

Audit of the Treasurer's Annual Financial Report

30 June 2025

Auditor-General's Report
to the Legislative Assembly
No 4: 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
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Auditor-General's Report to the Legislative Assembly No. 4 of 2025-26

In accordance with section 24 of the *Audit Act 1995*, I submit my report on the audit of the Treasurer's Annual Financial Report for the year ended 30 June 2025, assurance activities in government departments and the performance management system audit of manual payroll calculations.

Jara K Dean
Auditor-General

25 November 2025

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AUDITOR-GENERAL'S OVERVIEW

Introduction

Each year, the Treasurer prepares the consolidated financial report of the Territory. Before the financial report is tabled in the Legislative Assembly, it must be audited by the Auditor-General. The independent audit gives Parliament and other users confidence in the information presented in the Treasurer's Annual Financial Report.

This report includes an analysis of the General Government Sector's overall financial performance and position for the year ended 30 June 2025. The report also outlines assurance activities in government departments and agencies that supported the audit of the Treasurer's Annual Financial Report and explains the audit process.

The results of audits, key findings and financial performance of various Territory controlled entities consolidated into the Treasurer's Annual Financial Report are detailed in the Auditor-General's Report No.5 of 2025-26: *Results of Financial Audits*.

Treasurer's Annual Financial Report



The Treasurer received a clean audit opinion on the financial report



112

Number of days after balance date to issue audit report

The General Government Sector, which includes all government departments, agencies, government business divisions and other statutory bodies (including the Motor Accidents (Compensation) Commission) reported a net operating deficit of \$886 million for the financial year ended 30 June 2025. Over the past ten years, combined deficits totalled \$3.8 billion and the Government has forecast another operating deficit in 2025-26 and in the first year of the forward estimates period.

The 2024-25 deficit was significantly impacted by rising employee costs, although to a lesser extent than in the previous year which included back payments of wage increases under new enterprise agreements. Returning the budget to surplus or at least a break-even position will require careful management of employee costs, given the Government's role as the major employer and that employee-related expenses have historically represented around 40% of total expenditure. This is especially important with enterprise bargaining negotiations underway.

This year's result included \$212 million for the Darwin ship lift project recognised as a capital grant expense. If the ship lift capital grant were excluded, the deficit would have been \$674 million, approximately \$35 million or 5.6% higher than last year's deficit.

The Territory received \$487 million more in GST payments and grants this year, bringing the total funding from the Australian Government to just over \$6 billion or 76% of total General Government Sector revenue.

The Territory own-source revenue from taxes, fees and royalties increased by 10% to \$1.2 billion during the year:

- wage increases and improved employment outcomes during the year led to a 10% increase in payroll tax, which continued to be the most significant tax levied by the Territory at \$339 million
- revenue from stamp duties increased by 16% to \$193 million predominantly due to a higher volume and value of land and property sales during the year. Revenue from stamp duties on general insurance policies and motor vehicle sales remained relatively constant
- income from royalties increased by 15% to \$315 million driven predominantly by increased commodity prices and favourable exchange rates.

The Territory borrowed an additional \$1.4 billion during the year, bringing its debt to \$12 billion as at 30 June 2025. The majority of the new borrowings was to fund this year's cash deficit in the General Government Sector. Interest expense increased to \$398 million in 2024-25 due to the new loans and their rising cost.

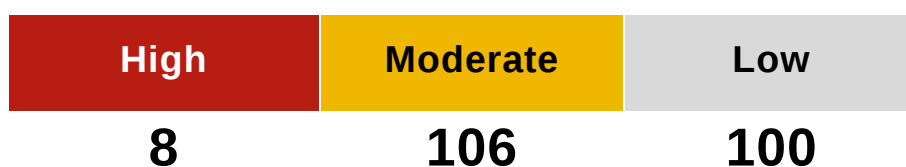
Superannuation liabilities are the other major category of liabilities after borrowings. The Territory administers seven defined benefit superannuation schemes with combined liabilities of \$2.7 billion.

The schemes are unfunded, meaning the cost of benefits are met on an emerging basis by the Government from recurrent funding or operating revenue. The projected annual cash outflows average \$221.1 million over the next ten years and are unlikely to reduce below \$100.0 million for at least another 20 years.

Assurance activities in government departments

Assurance activities in government departments and agencies were to mainly support the audit of the consolidated Treasurer's Annual Financial Report. The focus of these activities was to assess compliance with selected requirements of Treasurer's Directions and Procurement Governance Policy and Procurement Rules and to review material balances at year end.

We noted a significant increase in the number of findings, which was largely attributed to the machinery of government changes resulting in changes in personnel and shortages of qualified staff to take up positions in newly created departments.



The areas with the highest number of findings were non-compliance with minimum payment terms which require invoices under \$1 million to be paid within 20 days; breaches of policies and procedures related to travel, corporate credit cards use and procurement in general; excessive annual leave balances; and accounting for non-financial assets. Appendices B and C list deficient areas by agency.

Limitations of scope arose in four government departments because documentation was not supplied to complete the audit program in the necessary timeframe.

Manual payroll calculations

This performance management system audit assessed the systems in place to manage payments of retrospective wage increases in enterprise agreements negotiated during 2022 and 2023. We estimated that back payments were made to approximately 45% of the public service workforce and the processing of back payments did impact payroll operations. We were unable to quantify the cost impost of processing back payments or the amount of the back payments due to the way the system is currently configure and therefore we made recommendations to improve transparency by tracking these costs.

Overall, we found that the Department of Corporate and Digital Development has systems in place to demonstrate that manual payroll calculations are being processed efficiently.

AUDIT OF THE TREASURER'S ANNUAL FINANCIAL REPORT

Introduction

The Treasurer's Annual Financial Report is a consolidated financial report that presents whole-of-government financial results inclusive of all Territory controlled entities.

Territory controlled entities include government departments and agencies, statutory bodies, corporate Territory entities and companies in which the Northern Territory Government holds a controlling interest.

Audit requirements and process

The audit of the consolidated financial statements included in the Treasurer's Annual Financial Report is a group audit, where each Territory controlled entity is a component of the group. The objective of a group audit is the same as of an audit of a single entity, i.e. to ensure that the consolidated financial report presents fairly, in all material respects, the financial position, performance, and cash flows of the entire group, or in this case each sector.

In auditing the consolidated financial report of a group, the auditor may audit individual components or rely on their audited financial statements. In addition, the auditor must also audit the consolidation process because it is complex and involves some areas of judgement.

The following audit arrangements apply to Territory controlled entities:

- **Statutory bodies, government owned corporations and government business divisions** are required by various Acts of Parliament to prepare financial statements and to submit those statements to the Auditor-General for audit. For the purpose of auditing the Treasurer's Annual Financial Report, we place reliance on the financial statements of these entities because they are independently audited.
- **Proprietary limited companies** - a small number of Territory controlled entities are incorporated under the *Corporations Act 2001*. Audits of these companies are performed subject to the *Corporations Act 2001*, with the Auditor-General deemed to be a Registered Company Auditor. We also place reliance on the financial statements of these entities because they are audited.
- **Government departments (including some agencies)** - Section 11 of the *Financial Management Act 1995* provides for the Treasurer to determine the financial reporting requirements of government departments. Financial reports of government departments must be certified by the accountable officer (e.g. Chief Executive Officer) and Chief Finance Officer. The agency's annual report must include financial statements.

However, as there is no requirement for those financial statements to be independently audited, we must undertake other assurance activities to gain assurance over the transactions and balances consolidated into the Treasurer's Annual Financial Report. Those activities are described below.

Assurance activities in government departments

The primary purpose of assurance activities in government departments and agencies was to support the audit of the Treasurer's Annual Financial Report (TAFR).

Agency controls audits

Agency controls audits (ACA) examine selected aspects of the systems in use by government departments as required by Treasurer's Directions and Procurement Governance Policy and Procurement Rules, with the objective of obtaining reasonable assurance that those selected requirements were being achieved.

End of year reviews

End of year reviews (EOY reviews) examine selected aspects of end of financial year controls over reporting, accounting and material financial transactions and balances in government departments. Accordingly, the reviews focus on the accrual accounting aspects of the end of financial year data contained in the departments' Government Accounting System (GAS) ledger and consolidated by the Department of Treasury and Finance.

Because the audit of the TAFR relies on the operational effectiveness of controls at government departments and agencies to ensure the accuracy and reliability of financial transactions for the financial year, the tests of those controls must cover the entire twelve-month period. Therefore, additional testing of controls was undertaken during EOY reviews this year to ensure the controls were operating for the full financial year. The focus was on selected controls around procurement and expenditure.

The following agencies were not included in the assurance program for the year ended 30 June 2025 due to budget constraints following the creation of six new government departments:

- Aboriginal Areas Protection Authority
- Northern Territory Electoral Commission
- Ombudsman's Office.

In addition, the following government departments and an agency were not included in EOY reviews for the same reason:

- Department of the Chief Minister and Cabinet
- Department of the Legislative Assembly
- Department of Treasury and Finance
- Office of the Independent Commissioner Against Corruption.

The 2025 assurance program is shown below:

Table 1: 2025 Assurance Program by government department and agency

Entity name / Assurance activity	Agency Controls Audit	End of Year Review
Aboriginal Areas Protection Authority	Cancelled	Cancelled
Attorney-General's Department	Yes	Yes
Department of Agriculture and Fisheries	Yes	Yes
Department of Children and Families	Yes	Yes
Department of Corporate and Digital Development	Yes	Yes
Department of Corrections	Yes	Yes
Department of Education and Training	Yes	Yes
Department of Health	Yes	Yes
Department of Housing, LG and Community Development	Yes	Yes
Department of Lands, Planning and Environment	Yes	Yes
Department of Logistics and Infrastructure	Yes	Yes
Department of Mining and Energy	Yes	Yes
Department of People, Sport and Culture	Yes	Yes
Department of the Chief Minister and Cabinet	Yes	Cancelled
Department of the Legislative Assembly	Yes	Cancelled
Department of Tourism and Hospitality	Yes	Yes
Department of Trade, Business and Asian Relations	Yes	Yes
Department of Treasury and Finance	Yes	Cancelled
Northern Territory Auditor-General's Office ¹	n/a	n/a
Northern Territory Electoral Commission	Cancelled	Cancelled
Northern Territory Fire and Emergency Service	Yes	Yes
Northern Territory Police Force	Yes	Yes
Office of the Independent Commissioner Against Corruption	Yes	Cancelled
Ombudsman's Office	Cancelled	Cancelled

¹ Northern Territory Auditor-General's Office's financial statements are independently audited.

Further, additional assurance activities were undertaken at the Department of Corporate and Digital Development to cover shared services provided to government departments and agencies. These specifically included:

- APEX budget and reporting system
- Government Accounting System GAS
- Personnel Information and Payroll System PIPS
- IT Control Environment (GAS, PIPS, PAPMS, NAB Connect)
- Common infrastructure for key financial systems
- Shared services EOY Review.

Outcomes of end of year reviews and agency controls audits, which supported the TAFR audit, are detailed in the *Assurance Activities in Government Departments* section of this report.

