

# Results of Financial Audits

30 June and 31 December 2024

Auditor-General's Report  
to the Legislative Assembly  
No 1: 2025-26



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At the Northern Territory Auditor-General's Office we  
acknowledge the Aboriginal and Torres Strait Islander people  
as the traditional Owners, Custodians of Country throughout  
Australia and their connection to land, seas and community.

We pay our respects to their cultures,  
and to their Elders past and present.





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

**Auditor-General's Report to the Legislative Assembly No. 1 of 2025-26**

In accordance with section 24 of the *Audit Act 1995*, I submit my report on the results of annual audits of financial reports completed during the period from 1 November 2024 to 30 June 2025.

A blue ink signature of Jara K Dean, written in a cursive style. Below the signature, the text "Jara K Dean" and "Auditor-General" are printed in a black sans-serif font.

28 July 2025

Auditor-General's Report to the  
Legislative Assembly

No 1: 2025-26

**Results of Financial  
Audits**

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# AUDITOR-GENERAL'S OVERVIEW

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## Introduction

The *Audit Act 1995* provides a legislative requirement for the Auditor-General to report to the Legislative Assembly at least once each year on matters arising from audits.

This is the first report of 2025-26 advising Parliament on the results of financial audits completed during the period from 1 November 2024 to 30 June 2025.

The report includes commentary on the results of audits, key findings and financial performance of:

- entities in the higher education and vocational education and training sector for the calendar year ended 31 December 2024; and
- a small number of other entities for the financial year ended 30 June 2024 which were not completed in time for the November 2024 report.

## Financial audits

The report outlines the results of nine annual audits of financial reports.

It includes a section on education providers who are required to report on a calendar year. In the Northern Territory, university and higher education programs and vocational education and training are offered by:

- Charles Darwin University
- Menzies School of Health Research
- Batchelor Institute of Indigenous Tertiary Education.

The report also covers 30 June 2024 audits of:

- Desert Knowledge Australia
- Common Funds administered by the Public Trustee
- Northern Territory Police Supplementary Benefit Scheme
- Nitmiluk (Katherine Gorge) National Park and Cobourg Peninsula Sanctuary and Marine Park boards.

In addition, the report also covers the audit of the Cobourg Peninsula Sanctuary and Marine Park Board's financial report for the year ended 30 June 2023.

## Quality and timeliness of financial reporting

All entities included in the report received clean audit opinions on their financial reports. A clean or unmodified audit opinion means that Parliament and other users can have confidence in the information presented in the audited financial report.

### Audit opinions issued



Clean Audit Opinion

5



Clean Audit Opinion with  
Emphasis of Matter

4



Qualified Audit Opinion

0

We added an emphasis of matter paragraph to some audit reports to highlight certain information for users which have been appropriately disclosed in the financial report.

The inclusion of an emphasis of matter paragraph in the auditor's report does not affect or modify the audit opinion and the reliance on the information in the financial report.

The types of audit opinions are explained in Appendix B *Auditing*.

In most instances, the financial reports initially submitted for audits required substantial corrections before we could issue clean audit opinions.

### Recognition of revenue and income

We found applying the income and revenue recognition accounting standards caused difficulty for most entities. Concerns around revenue recognition, particularly research grant contracts or funding agreements with multiple obligations where one or more of those obligations may not meet the requirements for revenue deferral resulted in heightened audit effort. In some instances, retrospective corrections and restatements of comparative amounts for the prior period were necessary to correct errors in revenue recognition discovered during this year's audits.

In response to issues with income recognition we will continue to focus on this area.

To assist entities to better understand how they should account for revenue, we organised and facilitated an accounting seminar for finance staff in the public sector on this particular topic. We have also provided practical tools to assist with the assessment of the appropriate accounting treatment.



Timeliness of financial reporting impacts the relevance and usefulness of financial information and is fundamental for transparency, accountability and public trust. Our target for audited entities to finalise their financial report, for the audit to be completed and for the Auditor-General to issue the audit report is the first 100 days after balance date.

### Time taken after balance date to issue audit report



≤ 100 days



> 100 days and ≤ 6 months



> 6 months

Adopting good financial reporting practices throughout the year is the major factor contributing to most entities being able to complete their financial report in a timely and efficient manner.

Timely financial reporting not only ensures that Parliament is better informed, it also enables entities to release resources for other important financial management tasks, thereby improving the overall transparency, efficiency and financial management of the public sector



## 203

Average number of days after  
balance date to issue audit report<sup>1</sup>

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<sup>1</sup> The average excludes the time it took to complete the audit of the Cobourg Peninsula Sanctuary and Marine Park Board's financial report for the year ended 30 June 2023. That audit took 670 days or 22 months to complete.

It took on average over 6 months after the relevant year end to issue audit reports on financial reports of the entities included in this report.

The national park boards took on average 414 days to report, partly because the Cobourg Peninsula Sanctuary and Marine Park Board's financial report for the year ended 30 June 2023 was delayed. Although both national park boards received extensions of time for submission of their annual reports from the Minister for Parks and Wildlife, no valid extensions of time were granted for the submission of financial reports. The Minister for Parks and Wildlife does not have the power to grant exemptions from reporting requirements under the Financial Management Act.

The national park boards and Charles Darwin University did not submit financial reports within their respective statutory deadlines.

The Public Trustee did not comply with its obligation to provide investors in common funds with required information by 31 October 2024.

## Audit observations

We report audit findings, including any significant deficiencies in internal control, accounting issues or matters of governance interest that we identify during audits to those charged with governance.

Audit issues			
Significant	High	Moderate	Low
4	12	15	9

The significant risk issues related to the Public Trustee’s non-compliance with its reporting obligations and material errors in the financial reports of the two national park boards which required the restatement of prior periods and deficiencies in processes to ensure completeness of revenue.

High risk audit issues were raised mainly in connection with controls around user access to IT applications and incorrect accounting practices.

The risk rating of audit issues is explained in Appendix C *Risk rating of audit issues*.

## Prior period errors

Four of the eight entities included in this report had mistakes or omissions in previously issued financial reports which required to be corrected by adjusting prior period financial statements to reflect the corrected information.

Incorrect revenue recognition was the main driver of prior period errors.

## Financial snapshots

### Higher education and VET sector

The sector reported close to a break-even combined result in 2024, which was a significant improvement on last year’s combined deficit of \$14.4 million.

The improvement was largely due to a much improved result reported by Charles Darwin University, which saw an increase in revenue from both Student contributions and loans, and financial assistance from the Australian Government. Revenue from course fees paid by international students increased by \$18.2 million while domestic students contributed an additional \$5.1 million in comparison.

Contributions by students of Batchelor Institute almost doubled to \$0.508 million in 2024 due to improved retention and completion rates.

Overall, the sector generated \$474.5 million in revenue and employed over 2,000 full time equivalent employees in 2024. Employee expenses for the sector totalled \$256.2 million in 2024, an increase of \$12.3 million or 5.1% compared to 2023.

The sector held \$198.1 million in cash and term deposits, and owned and managed physical assets worth \$756.6 million at 31 December 2024.

Menzies's unspent grants totalled \$33.5 million as at 31 December 2024.

During the year, the University completed its newest campus, the Education and Community Precinct named Danala. The \$250.0 million project was jointly funded by the Australian Government. The University borrowed to fund the majority of its share.

The University was constructing a new health teaching and research facility, also jointly funded with the Australian Government, and at the time of the audit was in the process of completing works on a new VET training centre jointly funded by the Northern Territory Government. Any cash it generated from operations, including unspent grants, was used to fund its capital projects.

Batchelor Institute also utilised surplus cash to fund its capital expenditure and repay debt.

Despite the significant spend on new assets, both the University and Batchelor Institute reported asset sustainability ratios below the generally accepted benchmark. The ratio measures the extent to which an entity maintains operating capacity through renewal of its existing assets.

## Desert Knowledge Australia

Desert Knowledge Australia continued to operate at close to a break-even position. The completion of the Alice Springs Future Grid project in October 2023 resulted in the decrease in both revenue and consultant costs. The completion of this major project did not significantly impact the result as Desert Knowledge Australia can scale up or down its activities based on projects' requirements.

Desert Knowledge Australia also operates and manages the Desert Knowledge Precinct in Alice Springs.

The Northern Territory Government provided \$5.0 million in 2017-18 to fund the development of a Centre of Excellence for Renewable Energy to help it achieve its renewable energy policy. The Intyalheme Centre for Future Energy, as it is now known, was finalised in 2023-24 with an additional financial support from the Australian Government under various renewable energy programs.

## National park boards

Nitmiluk National Park and Garig Gunak Barlu National Park are managed by the Parks and Wildlife Commission of the Northern Territory in accordance with management plans set by their respective boards:

- Nitmiluk (Katherine Gorge) National Park Board; and
- Cobourg Peninsula Sanctuary and Marine Park Board.

Park income is either shared with or fully distributed to traditional owners.

In 2023-24, \$1.3 million of combined park income was distributed to traditional owners together with \$0.4 million in rent paid to the Northern Land Council also to be distributed to traditional owners.

## Northern Territory Police Supplementary Benefit Scheme

The Scheme had four active members at 30 June 2024 and \$426 thousand in cash.

All investments were redeemed and converted into cash during the year as all contributing members were to become entitled to commence their pension in 2024-25.

The Scheme's liabilities as at 30 June 2024 comprised mainly of accumulated contributions of \$420 thousand.

The Northern Territory Government is responsible for the payment of the supplementary benefits estimated at \$67.8 million.

## Public Trustee for the Northern Territory

The Public Trustee administered \$79.8 million of funds at 30 June 2024, allocated across four investment funds of varying mix of assets and investment risk. Almost half of the funds were invested in cash assets. The average rate of return was 7%.

The Public Trustee also manages deceased estate assets which are not invested in any of the common funds. These assets do not form part of the funds under management nor are they subject to audit. The unaudited value of deceased estate assets was \$32.6 million at 30 June 2024.

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# How to use this report

Financial reports form part of the process of financial reporting. A complete financial report normally includes a balance sheet, an income statement, a statement of cash flows and a statement of changes in equity, and notes, other statements and explanatory material that are an integral part of the financial report.

The analysis in this report focuses on three of the four primary financial statements in a financial report: the income statement (also known as the profit and loss statement), balance sheet and the cash flow statement. Together, these statements provide a comprehensive view of the overall financial performance and position of an entity.

The income statement shows whether or not the entity generated sufficient revenue to fulfil its operating requirements, including depreciation charges over the reporting period.

