisdictions.
- Develop a position paper outlining how the use of UCV complies with the requirements of the *AASB 13 Fair Value Measurement* and *Treasurer's Direction A2.4 Revaluation*.

Asset Valuations cont…

Audit Observations

Department of Infrastructure, Planning and Logistics

Non-compliance with the Treasurer's Direction A2.4 Revaluation and AASB116 Property, Plant and Equipment (AASB116)

Treasurer's Direction A2.4.2 and paragraph 31 of *AASB 116 Property, Plant and Equipment* require property, plant and equipment, including land and buildings, to be measured using the revaluation model and be recognised at fair value subsequent to initial recognition. Treasurer's Direction A2.4.16 requires the revaluation of these assets to occur at least once every five years.

The following instances of non-compliance with these requirements were identified:

1. Unrated land[1] is recognised at cost, rather than fair value:
    a) The agency's Land Valuation Policy, allows the agency to value its land at its UCV[2] or at a value determined by an independent external valuer. The policy further permits unrated land to be recognised at cost as there is no UCV determined for this type of land.
    b) Agency staff advised that the agency holds 106 parcels of unrated land at 30 June 2022, which are located in unincorporated areas of the Northern Territory. Of these land parcels, 35 were recorded at nil value with the remaining 71 having values totalling $3.7 million.
    c) Review of the agency's land register demonstrated that, in addition to the 106 land parcels in unincorporated areas, a further 599 land parcels were recorded at nil value in the land register at 30 June 2022. A sample of three of these land parcels were selected for review, with all three being unrateable land.
2. Exceptions were identified where land parcels were not revalued within 5 years:
    a) Of the agency's 2,191 land parcels recognised at UCV, the UCVs of 50 land parcels were determined by valuations undertaken by the Valuer-General at periods between 7 and 35 years prior to 30 June 2022.
    b) Review of a sample of three of the remaining land parcels identified two parcels, in Zuccoli and Katherine East, which were last valued by an independent external valuer at periods between 6 and 9 years prior to 30 June 2022.

The completeness and accuracy of the land information contained in the Whole of Government Land Register (GLR) requires reviewing

The GLR is a subset of the Integrated Land Information System (ILIS) used by Northern Territory Government agencies to record all government land[3]. The GLR was created and is maintained by the Crown Land Division (within the agency) to assist the agency and other Northern Territory Government (NTG) agencies in monitoring and managing land controlled by the NTG.

The land information recorded in the land title register (which is also a subset of ILIS) is the legal source of truth for the land title and the land controlling entity (where the land is untitled).

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[1] *Unrated land is defined as land exempt from the requirement to pay rates.*
[2] *UCV is determined by the Valuer-General of the Northern Territory in accordance with the statutory requirement under the Valuation of Land Act 1963.*
[3] *Department of Infrastructure, Planning and Logistics - Land Valuation Policy dated 24 January 2020.*

Asset Valuations cont…

Currently the Crown Land Division is dependent on other parties (for example, other divisions within the Department of Infrastructure, Planning and Logistics or other agencies) to inform the Crown Land Division of changes that are required to be made within the GLR. There is no automatic interface between the land title register (the legal source of truth) and the GLR (used for monitoring and managing agencies land parcels) so any changes to land controlled by the NTG (for example a change in controlling agencies of the land, land subdivision or consolidation) updated in the land title register are not automatically updated in the GLR.

Audit procedures performed at the two other agencies identified several mismatches where land owned or controlled by an agency was not included in the agency's GLR. A review conducted by the Department of Treasury and Finance in the 2021-22 financial year identified several GLR discrepancies across all NTG agencies. As the GLR is maintained by the Department of Infrastructure, Planning and Logistics, that agency was requested to update the GLR to reflect the necessary corrections. At the completion of my audit, not all of the required changes had been actioned.

Further enquiries at the agency identified that a reconciliation between the GLR and the land title register has not been regularly conducted by the agency therefore the agency is unable to ensure the information maintained in the GLR is accurate and complete.

Exceptions were identified with the accuracy of the agency's land value reported at 30 June 2022

The agency's Land Valuation Policy permits the agency to value land at its UCV or at a value determined by an external valuer. Review of the basis for the determination of the land fair values recorded at 30 June 2022 identified 867 land parcels where the value recognised was inconsistent with the reported UCV.