TAFR financial reporting and auditing frameworks

Financial statements audits are conducted in accordance with Australian Auditing Standards. Those standards are issued by the Australian Auditing and Assurance Standards Board (the Board), a Commonwealth statutory body established under the *Australian Securities and Investments Commission Act 2001*. Auditing Standards issued by the Board have the force of law in respect of audits of corporations that fall within the ambit of the *Corporations Act 2001*, while the *Audit Act 1995* also requires that the Auditor-General has regard to those standards.

The TAFR is prepared in accordance with:

- Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*
- the Uniform Presentation Framework, which ensures consistent minimum levels of detail in whole of government disclosures
- the principles and rules of the Australian Bureau of Statistics *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* (ABS GFS Manual).

Consolidation process

The preparation of the TAFR requires the consolidation of the financial statements of each entity controlled by the Northern Territory Government into their respective sectors.

During the TAFR consolidation process, the Department of Treasury and Finance:

- combines like items of assets, liabilities, equity, income, expenses and cash flows
- offsets (eliminates) the carrying amount of the investment in each entity. For example, the General Government Sector shows the investment in government owned utilities but that investment is eliminated in the Total Public Sector. This is because those businesses are part of the Total Public Sector and not eliminating the investment would result in double-counting the net assets of those businesses
- eliminates intra-entity assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities so that each set of financial statements only reflects the results of transactions with external parties or non-sector entities. In the case of the Total Public Sector, only transactions occurring with entities external to the Northern Territory Public Sector are presented.

If an entity uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments should be made in the consolidated financial statements to ensure conformity. For example, adjustments must be made for differences in accounting for government grants between for-profit and not-for-profit entities.

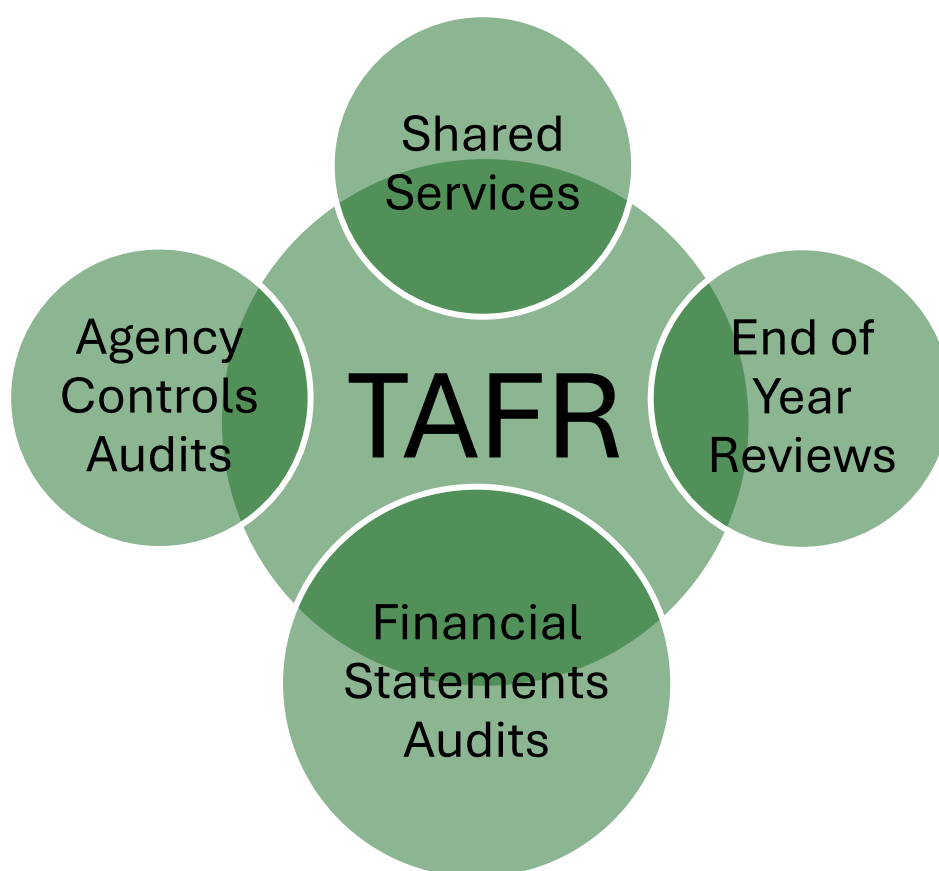
The Department of Treasury and Finance applies tolerance thresholds during the consolidation process. Generally, variances that fall within the tolerance level are adjusted automatically either by allocating to available capacity or posting to suspense accounts. Variances that fall outside the tolerance level are investigated and adjusted.

Work performed

As mentioned previously, some Territory controlled entities are audited but there is no requirement to audit government departments and agencies. Instead, government departments and agencies are subject to agency controls audits and end of year reviews to assist with the audit of the consolidated TAFR. A review is a lower level of assurance than an audit. A review relies on performing enquiries and analytical procedures to identify unusual items or trends that may need further explanation by management rather than testing of balances or classes of transactions and corroborating responses to inquiries with other evidence.

The following diagram illustrates the various assurance activities applied in the audit of the TAFR designed to identify instances of material misstatement in that report.

Figure 1: Assurance activities undertaken to support the audit of TAFR



Information about the effectiveness of internal controls identified in the overall control environment review and agency controls audits provide some level of assurance that transactions of government departments and agencies were conducted and recorded in accordance with relevant regulations, mainly Treasurer’s Directions.

Although the Auditor-General does not issue a separate audit opinion on the Public Account, receipts and payments pertaining to the Central Holding Authority, which is part of the Public Account, are audited as part of the TAFR group audit.

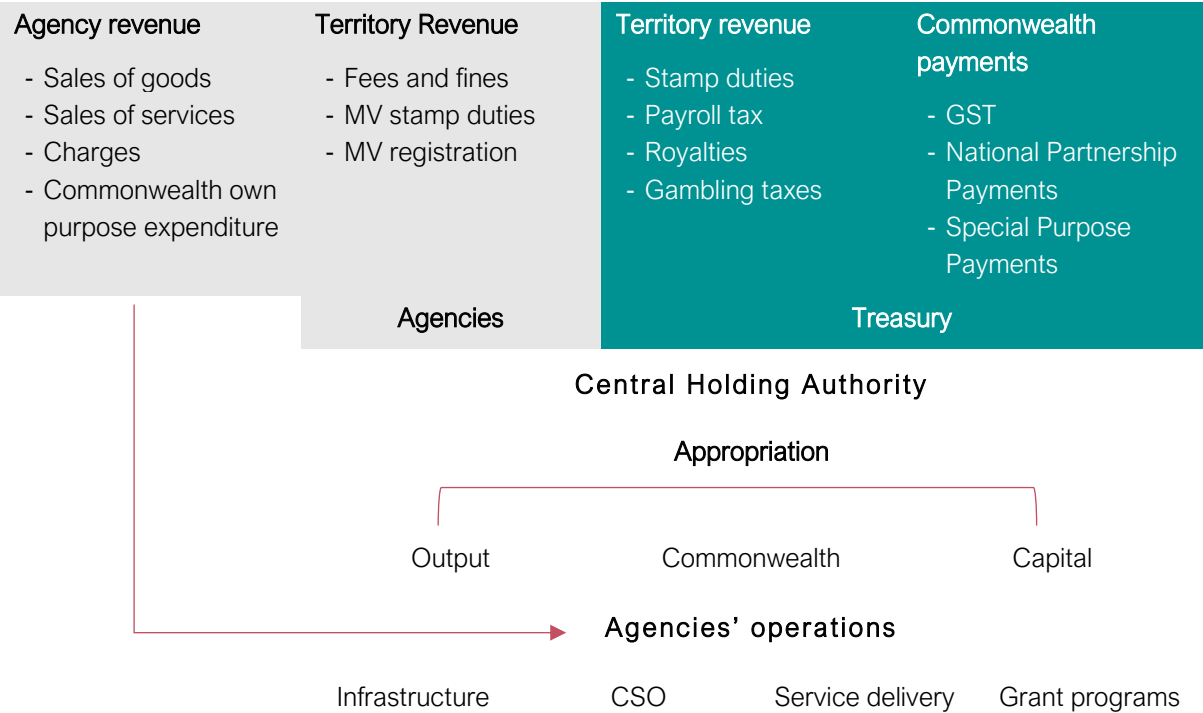
TAFR
audit
coverage:

The General Government Sector reported total revenue of \$8.4 billion and total expenses of \$9.3 billion in 2024-25.

Overall, 34% of revenue and 32% of expenditure transactions were audited as part of financial statements audits of the relevant entities. The remaining revenues and expenses incurred predominantly by government departments were reviewed as part of controls audits and end of year reviews.

Revenues collected by the Territory Revenue Office, such as royalties, stamp duties and payments from the Australian Government were tested as part of the TAFR group audit.

Figure 2: Audit coverage and the flow of General Government Sector revenue



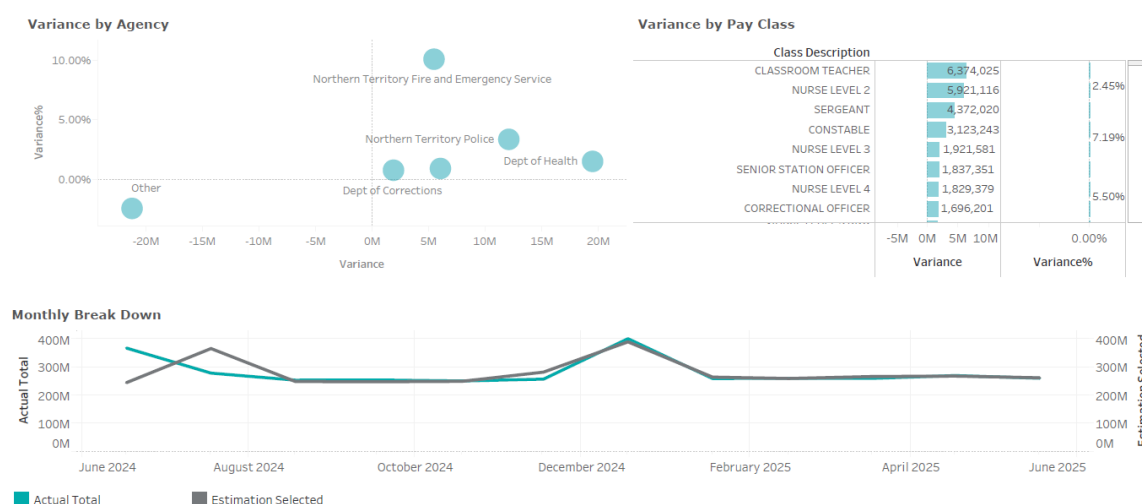
- Revenue transactions tested as part of the TAFR audit.
- Revenue transactions not specifically tested because government departments and agencies are not subject to financial statements audits.

Employee benefits expenses represented the largest expenditure category within the General Government Sector at \$3.6 billion for 2024-25. For this reason, the testing of controls relevant to the government payroll system was expanded this year to ensure that those controls were operational during the entire financial reporting period and additional analytics of employee costs were performed.

We used predictive data analytics to forecast monthly payroll based on historical information. Data analytics is a technique that auditors use to gain assurance about, for example in this case, the accuracy and completeness of payroll transactions.