The income statement can include non-cash transactions recorded when using accrual accounting, which recognises revenues and expenses when they are earned or incurred, regardless of when cash is received or payments are made.

Including non-cash transactions provides a more comprehensive view of financial performance. For example, in basic terms, depreciation represents how much an asset decreases in value due to time, obsolescence, or wear and tear.

The cash flow statement then takes net income and adjusts it for any non-cash transactions, such as depreciation or changes in the working capital. Put simply, the cash flow statement undoes accrual accounting to show cash movements and the net change in the cash balance from the start to the end of the reporting period.

The balance sheet shows the ending balance of assets and liabilities from year to year. The asset section begins with cash, which equals the cash balance at year end found in the cash flow statement.

Net income from the income statement flows into the balance sheet as a change in equity.

## Income Statement

Government grants	\$xxx
Other income	\$xxx
<b>Total revenue</b>	<b>\$xxx</b>
Employee costs	\$xxx
Depreciation	\$xxx
Other expenses	\$xxx
<b>Total expenses</b>	<b>\$xxx</b>
<b>NET RESULT</b> ①	<b>\$xxx</b>

## Cash Flow Statement

Receipts	\$xxx
Payments	(\$xxx)
<b>CF from operations</b>	<b>\$xxx</b>
Capital purchases	(\$xxx)
Proceeds from loans	\$xxx
<b>Net cash flows</b>	<b>(\$xxx)</b>
Cash at beginning	\$xxx
Net cash flows ②	(\$xxx)
<b>CASH AT YEAR END</b>	<b>\$xxx</b>

## Balance Sheet

Cash ③	\$xxx
Receivables	\$xxx
Physical assets ④	\$xxx
<b>Total assets</b>	<b>\$xxx</b>
Payables	\$xxx
Borrowings	\$xxx
<b>Total liabilities</b>	<b>\$xxx</b>
<b>NET ASSETS</b>	<b>\$xxx</b>
<b>EQUITY</b>	<b>\$xxx</b>

## Financial information (example)

	2024 \$'000s
Government financial assistance	xxx
Sales of goods and services	xxx
Other revenue	xx
<b>Total revenue</b>	<b>x xxx</b>
Employee expenses	xxx
Other operating expenses	xxx
Depreciation	xx
<b>Total expenses</b>	<b>x xxx</b>

<b>Net results</b> ①	<b>x</b>
----------------------	----------

*add back* Net non-cash transactions

Depreciation	xx
--------------	----

*add back* Net changes in working capital

x
---

<b>Cash flows from operations</b>	<b>xx</b>
-----------------------------------	-----------

less Capital spend	(x)
--------------------	-----

Borrowings	x
------------	---

Other flows	(x)
-------------	-----

<b>Net increase/(decrease) in Cash</b> ②	<b>(xx)</b>
--	-------------

<b>Cash at the end of the year</b> ③	<b>xxx</b>
--------------------------------------	------------

Working capital	xx
-----------------	----

Borrowings	x
------------	---

<b>Physical assets at the start of the year</b>	<b>xxx</b>
---	------------

Additions	x
-----------	---

Depreciation	xx
--------------	----

Revaluation	-
-------------	---

Disposal	(x)
----------	-----

<b>Physical assets at the end of the year</b> ④	<b>xxx</b>
---	------------

Governments are generally not concerned with obtaining a financial return but are usually more interested in the ability of an entity to achieve its non-financial objectives, which in turn may depend upon the entity's financial position and financial performance.

To assure long-term financial sustainability, entities should, at a minimum, budget and operate to break-even while managing their assets in a way that maximises service delivery and manages related risks. Surpluses over a longer period disadvantage those who rely on the services and losses are not sustainable in the long-term.

Non-cash transactions such as depreciation and accrual accounting transactions are added back to the Net result to arrive at the **Cash flows from operations**.

**Assets sustainability ratio** (Capital spend divided by Depreciation expense)

Provides a comparison of the rate of spending on existing property, plant and equipment through renewing, restoring and replacing existing assets, with depreciation.

**Working capital** measures liquidity and is the difference between current assets (cash, accounts receivable etc.) and current liabilities (accounts payable, accrued expenses etc.).



# HIGHER EDUCATION AND VET SECTOR

## Introduction

This section of the report contains outcomes of annual financial report audits of university, higher education and vocational education and training (VET) providers and their controlled entities:

- Charles Darwin University
- Menzies School of Health Research
- Batchelor Institute of Indigenous Tertiary Education.

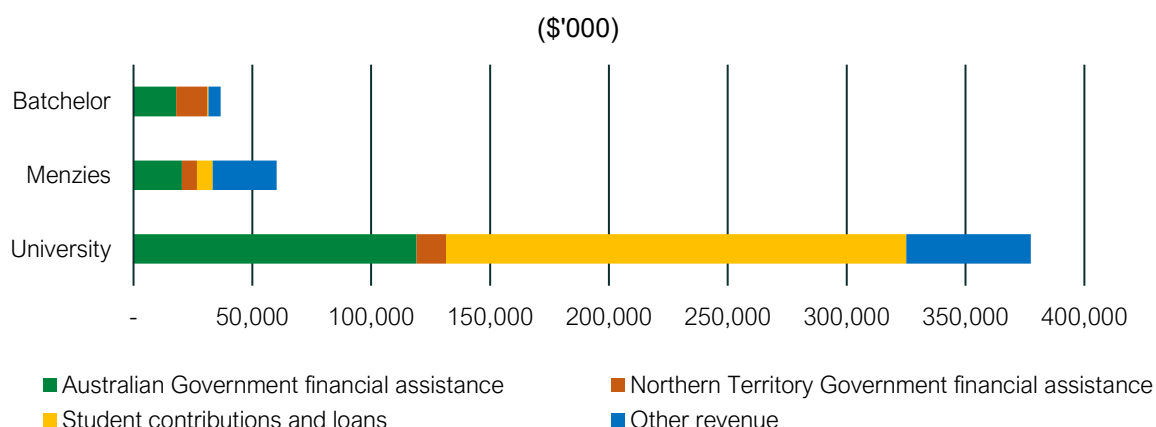
## Sector snapshot

		2024 \$'000	2023 \$'000
Australian Government financial assistance	↗	157 344	139 628
Northern Territory Government financial assistance	↘	31 865	41 452
Student contributions and loans	↗	198 538	174 829
Employee expenses	↘	256 170	243 835
Cash and term deposits	↘	198 106	237 654

↗ improvement from prior year   ↘ deterioration from prior year   ↔ no material change from prior year

Entities in the higher education and VET sector receive the majority of their revenue from the Australian Government through research and teaching grants and student fees supported by a Government-backed loan scheme. Other funding sources include fees paid by international students, Northern Territory Government funding, investment income and income from contract research and consultancy.

### Sources of revenue of entities within the sector in 2024



The sector employed over 2,000 full time equivalent employees in 2024. Employee expenses for the sector totalled \$256.2 million in 2024, an increase of \$12.3 million or 5.1% compared to 2023. Entities in the higher education and VET sector spent on average 58% of their total cost on employee expenses.

The sector held \$198.1 million in cash and term deposits and owned and managed physical assets worth \$756.6 million at 31 December 2024.

## Quality and timeliness of financial reporting

The financial reports initially submitted for audits by all three entities in the higher education sector required corrections before we could issue clear audit opinions. Charles Darwin University did not submit its financial report within the statutory deadline. Audit reports were issued within statutory deadlines.



Entities in the higher education sector received clean audit opinions on their financial reports<sup>1</sup>



**157**

Average number of days after balance date to issue audit reports

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<sup>1</sup> The audit report on the Batchelor Institute of Indigenous Tertiary Education's financial report included an emphasis of matter relating to a correction of prior period error.

Clean audit opinions give Parliament and the Territorians confidence in the reliability of the financial reports. That confidence is extended to other stakeholders, including the funders and donors because all three entities in the sector receive significant funding from the Australian Government and are registered charities.

Timeliness of financial reporting impacts the relevance and usefulness of financial information and is fundamental for transparency, accountability and public trust in the sector.

## Financial reporting

Entities in the higher education and VET sector report on a calendar year basis. The Vice-Chancellor of the University and the Chief Executive Officers of the Batchelor Institute and Menzies are required to submit financial reports to the Auditor-General by 31 March and the Auditor-General is required to report to the responsible ministers on the financial reports by 30 June each year.

Entities in the higher education and VET sector are required to prepare their financial reports in accordance with their enabling legislation as well as the requirements of the *Higher Education Support Act 2003* (Cth).

Because they are registered charities, they are also required to report in accordance with the requirements of the *Australian Charities and Not-for-profit Commission Act 2012* (Cth), including Division 60 of the *Australian Charities and Not-for-profit Commission Regulations 2022* (Cth).

## Audit observations

We found errors in accounting for government grants in the financial reports of all three higher education providers. More work is needed to ensure that accounting standard requirements are interpreted and applied correctly, to prevent a reoccurrence of these errors and to assist with timely completion of audits.

Accounting for grant revenue depends on the nature of each grant. Revenue from grants with sufficiently specific performance obligations is recognised when the performance obligations are satisfied under the revenue standard AASB 15 *Revenue from Contracts with Customers*. Otherwise, a government grant is recognised as income immediately under AASB 1058 *Income of Not-for-Profit Entities*.

Judgement is needed to determine whether a grant agreement constitutes an enforceable contract and contains promises to deliver goods and services that are “sufficiently specific”.

Accounting for research grants under AASB 15 and AASB 1058 is particularly difficult. Determining the appropriate recognition of income from grant contracts for different types of research activities often depends on what and when is being transferred to the customer, i.e. intellectual property, licence or research findings.

## Key audit matters

Disclosing key audit matters in audit reports contributes to better governance, increases transparency, improves audit quality and overall adds to better financial reporting.



Key audit matters encourage dialogue between the Auditor-General and those charged with governance, contributing to better governance.



Key audit matters help the Auditor-General and authorised auditors to direct more attention and greater effort towards significant areas, contributing to high quality audits.



Key audit matters provide preparers and users of financial reports an insight into the audit process and significant judgments, contributing to higher quality financial reporting and audit transparency.

Audit reports on Charles Darwin University and Batchelor Institute of Indigenous Tertiary Education’s financial reports included key audit matters focusing on these two areas:

## Recognition of revenue and income

The education providers generate a significant amount of revenue and income from government funding, student fees and research grants.