A sample of 10 land parcels included in the population of 867 were reviewed, with the following issues identified:

- The documentation to support the fair value of four land parcels, with a total value of $5.3 million, was unable to be provided for audit scrutiny.
- One land parcel, identified as the remaining portion of a parent land parcel after being subdivided and partially transferred to another agency, was recognised at the UCV of the entire original parent land parcel. As this remaining parcel has not been valued, the overstatement of land value is unable to be quantified.
- One land parcel, created as the result of the consolidation and subdivision of several allotments, was not recognised at its revised UCV, but at the value of the original parcel resulting in an understatement of land by $5.5 million.

The agency's processes relating to the identification and assessment of impairment of land assets were not documented

Agency staff advised that personnel follow the requirements of Treasurer's Direction A2.10 Impairment of Assets, however no formal processes and procedures exist relating to the identification and assessment of land impairment.

Review of the agency's Land Register at 30 June 2022 identified 75 land parcels located in the Katherine region within the documented per- and polyfluorinated substances (PFAS) contaminated area. Upon enquiry, agency staff advised that the potential impact of the PFAS contamination had not been considered nor assessed as at 30 June 2022.

Asset Valuations cont…

The completeness and accuracy of the land information contained in the fixed asset register requires reviewing

Agency staff advised that regular reconciliations are performed between the information contained in the GLR and the agency's fixed asset register.

A comparison of the land information contained in the fixed asset register to that recorded in the GLR identified 137 land parcels included in the fixed asset register that were not recorded in the GLR. A sample of six of these 137 land parcels were selected for further review, with the following issues identified:

- Three land parcels selected were found to have been granted as Crown leases. A Policy Brief provided by the agency stipulated that such land should not be recognised as assets in the agency's ledger[4]. Of the three land parcels, two were recognised at nil value, while the third was recognised at a value of $6.2 million at 30 June 2022.
- Supporting documentation to evidence the agency's title to, or right of control over, one land parcel was unable to be provided.
- Detail contained in ILIS records one land parcel as controlled by the '*Department of Lands, Housing and Local Govt*'. That department no longer exists.

The above discrepancies demonstrate that the information contained in the agency's fixed asset register is not correct and requires amendment. One further land parcel in the sample was identified as being correctly recorded in the fixed asset register but not disclosed in the GLR, confirming completeness issues also exist within the GLR.

Appropriateness of valuing land at Unimproved Capital Value for accounting and reporting purposes

UCV is determined by the Valuer General in accordance with the *Valuation of Land Act 1963*. UCV is determined based on similar sales in the market, trends, supply and demand and the land's current use and zoning. While using UCV for valuation appears to be in accordance with the 'market approach' as specified in *AASB 13 Fair Value Measurement* and Treasurer's Direction A2.4 Revaluation, it may not be an appropriate basis in all instances. To demonstrate:

1. The information relating to property valuation as published on the NTG's website states that:
   a) '*The Valuer-General's valuation is different from the property valuation you may get if you want to buy or sell property*', and
   b) '*Local Governments and rating authorities use your UCV valuation to calculate your rates and charges*'.
2. The *Valuation of Land Act 1963* does not state whether the valuation of land under this Act is for accounting and reporting purpose.
3. Agency representatives advised that UCV is mainly for rates purpose and does not reflect the fair value/market value of the land and if the land is unrateable, there will be no UCV determined for the land.

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[4] *Policy Brief 6 - Land arrangements* under Division 3 of the *Crown Land Act 1992* and Part 4 of the *Pastoral Lands Act 1992*.

Asset Valuations cont…

In the responses to explanations for significant variances identified in the valuer's valuation of another agency's land when compared to UCV, the valuer stated that '*the UCVs determined by the Valuer General is a statutory valuation and are assessed on a mass appraisal basis and the allotments are not assessed individually nor are they inspected individually. Therefore [we] believe this assessment basis is not very accurate for assessing the market value of individual allotments. As these are statutory valuations [we] do not pay particular attention to them and they should not be relied upon to reflect market value nor should they be used as a benchmark*.'

Northern Territory Police Fire and Emergency Services

Non-compliance with the Treasurer's Direction A2.4 Revaluation and AASB 116 Property, Plant and Equipment was identified.