Data analytics allow auditors to analyse entire populations instead of samples, which improves the ability to identify anomalies, assess risk, and test controls with greater efficiency and accuracy. This leads to more focused audits and a higher level of assurance, as auditors can use the data to provide evidence-supported findings and communicate results through visualisation.

Figure 3: Example of an extract from the data analytics tool used for payroll analytics



Overall, we analysed 8,999,891 payroll records for the past 5 years. These additional procedures increased the level of assurance that employee expenses at the General Government Level were not materially misstated.

The work performed on General Government Sector assets and liabilities included audits of cash and investments held by the Central Holding Authority; detailed procedures over the land, buildings and infrastructure assets portfolios at selected government departments, and the engagement of actuarial specialists to assist in testing superannuation and workers compensation liabilities.

Consolidated audit

Australian Auditing Standard ASA 600 *Special Considerations – Audits of a Group Financial Report* sets out the requirements for group audits. The revised ASA 600, removed the concept of significant components, opting instead for consideration of risks of material misstatement at the assertion level of the group financial report.

Previously, financially significant components had to be audited. For components that were significant because of their specific nature and circumstances, the auditor was to decide whether to fully audit the entity or to undertake an audit of specific balances or classes of transaction or perform specified audit procedures in order to reduce the risk of material misstatement to an acceptable level.

Under the revised ASA 600, the group auditor determines an appropriate approach to planning and performing audit procedures to respond to the assessed risks of material misstatement of the group financial statements.

In establishing an overall group audit strategy and group audit plan, the group auditor determines the components at which audit work will be performed. The determination of components is based on the group auditor's understanding of the group and its environment, and other factors such as the ability to perform audit procedures centrally, the presence of shared service centres, or the existence of common information systems and internal control.

The identification of components for the purposes of planning and performing the group audit does not need to align with how management organises the entities for business or reporting purposes.

For example, a group may have a number of components with similar characteristics, operating in the same geographical location, under the same management and using the same system of internal controls.

Deciding whether to use component auditors or not, is a determination of the group auditor. It is recognised that component auditors may have greater experience and a more in-depth knowledge of the components and their environments. ASA 600 includes extensive application material on the resources needed to perform the group engagement, including matters that may influence the group auditor's determination about whether to involve component auditors and highlights that component auditors will often be involved in all phases of the group audit.

Changes to superseded ASA 600	Revised ASA 600
▪ Significant component concept removed. ▪ Financial significant concept removed. ▪ Significant component due to risk concept removed. ▪ Full scope audit requirements on significant component concept removed.	▪ Updated component definition provides greater flexibility, applying it more broadly to include branches, divisions, functions, shared service centres, and non-controlled entities. ▪ More specific risk profile of each component within the group. ▪ Flexibility to consider the nature of events or conditions that may lead to risks of material misstatement and tailor the scope of audit work accordingly. ▪ More risk-based auditing strategy, aligning the audit effort more closely with the specific risk profile of each component within the group.

Changes to superseded ASA 600

Revised ASA 600

- 
- Disaggregation of balances across components.
 - More discretion to tailor the scope of work for each component based on a risk assessment and the identification of significant accounts, enabling a more targeted testing approach.
 - Ability to disaggregate balances across components responding to assessed risks by testing centrally at the group level, testing at a disaggregated level below the group, or testing at the individual component level depending on the nature and circumstances of the significant accounts.

TAFR audit focus areas

Preparation of the TAFR

We consider the compliance framework and consolidation process to be a key audit matter because of the:

- extent of significant management judgements underpinning key assumptions in the application of accounting standards and accounting policies used by public sector entities in the preparation of their individual financial reports
- significance of transactions and corresponding balances between government-related entities and the resulting elimination adjustments, including manual entries relating to mismatches in inter-agency transactions and balances
- harmonisation of certain information prepared under generally accepted accounting principles (GAAP) with the ABS GFS Manual.

To address the risk around the preparation of the TAFR, our audit procedures included:

- ensuring the completeness of entities that make up the relevant sectors
- obtaining assurance over the completeness and accuracy of financial transactions and balances of material public sector entities consolidated into the financial report by:
 - agreeing the financial information to the audited financial reports of the public sector entities which are required to have their financial statements independently audited; and

- undertaking assurance activities in material government departments and agencies which are not required to have their financial statements independently audited in order to obtain reasonable assurance over compliance with relevant controls and selected aspects of end of financial year processes and controls over reporting, accounting and material financial transactions and balances
- understanding the consolidation process used to identify and eliminate transactions and balances between public sector entities and sectors of government and reviewing material eliminations
- reviewing material adjustments, reclassifications and disclosures for reasonableness
- evaluating compliance with AASB 1049, the Uniform Presentation Framework and the ABS GFS Manual in relation to accounting treatment and the classification of entities
- evaluating the adequacy of the disclosures made in the consolidated financial report.

Valuation of property plant and equipment

The balance of land, building and infrastructure assets is financially significant. These assets are carried at fair value. The valuation relies on significant judgments underpinning key assumptions used in the process. Furthermore, the often specialised and unique nature of the assets requires the use of unobservable inputs because there is no active market to provide observable market data. We assessed the accuracy and completeness of assets and reviewed the work performed by valuers.

Taxation and statutory revenue

Taxation and statutory revenue represent a significant component of the General Government Sector total revenue. We evaluated the design and tested both operating effectiveness of controls over key revenue streams and selected transactions covering payroll tax, stamp duties, gambling taxes and mining royalties.

Valuation of superannuation liabilities

The measurement of superannuation liabilities is complex and requires significant judgement and estimation in the selection of long-term assumptions, including the salary growth and discount rates and actuarial factors such as mortality, life expectancy and disability, to which the valuation of the superannuation liability is highly sensitive. We engaged our own actuarial specialists to review the appropriateness of the methods and valuation models used by actuaries engaged by the Department of Treasury and Finance against the requirements of accounting standards and industry practice and to assess significant assumptions for reasonableness and consistency with industry practice and the schemes' experience.

Valuation of death and invalidity claims liabilities

The Territory also provides free death and invalidity cover to all public sector employees who are not members of one of the defined benefit schemes under the Northern Territory Government Death and Invalidity Scheme. The value of insurance liabilities is financially significant to the balance sheet and the estimate of outstanding claims involves significant judgement in developing assumptions such as mortality and disability rates and complex calculations. We engaged our own actuarial specialists to review the appropriateness of the methods and valuation models used by actuaries engaged by the Department of Treasury and Finance against the requirements of accounting standards and industry practice and to assess significant assumptions for reasonableness and consistency with industry practice and the schemes' experience.

Valuation of workers' compensation claims liabilities

These liabilities are financially significant to the balance sheet and the estimate of outstanding claims involves significant judgement in developing assumptions and the complexity of valuation models. We engaged our own actuarial specialists to review the appropriateness of the methods and valuation models used by actuaries engaged by the Department of Treasury and Finance.

ANALYSIS OF THE TREASURER'S ANNUAL FINANCIAL REPORT

Introduction

Each year the Treasurer reports on Northern Territory Government's financial outcomes in the Treasurer's Annual Financial Report, which includes the audited financial statements by sector and additional information. The additional information is unaudited and includes key fiscal outcomes and their analysis, fiscal strategy, payments from the Treasurer's Advance funding pool and explanatory tables.

General Government Sector Snapshot

		2024-25	2023-24	2024
		Actual	Actual	PEFO ^a
		\$'000	\$'000	\$'000
Net operating deficit	↘	885 959	638 363	415 149
Fiscal balance deficit ¹	↘	1 397 993	1 078 254	1 537 567
Investment in government businesses	↘	2 581 611	2 751 772	2 474 599
Loans	↘	11 800 889	9 755 119	11 595 000
Net debt ²	↘	8 556 449	7 219 218	8 901 971
Cash deficit ³	↘	1 270 257	771 371	1 539 586

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

¹ Fiscal balance equals the net operating result, excluding depreciation less other economic flows and includes net capital investment.

² Net debt equals the sum of financial liabilities comprising of deposits held, advances received and borrowing, minus the sum of financial assets comprising of cash and deposits, advances paid and investments and loans.

³ Cash deficit equals the sum of net cash flows from operating activities and net capital investment

^a Pre-Election Fiscal Outlook released on 9 August 2024.

Quality and timeliness of financial reporting

The Treasurer certified the Treasurer's Annual Financial Report on 16 October 2025. The Auditor-General issued the audit report on 20 October 2025.



The Treasurer received a clean audit opinion on the financial report



112

Number of days after balance date to issue audit report

Scope

This section of the report outlines the results of the audit of the Treasurer's Annual Financial Report (TAFR) for the year ended 30 June 2025. The TAFR reports the consolidated transactions and balances of the General Government and Total Public Sectors, including segmented financial statements for Non-Financial Public Sector.

Elimination tables in note 47 to the TAFR disclose transactions and balances segmented into each of the five sectors, including the Public Non-Financial Corporation, and Public Financial Corporation Sectors.

Territory controlled entities are grouped into Sectors based on classifications in the Australian Bureau of Statistics GFS Manual. The composition of the TAFR is shown in Figure 4 and the key reporting elements are detailed in Table 2.

Figure 4: TAFR composition

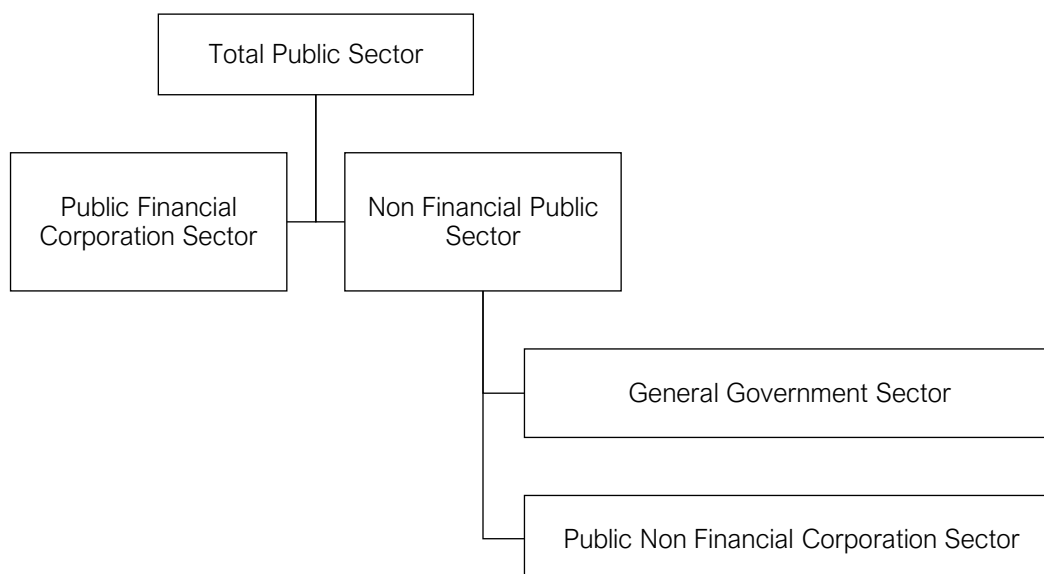


Table 2: Northern Territory Government reporting entities by sector

Sector	Definition	TAFR
General Government Sector	All government-controlled entities that provide goods or public services that are mainly non-market in nature, are mainly for the collective consumption of the community, and are financed mainly through taxes and other compulsory levies.	All government agencies and departments Other entities for example, government business divisions, and statutory bodies that provide services of mainly non-market nature to other agencies or the community Motor Accidents (Compensation) Commission
Public Non-Financial Corporation Sector	Government-controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services.	Power and Water Corporation and its subsidiary Indigenous Essential Services Pty Ltd Power Retail Corporation (trading as Jacana Energy) Power Generation Corporation (trading as Territory Generation) Land Development Corporation
Public Financial Corporation Sector	Government-controlled corporations and quasi-corporations mainly engaged in financial intermediation or provision of auxiliary financial services.	Northern Territory Treasury Corporation

Entities consolidated into TAFR not audited by the Auditor-General

The following entities are consolidated into the TAFR but are outside the Auditor-General's financial statements audit mandate:

- AustralAsia Railway Corporation[~]
- Nominal Insurer's Fund[^].