Accounting for grant revenue depends on the nature of each grant. Revenue from grants with sufficiently specific performance obligations is recognised when the performance obligations are satisfied under the revenue standard AASB 15 *Revenue from Contracts with Customers*. Otherwise, a government grant is recognised as income immediately under AASB 1058 *Income of Not-for-Profit Entities*.

Recognition of revenue and income, and associated contract assets and liabilities is complex. Significant judgement is applied to assess if a grant agreement or contract is legally enforceable and contains promises to deliver goods and services that are “sufficiently specific”, when those obligations are satisfied and the amount of revenue to be allocated to each performance obligation.

## Valuation of property, plant and equipment (PPE)

The education providers own significant PPE, mainly land, buildings and infrastructure assets which are measured at fair value.

Determining fair value requires significant judgement and valuations are highly dependent on a range of assumptions and estimates. Fair values are sensitive to changes in key assumptions and the specialised and unique nature of the assets increases the complexity of the valuations.

In addition, the calculation of depreciation of building and infrastructure assets includes estimation of useful lives and residual values which involves a high degree of subjectivity. Changes in assumptions underlying depreciation calculations can significantly impact the depreciation charged.

## Parent v consolidated financial information

While the University as the parent entity and Menzies as its controlled entity comprise an economic entity, both entities are established under separate legislation, with their own governance structures and reporting obligations. In our analysis, we focused on financial information for the University as the parent entity rather than the consolidated group to better understand the key drivers and risks impacting its balance sheet, its cash flows or its ability to generate sufficient revenue to ensure its financial sustainability.

# Charles Darwin University

## Introduction

The University is a dual-sector provider offering both higher education and vocational education and training (VET) across seven campuses in Darwin, Sydney and remote locations in the Northern Territory.

This chapter presents financial information for the University as the parent entity.

## Snapshot

		2024	2023
		\$'000	\$'000
Deficit	↗	3 169	20 603
Cash flows from operations	↘	19 638	23 661
Total cash and term deposits	↘	149 650	195 924
Working capital	↘	42 162	105 314

↗ improvement from prior year   ↘ deterioration from prior year   ↔ no material change from prior year

## Quality and timeliness of financial reporting

A draft financial report was submitted on 4 April 2025. The financial report was certified on 5 June 2025 and the audit report was issued on the same day.



The University received a clean audit opinion on the financial report



**156**

Number of days after balance date to issue audit report

## Background

Charles Darwin University was established under the *Charles Darwin University Act 2003*. The University controls the Menzies School of Health Research. It also controlled Bridging the Gap Foundation Limited until it ceased operating and was deregistered during 2024.

The University provides both higher education and vocational education and training. The cost of higher education is subsidised by the Australian Government through the Commonwealth Grant Scheme.

The Higher Education Loan Program (HELP) is financial assistance to students from the Australian Government to help pay for the cost of their study:

- HECS-HELP loan to pay the cost of contribution amount in a Commonwealth supported place
- FEE-HELP loan to pay the tuition fees in a full fee-paying place
- SA-HELP loan to pay student services and amenities fees.

HELP loans are paid directly to the University.

The Northern Territory Government funds vocational education and training.

The University also engages in research and experimental development activities which are funded by government grants and other financial support from non-government entities.

## Financial reporting

The Vice-Chancellor must prepare the financial report within three months after the end of the financial year and forward it to the Auditor-General. The financial report was submitted for audit on 4 April 2025, which was outside the legislated deadline of 31 March. The delay was caused by late amendments to the financial report of the Menzies School of Health Research which impacted the preparation of the consolidated financial report.

The Auditor-General must audit the financial report within three months of receiving it and report to the responsible minister. A copy of the audit report must be forwarded to the Vice-Chancellor. The audit report was issued on 5 June 2025.

The University prepares a consolidated financial report which combines the financial transactions and balances of the University and the entities it controls to provide a comprehensive view of the entire group or economic entity.

Since 2024, the University controls only the Menzies School of Health Research and transactions between them were eliminated on consolidation to ensure that revenues, expenses, assets, and liabilities were not overstated due to transactions within the group.

## Audit observations

Audit issue	Risk rating
Applications user access controls	High
The assessment of accounting for grant agreements requires improvement	Moderate
There is no Service Level Agreement for the provision of information technology services to Menzies School of Health Research	Moderate

We noted instances where user access to IT applications had not been removed in a timely manner for separated employees, which increases the risk of unauthorised access. We reiterated the previous year's recommendation to add the disabling of IT

access to termination checklists, undertake a comprehensive review of all system user access and maintain appropriate audit trail for all formal user access reviews.

## Financial analysis

Charles Darwin University reported a deficit of \$3.2 million in 2024, which was a significant improvement on the previous year's deficit of \$20.6 million. The improved operating result was largely due to an increase in revenue from both Student contributions and loans and financial assistance from the Australian Government. Curtailing the growth in operating costs also helped to reduce the operating deficit. Overall, expenses increased by 5% in 2024, while revenue grew by 10% over the same period.

Financial assistance from the Australian Government grew by \$14.8 million or 14% in 2024, with increases across all major programs. Student contributions and loans grew by \$22.7 million or 13% in 2024, with the most significant increases in revenue from course fees paid by international students, up by \$18.2 million. Revenue from course fees paid by domestic students paid either directly or through HELP increased by \$5.1 million in comparison.

Core funding from the Northern Territory Government remained constant at \$9.3 million, but there was a decrease in capital funding following the completion of the Education and Community Precinct. The capital funding for the project was provided by the Australian Government to the Northern Territory Government under the Darwin City Deal.

Employee expenses continued to be the most significant expense at \$198.3 million. The increase of \$7.7 million or 4% reflected both an expansion of the workforce and indexation of salaries and wages.

		<b>2024</b>	<b>2023</b>
		<b>\$'000</b>	<b>\$'000</b>
Academic staff employee expense	↗	95 352	88 962
Non-academic staff employee expense	↔	102 951	101 674
Total employee expenses	↗	198 303	190 636

		<b>FTE</b>	<b>FTE</b>
Academic staff	↗	635	606
Non-academic staff	↘	846	893
Total staff	↗	1 481	1 499

Other operating expenses increased by \$6.6 million in 2024, with the most notable increases in the cost of scholarships, grants and prizes, \$13.0 million and interest expenses, \$4.4 million, partly offset by a decrease in the cost of consultants, \$7.3 million and materials, \$6.7 million. The most significant movements were:



- Scholarships, grants, and prizes rose by \$13.0 million. This reflected the University's continued investment in its revenue growth strategy aimed at attracting international students and Higher Degree Research (HDR) candidates through expanded financial support and incentives.
- During the year, the University incurred \$2.2 million in interest on a loan from the Northern Australia Infrastructure Facility to finance the construction of the Education and Community Precinct.
- Consultancy costs declined by \$7.3 million, reflecting a reduction in project-related activity and decreased collaboration with external partners on research initiatives.
- Materials and supplies decreased by \$6.7 million. This was due to a decline in placement fee expenses for nursing and midwifery students, with \$9.7 million recorded in the prior year compared to \$4.6 million in the current year, as backlog payments were resolved.

Despite the deficit, cash flows from operations were positive at \$19.6 million in 2024. This was largely because of unspent grant funding. Unearned grants liability increased by \$20.0 million in 2024 and totalled \$81.2 million at 31 December 2024.

Operating cash flows are impacted by movements in the working capital. The University's working capital decreased from \$105.3 million at 31 December 2023 to \$42.2 million at 31 December 2024 mainly because of a decrease in the balance of cash and term deposits.

		<b>2024</b>	<b>2023</b>
		<b>\$'000</b>	<b>\$'000</b>
Cash (incl. short-term deposits)	↘	81 150	84 924
Term deposits (maturity > 90 days)	↘	68 500	111 000
Total cash and term deposits	↘	149 650	195 924

The decrease in cash and term deposits of \$46.3 million was mainly attributed to capital spend.

During the year, the University spent \$71.3 million on capital works, mainly the construction of the Education and Community Precinct. Capital works were funded largely from existing cash reserves, including \$42.5 million withdrawn from term deposits, and \$19.6 million cash inflows generated from operations. The University also drew down an additional \$8.1 million from its facility with the Northern Territory Infrastructure Facility.

Of the total \$149.7 million in cash and term deposits, \$42.7 million was held in trust for the Menzies School of Health Research.

The University owned property, plant and equipment (PPE) valued at \$734.1 million at 31 December 2024. Buildings represented the majority of PPE at \$587.7 million, including the newly constructed Education and Community Precinct costed at \$225.1 million.

The University spent more on its PPE than the annual depreciation expense because of the construction of the Education and Community Precinct, Centre for Better Health Futures and Trades Training Centre. Excluding the cost of these major projects, the asset sustainability ratio was 65% which was below the generally accepted benchmark of 100%. The ratio measures the extent to which an entity maintains operating capacity through renewal of its existing asset base.

## Capital program

The Education and Community Precinct was jointly funded by the Australian Government and the University. The University funded the majority of its share of the \$250.0 million project by a \$151.5 million loan from the Northern Territory Infrastructure Facility<sup>1</sup>. The University has drawn down \$126.5 million of the available facility. The Australian Government provided \$97.3 million through the Darwin City Deal initiative.

The University is currently in the process of constructing a new health teaching and research facility, jointly funded with the Australian Government. The University spent \$16.8 million until 31 December 2024 on the new \$25.8 million Centre for Better Health Futures.

At 31 December 2024, the University was also in the process of completing works on a new VET training centre. It spent \$9.0 million on the centre by 31 December 2024. The Trades Training Centre was completed in April 2025 and was jointly funded with the Northern Territory Government.

## Education Australia Limited and shares in IDP Education Ltd

Charles Darwin University was one of 38 Australian Universities with equal ownership of Education Australia Limited (a private company). Education Australia Limited was a major shareholder in IDP Education Ltd which is a publicly listed student placement services provider.

Education Australia Limited wound up in 2021, when it paid a cash dividend, transferred its shares in IDP Education Limited and distributed the associated franking credits to its member universities. At 31 December 2021, the University's investment in IDP Education Limited was valued at \$64.2 million.

In 2024, the value of the University's investment in IDP Education Limited was written down by a further \$14.3 million (2023, \$13.1 million) to \$23.1 million (2023, \$37.4 million) based on the market value of its shares.

The Australian Taxation Office is reviewing the eligibility of franking credit claims for the 38 Australian universities. The claim for each university was \$22.8 million.