Agency staff advised that land and buildings revaluations are conducted on a progressive basis, with an annual assessment undertaken to ensure the assets are revalued at least every five years. The methodology used and factors considered in this annual assessment have not been documented.

In addition, the agency does not have a revaluation plan, to ensure the revaluation of its land and buildings is performed in a consistent and systematic manner '*to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates*'.

A review of the agency's fixed asset register identified that, of the 50 land parcels and 110 buildings held by the agency, 10 land parcels and 53 buildings were last revalued at periods between five and 19 years prior to 30 June 2022.

The completeness and accuracy of the land and building information contained in the agency's various registers/systems requires reviewing.

The audit of the land and buildings information maintained by the agency identified discrepancies between the information contained in the GLR, the Building Asset Management System (BAMS) and the fixed asset register for the year ended 30 June 2022. These discrepancies are detailed below.

Agency Fixed Asset Register

One unrateable land parcel was included in the agency's GLR, however was not included in the fixed asset register as at 30 June 2022, resulting in the potential understatement of land as at 30 June 2022[5].

Two land parcels controlled by the agency were omitted from the fixed asset register and GLR as at 30 June 2022[6].

The old Ngukurr Police Station had been demolished prior to 30 June 2022, however remained disclosed in the agency's fixed asset register resulting in an overstatement of building assets by $1.4 million at 30 June 2022.

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[5] *Further information is required to determine the value of the potential understatement of land at 30 June 2022*

[6] *Further information is required to determine the value of the potential understatement of land at 30 June 2022*

Asset Valuations cont…

Government Land Register

Two land parcels included in the agency's fixed asset register were not disclosed in the GLR.

NTG Building Asset Management System

Location data for two of the agency's buildings, as maintained in BAMS, was incorrect and requires updating.

Of the 16 buildings revalued at 30 June 2022, the 'year built' information of six buildings was not recorded in BAMS.

The 'year built' information for 10 buildings disclosed in the independent external valuer's report differed to the detail contained in BAMS at 30 June 2022.

The review procedures performed by the agency on the independent valuation (prior to acceptance) could be improved.

The agency engaged an independent external valuer to conduct the valuation of its land and buildings in the Katherine region for the year ended 30 June 2022. Agency staff advised that, upon receipt of the valuation report, an analytical review of the movements in fair value of land and buildings was conducted by the finance team to identify any significant or unusual movements. The results of this review were not provided for audit scrutiny.

From discussions held with agency staff, it was established that the review performed did not consider:

- The appropriateness of the valuation methodology applied;
- The appropriateness and consistency of application of the assumptions used; or
- The accuracy of the fair value calculation of land and buildings.

Review of the valuation report identified the following irregularities, for which clarification was sought from the independent external valuer:

a) Several instances were observed where information contained in the report, such as locations and valuation assumptions used, were not relevant to the agency's land and buildings being revalued.

b) Instances were observed where recent sales information was either not provided for land parcels valued on a market value basis, or the sales evidence provided was not considered 'recent'.

c) The 'year built' information used by the independent external valuer for 10 buildings was different to that disclosed in BAMS.

d) The economic life adopted by the independent external valuer for several assets was either:

    i. Different from the assumptions disclosed in the valuation report, or

    ii. Not disclosed in the report at all.

e) The replacement costs of six buildings were identified to be significantly higher than that of similar assets.

f) Two land parcels of identical size, located adjacent to each other, were assigned different values.

Asset Valuations cont…

The clarifications received from the independent external valuer satisfied the majority of these queries. However, this additional information was not included in the report provided to the agency for scrutiny. In addition, the independent external valuer did acknowledge some of the queries raised have identified irregularities in valuations attributed to some assets.

The agency's processes relating to the identification and assessment of impairment of land and building assets were not documented.

Agency staff advised that processes are undertaken for the identification and assessment of impairment of land and buildings, however these processes have yet to be formally documented.

Review of the agency's fixed asset register for the year ended 30 June 2022 identified three land parcels and associated buildings located in the Katherine region, within the documented PFAS contaminated area. Upon enquiry, agency staff advised that they had confirmed with the independent external valuer that PFAS contamination had been considered during the performance of the valuation process. This information is inconsistent with the documented key assumptions disclosed in the independent external valuer's valuation report, specifically that '*the properties are not contaminated and the use of the properties complies with all relevant environmental law*'[7].