Entities not consolidated into TAFR

The following entities are not consolidated into the TAFR on the basis that they are not controlled by the Northern Territory Government, or their net assets are not available to it:

- Charles Darwin University

- Menzies School of Health Research
- Northern Territory Land Corporation[^]
- Cobourg Peninsula Sanctuary and Marine Park Board
- Nitmiluk (Katherine Gorge) National Park Board
- Northern Territory Grants Commission[^]
- Northern Territory Police Supplementary Benefit Scheme
- Public Trustee Common Funds

[^] Entities that are outside of the Auditor-General's financial statements audit mandate. Some of these entities are not required to prepare financial statements and/or have the financial statements audited by the Auditor-General.

In addition, with the exception of payroll costs and land and buildings, the TAFR excludes revenues, costs, assets and liabilities of Territory independent government schools. Local government entities are not part of the TAFR.

Financial reporting

The Treasurer is required under section 9 of the *Financial Management Act 1995* to publicly release and table in the Legislative Assembly the TAFR within four months after the end of the financial year.

The Auditor-General is required under section 25 of the *Audit Act 1995* to audit the TAFR within two months after receiving it and report to the Treasurer on the audit.

The Treasurer signed the TAFR on 16 October 2025 and an unqualified audit opinion was issued on 20 October 2025. The audit was completed with satisfactory results and no outstanding matters. This means that the TAFR presented fairly, in all material respects, the financial performance and position of the General Government Sector, Non-Financial Public Sector and Total Public Sector.

The Treasurer tabled the TAFR in the Legislative Assembly on 23 October 2025.

Audit observations

Audit issue	Risk rating
Opportunities to improve the methodology used in the valuation of the Northern Territory Government Death and Invalidity Scheme (NTGDIS)	Moderate
Opportunities to improve the assumptions used in the valuation of the Northern Territory superannuation schemes and NTGDIS	Moderate
Opportunities to improve the methodology for valuing the workers' compensation liabilities by including the benefits payable to claimants	Moderate

Lack of timely monitoring of outstanding returns from general insurers by the Territory Revenue Office

Moderate

Lack of control over allowance for doubtful debts calculations by the Territory Revenue Office

Moderate

Delays in completing compliance audits by the Royalties and Assurance Unit within the Territory Revenue Office

Moderate

Inconsistencies were identified in the consolidation process

Moderate

The Territory administers seven defined benefit superannuation schemes and a death and invalidity scheme with liabilities totalling \$2.9 billion. Its workers compensation liability was \$373.7 million as at 30 June 2025. These liabilities are financially significant to the TAFR and the valuation models used to value the liabilities are complex. We rely on the assistance of actuarial specialists to review the appropriateness of the methods and valuation models used by Treasury's actuaries against the requirements of accounting standards and industry practice and to assess significant assumptions for reasonableness and consistency with industry practice and the schemes' experience.

Our experts reviewed several, but not all, valuations and were satisfied that the methodologies and assumptions adopted by Treasury's actuaries were not unreasonable. However, they made a number of observations and provided opportunities to further enhance the methodologies used and improve assumptions.

Financial analysis

Comments and findings on the most recent audits that have been conducted in relation to individual entities within the Total Public Sector are reported separately, either in Report No. 5 of 2025-26, previous reports, or will be reported in future reports to the Legislative Assembly.

Accordingly, the comments that follow are largely confined to the General Government Sector (GGS), that being the sector that is funded largely through appropriation and also the sector that is responsible for the provision of those services that the community commonly associates with the role of government.

In preparing our analysis, we may reclassify, aggregate or disaggregate certain revenue and expenditure items or assets and liabilities to better portray the financial performance and position of the Territory. We may also use terms which may differ from the terminology used in the TAFR. Dollar amounts presented in tables, the text and figures have been rounded and may differ from those published in the TAFR. Figures in tables may not add up to totals due to rounding.

Operating performance

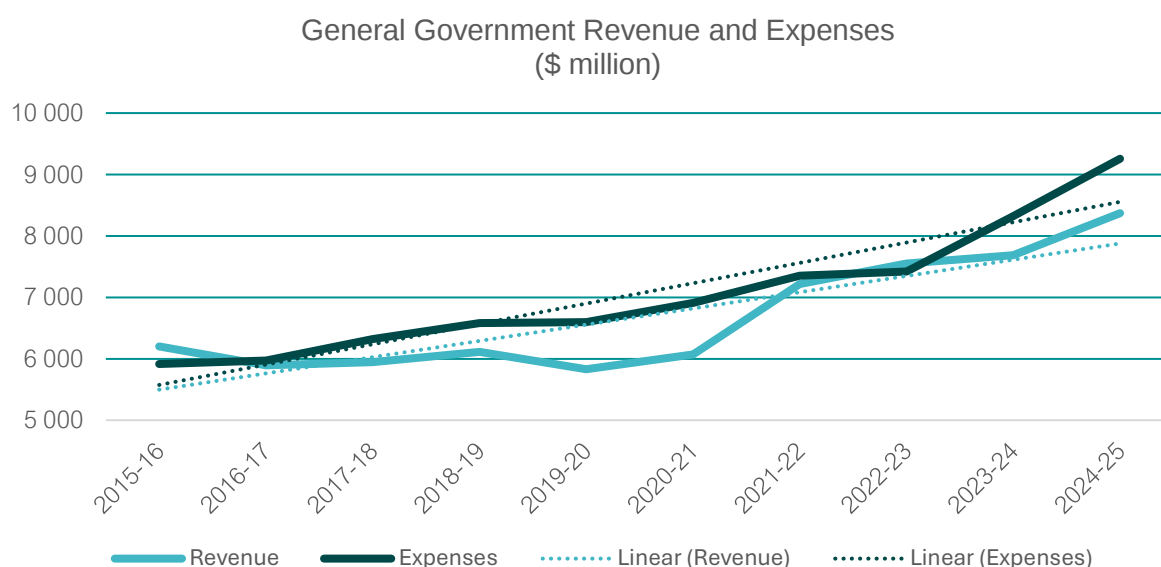
		2024-25 \$'000	2023-24 \$'000
Revenue	↗	8 370 041	7 683 632
Expenses	↘	9 255 999	8 321 995
Net operating balance	↘	(885 959)	(638 363)
less Ship lift grant	↘	212 105	-
Adjusted Net operating balance	↔	(673 853)	(638 363)

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

The GGS net operating balance was a deficit of \$886.0 million in 2024-25 compared to a deficit of \$638.4 million reported last year. The net operating balance is a key measure of the GGS's financial performance and operating sustainability, because by including all costs, such as depreciation, the net operating balance encompasses the full cost of providing government services.

As shown in Figure 5, GGS operating expenses exceeded operating revenue in eight of the past ten years.

Figure 5: General Government Sector Revenue and Expenses



Combined deficits over the ten-year period totalled \$3.8 billion. The government has forecast another operating deficit in 2025-26 and in the first year of the forward estimates period:

	2023-24 Actual \$'000	2024-25 Actual \$'000	2025-26 Budget \$'000
Net operating balance	(638 363)	(885 959)	(265 009)

Forward estimates			
	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000
Net operating balance	(100 957)	16 549	52 283

The 2023-24 deficit was largely due to a significant increase in employee expenses, driven by back payments of pay increases under new enterprise agreements, an increase in the cost of agency medical and nursing staff at the Department of Health due to ongoing vacancies and increased demand for services and overtime cost. The 2024-25 deficit was also significantly impacted by rising employee costs, although to a lesser extent.

This year's result included \$212.1 million for the ship lift project recognised as a capital grant expense. If the ship lift capital grant were excluded, the adjusted GGS net operating balance for 2024-25 would have been \$673.9 million, only \$35.5 million or 5.6% higher than last year's result.

Ship lift

As a portion of the ship lift facility is to be constructed on land owned or controlled by a private party, an agreement was entered into in July 2020 to facilitate the exchange of land between the private party and the Northern Territory Government.

Under the agreement, the private party agreed to transfer a parcel of land it owned to the Northern Territory Government and to surrender leases of adjacent parcels of Crown land. The Northern Territory Government agreed to transfer an adjacent Crown land to the private party, construct wharf infrastructure on that land at its own cost and transfer the ownership of it to the private party once completed. The land transfer was executed on 9 August 2024.

Estimated value of privately-owned land transferred to NT		\$11.175 million
Estimated value of Crown land transferred to private party [^]		\$1.700 million

[^] Unimproved value excluding the cost of reclamation and infrastructure.

The 2025-26 Budget included \$563 million as part of the capital works program for the common user ship lift facility and for the cost of development works and assets to be constructed on the land transferred to the private party.

These works were estimated to cost \$212.1 million, with \$75.3 million spent to date. A provision was recognised for the balance of \$136.8 million to reflect the obligation for the reclamation of the transferred land and construct the agreed infrastructure. The provision will be unwound as the works will be completed.

	2024-25	
	\$'000	
Estimated construction cost of wharf infrastructure	212 105	Expense
less Works completed to date	(75 277)	Cash
Provision for future works	136 828	Liability

General Government Sector Revenue

	2024-25	2023-24	2024
	Actual	Actual	PEFO
	\$'000	\$'000	\$'000
Revenue	8 370 041	7 683 632	8 260 845

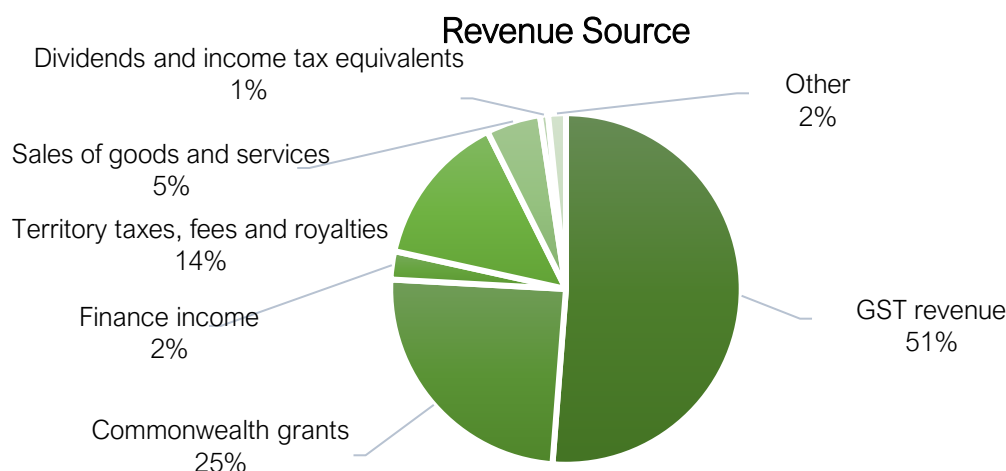
Total revenue for the GGS was \$8.4 billion in 2024-25, which was 8.9% higher than in 2023-24 and 1.3% higher compared to the 2024 Pre-Election Fiscal Outlook (PEFO).