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<sup>1</sup> Northern Territory Infrastructure Facility is an Australian Government financing agency, providing concessional loans for the development of infrastructure projects in northern Australia

## Financial information

	2024 \$'000s	2023 \$'000s
Australian Government financial assistance	119 113	104 338
Northern Territory Government financial assistance	12 340	18 450
Student contributions and loans	193 625	170 943
Other revenue	52 409	48 283
<b>Total revenue</b>	<b>377 487</b>	<b>342 014</b>
Employee expenses	198 303	190 636
Other operating expenses	160 017	153 406
Depreciation	22 336	18 575
<b>Total expenses</b>	<b>380 656</b>	<b>362 617</b>
<b>Deficit</b>	<b>(3 169)</b>	<b>(20 603)</b>
<i>add back</i> <b>Net non-cash transactions</b>		
Depreciation	22 336	18 575
Other non-cash transactions	(1 717)	(323)
	<b>20 619</b>	<b>18 252</b>
<i>add back</i> <b>Net changes in working capital</b>		
Increase/(Decrease) in Grants received in advance	19 887	12 204
Other working capital movements	(17 699)	13 808
	<b>2 188</b>	<b>26 012</b>
<b>Cash flows from operations</b>	<b>19 638</b>	<b>23 661</b>
<i>less</i> Capital spend	(71 303)	(116 302)
Borrowings	8 125	107 397
Net transfers from/(to) Investments	42 500	(22 000)
Other flows	(2 734)	(1 552)
<b>Net increase/(decrease) in Cash</b>	<b>(3 774)</b>	<b>(8 796)</b>
<b>Cash at the end of the year</b>	<b>81 150</b>	<b>84 924</b>
Working capital	42 162	105 314
Building works committed and due within one year	13 253	66 383
<b>Borrowings</b>	<b>126 500</b>	<b>118 375</b>
<b>Physical assets at the beginning of the year</b>	<b>648 433</b>	<b>546 846</b>
Additions	71 361	117 281
Depreciation	(18 084)	(15 583)
Revaluation	-	-
Disposal	(60)	(111)
<b>Physical assets at the end of the year</b>	<b>701 650</b>	<b>648 433</b>

# Menzies School of Health Research

## Introduction

Menzies is a medical research institute within the Charles Darwin University’s Institute of Advanced Studies.

## Snapshot

		2024	2023
		\$'000	\$'000
Surplus	↗	6 086	2 417
Cash flows from operations	↗	6 944	5 431
Total cash and term deposits	↗	78 057	71 925
Working capital	↗	39 926	33 854

↗ improvement from prior year   ↘ deterioration from prior year   ⇄ no material change from prior year

## Quality and timeliness of financial reporting

A draft financial report was submitted on 13 February 2025. The financial report was certified on 19 May 2025 and the audit report was issued on the same day.



Menzies received a clean audit opinion on the financial report



**139**  
Number of days after balance date to issue audit report

## Background

The Menzies School of Health Research was established under the *Menzies School of Health Research Act 1985*. Charles Darwin University has two representatives on the board and the right to nominate a further five members of a 13-member board.

Apart from research into critical health issues and life-threatening illnesses impacting predominantly people living in the tropics, Menzies also delivers postgraduate public health and health research studies on behalf of Charles Darwin University.

## Financial reporting

The Director must prepare the financial report within three months after the end of the financial year and forward it to the Auditor-General. The financial report was submitted for audit on 13 February 2025, which was within the legislated deadline.

The Auditor-General must audit the financial report and report to the responsible minister and the Charles Darwin University Council. The audit report was issued on 19 May 2025.

## Audit observations

Audit issue	Risk rating
Applications user access controls	High
The assessment of accounting for grant agreements requires improvement	Moderate
Lack of appropriate delegation pertaining to the processing of journal entries within the financial system	Moderate
Several corporate documents require review and update or renewal	Moderate
Employees accruing excessive leave without approval of the Director as required under the <i>Menzies 2022 Enterprise Agreement</i>	Moderate

We noted one instance where user access to IT applications had not been removed in a timely manner for a separated employee. Even though access to the application is managed with a single set of login credentials which are revoked automatically when an employee leaves, we reiterated the previous year's recommendation to conduct and document an independent and comprehensive review of user access rights and put in place relevant IT policies and procedures. Disabling active directory accounts does not eliminate all potential risks associated with an active account at the application level and can provide an entry point for an unauthorised access.

## Financial analysis

Menzies reported a surplus of \$6.1 million in 2024, which was a significant improvement on the previous year's surplus of \$2.4 million. The improved operating result was largely due to an increase in revenue from the Australian Government and contract research recognised during the year, some of which related to funding received in previous years. Restricting the growth in operating costs to only 2% over the past 12 months also helped to improve the operating result.

Financial assistance from the Australian Government in the form of competitive research grants grew by \$2.5 million or 14% in 2024. Grants from the National Health and Medical Research Council, who is the Menzies's main provider of grant funding, increased by \$1.4 million to \$12.8 million. There were also additional grants from the Department of Foreign Affairs and Trade, mainly for AusAid, of \$3.0 million. Completion of the Indigenous Youth Diabetes Model of Care project resulted in a decrease of grant revenue from the Commonwealth Department of Health by \$1.7 million.

Menzies also receives funding from non-government organisations both in Australia and overseas. Contract research revenue increased by \$3.3 million to \$17.0 million in 2024 to support projects in Timor-Leste and a global project aimed at finding better tools for tracking malaria transmissions.

Revenue received from the Northern Territory Government is mainly for collection of data for the Department of Education and Training, \$4.8 million and other research activities. The decline is due to capital funding which did not continue in 2024.

Employee expenses continued to be the most significant expense at \$35.5 million. The increase of \$2.1 million or 6% reflected additional staffing for increased research activities and 3.5% wages increase.

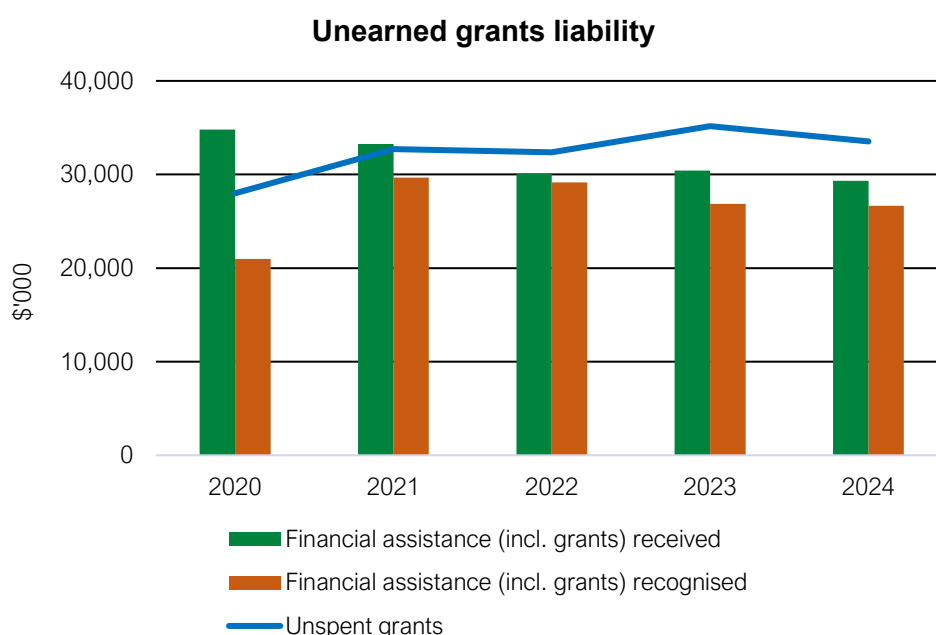
		<b>2024</b>	<b>2023</b>
		<b>\$'000</b>	<b>\$'000</b>
Research staff employee expense	↗	29 737	27 595
Education and training staff employee expense	↗	1 697	1 262
Other staff employee expense	↘	4 110	4 558
Total employee expenses	↗	35 244	33 415

		<b>FTE</b>	<b>FTE</b>
Research staff employee expense	↗	273	249
Education and training staff employee expense	↔	8	7
Other staff employee expense	↘	35	27
Total staff	↗	316	283

Other operating expenses increased only marginally.

Despite the significant increase in revenue, cash flows from operations increased only by \$1.5 million to \$6.9 million in 2024. This was largely because Menzies was utilising grants received in previous years. Unearned grants liability decreased by \$1.6 million in 2024 and totalled \$33.5 million at 31 December 2024.

The balance of unearned grants liability remained high when compared to the level of grant funding and contract research received versus earned over the past five years as shown below:



For example, \$5.0 million of the total unearned grants liability related to grants awarded in 2019 and earlier. The real value of those grants would have decreased over the years due to inflation, which increases the risk that Menzies may not be able to deliver the contracted research activities as per the agreed scope.

Operating cash flows are impacted by movements in the working capital. Menzies working capital increased from \$33.9 million at 31 December 2023 to \$40.0 million as at 31 December 2024 mainly due to an increase in cash balance as shown below:

		2024 \$'000	2023 \$'000
Cash (incl. short-term deposits)	↗	20 330	14 198
Term deposits (maturity > 90 days)	↔	57 727	57 727
Total cash and term deposits	↗	78 057	71 925

Of the total \$78.1 million in cash and term deposits, \$42.7 million was invested in term deposits held by Charles Darwin University.

Menzies's physical assets comprised mainly of laboratory and plant equipment. Menzies operates from buildings leased from the Northern Territory Government and Charles Darwin University for a nominal rent.



## Financial information

	2024 \$'000s	2023 \$'000s
Australian Government financial assistance	20 328	17 870
Northern Territory Government financial assistance	6 345	8 985
Student fees	4 406	3 603
Charles Darwin University research support	6 310	5 935
Contract research	17 038	13 689
Other revenue	5 935	5 379
<b>Total revenue</b>	<b>60 362</b>	<b>55 460</b>
Employee expenses	35 544	33 415
Direct research costs	7 159	8 087
Depreciation	718	728
Other operating expenses	10 854	10 812
<b>Total Expenses</b>	<b>54 275</b>	<b>53 043</b>
<b>Surplus</b>	<b>6 086</b>	<b>2 417</b>
<i>add back</i> <b>Net non-cash transactions</b>		
Depreciation	718	728
Other non-cash transactions	22	62
	<b>739</b>	<b>790</b>
<i>add back</i> <b>Net changes in working capital</b>		
Increase/(Decrease) in Grants received in advance	(1 640)	2 779
Other working capital movements	1 758	(555)
	<b>118</b>	<b>2 224</b>
<b>Cash flows from operations</b>	<b>6 944</b>	<b>5 431</b>
<i>less</i> Capital spend	(651)	(266)
Net transfers from/(to) Investments	(23)	(5 313)
Other flows	(137)	(113)
<b>Net increase/(decrease) in Cash</b>	<b>6 132</b>	<b>(262)</b>
<b>Cash at the end of the year</b>	<b>20 330</b>	<b>14 198</b>
Working capital	39 926	33 854
<b>Physical assets at the beginning of the year</b>	<b>1 347</b>	<b>1 580</b>
Additions	651	465
Depreciation	(573)	(608)
Revaluation	-	-
Disposal	(134)	(90)
<b>Physical assets at the end of the year</b>	<b>1 291</b>	<b>1 347</b>

# Batchelor Institute of Indigenous Tertiary Education

## Introduction

Batchelor Institute is a dual sector provider offering both higher education and vocational education and training (VET) as well as research across 2 campuses in Batchelor and Alice Springs and three remote learning centres.