Department of Education

The review procedures performed by the agency on the independent valuation (prior to acceptance) could be improved

The agency engaged an independent external valuer to conduct the valuation of its land and buildings in various regions for the year ended 30 June 2022. Agency staff advised that, upon receipt of the valuation report, an analytical review of the movements in fair value of land and buildings was conducted by the finance team to identify any significant or unusual movements.

From discussions held with agency staff, it was established that the review performed did not consider the following:

- The appropriateness of the valuation methodology applied;
- The appropriateness and consistency of application of the assumptions used; or
- The accuracy of the fair value calculation of land and buildings.

Audit procedures applied to the independent valuation report identified the following irregularities, for which clarification was sought from the independent external valuer:

<u>Land valuations</u>

1. Instances were observed where recent sales information was not provided for land parcels revalued on a market value basis. In other instances, insufficient evidence was available to support decisions made by the independent external valuer during the revaluation of land.

[7] Valuation Report (V2242132) Fair Market Value – Katherine Region

Asset Valuations cont…

Building valuations

2. Where a valuation was conducted based on a site inspection:
   a) The economic life adopted by the independent external valuer for several assets was either:
      i. Different from the assumptions disclosed in the valuation report
      ii. Not disclosed in the report at all, or
      iii. Not applied consistently for the same type of assets.
   b) Recalculation of asset fair values[8] identified variances in the fair value calculation of two assets, totalling $0.066 million.
   c) Detailed review of the fair values for a sample of three schools identified instances where:
      i. The replacement cost for one building was not calculated based on the assumptions disclosed in the report
      ii. The replacement cost calculation for 27 assets was based on the assets' written down values at 28 February 2022 instead of their cost
      iii. The economic life or remaining useful life of eight assets were either not calculated in accordance with the independent external valuer's assumptions or were calculated incorrectly
      iv. The 'year built' information used by the independent external valuer for these buildings was different to that disclosed in BAMS.
3. Where building valuations were performed on a desktop valuation basis:
   a) The economic life adopted by the independent external valuer for several assets was either:
      i. Different from the assumptions disclosed in the valuation report
      ii. Not disclosed in the report at all, or
      iii. Not applied consistently for the same type of assets.
   b) Recalculation of asset fair values, based on the documented valuation methodology used by the independent external valuer, identified a variance of $4.3 million when compared to the valuation report.

The clarifications and additional information received from the independent external valuer satisfied several of these queries however, this additional information was not included in the report provided for agency scrutiny. The independent external valuer acknowledged that some of the queries raised have identified irregularities in valuations attributed to some assets.

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[8] *Recalculation of asset's fair value was conducted based on the stated methodology contained within the valuation report and in accordance with Treasurer's Direction A2.4 Revaluation and AASB 13.*

Asset Valuations cont…

The completeness and accuracy of the land and building information contained in the agency's various registers/systems requires reviewing.

Audit of the land and buildings information maintained by the agency identified discrepancies between the information contained in the GLR, BAMS, the fixed asset register, and the Leased Land Register for the year ended 30 June 2022. These discrepancies are reported below.

Agency Fixed Asset Register

One land parcel controlled by the agency, was omitted from the agency's fixed asset register and GLR resulting in the potential understatement of land[9].

The old Wugularr School was returned to the community in 2015, however remained disclosed in the agency's fixed asset register resulting in an overstatement of building assets by $0.3 million.

Ten land parcels, included in the agency's GLR, were omitted from the agency's fixed asset register. On enquiry, agency staff advised that a correction had been made in June 2023 to recognise these land parcels with a total value of $1.9 million.

Two land parcels and three building assets were identified as not controlled by the Agency were included in the agency's fixed asset register resulting in an overstatement of land by $0.8 million and overstatement of buildings by $1.3 million.

Government Land Register

Three land parcels included in the agency's GLR were identified as controlled by another Agency.

Two land parcels included in the agency's fixed asset register were not disclosed in the GLR.

Leased Land Register

81 land parcels used by the agency did not have a current lease agreement in place.

The agency's review of information updated in the fixed asset register requires improvement.

Agency staff advised that a reconciliation was performed between the fixed asset register and the revaluation results to ensure the asset information is accurately reflected in the fixed asset register. This reconciliation did not involve the review of the remaining useful lives of assets as determined by the independent external valuer.