The increase in GGS revenue compared to the previous year was predominantly driven by higher:

- GST payments up \$239.9 million
- Commonwealth grants, up \$247.6 million
- Territory taxes, fees and royalties, up \$111.8 million.

The composition of GGS revenue remained largely unchanged between years.

Figure 6: General Government Sector Revenue Sources



The level of GST funding, which is the main revenue source for the Territory, increased by \$239.9 million or 5.9% to \$4.3 billion in 2024-25. The increase in GST payments was mainly due to an increase in the overall GST collections pool, followed by changes in assessed GST needs. The Northern Territory received the largest per capita increase in GST distributions in 2024-25.

Funding from the Australian Government represented the majority of GGS revenue. GST payments together with Commonwealth grants, which included Specific Purpose Payments, National Partnerships Payments and other grants and subsidies totalled 75.9% of total GGS revenue.

Commonwealth grants, both operating and capital, totalled \$2.1 billion in 2024-25, which was \$247.6 million more than the \$1.8 billion received in the previous year due to:

- an increase in Specific Purpose Payments by \$48.9 million due to higher funding under the Better and Fairer Schools Agreement for both government and non-government schools within the Territory and National Skills Agreement and the Northern Territory Remote Housing Agreement.
- increased National Partnership Payments by \$182.3 million due to increased funding for several programs, including:
 - support for services in remote communities through the Northern Territory Remote Aboriginal Investment, including remote policing, child and family services, education programs and health services
 - social housing and homelessness services under a new National Agreement on Social Housing and Homelessness
 - community infrastructure projects under the Central Australia Plan and an agreement with the National Water Grid Authority

- returning the Manton Dam to service under the Darwin region water supply infrastructure program funded by the National Water Grid Authority.

Territory taxes, fees and royalties totalled \$1.2 billion in 2024-25 and accounted for 14% of total GGS revenue.

		2024-25 \$'000	2023-24 \$'000
Payroll tax	↗	339 173	308 549
Stamp duties	↗	192 678	166 667
Gambling taxes	↔	115 013	112 842
Motor vehicle registration fees	↔	100 770	95 667
Royalties	↗	314 751	274 819
Other	↔	124 020	116 048
Territory taxes, fees and royalties	↗	1 186 405	1 074 592

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

Payroll tax was the most significant tax levied by the Territory at \$339.2 million in 2024-25. This was followed by stamp duties at \$192.7 million and gambling taxes at \$115.0 million for the year. Excluding payroll tax paid by government owned corporations, payroll tax revenue was \$29.7 million or 10.0% higher because of wage increases and improved employment outcomes.

Changes to payroll tax from 1 July 2025 will increase the tax-free threshold to \$2.5 million, increase the annual deductible amount and exempt wages paid to apprentices and trainees.

Revenue from stamp duties increased by \$26.0 million or 15.6% predominantly due to a higher volume and value of land and property sales during the year. Revenue from stamp duties on general insurance policies and motor vehicle sales remained relatively constant with \$75.6 million and \$32.9 million collected respectively.

Income from royalties was \$314.8 million in 2024-25, which was \$40.0 million higher than in the previous year driven predominantly by increased commodity prices and favourable exchange rates.

Dividends and income tax equivalents paid by government owned corporations and the Northern Territory Treasury Corporation are another own-source revenue for the Government. Dividend and income tax equivalent income was 0.9% of total GGS revenue at \$62.1 million in 2024-25 (2023-24, \$68.7 million).

Dividends paid or declared by government owned corporations and the Northern Territory Treasury Corporation are shown below:

		2024-25	2023-24
		\$'000	\$'000
Power and Water Corporation	↔	2 000	2 000
Territory Generation	↔	1 000	1 003
Jacana Energy	↗	5 584	3 336
Land Development Corporation	↔	1 649	1 431
NT Treasury Corporation	↘	23 836	39 040
Total dividends	↘	34 069	46 810

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

Commentary on the financial performance of government owned corporations and the Northern Territory Treasury Corporation is included in Report No. 5 of 2025-26.

The government-owned corporations paid \$28.0 million in income tax equivalent.

The Northern Territory Treasury Corporation made the highest returns, with dividends and income tax equivalents totalling \$34.1 million in 2024-25.

Investments in other public sector entities, measured as the Government's share in net assets of those entities totalled \$2.6 billion at 30 June 2025 (2024, \$2.8 billion). The decrease in the value of government business was predominantly due to the losses reported by Power and Water Corporation.

General Government Sector Expenses

	2024-25	2023-24	2024
	Actual	Actual	PEFO
	\$'000	\$'000	\$'000
Expenses	9 255 999	8 321 995	8 675 994
less Ship lift grant	212,105	-	n/a
Adjusted expenses	9 043 894	8 321 995	8 675 994

Total expenses for the GGS was \$9.3 billion in 2024-25, which included the previously mentioned cost of the land exchange agreement accounted for a capital grant. If the cost of the ship lift grant were excluded, the adjusted total expenses were \$9.0 billion, which was 4.2% higher compared to the 2024 Pre-Election Fiscal Outlook (PEFO).

The increase in GGS expenses compared to the previous year was predominantly driven by higher:

- employee benefits, up \$221.8 million and superannuation expense up \$70.6 million
- grants, both operating and capital but excluding ship lift up \$205.1 million
- interest up \$74.7 million
- other operating expenses up \$127.1 million.

Employee benefits

	2024-25	2023-24
	Actual	Actual
	\$'000	\$'000
Salaries and wages (incl. leave) ^	3 239 044	3 042 118
Superannuation guarantee	302 011	263 953
Total employee benefits	3 541 055	3 306 070

^ Excludes fringe benefits tax, workers compensation and superannuation on defined benefit schemes recorded in the Central Holding Authority.

Employee benefits represented the largest expenditure category within the GGS at \$3.5 billion in 2024-25, which was \$235.0 million or 7.1% higher than in the prior year.

As mentioned previously, employee expenses in 2023-24 increased significantly because of retrospective pay increases, overtime and agency staffing costs. The increase in 2024-25 was attributed to an average 2% annual indexation of salaries and wages, a 0.5% increase in the superannuation guarantee charge, increase in staffing numbers and the ongoing cost of labour hire and overtime.

Public sector staffing increased by 864 FTEs or 4.0% in the past 12 months.

	June Quarter 2025	June Quarter 2024
	Avg. FTE	Avg. FTE
Department of Health	7 611	7 333
Department of Education and Training	4 882	4 521
Northern Territory Police Force	2 181	2 128
Department of Corrections^	1 352	1 124
Other	6 395	6 471
Total average GGS staff	22 421	21 557

Source: Office of the Commissioner for Public Employment

^ In 2023-24, NT Correctional Services were part of the former Department of the Attorney-General and Justice; Youth Justice was part of the former Territory Families, Housing and Communities.

Labour hire and overtime costs continued to be high in 2024-25 despite the increase in staffing. Labour hire totalled \$158.9 million (2023-24, \$164.5 million) of which the majority, \$157.1 million (2023-24, \$162.9 million) was spent by the Department of Health.

Overtime totalled \$125.1 million (2023-24, \$118.9 million) with the most significant increase noted in the Department of Corrections. Their overtime increased by 43.9% to \$32.0 million in 2024-25. Front-line agencies (Health, Police, and Fire and Emergency Service) and the Department of Corrections accounted for 93.8% of the total cost of overtime in 2024-25.

	2024-25	2023-24
	\$'000	\$'000
Department of Health	51 104	52 692
Fire and Emergency Service	10 958	9 030
Northern Territory Police Force	23 235	20 675
Department of Corrections	32 035	22 261
Other [^]	7 781	14 243
Total overtime cost	125 113	118 901

[^] Includes \$6.4 million of overtime cost incurred by the former Department of Territory Families, Housing and Communities.

Northern Territory Police Force paid \$10.4 million in retention incentives in 2024-25.

Department of Health paid \$15.8 million in back payments to shift workers for unpaid time and for public holidays they would have normally worked while on annual leave.

Cash balance

The GGS net operating balance deficit of \$886.0 million in 2024-25 excluded capital expenditure on the acquisition of assets but included non-cash expenses such as changes in provisions, asset transfers for nil consideration and depreciation. After eliminating these non-cash items, the resulting cash flow from operating activities was a negative \$63.1 million in 2024-25 (2023-24, positive \$395.5 million).

The negative cash flow indicates that the growth in payments to employees, grants and purchases of goods and services outpaced any increase in receipts from the Australian Government and taxes and payments received for delivery of services collected by the Northern Territory Government.

Capital expenditure on assets was \$1.2 billion which was partly offset by proceeds from the sale of non-financial assets of \$36.8 million. Capital expenditure payments were similar to the previous year and related mainly to various road and infrastructure projects, some of which were in progress at 30 June 2025.

Once capital spend is taken into account, the resulting cash deficit for 2024-25 was \$1.3 billion (2023-24, \$771.4 million).

Cash decreased from \$1.4 billion as at 30 June 2024 to just under \$1.0 billion at the end of 2025. Last year's balance included \$334.0 million intended to fund this year's borrowing program. This year's pre-funding was significantly lower at about \$176.0 million.

The Northern Territory Government borrowed an additional \$1.2 billion to fund the GGS cash deficit. GGS loans increased to \$10.4 billion as at 30 June 2025 (2024, \$9.0 billion).

The Territory's total borrowings increased to \$12.2 billion in 2025 (2024, \$10.7 billion) and included loans to:

	2024-25	2023-24
	\$'000	\$'000
General Government Sector	10 333 001	8 990 841
Power and Water Corporation	1 512 000	1 336 000
Territory Generation	262 000	272 000
NT Home Ownership	85 997	100 455
Land Development Corporation	28 000	15 000
Total loans	12 220 998	10 714 296

Interest expense on GGS loans was \$398.0 million in 2024-25, compared to \$328.5 million in the previous year. The increase of \$69.5 million was due to the increase in borrowings during the year and an increase in the weighted cost of borrowing from 5.1% in 2023-24 to 5.4% in 2024-25.

Net debt

Net debt is equal to gross debt less related financial assets such as cash. It excludes superannuation and other liabilities. While net debt is only a partial indicator of the balance sheet, it is less volatile because it is not affected by revaluations of assets and liabilities, particularly in relation to equity investments and defined benefit superannuation obligations.

Net debt increased by \$1.3 billion to \$8.6 billion as at 30 June 2025. The increase in net debt was predominantly due to the previously discussed movements in loans and cash balances.