## Snapshot

		2024	2023
		\$'000	\$'000
(Deficit)/Surplus	↘	(2 160)	3 936
Cash flows from operations	↘	2 736	3 915
Total cash and term deposits	↗	13 124	12 662
Working capital	↘	8 608	10 379

↗ improvement from prior year   ↘ deterioration from prior year   ↔ no material change from prior year

## Quality and timeliness of financial reporting

A draft financial report was submitted on 31 March 2025. The financial report was certified on 26 June 2025 and the audit report was issued on the same day.



Batchelor Institute  
received a clean audit  
opinion on the financial  
report<sup>1</sup>



**177**  
Number of days after balance  
date to issue audit report

<sup>1</sup> The audit report on the Batchelor Institute of Indigenous Tertiary Education's financial report included an emphasis of matter relating to a correction of prior period error.

## Background

The Batchelor Institute of Indigenous Tertiary Education was established under the *Batchelor Institute of Indigenous Tertiary Education Act 1999*.

Batchelor Institute provides training and further education, higher education and research services for Aboriginal Australians and Torres Strait Islanders.

## Financial reporting

The Director must prepare the financial report within three months after the end of the financial year and forward it to the Auditor-General. The financial report was submitted for audit on 31 March 2025, which was within the legislated deadline.

The Auditor-General must audit the financial report within three months of receiving it and report to the responsible minister. A copy of the audit report must be forwarded to the Director. The audit report was issued on 26 June 2025.

## Audit observations

Audit issue	Risk rating
Delays in implementation of ICAC's recommendations and misalignment between ICAC's recommendations and actions taken (raised in 2022 audit, partially resolved)	<b>Moderate</b>

During the year, management addressed most of the issues identified in the previous years' audits. These issues related to Batchelor Institute's overall control environment, including its governance, risk management, monitoring processes, internal controls over financial reporting, general information technology controls and an absence of controls over student records maintained in the student management system. Matters that require further attention related to the implementation of Independent Commission Against Corruption's recommendations, outdated policies and strengthening information technology controls.

## Financial analysis

Batchelor Institute reported a deficit of \$2.2 million in 2024, compared to a surplus of \$3.9 million reported in the previous year. The \$6.1 million turnaround was a result of a \$4.4 million increase in expenses and a \$1.7 million reduction in revenue.

Government financial assistance remained constant between years. Although, an increase in Commonwealth support for ongoing operations and access to education by Indigenous Australians living in remote and regional areas was offset by a decrease in Fee Free TAFE funding from the Northern Territory Government.

Student contributions almost doubled to \$0.508m in 2024 due to improved retention and completion rates. The Institute remains heavily reliant on government support with revenue from student fees representing 1.4% of total revenue.

Other revenue, which includes revenues from research grants and consultancies, decreased by \$1.5 million to \$5.0 million following the completion of a number of projects in the previous year. Batchelor Institute held \$2.1 million in unspent grants at 31 December 2024.

Employee expense increased by \$2.5 million to \$22.3 million in 2024 due to a 2.25% increase in salary rates and a net increase in employees as vacant positions were filled during the year. The increased staffing also led to an increase in other operating expenses, such as the cost of travel and equipment.

		<b>2024</b>	<b>2023</b>
		<b>FTE</b>	<b>FTE</b>
Academic staff	↗	66	53
Non-academic staff	↗	146	112
Total staff	↗	212	165

Despite the deficit, Batchelor Institute reported positive cash flows from operations. Overall, net cash flows from operating activities were \$2.7 million in 2024, which was \$1.2 million lower compared to the previous year. Batchelor Institute utilised the surplus cash to fund capital expenditure and repay debt. Overall, Batchelor Institute held \$13.1 million in cash at 31 December 2024, which was a slight increase of \$0.5 million on last year's balance of \$12.6 million.

Batchelor Institute reported \$42.6 million in property, plant and equipment at 31 December 2024. The majority of the balance comprised of buildings, \$38.2 million; land, \$1.2 million; and infrastructure assets, \$1.5 million. These assets were located mainly on campuses in Batchelor and Alice Springs.

Batchelor Institute spent \$1.8 million on its assets. This resulted in an asset sustainability ratio of 85% (2023, 65%) which is below the generally accepted benchmark of 100%. The ratio measures the extent to which an entity maintains operating capacity through renewal of its existing asset base. While it may not be feasible to achieve the benchmark every year as capital expenditure can be deferred in the short-term if there are insufficient funds available from operations and borrowing is not an option, it is a useful measure of the rate of spending on existing assets through renewing, restoring and replacement.

## Financial information

	2024 \$'000s	2023 \$'000s
Australian Government financial assistance	17 903	17 420
Northern Territory Government financial assistance	13 180	14 017
Student contributions	508	283
Other revenue	5 011	6 556
<b>Total revenue</b>	<b>36 602</b>	<b>38 276</b>
Employee expenses	22 313	19 784
Other operating expenses	13 838	12 605
Finance costs	47	29
Depreciation	2 564	1 922
<b>Total expenses</b>	<b>38 762</b>	<b>34 340</b>
<b>Surplus/(Deficit)</b>	<b>(2 160)</b>	<b>3 936</b>
<i>add back</i> <b>Net non-cash transactions</b>		
Depreciation	2 564	1 922
Other non-cash transactions	68	216
	<b>2 632</b>	<b>2 138</b>
<i>add back</i> <b>Net changes in working capital</b>		
Increase/(Decrease) in Grants received in advance	1 814	(224)
Other working capital movements	450	(1 935)
	<b>2 264</b>	<b>(2 159)</b>
<b>Cash flows from operations</b>	<b>2 736</b>	<b>3 915</b>
<i>less</i> Capital spend	(1 781)	(1 080)
<i>less</i> Repayments of borrowings	(493)	(264)
Other flows	-	(222)
<b>Net increase/(decrease) in Cash</b>	<b>462</b>	<b>2 349</b>
<b>Cash at the end of the year</b>	<b>13 124</b>	<b>12 662</b>
Working capital	8 608	10 379
<b>Physical assets at the beginning of the year</b>	<b>43 029</b>	<b>26 887</b>
Additions	1 603	1 081
Depreciation	(2 103)	(1 673)
Revaluation	124	16 734
Disposal	(15)	-
<b>Physical assets at the end of the year</b>	<b>42 638</b>	<b>43 029</b>

# OTHER ENTITIES 30 JUNE 2024

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# Desert Knowledge Australia

## Introduction

Desert Knowledge Australia facilitates projects aimed at improving livelihoods of communities in deserts and arid lands and is responsible for the management and development of the Desert Knowledge Precinct in Alice Springs.

## Snapshot

		2023-24	2022-23
		\$'000	\$'000
Surplus	↗	64	27
Cash flows from operations	↗	(583)	(1 762)
Total cash and term deposits	↔	2 350	2 563
Working capital	↗	869	681

↗ improvement from prior year   ↘ deterioration from prior year   ↔ no material change from prior year

## Quality and timeliness of financial reporting

A draft financial report was submitted on 30 September 2024. The financial report was certified on 22 November 2024 and the audit report was issued on the same day.



Desert Knowledge Australia received a clean audit opinion on the financial report



**145**  
Number of days after balance date to issue audit report

## Background

Desert Knowledge Australia was established under the *Desert Knowledge Australia Act 2003*. Its purpose was to encourage learning, research and sustainable socioeconomic development in the desert and arid lands.

Desert Knowledge Australia manages the Desert Knowledge Precinct, which is situated in Alice Springs on a land leased from the Northern Territory Government. The precinct includes a business centre and a solar demonstration facility.



## Financial reporting

Desert Knowledge Australia is required to report as if it were a company under the *Corporations Act 2001*. It must submit its financial report to the responsible minister and the Auditor-General by 30 September and the Auditor-General is required to report to the responsible minister on the financial report by 30 November each year. A draft financial report was submitted on

The audit report was issued on 22 November 2024.

## Audit observations

Audit issue	Risk rating
Errors in timing of grant revenue and capitalisation of works required corrections and restatement of prior period information	Moderate

### Timing of grant revenue

In previous years, several grants were recognised as revenue immediately upon receipt. It was found that agreements for those grants contained sufficiently specific details of the good or service to be provided. As a result, grant income that was previously recognised when received was reversed and recognised over time as the specific performance obligations outlined in the grant agreements were fulfilled.

Accounting for grant revenue depends on the nature of each grant. Revenue from grants with sufficiently specific performance obligations is recognised when the performance obligations are satisfied under the revenue standard AASB 15 *Revenue from Contracts with Customers*. Otherwise, a government grant is recognised as income immediately under AASB 1058 *Income of Not-for-Profit Entities*.

Judgement is needed to determine whether a grant agreement constitutes an enforceable contract and contains promises to deliver goods and services that are “sufficiently specific”.

The error was corrected by restating comparative information. Grant revenue for 2022-23 was adjusted upwards by \$2.2 million and corrections were made to both current and non-current balances of unearned grant revenue liabilities.

## Financial analysis

Desert Knowledge Australia reported a surplus of \$64 thousand.

Desert Knowledge Australia generated the majority of its revenue from grants, \$2.5 million in 2023-24 (2022-23; \$3.8 million). It spent \$1.8 million (\$3.1 million) on employees and consultants who predominantly worked on projects funded by the various grants. Desert Knowledge Australia's permanent workforce was seven full time equivalent employees in 2024.

Completion of the Alice Springs Future Grid project in October 2023 resulted in the drop in both revenue and consultant costs in 2023-24. This major project focused on reducing barriers to the uptake of renewable energy in Alice Springs and was funded by the Australian and Northern Territory governments.