A review of the agency's fixed asset register for the year ended 30 June 2022 identified the following discrepancies:

- The fair value of two buildings updated in the fixed asset register was different to the valuation report resulting in an understatement of building assets by $1.0 million.
- The remaining useful lives of 10 assets in the fixed asset register were identified as being inconsistent with those in the valuation report with observed variances ranging from 3 years to 27 years.

[9] *Further information is required to determine the value of the potential understatement of land at 30 June 2022.*

Asset Valuations cont…

The agency's processes relating to the identification and assessment of impairment of land and buildings were not documented.

Agency staff advised that processes are undertaken for the identification and assessment of impairment of land and buildings however these processes are yet to be formally documented. The 'Impairment of Assets Policy', referred to in the agency's Revaluation of Non-Current Assets Policy, could not be located by agency personnel.

Review of the agency's fixed asset register for the year ended 30 June 2022 identified eight land parcels and three associated buildings located in the Katherine region, within the documented PFAS contaminated area.

Upon enquiry, agency staff advised that they were not aware of the PFAS contamination and therefore the impact of this had not been considered nor assessed for the year ended 30 June 2022.

Of the land and buildings in this area, two land parcels and two buildings were revalued by the independent external valuer at 30 June 2022. Clarifications received from the independent external valuer confirmed that the impact of PFAS contamination was considered during his valuation, although this consideration was not disclosed in the valuation report.

Asset Valuations cont…

The Department of Education has commented:

The Department of Education notes that overall its accounting and control procedures for land and building valuation provide reasonable assurance that responsibilities are met per the Treasurer's Directions. The Department of Education will also ensure appropriate processes and procedures are developed in line with the recommendations in the report.

The Department of Infrastructure, Planning and Logistics has commented:

The agency acknowledges improvements required and has already commenced an internal project which includes system and process improvements for the recognition of land parcels within the government land register.

Valuation methodologies for the parcels within the government land register will also be reviewed, however Unimproved Capital Values are considered materially appropriate for the purposes of recognition and reporting.

Any further enhancement to systems and process will be considered as part of broader agency priorities.

Northern Territory Police, Fire and Emergency Services has commented:

The NTPFES notes the findings of the Asset Valuation Audit which have provided a pathway for improvement.

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
- 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.
- A media release of a Member of the Legislative Assembly (whether or not in his or her capacity as an Assembly member).
- 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.

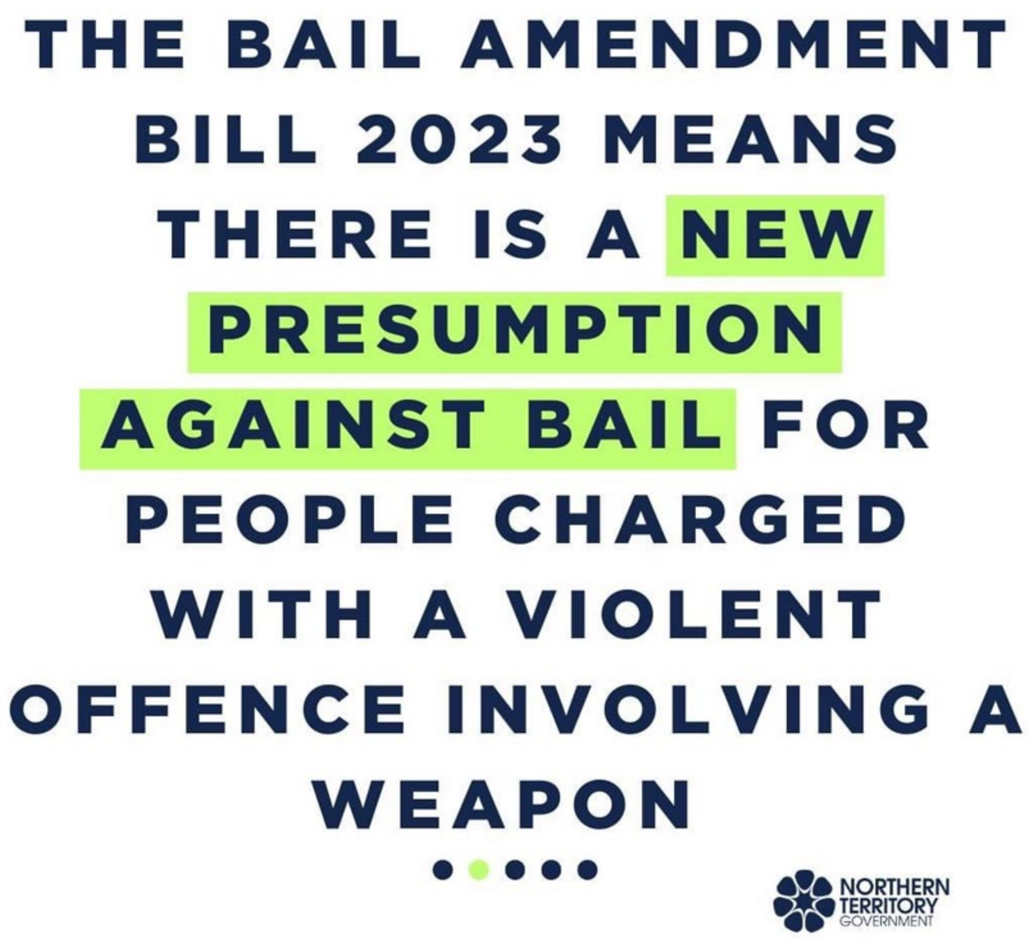
Matters Referred to the Auditor-General Pursuant to Section 6 of the *Public Information Act 2010* cont…