Superannuation liabilities

Superannuation liabilities represented the second major category of GGS liabilities after borrowings. The Territory administers the following defined benefit superannuation schemes:

- Commonwealth Superannuation Scheme (CSS)
- Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS)
- Northern Territory Supplementary Superannuation Scheme (NTSSS)

- Supreme Court Judges Pension Scheme
- Legislative Assembly Members' Superannuation Scheme
- Northern Territory Police Supplementary Benefit Scheme
- Administrator Pension Scheme.

The schemes closed to new members at different times, except for the Supreme Court Judges Pension Scheme which remains open. The schemes are unfunded, meaning the cost of benefits are met on an emerging basis by the Government and relevant entities from recurrent funding or operating revenue.

The two largest defined benefit schemes are CSS and NTGPASS, which accounted for 85.8% of total superannuation liabilities of \$2.7 billion as at 30 June 2025.

	2024-25	2023-24
	\$'000	\$'000
CSS	1 730 500	1 812 300
NTGPASS	648 771	704 107
NTSSS	155 089	167 972
Supreme Court Judges Pension Scheme	91 361	94 106
LA Members' Superannuation Scheme	78 265	80 603
NT Police Supplementary Benefit Scheme	65 538	67 784
Administrator Pension Scheme	2 718	2 965
Total superannuation liabilities	2 772 242	2 929 837

CSS was closed to new members on 1 October 1986, with police employees eligible to join the scheme until 1 January 1988. NTGPASS was closed to new members from 10 August 1999.

The unfunded superannuation liability reflected the projected benefit payments, after allowing for future salary increases and discounted to the present value.

Demographic and actuarial/economic assumptions, which include estimates of future salary and benefits levels and the discount rate were key assumptions in calculating the liability.

Changes to any of these assumptions and differences between assumed and actual experience impact the measurement and actual cashflows. The \$175.0 million decrease in superannuation liabilities was mainly due to an increase in the discount rate and revised demographic assumptions. There is a strong inverse relationship between the discount rate and the valuation of the liability, or in another words, the lower the discount rate used, the higher the unfunded liability.

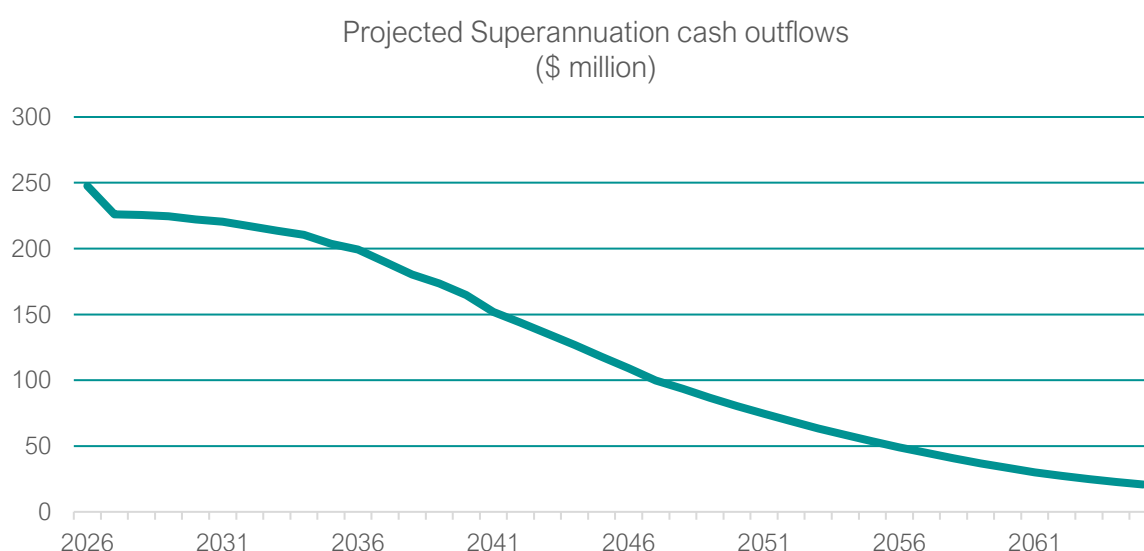
The discount rate was set to 4.53% p.a. based on single rate that is equivalent to using a full yield curve of government bonds as at 30 June 2025 to the projected future cashflows for the larger superannuation schemes. This was a change in the approach to setting the discount rate from prior years, where it had been set to the annualised 10-year Commonwealth government bond yield at the valuation date rounded to two decimal places. The change in the approach was driven by the change in the shape of the government bond yield curve which now has larger variations in the rates at different durations. Setting the discount rate to a single equivalent rate is in line with accounting standard requirements,

In the current year, a single discount rate has been set for consistency across all superannuation schemes. At an aggregate level, this approach results in materially correct liabilities. However, due to the different duration of the liabilities across the schemes and the current shape in the yield curve, the liabilities at an individual scheme level differ from the liabilities which would be calculated if a full yield curve were used for each scheme. We estimated that the liabilities were potentially understated by approximately \$11.1 million for NTGPASS and \$2.7 million for NTSSS. The impact of using the same discount rate across all schemes was not considered to be material to the TAFR.

Economic assumptions have generally been set consistently across the superannuation schemes. The demographic assumptions have been set for each scheme based on published statistics, industry tables and recent experience.

Figure 7 shows the projected cash outflows to meet the superannuation benefits of members of the seven defined benefits schemes.

Figure 7: Projected Superannuation cash outflows



Source: NTAGO developed from Actuarial Reports provided to the Department of Treasury and Finance

The projected cashflows measure the estimated payments of pension benefits in nominal or current dollars. Because of the sensitivity of the liability to changes in assumptions, the projected cashflows are helpful in estimating the impact on future budgets. The projected annual cash outflows were expected to average \$221.1 million over the next ten years and were unlikely to reduce below \$100.0 million for at least another 20 years.

The Territory also provides free death and invalidity cover to all public sector employees who are not members of one of the defined benefit schemes under the Northern Territory Government Death and Invalidity Scheme (NTGDIS). Most, if not all, superannuation funds offer life and disability insurance for their members at additional costs. NTGDIS benefits are payable in addition to any such cover purchased through a choice superannuation fund or commercial insurers.

The value of the liability arising from the death and disablement benefits was estimated at \$83.8 million as at 30 June 2025 (2024, \$101.2 million). The death and disablement scheme is growing each year, with growth of approximately 4.4% per annum since 2007 and 2.9% per annum in the last three years. As at 30 June 2025, the scheme had 21 874 members with an average cover of \$475 thousand.

Another liability related to employees was the workers compensation liability estimated at \$373.7 million as at 30 June 2025 (2024, \$267.9 million). The increase in the discounted net outstanding claims was driven by a number of factors such as claims remaining active for longer, an increasing prevalence of non-bodily (psychological) injury claims which generally take longer to emerge and are more costly than bodily injury claims, an increase in the number of large claims and higher payments per claim.

Recent legislative reforms also impacted the estimated liability, such as an extension of the list of cancers and asbestos-related diseases presumed to be work-related for firefighters and the inclusion of post-traumatic stress disorder as a deemed injury for first responders. The definition of first responders has also been expanded to include correctional officers.

Net financial worth

Net financial worth measures government's net holdings of financial assets. Unlike net debt, net financial worth is not affected by asset allocation decisions as all financial assets are included. Because net financial worth includes leave entitlements and superannuation liabilities as well as assets which may be used to manage these obligations, namely the Conditions of Service Reserve investments, it will be less affected than net debt by investment draw downs in the future as they will be matched, at least partly, with the fall in the corresponding liabilities.

Net financial worth deteriorated by \$1.5 billion to negative \$11.0 billion when compared to 30 June 2024. Negative net financial worth indicates that liabilities exceed financial assets and the movement in 2024-25 corresponds with the increase in borrowings of \$1.2 billion, lower cash balances and a decrease in the value of equity investments in government businesses predominantly caused by the losses incurred by Power and Water Corporation.

Financial information – General Government Sector

Comprehensive operating statement

	2024-25 \$000	2023-24 \$000	Change	%
REVENUE				
Taxation revenue	826 058	760 877	65 181	9%
Current grants	6 049 032	5 481 642	567 390	10%
Capital grants	300 966	380 917	(79 951)	(21%)
Sales of goods and services	463 464	438 907	24 557	6%
Interest income	217 096	156 318	60 778	39%
Dividend and income tax equivalent income	62 107	68 733	(6 626)	(10%)
Other revenue	451 318	396 239	55 079	14%
TOTAL REVENUE	8 370 041	7 683 632	686 409	9%
EXPENSES				
Employee benefits expense	3 355 188	3 133 416	221 771	7%
Superannuation expenses				
Superannuation interest cost	125 254	119 776	5 478	5%
Other superannuation expenses	355 200	290 105	65 095	22%
Depreciation and amortisation	772 007	773 598	(1 591)	0%
Other operating expenses	2 010 453	1 883 343	127 110	7%
Interest expenses	478 521	403 775	74 746	19%
Other property expenses	4 369	4 254	115	3%
Current grants	1 317 734	1 189 904	127 830	11%
Capital grants	571 923	282 570	289 353	102%
Subsidies and personal benefit payments	265 351	241 253	24 098	10%
TOTAL EXPENSES	9 255 999	8 321 995	934 004	11%
NET OPERATING BALANCE	(885 959)	(638 363)	(247 596)	39%
Other economic flows	(214 926)	(95 046)	(119 880)	126%
OPERATING RESULT	(1 100 885)	(733 409)	(367 476)	50%
Other comprehensive income	704 891	392 196	312 695	80%
COMPREHENSIVE RESULT	(395 994)	(341 212)	(54 782)	16%

Financial information – General Government Sector

Balance sheet

	2025 \$000	2024 \$000	Change	%
ASSETS				
Financial assets				
Cash and deposits	996 126	1 421 826	(425 700)	(30%)
Advances paid	141 580	152 175	(10 595)	(7%)
Investments, loans and placements	2 946 764	2 709 583	237 181	9%
Receivables	835 962	574 654	261 308	45%
Equity investments				
Investments in other public sector entities	2 581 611	2 751 772	(170 161)	(6%)
Investments – shares	7 758	12 577	(4 819)	(38%)
Other financial assets	84 575	83 740	835	1%
Total financial assets	7 594 378	7 706 327	(111 949)	(1%)
Non-financial assets				
Inventories	22 368	19 168	3 200	17%
Property, plant and equipment	21 848 544	20 748 434	1 100 110	5%
Investment property	31 897	34 078	(2 181)	(6%)
Intangible assets	362 511	329 732	32 779	10%
Assets held for sale	18 462	20 837	(2 375)	(11%)
Other non-financial assets	172 822	172 362	460	0%
Total non-financial assets	22 456 604	21 324 611	1 131 993	5%
TOTAL ASSETS	30 050 981	29 030 938	1 020 043	4%
LIABILITIES				
Deposits held	682 244	917 682	(235 438)	(26%)
Advances received	111 283	125 718	(14 435)	(11%)
Borrowing	11 847 392	10 459 402	1 387 990	13%
Superannuation	2 856 009	3 031 055	(175 046)	(6%)
Other employee benefits	1 005 189	926 460	78 729	8%
Payables	410 551	378 864	31 687	8%
Other liabilities	1 675 530	1 332 981	342 549	26%
TOTAL LIABILITIES	18 588 199	17 172 162	1 416 037	8%
NET ASSETS	11 462 782	11 858 776	(395 994)	(3%)
Contributed equity				
Accumulated funds	(1 621 977)	(626 170)	(995 807)	159%
Reserves	13 084 759	12 484 946	599 813	5%
NET WORTH	11 462 782	11 858 776	(395 994)	(3%)
NET FINANCIAL WORTH	(10 993 821)	(9 465 835)	(1 527 986)	16%
NET FINANCIAL LIABILITIES	13 575 433	12 217 607	1 357 826	11%
NET DEBT	8 556 449	7 219 218	1 337 231	19%