Desert Knowledge Australia also earned revenue from operating and managing the Desert Knowledge Precinct, including rent, venue hire and on-charging electricity generated from a solar farm. Revenue from the Precinct totalled \$0.6 million in 2023-24 (\$0.5 million). Costs incurred in running the Precinct, operating the solar farm and general operations were relatively constant between years and totalled \$0.9 million (\$0.9 million). Depreciation was also constant at \$0.5 million (\$0.5 million).

Desert Knowledge Australia held \$2.4 million in cash and term deposits at 30 June 2024 (30 June 2023; \$2.6 million), of which \$1.3 million (\$1.8 million) related to unspent grant funding. Its property, plant and equipment totalled \$10.4 million (\$10.6 million) and comprised mainly of the Business Innovation Centre and Precinct headworks transferred from the Northern Territory Government over the years and solar farm equipment.

Desert Knowledge Australia's equity of \$11.2 million at 30 June 2024 included a \$7.8 million equity contribution from the Northern Territory Government.

The Northern Territory Government provided \$5.0 million in 2017-18 to fund the development of a Centre of Excellence for Renewable Energy in Alice Springs in order to help it achieve its renewable energy policy. The Intyalheme Centre for Future Energy, as it is now known, was finalised in 2023-24 with an additional financial support from the Australian Government under various renewable energy programs.

### Desert Knowledge Research Institute Ltd

Desert Knowledge Research Institute Ltd is a company limited by guarantee and a registered charity set up by Desert Knowledge Australia to access funding from other sources, including the Australian Government for projects that advance renewable energy technologies. It received \$2.17 million towards Alice Springs Future Grid.

Desert Knowledge Australia does not control nor does it have significant influence over Desert Knowledge Research Institute Ltd. Therefore, there is no requirement to consolidate or apply equity accounting. Desert Knowledge Research Institute Ltd is not audited by the Auditor-General.

## Financial information

	2023-24 \$'000s	2022-23 \$'000s
Grant revenue	2 534	3 751
Precinct revenue	630	546
Interest	18	24
Consultancy	3	99
Other revenue	62	37
<b>Total revenue</b>	<b>3 247</b>	<b>4 458</b>
Employee expenses	1 128	1 306
Consultants	717	1 772
Other operating expenses	852	875
Depreciation	485	478
<b>Total expenses</b>	<b>3 182</b>	<b>4 431</b>
<b>Surplus</b>	<b>64</b>	<b>27</b>
<i>add back</i> <b>Net non-cash transactions</b>		
Depreciation	485	478
	<b>485</b>	<b>478</b>
<i>add back</i> <b>Net changes in working capital</b>		
Increase/(Decrease) in Grants received in advance	(592)	(2 239)
Other working capital movements	(540)	(28)
	<b>(1 132)</b>	<b>(2 267)</b>
<b>Cash flows from operations</b>	<b>(583)</b>	<b>(1 762)</b>
<i>less</i> Capital spend	(201)	(566)
<i>add</i> Interest received	18	24
<i>add</i> Desert Knowledge Research Institute receipts	552	23
<b>Net increase/(decrease) in cash</b>	<b>(214)</b>	<b>(2 281)</b>
<b>Cash at the end of the year</b>	<b>2 328</b>	<b>2 542</b>
<b>Working capital</b>	<b>869</b>	<b>681</b>
<b>Physical assets at the beginning of the year</b>	<b>10 671</b>	<b>10 584</b>
Additions	201	566
Depreciation	(485)	(478)
Revaluation	-	-
Disposal	-	-
<b>Physical assets at the end of the year</b>	<b>10 387</b>	<b>10 671</b>
<b>Government equity contribution</b>	<b>7 809</b>	<b>7 809</b>

# National Park Boards

## Introduction

Nitmiluk National Park and Garig Gunak Barlu National Park, including adjacent marine areas, were created under specific Territory legislation. These two parks are managed by the Parks and Wildlife Commission of the Northern Territory in accordance with management plans set by their respective boards:

- Nitmiluk (Katherine Gorge) National Park Board; and
- Cobourg Peninsula Sanctuary and Marine Park Board.

Park income is either shared with or fully distributed to traditional owners.

The Parks and Wildlife Commission is a division of the Department of Tourism and Hospitality (previously the Department of Environment, Parks and Water Security).

## Sector snapshot

		2023-24	2022-23
		\$'000	\$'000
Park income	↔	1 843	1 854
Distributions to traditional owners	↔	1 266	1 187
Rent paid to Northern Land Council	↔	446	440

↗ improvement from prior year   ↘ deterioration from prior year   ↔ no material change from prior year

## Quality and timeliness of financial reporting

A draft financial report was submitted on 30 September 2024. The financial report was certified on 22 November 2024 and the audit report was issued on the same day.



Both national park boards received clean audit opinions on the financial reports <sup>1,2,3</sup>



**414**  
Average number of days after balance date to issue audit reports

<sup>1</sup> The audit report on the Nitmiluk (Katherine Gorge) National Park Board's financial report included an emphasis of matter relating to a correction of a prior period error.

<sup>2</sup> The audit report on the Cobourg Peninsula Sanctuary and Marine Park Board's financial report included an emphasis of matter relating to going concern, which is further explained in the *Land Claim* section of this chapter.

<sup>3</sup> The audit report on the Cobourg Peninsula Sanctuary and Marine Park Board's financial report for the year ended 30 June 2023 included an emphasis of matter relating to going concern and a correction of a prior period error.

Clean audit opinions give Parliament and the Territorians confidence in the reliability of the financial reports.

Timeliness of financial reporting impacts the relevance and usefulness of financial information and is fundamental for transparency, accountability and public trust.

The deadline for the preparation of the national park boards' financial reports is 31 August each year in accordance with the requirements applicable to government business divisions under the *Financial Management Act 1995*.

Although both national park boards received an extension of time for submission of their annual reports from the Minister for Parks and Wildlife, no valid extensions of time were granted for the submission of financial reports. The Minister for Parks and Wildlife does not have the power to grant exemptions from the requirements of the Financial Management Act. That responsibility rests with the Treasurer.

## Background

Nitmiluk (Katherine Gorge) National Park and Garig Gunak Barlu National Park (Cobourg Peninsula Sanctuary and Marine Park) were established under the *Nitmiluk (Katherine Gorge) National Park Act 1989* and *Cobourg Peninsula Aboriginal Land, Sanctuary and Marine Park Act 1981* respectively.

Apart from establishing the two national parks, Nitmiluk National Park and Garig Gunak Barlu National Park, the national park boards and their management, the legislation acknowledges and secures the right of Aboriginal people to occupy and use the land. The *Cobourg Peninsula Aboriginal Land, Sanctuary and Marine Park Act 1981* also provides for the management of adjacent marine areas.

Both national parks operate under similar arrangements:

- management plans for each park are set by their respective board
- Parks and Wildlife Commission of the Northern Territory manages the parks in accordance with the approved management plans
- the boards have the right to make by-laws regulating activities in the parks, such as camping or fishing
- the Territory pays an annual fee for use of each park
- income from the Nitmiluk National Park is shared between traditional owners and the Territory
- income from the Garig Gunak Barlu National Park is fully retained by traditional owners.

## Financial reporting

The national park boards are body corporates, and their members, the majority of which are traditional owners, are appointed by the responsible minister.

Each national park board is required to prepare an annual report on its operations, which is to include a financial report. The annual report must be provided to the responsible minister within six months from the end of the financial year, who must then table it in the Legislative Assembly.

For financial reporting purposes, the national park boards are deemed government business divisions under the *Financial Management Act 1995*, with the Director of Parks and Wildlife designated as the Accountable Officer. The Accountable Officer must prepare the financial report for each national park board within two months after the end of the financial year. The Auditor-General is required to audit the financial reports and report on them to the responsible minister.

## Audit observations

Audit issue	Risk rating
Material errors requiring restatements of prior periods	Significant
Deficiencies in processes to ensure that operators are not underreporting visitor numbers which could result in an understatement of revenue	High
Outdated Park management plans	High
The responsibilities and performance expectations between the Department and national park boards are not formalised	Moderate
Fixed asset register has not been maintained nor can any information be provided to verify assets held	Moderate
Improvements to reporting capabilities of the Online booking system	Moderate
Processes to identify related parties and potential conflicts of interests are not being completed.	Moderate
Inability to provide evidence of past board resolutions	Moderate
Lack of policy on debt write-off process	Moderate

## Park management plans

Both national park boards are required to prepare plans of management, which detail the objectives of the national park, management directions and future proposals. Plans of management for both Nitmiluk and Garig Gunak Barlu National Park are more than 10 years old. *Nitmiluk (Katherine Gorge) National Park Act 1989* requires a plan of management to be prepared at least every 10 years. The *Cobourg Peninsula Aboriginal Land, Sanctuary and Marine Park Act 1981* does not contain the same requirement, however the period of the plan should not exceed 10 years to ensure that the park is managed in line with its current operational needs.

## Financial reporting

Both national park boards are required to comply with section 10 of the *Financial Management Act 1995* as if their activities were a government business division. This means, that the financial report must, among other things, be prepared in such form as the Treasurer directs and on commercial accounting principles. In other words, the financial report must be a general purpose financial report prepared in accordance with the Australian Accounting Standards, unless the Treasurer directs otherwise.

Financial reports are one of the means by which public sector entities discharge their financial responsibilities to their minister and Parliament. Preparing financial reports in accordance with the Australian Accounting Standards allows comparison between entities by contrasting measurement and recognition of financial transactions and balances.

The Parks and Wildlife Commission, through the Department of Tourism and Hospitality (the Department) is responsible for the collection and distribution of park income in accordance with legislation or by-laws set by the national park board.

The national park boards have no control over the systems and processes in place to collect the fees and charges, distribute the revenues and report the transactions in the financial reports.

In addition, general purpose financial reports are intended to be used by a wide range of general users and the information may not be tailored to meet the specific needs of particular users or purposes. For example, if the purpose of the financial report is to report on income collected from users of the national parks and how the income was distributed by the Department, then a special purpose financial report or an acquittal report by the Department to the national park boards may be a more fitting way of reporting than the current reporting arrangements.

## Land Claim

Under the *Cobourg Peninsula Aboriginal Land and Sanctuary Act 1981*, the land that was subject to the Land Claim No. 6 was vested in the Cobourg Peninsula Sanctuary Land Trust and managed jointly by the Cobourg Peninsula Sanctuary and Marine Park Board and the Parks and Wildlife Commission.