Referral of a complaint to the Auditor-General – Bail Amendment Bill 2023

On 5 April 2023, a Member of the Legislative Assembly wrote to the Auditor-General alleging contraventions of the provisions of the Act.

The allegation was that a Facebook post published on 29 March 2023 on the Natasha Fyles Facebook page contravened the provision of the Act, in particular section 6(2)(b), which states that the Act is contravened if the information includes statements that are misleading. The post, relating to the Bail Amendment Bill 2023, included a Northern Territory Government (NTG) branded image with the words *'The Bail Amendment Bill 2023 means there is a new presumption against bail for people charged with a violent offence involving a weapon'*.

Image 1: Facebook post, dated 29 March 2023



Source: Natasha Fyles Facebook Page

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

Review of Allegation

In addition to examining the content of the referred Facebook post, I also considered:

- the content within the Explanatory Statement accompanying the Bail Amendment Bill 2023 [Serial No.87];
- the content within Division 1A of the *Bail Act 1982* as in force at 30 April 2023;
- and a further Facebook post published on 28 March 2023 on the Natasha Fyles Facebook page including an NTG branded image entitled '*STAMPING OUT KNIFE CRIME*'.

Image 2: Facebook post, dated 28 March 2023

Source: Natasha Fyles Facebook Page

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

The *Bail Act 1982*, section 7A Presumption against bail for certain offences, sub-section (1) lists the offences to which section 7A applies. Section 7A(1)(e) specifies '*a serious violence offence involving the use or threatened use (whether by the accused person or another person) of a prohibited weapon or controlled weapon as defined in section 3 of the Weapons Control Act 2001'*.

Section 7A(2) says '*Bail must not be granted to a person accused of an offence to which this section applies unless the person satisfies an authorised member or court that bail should be granted*'. Section 7A(2) does not apply to a person who is assessed to be suitable to participate in (a) a program of rehabilitation prescribed by the Regulations; or (b) a program declared by the Minister under section 85A(1) of the *Domestic and Family Violence Act 2007* to be a rehabilitation program.

Section 7A(2) does not apply to a youth, other than in relation to an offence referred to in subsection 1(e).

The Explanatory Statement says: '*Clause 4(2) amends section 7A(2B) to provide that when a youth offender has been charged with a serious violence offence involving a weapon or threatened use of a weapon then the presumption is against bail and the court must be satisfied that bail should be granted.*' This sentence in the Explanatory Statement does not clearly reference the definition of a prohibited weapon or controlled weapon as defined in section 3 of the *Weapons Control Act 2001* and specified in Section 7A(1)(e) of the *Bail Act 1982*.