Financial information – Total Public Sector

Comprehensive operating statement

	2024-25 \$000	2023-24 \$000	Change	%
REVENUE				
Taxation revenue	813 278	749 039	64 239	9%
Current grants	5 938 032	5 429 643	508 389	9%
Capital grants	393 985	425 811	(31 826)	(7%)
Sales of goods and services	1 243 516	1 154 849	88 667	8%
Interest income	225 982	165 132	60 850	37%
Other revenue	440 031	406 446	33 585	8%
TOTAL REVENUE	9 054 824	8 330 920	723 904	9%
EXPENSES				
Employee benefits expense	3 482 225	3 235 979	246 246	8%
Superannuation expenses				
Superannuation interest cost	125 254	119 776	5 478	5%
Other superannuation expenses	376 890	308 566	68 324	22%
Depreciation and amortisation	1 026 003	1 006 967	19 036	2%
Other operating expenses	2 701 656	2 473 267	228 389	9%
Interest expenses	547 184	428 294	118 890	28%
Other property expenses	4 232	4 131	101	2%
Current grants	1 249 932	1 126 239	123 693	11%
Capital grants	407 540	179 074	228 466	128%
Subsidies and personal benefit payments	79 645	74 043	5 602	8%
TOTAL EXPENSES	10 000 562	8 956 335	1 044 227	12%
NET OPERATING BALANCE	(945 737)	(625 415)	(320 322)	51%
Other economic flows	(333 730)	(121 437)	(212 293)	175%
OPERATING RESULT	(1 279 467)	(746 852)	(532 615)	71%
Other comprehensive income	883 473	405 640	477 833	118%
COMPREHENSIVE RESULT	(395 994)	(341 212)	(54 782)	16%

Financial information – Total Public Sector

Balance sheet

	2024-25 \$000	2023-24 \$000	Change	%
ASSETS				
Financial assets				
Cash and deposits	1 014 952	1 428 374	(413 422)	(29%)
Advances paid	141 580	152 175	(10 595)	(7%)
Investments, loans and placements	2 946 764	2 709 586	237 178	9%
Receivables	916 858	656 766	260 092	40%
Equity investments				
Investments – shares	7 758	12 577	(4 819)	(38%)
Other financial assets	88 687	88 816	(129)	0%
Total financial assets	5 116 600	5 048 294	68 306	1%
Non-financial assets				
Inventories	236 461	238 846	(2 385)	(1%)
Property, plant and equipment	26 373 913	25 181 607	1 192 306	5%
Investment property	31 897	34 078	(2 181)	(6%)
Intangible assets	433 972	406 985	26 987	7%
Assets held for sale	20 980	20 837	143	1%
Other non-financial assets	172 822	172 424	398	0%
Total non-financial assets	27 270 046	26 054 777	1 215 269	5%
TOTAL ASSETS	32 386 646	31 103 071	1 283 575	4%
LIABILITIES				
Deposits held	218 463	253 699	(35 236)	(14%)
Advances received	172 301	182 095	(9 794)	(5%)
Borrowing	14 106 218	12 720 792	1 385 426	11%
Superannuation	2 856 009	3 031 055	(175 046)	(6%)
Other employee benefits	1 086 975	1 002 961	84 014	8%
Payables	639 435	572 994	66 441	12%
Other liabilities	1 844 463	1 480 699	363 764	25%
TOTAL LIABILITIES	20 923 864	19 244 295	1 679 569	9%
NET ASSETS	11 462 782	11 858 776	(395 994)	(3%)
Contributed equity				
Accumulated funds	(967 501)	190 951	(1 158 452)	(607%)
Reserves	12 430 283	11 667 825	762 458	7%
NET WORTH	11 462 782	11 858 776	(395 994)	(3%)
NET FINANCIAL WORTH	(15 807 263)	(14 196 000)	(1 611 263)	11%
NET DEBT	10 393 685	8 866 445	1 527 234	17%

ASSURANCE ACTIVITIES IN GOVERNMENT DEPARTMENTS

Introduction

Assurance activities in government departments and agencies were undertaken to gain assurance over the transactions and balances consolidated into the Treasurer's Annual Financial Report (TAFR).

These activities included:

- agency controls audits (ACA), which examined selected aspects of the systems and processes designed to achieve compliance with legislated and other mandated requirements impacting financial reporting
- end of year reviews (EOY reviews), which examined selected aspects of end of financial year controls over reporting, accounting and material financial transactions and balances
- information technology audits, which focused on key across-government systems used in processing data and providing information used in financial reporting.

Background

The current process for auditing the TAFR involves assessing the overall control environment in place across the Northern Territory Government. Government departments and agencies, except for the Auditor-General's Office, are not mandated to have their financial reports independently audited. This means, that for the purposes of auditing the consolidated TAFR, no reliance can be placed on the transactions and balances reported by individual government departments and agencies and consolidated by the Department of Treasury and Finance into the TAFR.

Instead, we must undertake other assurance activities to gain the necessary assurance over the transactions and balances of unaudited government departments.

Work is also undertaken to audit systems and processes in place that manage across-government financial systems, including the whole of government accounting ledger, the budget and reporting system used in the preparation of the consolidated financial statements for each sector that make up the TAFR, payroll and payments systems and the overall IT control environment.

Results of these activities, including audit findings and recommendations for improvements are reported to Chief Executive Officers of relevant government departments and agencies.

Because this section of the report summarises the matters reported, no formal comments or submissions were sought from government departments. However, they were provided an advance copy of the report.

Conclusion

No opinion was expressed on whether controls were suitably designed to achieve the control objectives and the completeness and accuracy of government departments and agencies' financial statements or their compliance with the Treasurer's Directions and the Australian Accounting Standards.

However, in general, the accounting and control procedures examined during the agency controls audits across the 20 government departments provided reasonable assurance that the responsibilities of accountable officers, as set out in Treasurer's Directions and Procurement Governance Policy and Procurement Rules, would be met if those systems continue to operate in the manner identified in the audit.

Observations

We make the following observations for government departments and agencies and their audit committees to consider as opportunities for improving their finance functions:

Number	Observation
1	All officers with financial management duties should complete financial training so that they understand their duties under the Financial Management and Accountability Framework. Topics should cover areas with the highest number of deficiencies identified during agency controls audits and end of year reviews, including requirements around travel, the use of corporate credit cards and end of year preparations.
2	Government accountability and transparency is supported by the preparation of financial reports which assist Parliament and other users in assessing the financial performance and position of government departments and agencies. Having financial reports audited fosters a culture of transparency and accountability within government departments and agencies. An independent audit plays an important and ongoing role in assuring the integrity of financial reporting and reviews financial reporting arrangements, including: • assessing the effectiveness of management's internal controls over financial reporting and legal compliance • examining, on a test basis, information that provides evidence supporting the amounts and disclosures in the financial statements • assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the accountable authority.

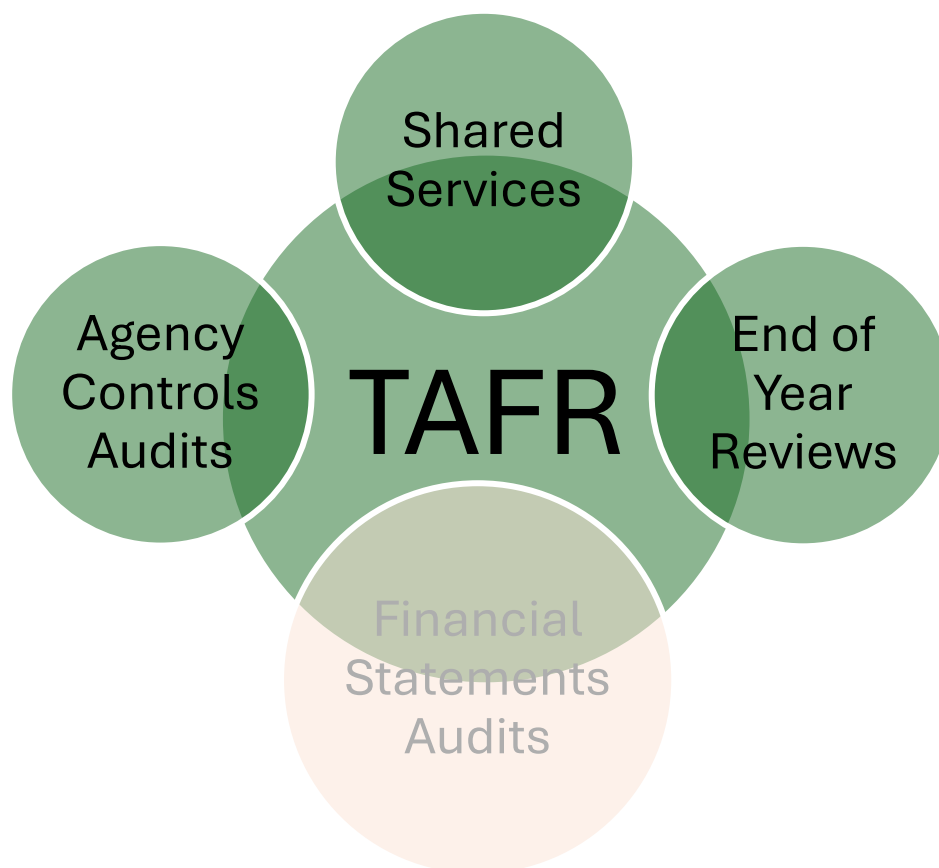
Number	Observation
	The audit procedures also extend to key aspects of legislative compliance, such as requirements relating to the appropriation of money.
3	There are standardised reports available to government departments and agencies which should be used to monitor and report on compliance. If the reports are not meeting the agreed requirements and expectations or contain missing or inaccurate information, government departments and agencies should engage with the shared service provider to address these and vice versa.

Results of Assurance Activities in Government Departments

How assurance activities were conducted

Assurance activities undertaken in government departments and agencies were to mainly support the audit of the TAFR. Results of financial statements audits are detailed in the Auditor-General's Report to the Legislative Assembly No. 5 of 2025-26: *Results of Financial Audits 30 June 2025*.

Figure 8: Assurance activities undertaken to support the audit of TAFR



The primary objective of the ACAs was to assess and test, with reference to a representative number of transactions or other suitable evidence, the adequacy of the systems developed by Accountable Officers to achieve compliance with their accountability and control requirements.

Prescribed accountability requirements are identified in the *Financial Management Act 1995*, Treasurer's Directions, *Procurement Act 1995*, and in other whole of government service wide policies, such as those relating to travel or corporate credit cards.

The ACAs were conducted in accordance with ASAE 3150 *Assurance Engagements on Controls*. They sought to obtain evidence that, at the time of audit, appropriate systems had been developed by Accountable Officers to achieve compliance with their accountability requirements, and that there was evidence of the proper operation of those systems.