The membership of the Cobourg Peninsula Sanctuary and Marine Park Board includes representatives of four traditional owners' groups. An inquiry into the ownership of the Cobourg Peninsula under the *Aboriginal Land Rights (Northern Territory) Act 1976* (Cth) identified a fifth group of traditional owners. This finding creates an inconsistency between the Commonwealth and Territory legislation and until that matter is resolved, there is a significant doubt about the Cobourg Peninsula Sanctuary and Marine Park Board's ability to continue in its current form.

## Financial analysis

### Nitmiluk (Katherine Gorge) National Park Board

Park income totalled \$1.5 million in 2023-24 (2022-23, \$1.6 million), of which \$1.0 million (\$0.9 million) was paid to the Northern Land Council to be distributed to traditional owners. The Nitmiluk (Katherine Gorge) National Park Board does not have a bank account and all transactions were processed through the Department's account.

The Northern Territory Government paid annual rent of \$0.3 million (\$0.3 million).

#### *Prior period error*

Park income was understated by \$0.3 million in 2022-23. Distributions to traditional owners and the Department were understated in total by the same amount. The error was corrected by restating 2022-23 comparative information but it did not impact cash payments made to traditional owners, as receipts and payments are managed through a separate clearing account.

### Cobourg Peninsula Sanctuary and Marine Park Board 2023-24

Park income totalled \$0.3 million in 2023-24 (2022-23, \$0.3 million), of which \$0.2 million (\$0.2 million) was paid to the Northern Land Council to be distributed to traditional owners. Cash at bank totalled \$0.4 million at 30 June 2024 (30 June 2023, \$0.4 million).

The Northern Territory Government paid annual rent and fees of \$0.1 million (\$0.1 million).

## Financial information

	<b>Cobourg Peninsula Sanctuary and Marine Park Board</b>	<b>Nitmiluk (Katherine Gorge) National Park Board</b>
	<b>2023-24</b>	<b>2023-24</b>
	<b>\$'000</b>	<b>\$'000</b>
Park income	313	1 530
Distributions to traditional owners	247	1 019
Income retained by NT Government	n/a	511
Corporate support received from NT Government at no cost	142	140
Rent paid by NT Government <sup>^</sup>	112	334

<sup>^</sup>The Northern Territory Government pays rent or a fee for the use of land as a national park or reserve to the Northern Land Council. Therefore, these payments are not recognised as income of the national park boards.



## Financial analysis

### Cobourg Peninsula Sanctuary and Marine Park Board 2022-23

Park income totalled \$0.3 million in 2022-23 (2021-22, \$0.2 million), of which \$0.2 million (\$0.2 million) was paid to the Northern Land Council to be distributed to traditional owners. Cash at bank totalled \$0.4 million at 30 June 2023 (30 June 2022, \$0.4 million).

The Northern Territory Government paid annual rent and fees of \$0.1 million (\$0.1 million).

#### *Prior period error*

Errors in the recognition of expenses and fees collected on behalf of a third party resulted in the overstatement of both expenses and revenue. The errors were corrected by restating 2021-22 comparative information.

## Financial information

<b>Cobourg Peninsula Sanctuary and Marine Park Board</b>	
<b>2022-23</b>	
	<b>\$'000</b>
Park income	284
Distributions to traditional owners	247
Income retained by NT Government	n/a
Corporate support received from NT Government at no cost	100
Rent paid by NT Government <sup>^</sup>	106

<sup>^</sup>The Northern Territory Government pays rent or a fee for the use of land as a national park or reserve to the Northern Land Council. Therefore, these payments are not recognised as income of the national park boards.

# Northern Territory Police Supplementary Benefit Scheme

## Introduction

The Scheme supplements the pension for eligible members of the Northern Territory Police Force.

## Snapshot

		2023-24	2022-23
		\$	\$
Contributions received	↘	7 996	13 636
Investment returns	↔	40 732	43 393
Contributions paid out	↗	(123 981)	(229 416)
Cash and investments	↘	426 116	501 603

↗ improvement from prior year   ↘ deterioration from prior year   ↔ no material change from prior year

## Quality and timeliness of financial reporting

The financial report was certified by the trustees on 16 January 2025. The audit report on was issued on 17 January 2025.



The Scheme received a clean audit opinion on the financial report



**201**  
Number of days after balance date to issue audit report

## Background

The Scheme was established under the *Northern Territory Police Supplementary Benefit Scheme Trust Deed* (Trust Deed). The Scheme is an exempt public sector superannuation scheme, which provides a supplement to benefits payable from the Commonwealth Superannuation Scheme (CSS) for eligible members of the Northern Territory Police Force. The supplement is up to 25% of the CSS employer-financed pension.

The Scheme has been closed to new members since 1 January 1988.

## Financial reporting

The Trust Deed requires the trustees to prepare, as soon as practicable, a report on the Scheme's operations, which is to include financial statements. The auditor is appointed by the Treasurer.

## Audit observations

There were no formal meetings held by the trustees and matters were dealt with out of session. The Trust Deed allows the trustees to regulate their meetings as they see fit, however it would good practice to hold at least one formal meeting each year to ratify all out of session decisions. Such a meeting would not have to be in person but should be minuted.

## Financial analysis

Members contribute 1% of their Commonwealth Superannuation Scheme (CSS) salary to the Police Supplementary Benefit Scheme fund. Members who do not qualify for a supplementary benefit when exiting the Scheme receive a refund of their contributions together with investment earnings on those contributions.

The Scheme continued to maintain a net assets position because the liability for future benefit payments is held by the CCS. The estimated value of all future benefits payable under the Scheme was \$67.8 million as at 30 June 2024. Approximately \$3.4 million is paid out annually in supplementary benefits from the Territory budget.

All investments were redeemed and converted into cash during the year as all contributing members will become entitled to commence their pension in 2024-25. As a result, the Scheme's cash balance increased to \$426 thousand (2023, \$36 thousand) and investments were reduced to \$nil as at 30 June 2024 (2023, \$466 thousand).

The Scheme's liabilities as at 30 June 2024 comprised mainly of accumulated contributions of \$420 thousand (2023, \$504 thousand). Accumulation accounts of members who qualify for a supplementary benefit on exit are transferred to the Northern Territory Government who is then responsible for the payment of the supplementary benefit.

The Scheme had four active members at 30 June 2024. Two members exited in 2023-24, compared to five members in 2022-23.

## Financial information

	2023-24 \$'000s	2022-23 \$'000s
Investment revenue	41	43
Contributions	8	14
<b>Total revenue</b>	<b>49</b>	<b>57</b>
Benefits	40	50
Other operating expenses	9	7
<b>Total expenses</b>	<b>49</b>	<b>57</b>
<b>Net result</b>	<b>-</b>	<b>-</b>
<i>add back</i> <b>Net non-cash transactions</b>		
Changes in fair value of investments	(38)	(42)
	<b>(38)</b>	<b>(42)</b>
<i>add back</i> <b>Net changes in working capital</b>		
Other working capital movements	(76)	(180)
	<b>(76)</b>	<b>(180)</b>
<b>Cash flows from operations</b>	<b>(113)</b>	<b>(222)</b>
<i>add</i> Investments redeemed to cash	504	223
<b>Net increase in Cash</b>	<b>390</b>	<b>1</b>
<b>Cash at the end of the year</b>	<b>426</b>	<b>36</b>
<b>Accumulated contribution balances</b>	<b>420</b>	<b>504</b>

# Public Trustee for the Northern Territory

## Introduction

The Public Trustee provides estate, trustee and will services and manages property that has been restrained or forfeited under the *Criminal Property Forfeiture Act 2002*.

## Snapshot

- The Public Trustee administered \$79.8 million of funds at 30 June 2024, allocated across four investment funds of varying mix of assets and investment risk.
- Almost half of the funds under management was invested in common fund 1, which is a single asset managed fund which invests only in cash and owns an investment property.
- The average rate of return was 7% in 2023-24.
- The majority of funds under management were related to trusts. Deceased estates represented 17% and property seized due to a crime 3% of total funds.
- The Public Trustee also manages deceased estate assets which are not invested in any of the common funds. These assets do not form part of the funds under management nor are they subject to audit. The unaudited value of deceased estate assets was \$32.6 million at 30 June 2024.

## Quality and timeliness of financial reporting

The financial statements initially submitted for audit required corrections before we could issue a clear audit opinion. The financial statements for the four common funds were certified by the Public Trustee on 14 February 2025. The audit report on the financial statements was issued on 17 February 2025.



The Public Trustee received a clean audit opinion on the financial statements for its four common funds



**232**  
Number of days after balance date to issue audit report

The deadline for the preparation and audit of the Public Trustee's financial statements is 31 October each year by virtue of a requirement to provide investors in common funds an extract from the Public Trustee's annual report by that date.

## Background

The Public Trustee for the Northern Territory is both a statutory officer appointed by the Administrator and a body corporate established under the *Public Trustee Act 1979*. The Office of the Public Trustee is not a stand-alone agency but an administrative unit within the Attorney-General's Department.

In the Northern Territory, the Offices of the Public Trustee and of the Public Guardian are joined and the same person fills both the statutory roles of Public Guardian and Public Trustee. The Public Guardian and Trustee is authorised to make decisions about personal and/or financial matters for persons who have impaired decision-making ability in relation to those matters.

## Financial reporting

The Public Trustee Act requires the preparation of an annual report on the operations of the Public Trustee, including audited statements for each of the four common funds:

- Common fund 1 is a single asset managed fund which invests only in cash, such as short-term money market deposits or government securities.
- Common funds 2 (conservative), 3 (balanced) and 4 (growth) are mixed assets managed funds. The fund manager buys and sells assets, such as cash, shares, bonds on behalf of the investors and based on advice from the fund advisors and in accordance with the investment strategy. Investment strategies for each common fund are set by the Public Trustee Investment Board.

The Public Trustee Act requires the Auditor-General to audit the accounts and records of the Public Trustee in respect of each financial year and report on the outcomes of the audit to the Attorney-General and the Public Trustee.

## Audit observations

Audit issue	Risk rating
Non-compliance with reporting obligations	Significant
Presentation of Management Fee and Levy	High
Calculation method of Management Fee and Levy	High
Reclassification of distribution receivable and investment	High
Recording of redemption and transfers between common funds	High
Reconciliation of the investment roll-forwards	Moderate

The Public Trustee must prepare financial statements for each common fund. We are also of the view that it should also prepare a financial report for the Public Trustee as the corporate entity. The Public Trustee does not currently prepare a financial report detailing the transactions and balances relating to the corporate entity:

- transactions with third parties, such as payments of management fees and levies are managed through and reported in the financial statements for common fund 1.
- Income from commissions, fees and levies and costs associated with running of the Office of the Public Trustee are reported within the Attorney-General's Department's financial report.