The wording in the Facebook post published on 29 March 2023 '*THE BAIL AMENDMENT BILL 2023 MEANS THERE IS A NEW PRESUMPTION AGAINST BAIL FOR PEOPLE CHARGED WITH A VIOLENT OFFENCE INVOLVING A WEAPON*' does not clearly reference the definition of a prohibited weapon or controlled weapon as defined in section 3 of the *Weapons Control Act 2001* and specified in Section 7A(1)(e) of the *Bail Act 1982*. The omission of the reference to the definition in section 3 of the *Weapons Control Act 2001* may lead to a reader of the public information interpreting the term 'weapon' more broadly than the legislation intends.

The wording in the Facebook post published on 28 March 2023 '*STAMPING OUT KNIFE CRIME A NEW PRESUMPTION AGAINST BAIL FOR VIOLENT OFFENCES INVOLVING A WEAPON PRESUMPTION AGAINST BAIL FOR OFFENDERS, EVEN IF THEY DON'T POSSESS THE WEAPON THEMSELVES APPLIES TO ADULT AND YOUTH OFFENDERS*' does not clearly reference the definition of a prohibited weapon or controlled weapon as defined in section 3 of the *Weapons Control Act 2001* and specified in Section 7A(1)(e) of the *Bail Act 1982*. The omission of the reference to the definition in section 3 of the *Weapons Control Act 2001* may lead to a reader of the public information interpreting the term 'weapon' more broadly than the legislation intends.

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

In my opinion.

- The Facebook post published on 29 March 2023 pertaining to the Bail Amendment Bill 2023 which included images with NTG branding meets the definition of public information for the purposes of the *Public Information Act 2010*.
- The Facebook post published on 28 March 2023 pertaining to the Bail Amendment Bill 2023 which included images with NTG branding meets the definition of public information for the purposes of the *Public Information Act 2010*.
- The public information provided in each post represents a contravention of the provisions of Section 6(2)(b) of the Act in that the public information that makes reference to *'a weapon',* which implies all weapons compared to the Bail Amendment Bill 2023 that uses the term '*a prohibited or controlled weapon*' as defined in the *Weapons Control Act 1982.* Given the emphasis on a prohibited or controlled weapon in the Bail Amendment Bill 2023, I am of the opinion that the public information is misleading.

Conclusion

Following from the above I concluded that Section 6(2)(b), which states that the Act is contravened if the information includes statements that are misleading, was contravened.

Recommendation

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

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

In accordance with Section 7(2)(b) of the Act, I recommended the Facebook posts containing the images above, as released on 29 March 2023 and 28 March 2023 on the Natasha Fyles Facebook page be edited or deleted so as not to present misleading information.

I further recommended that appropriate quality assurance processes are implemented where required in order to prevent further instances where public information may be likely to contravene the provisions of the Act. This may require consideration of other content released through Members' Facebook pages in relation to the impacts of the Bail Amendment Bill 2023.

On 19 August 2023, the Chief Minister advised me that the public information which was the subject of my review will be edited or removed from the Facebook page.

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 which are mostly 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
  - Professional standards and practices.
- Section 25, which requires the Auditor-General to issue a report to the Treasurer on the Treasurer's Annual Financial Statements.

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

Audit of the Treasurer's Annual Financial Statements

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 Statements 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 Statements is issued to the Treasurer. The Treasurer then tables the audited Treasurer's Annual Financial Statements 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
- 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
- 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 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. 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

Australian Accounting Standard AASB 1053 *Application of Tiers of Australian Accounting Standards* applies to:

- Each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001*
- General purpose financial statements of each reporting entity
- Financial statements that are, or are held out to be, general purpose financial statements
- Financial statements of General Government Sectors (GGSs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The differential reporting framework consists of two Tiers of reporting requirements for preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards (incorporates International Financial Reporting Standards (IFRSs) and include requirements that are specific to Australian entities).
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. A Tier 2 entity is a '*reporting entity*' as defined in Statement of Accounting Concept (SAC) 1 *Definition of the Reporting Entity* that does not have 'public accountability' as defined in AASB 1053 and is not otherwise deemed to be a Tier 1 entity by AASB 1053.

Tier 1 reporting requirements apply to Australian Government, state, territory and local governments.

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

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
- 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 Statements.

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 Statements.

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 Statements 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 2023 and 31 October 2023

Financial Statements for the year ended 30 June 2023

	Date 2023 Financial Statements tabled to Legislative Assembly	Date of Audit report year ended 30 June 2023	Date of Audit report year ended 30 June 2022
Board of the Museum and Art Gallery of the Northern Territory	Not yet tabled	29 September 2023	7 October 2022
Darwin Waterfront Corporation	Not yet tabled	24 October 2023	13 October 2022
Data Centre Services	25 October 2023	25 September 2023	21 September 2022
Indigenous Essential Services Pty Ltd	25 October 2023	13 October 2023	30 September 2022
Land Development Corporation	26 October 2023	4 October 2023	21 September 2022
Motor Accidents (Compensation) Commission	Not yet tabled	6 October 2023	20 October 2022
Northern Territory Legal Aid Commission	Not yet tabled	19 September 2023	30 September 2022
Northern Territory Major Events Company Pty Ltd	Not required	29 September 2023	19 September 2022
Northern Territory Treasury Corporation	25 October 2023	26 September 2023	28 September 2022
NT Build	Not yet tabled	30 October 2023	20 October 2022
NT Fleet	25 October 2023	25 September 2023	26 September 2022
NT Home Ownership	24 October 2023	28 September 2023	30 September 2022
Power and Water Corporation	25 October 2023	13 October 2023	30 September 2022
Power Generation Corporation	25 October 2023	26 September 2023	27 September 2022
Power Retail Corporation	25 October 2023	27 September 2023	27 September 2022
Territory Wildlife Parks	25 October 2023	18 October 2023	27 September 2022
Treasurer's Annual Financial Statements	26 October 2023	26 October 2023	14 November 2022

Not yet tabled – as at 31 October 2023
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 2023

	Deadline for submission of Audited Financial Statements	Date of Audit report year ended 30 June 2023	Date of Audit report year ended 30 June 2022
Health Pool Funding Acquittal(1)	30 September 2023	13 September 2023	29 August 2022
Local Government Financial Assistance Acquittal(1)	Not specified	27 September 2023	13 September 2022
Motor Accidents (Compensation) Commission Annual Return	31 October 2023	25 October 2023	27 October 2022
National Land Transport Act 2014			
Roads to Recovery(1)	31 October 2023	30 October 2023	26 October 2022
Northern Territory Regional Health Services Funding Acquittal(1)	30 September 2023	29 September 2023	26 September 2022

(1) Not separately reported within this report

Appendix 4: Status of Audit Activity

Listed below is the status, as at 31 October 2023, of non-routine audits and reviews identified as not yet complete in Appendix 4 of my August 2023 Report to the Legislative Assembly:

Department of Infrastructure, Planning and Logistics	
Accounting for Assets on Leased Land	Not yet completed
Infrastructure Program Development and Reporting	Refer to page 108
Selected Agencies	
Asset Valuations	Refer to page 134

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 2023 Report to the Legislative Assembly as scheduled to be conducted during the 6 months to 31 December 2023:

Department of Corporate and Digital Development	
GrantsNT	Not yet completed
MOVERS	Not yet completed
Department of Infrastructure, Planning and Logistics	
Tiger Brennan Drive and Berrimah Overpass	Not yet completed
Department of the Chief Minister and Cabinet	
Aboriginal Economic Participation Framework	Not yet completed
National Agreement on Closing the Gap	Not yet completed
Selected Agencies	
Ship Lift Facility	Not yet completed

Appendix 5: Abbreviations

AASB	Australian Accounting Standards Board
AG	Australian Government
APRA	Australian Prudential Regulation Authority
BAMS	Building Asset Management System
BP4	Budget Paper 4
COVID-19	Coronavirus disease 2019
CPS	Cross-Industry Prudential Standard
DIPL	Department of Infrastructure, Planning and Logistics
GFS	Government Finance Statistics
GLR	Government Land Register
GPS	General Insurance Prudential Standard
GST	Goods and services tax
ICT	Information and communication technology
ILIS	Integrated Land Information System
LG	Local Government
MWh	Mega Watt Hours
NT	Northern Territory
NTG	Northern Territory Government
NTPDF	Northern Territory Project Development Framework
PFAS	Per- and polyfluorinated substances
PRIV	Private sector
PWC	Power and Water Corporation
REC	Renewable energy certificates
TAFS	Treasurer's Annual Financial Statements
TAP	Territory Availability Payments
TEP	Territory Efficiency Payments
TIP	Territory Incentive Payments
TOP	Unimproved Capital Value
UCV	Land exempt from the requirement to pay rates

Contents by Entity