The Public Trustee and the Auditor-General have requested the Solicitor-General to advise on financial reporting obligations of the Public Trustee under the Public Trustee Act. The legal opinion was not finalised at the time of preparing this report.

As mentioned previously, financial statements initially submitted for audit required amending and further corrections were recommended because some accounting practices, that have been in place for some time, did not reflect the accounting treatment under current accounting standards. Considering the nature of the errors and because of management's commitment to address these in the 2024-25 reporting period, we could still issue a clear audit opinion without correcting the accounting treatment:

- Funds under administration included investments in the process of being transferred between the common funds or redeemed altogether. The impact on Net Assets and Funds under administration across all common funds was nil.
- Investments in common funds 2, 3 and 4 included distributions which were yet to be received and reinvested. The impact on Net Assets and Funds under administration in each of the three common funds was nil.
- Revenue and expenses in common fund 1 included management fees from common funds 2, 3 and 4 collected on behalf of and paid to the Northern Territory Government. The net impact on the income statement was nil.

## Financial snapshot

	<b>Common Fund 1</b>	<b>Common Fund 2</b>	<b>Common Fund 3</b>	<b>Common Fund 4</b>
	<b>2023-24</b>	<b>2023-24</b>	<b>2023-24</b>	<b>2023-24</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Funds under administration	38 975 <sup>^</sup>	7 984	14 764	18 123
Investment returns	1 542 <sup>*</sup>	578	1 290	1 855
Average investment return	5%	7%	9%	11%
Management fees and levy	373	155	266	301

<sup>^</sup> Includes undistributed surplus of \$0.4m.

<sup>\*</sup> Includes rent from an investment property in Coonawarra Road, Winnellie.

## Financial analysis

The Public Trustee had \$79.8 million of funds under administration across the four common funds at 30 June 2024 (2022-23: \$65.3 million).

The majority of funds, \$39.0 million or 49%, were invested in common fund 1, which apart from cash and cash equivalents, owned an investment property in Coonawarra Road, Winnellie. The Northern Territory Government guarantees investments in common fund 1, including minimum rates of return.

The Public Trustee generated \$5.2 million or 7% in returns on investments across the four funds in 2023-24.

Under the Public Trustee Act, the Public Trustee may charge each common fund a management fee and must charge each common fund a levy prescribed by regulations at 2% and 1.1% respectively. The levy on common funds 2, 3 and 4 was altered to 0.121% in 2020.

The current practice is that the management fee for common funds 2, 3, and 4 is the residual amount after deducting the levy fee and charges by an external advisor. Administration and custodian fees totalled \$0.2 million in 2023-24.

In 2024, the Public Trustee paid \$0.9 million in management fees and levies to the Northern Territory Government.

## Comments and submissions

Section 24(4)(b) of the *Audit Act 1995* requires the Auditor-General to include in reports to the Legislative Assembly and supplementary reports any submissions or comments received.

## Response from the Public Trustee

The Public Trustee acknowledges the findings of the Auditor-General. The Public Trustee has sought legal advice on the provisions the Public Trustee Act 1979 that have led to the Auditor-General's finding of non-compliance and the requirement for separate financial statements for the corporate entity, noting this has not previously been required. Procedures to support the calculation of the management fee and levy are being reviewed to ensure compliance with the Public Trustee Act 1979. The Public Trustee notes the Auditor-General's acknowledgement that there was nil financial impact on the income statement, net assets and funds under administration from the remaining matters but has resolved to address these findings for the year ended 30 June 2025.

Beth Walker  
Public Guardian and Trustee  
15 July 2025



# APPENDIX A

## Status of audit work program

### Financial audits

Status of audits of financial reports identified as not yet complete in Appendix 2 of the November 2024 Report to the Legislative Assembly:

Year	Entity	Comment
<b>2022-23</b>	Cobourg Peninsula Sanctuary and Marine Park Board	Completed
<b>2023-24</b>	Cobourg Peninsula Sanctuary and Marine Park Board	Completed
	Desert Knowledge Australia	Completed
	Nitmiluk (Katherine Gorge) National Park Board	Completed
	NT Police Supplementary Benefit Scheme	Completed

### Other financial audits

In addition to legislatively mandated audits, some programs or grant agreements, mainly those provided by the Federal Government, require the Auditor-General to undertake audits of grant acquittals and complete audit certifications.

Year	Entity
<b>2022-23</b>	Department of the Chief Minister and Cabinet – Claim Number 1 for Relief and Recovery Assistance under Disaster Recovery Funding Arrangements
<b>2023-24</b>	Department of Logistics and Infrastructure – Black Spot Program Department of Logistics and Infrastructure – Roads to Recovery Department of Health – NT Regional Health Services Funding Department of the Chief Minister and Cabinet – Local Government Financial Assistance Northern Territory State Funding Pool
<b>2024</b>	Charles Darwin University - Higher Education Research Data Collection return

## Non-financial audits

Status of other, non-routine audits and reviews identified as not yet complete in Appendix 2 of the November 2024 Report to the Legislative Assembly:

<b>Matter</b>	<b>Anticipated completion</b>
Manual Payroll Calculations	September 2025

Other non-financial audits and reviews that are currently underway:

<b>Matter</b>	<b>Anticipated completion</b>
Effectiveness of Internal Audit and Audit Committees	September 2025
Police System Replacement Project	October 2025

# APPENDIX B

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## About auditing

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

### Independent audit (also known as external audit)

Independent audits are generally undertaken in order for an entity to meet its reporting obligations. 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

Part 3 of Treasurer's Direction on Internal Controls requires an Accountable Officer to ensure their 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; and
- 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); and

- Tier 2: *Australian Accounting Standards – Reduced Disclosure Requirements* 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 the general government sector.

## 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 two overarching categories of audit opinion, an unmodified audit opinion (sometimes referred to as a ‘clean’ opinion) and a modified audit opinion.

### Unmodified audit opinion



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

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



### **Emphasis of matter**

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.



### **Other matter**

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

## **Modified audit opinion**



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

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

### **Qualified opinion**

An auditor shall express a qualified opinion when:

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

### **Adverse opinion**

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

### **Disclaimer of opinion**

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

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

## Assurance engagements conducted by the Auditor-General

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

- financial audits
- end of year reviews
- Information Technology audits
- controls and compliance audits
- Performance Management System audits.

### Financial audits

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.

## 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.



# APPENDIX C

## Risk rating of audit issues

The risk rating of audit issues reflects our assessment of the likelihood of the risk occurring and the consequence if it occurs. We assess the impact of each issue on:

- the reliability, accuracy and timeliness of financial reporting, and/or
- the effectiveness and efficiency of operations, including probity, propriety and compliance with legislation.

Risk rating	Impact
<b>Significant</b>	<ul style="list-style-type: none"> <li>▪ Matters that could lead to a material misstatement of the financial report and will result in a qualified opinion if not addressed immediately</li> <li>▪ Matters that have resulted in a qualified audit opinion</li> </ul>
<b>High</b>	<ul style="list-style-type: none"> <li>▪ Failure or non-existence of key internal controls and/or governance practices of such significance that they can affect an entity's ability to achieve its objectives or impact the reliability of its financial report (i.e. may lead to a material misstatement).</li> <li>▪ Failure or non-existence of internal controls which resulted in fraud.</li> <li>▪ Matters that could potentially result in a modified audit opinion if not addressed as a matter of urgency.</li> </ul>
<b>Moderate</b>	<ul style="list-style-type: none"> <li>▪ Matters of a systemic nature that pose a moderate business or financial risk to an entity if not addressed as high priority.</li> <li>▪ Failure or non-existence of internal controls which could lead to misstatements in the financial report not being prevented, detected or corrected.</li> <li>▪ Failure or non-existence of internal controls which could lead to fraud.</li> <li>▪ Matters that may escalate to high risk if not addressed within the reporting period.</li> <li>▪ Low risk matters which have been reported to management in the past but have not been addressed.</li> </ul>
<b>Low</b>	<ul style="list-style-type: none"> <li>▪ Matters that are isolated, non-systemic or procedural in nature.</li> <li>▪ Matters that may escalate to moderate risk if not addressed within a reasonable timeframe.</li> <li>▪ Matters that reflect relatively minor administrative shortcomings and could be addressed in the context of the entity's overall control environment.</li> </ul>

# APPENDIX D

## Abbreviations

AASB	Australian Accounting Standards Board	HECS	Higher Education Contribution Scheme
AER	Australian Energy Regulator	HELP	Higher Education Loan Program
ALRA	<i>Aboriginal Land Rights (Northern Territory) Act 1976</i>	ICT	Information and communication technology
APES	Accounting Professional and Ethical Standard	IES	Indigenous Essential Services
APRA	Australian Prudential Regulation Authority	IT	Information Technology
APRO	Agency Purchase Requisition Online	NOA	Notice of Acceptance
ASA	Australian Auditing Standard	NT	Northern Territory
ASAE	Australian Standard on Assurance Engagements	NTAG	Northern Territory Art Gallery
ATIQ	Authority to Invite Quotations	NTAGO	Northern Territory Auditor-General's Office
AUD	Australian Dollar	NTG	Northern Territory Government
CDU	Charles Darwin University	NTGDIS	Northern Territory Government Death and Invalidity Scheme
CHA	Central Holding Authority	NTGPASS	Northern Territory Government and Public Authorities' Superannuation Scheme
CPS	Cross-Industry Prudential Standard	PAR	Procurement Assessment Recommendation
CSO	Community Service Obligations	PIPS	Personnel Information and Payroll System
CSS	Commonwealth Superannuation Scheme	PWC	Power and Water Corporation
DCDD	Department of Corporate and Digital Development	SLA	Service Level Agreement
EDTL	Executive Director of Township Leasing	TAFR	Treasurer's Annual Financial Report
EIMS	Electronic Invoice Management System	TAFS	Treasurer's Annual Financial Statements
FTE	Full Time Equivalent	VET	Vocational education and training
GAS	Government Accounting System		
GBP	Great Britain Pound		
GFS	Government Finance Statistics		
GGs	General Government Sector		
GPS	General Insurance Prudential Standard		
GST	Goods and services tax		

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