The ACAs aimed to address the requirements of section 13 of the *Audit Act 1995* while contributing to the requirement of section 25 to audit and report on TAFR. Section 13 requires the Auditor-General to audit the Public Account, with regard to the character and effectiveness of internal control, and professional standards and practices.

Transactions from 1 July 2024 to as close to the time of audit fieldwork as possible were tested as part of ACAs. This year, that varied from 31 January 2025 to 28 February 2025, and 31 March 2025 in some government departments. The assessment of the effectiveness of internal controls until 30 June 2025 was completed at a later date.

The objective of EOY reviews was to review the adequacy of selected aspects of end of financial year reporting and controls over accounting and material financial transactions. Accordingly, the reviews focused on the accrual accounting aspects of the 30 June 2025 financial data contained in the government departments' general ledgers and consolidated by the Department of Treasury and Finance into the TAFR. The EOY reviews also undertook additional testing of controls to ensure they were operating for the full financial year. Samples were selected from the period following the completion of the ACA until 30 June 2025. Similar to the ACAs, EOY reviews aimed to address the requirements of sections 13 and 25 of the Audit Act.

EOY reviews were conducted with regard to ASA 800 *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

Not all government departments and agencies were included in the assurance activities for the year ended 30 June 2025, with the full list provided in Table 1. The departments and agencies excluded from the 2025 assurance program were, however, included in the shared services work, on a rotational basis.

Overall, 20 ACAs were conducted during the year. EOY reviews were undertaken in 16 government departments and agencies.

Audit work undertaken at DCDD as the provider of shared services included:

- IT control environment review to understand, risk assess and test the internal control structure within the service-wide IT mainframe environment at DCDD and Data Centre Services (DCS), with reference to mainframe operations for the Government Accounting System (GAS), Personnel Information/Payroll Systems (PIPS), Payroll and Payment Management Services (PAPMS) and the NAB DirectLink.
- An assessment of controls within DCDD and the Apex Budgeting and Reporting System to ensure that financial information and financial reports were reliable.

- Compliance audits to determine whether there was reasonable assurance that there were satisfactory internal controls in respect of the:
 - Personnel Information and Payroll System (PIPS) and specifically its payroll and leave recording functions
 - Government Accounting System (GAS) and the following services provided by DCDD to government departments and agencies:
 - ledger reconciliation
 - financial reporting
 - processing of accounts payable
 - accounts receivable, including collection of public money and receipts to operating accounts
 - advances and Official Bank accounts
 - preparation of the NT Government Business Activity Statement for Goods and Services Tax collected and paid
 - grants management.

Audit observations

Audit findings			
Significant	High	Moderate	Low
0	8	106	100

Limitations of scope

4 Departments

- Department of Corrections
- Department of Education and Training
- Northern Territory Fire and Emergency Service
- Northern Territory Police Force

Machinery of government changes involve restructuring the public sector to align with government's priorities. Restructures can vary in size and impact, ranging from the transfer of minor functions to the creation and abolition of entire departments. The August 2024 Territory election, which resulted in a change of Government triggered a significant organisational change within the Northern Territory public service.

Treasurer's Direction - *Machinery of government changes* outlines mandatory requirements for administering and accounting for machinery of government changes. Under the Treasurer's Direction, administrative and functional rearrangements take effect from 1 July of the year of transfer for budget and accounting purposes regardless of the date the administrative arrangements order is made. This means that all revenue, expense and balance sheet transactions incurred prior to a machinery of government change are deemed to have occurred and taken effect in the recipient agency from 1 July.

Effective management of machinery of government changes to minimise transitional risks and associated costs presents a challenge for government departments and their staff. The creation of six new departments and transferring functions between existing departments required the transfer of budgets, employees, assets, records and other resources. This takes considerable time and effort on the part of the affected departments and has shown in the quality, timeliness and the ability to deliver and complete the audit work this year.

Four agencies had limitations of scopes reported this year:

- Department of Corrections
- Department of Education and Training
- Northern Territory Fire and Emergency Service
- Northern Territory Police Force.

Limitations of scope arose because documentation was not supplied to complete the audit program. Each limitation had to be assessed for impact on the audit of the consolidated TAFR.

Operational requirements often take priority during machinery of government changes, and issues such as recordkeeping can be neglected. Assurance activities in government departments resulted in 214 findings in 2024-25. The findings were reported to the chief executive officers as the accountable authorities of their respective departments.

Audit findings	2024-25	2023-24	2022-23
Agency controls audits	101	45	34
End of year reviews	95	40	43
Shared services	18	9	5
Total	214	94	82

The significant increase in the number of findings was largely attributed to the machinery of government changes resulting in changes in personnel and shortages of qualified staff to take up positions in newly created departments. This year, we also removed the concept of minor matters which in the past were not reported as audit findings to accountable authorities but instead discussed with management only. This year, all audit findings were reported to chief executive officers and rated according to their potential impact.

The danger in reporting statistics only is that the focus is on the quantity, not the depth of the areas for improvement. The introduction of risk rating of audit schedules this year has been to improve this visibility and focus of resources.

Whilst it was reassuring that there were no findings rated as significant risk and the number of high-risk findings was relatively low at less than 5%, the large increase compared to the previous year/s was still concerning.

The benefits of a machinery of government change should be realised through the delivery of government priorities, improved accountability and streamlined responsibilities. The cost of machinery of government changes, including the potential impacts on service and program delivery are difficult to quantify. One more cost that needs to be considered is that any change in operations is likely to affect internal controls and may lead to objectives not being achieved, higher operating costs, instances of fraud, and non-compliance with laws or regulations.

The table below shows the total number of findings reported to Chief Executive Officers of government departments and agencies included in the 2025 assurance program from both the ACA and EOY reviews by individual agency, along with the associated risk ratings.

Table 3: Number of audit findings from ACA and EOY reviews by risk rating

Government department or agency	H [^]	M ^{^^}	L ^{^^^}	Total
Attorney-General's Department	1	4	3	8
Department of Agriculture and Fisheries	-	1	2	3
Department of Children and Families	-	4	3	7
Department of Corporate and Digital Development ¹	-	2	4	6
Department of Corrections	-	5	9	14
Department of Education and Training	-	1	5	6
Department of Health	-	10	10	20
Department of Housing, LG and Community Development	-	10	3	13
Department of Lands, Planning and Environment	1	4	4	9
Department of Logistics and Infrastructure	1	4	7	12
Department of Mining and Energy	-		3	3
Department of People, Sport and Culture	-	13	2	15
Department of the Chief Minister and Cabinet	-	3	4	7
Department of the Legislative Assembly	-		1	1
Department of Tourism and Hospitality	1	15	14	30
Department of Trade, Business and Asian Relations	-	1	3	4
Department of Treasury and Finance	-	3	2	5
Northern Territory Fire and Emergency Service	2	9	8	19
Northern Territory Police Force	-	6	7	13
Office of the Independent Commissioner Against Corruption	-	1	-	1
Total number of audit findings	6	96	94	196

¹ Excludes audit findings from assurance activities related to shared services, which are reported separately

[^] High risk rating

^{^^} Moderate risk rating

^{^^^} Low risk rating

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

The Northern Territory Auditor-General's Office is independently audited and audit finding if any, are reported to both the Chief Minister and the Auditor-General. The 2024-25 audit was completed with no issues reported.

Limitations of controls

Because of the inherent limitations of any internal control structure, it is possible that, even if the controls are suitably designed, once the controls are in operation the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structures, within which the controls included in the ACA are designed to operate, have not been assured and no conclusion is expressed on the suitability of their design.

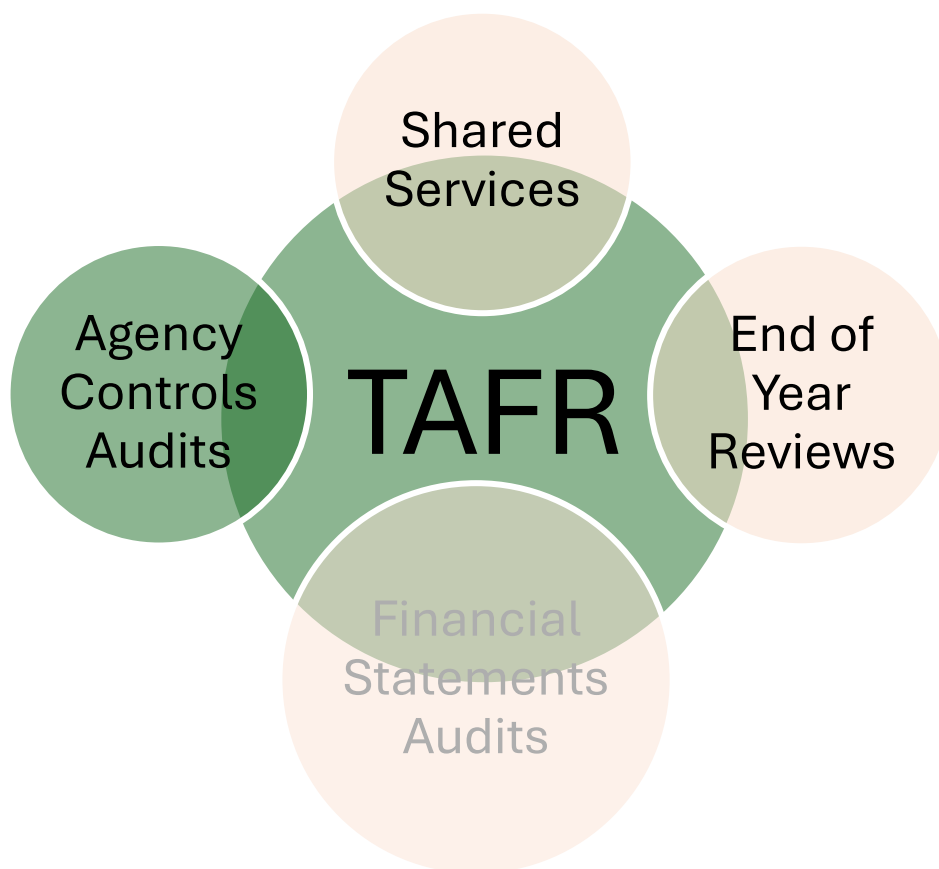
The ACAs should not be relied upon solely in forming an opinion on the existence and adequacy of systems. Government departments have the responsibility to maintain an ongoing internal review and evaluation process to determine whether systems achieve the requirements of the Treasurer's Directions.

Limitations of reviews

The EOY review procedures primarily consisted of making enquiries of management and others within the government department as appropriate, and applying analytical procedures, and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit.

Because of its limited scope, the EOY Review cannot be relied upon solely in forming an opinion as to whether the government department's financial statement were prepared from proper accounts and records and was in accordance with the Treasurer's Directions.

Agency Controls Audit



Formerly known as agency compliance audits, the ACAs this year focused on 27 control areas.

Of the 20 government departments and agencies where ACAs were conducted, the departments with the highest number of control areas where deficiencies were identified were:

- Department of Tourism and Hospitality (15 out of 27, or 56%)
- Attorney-General's Department (11 out of 27, or 41%).

The top three control areas with the highest number of deficiencies were:

- payments (18 out of 27)
- general expenses (13 out of 27)
- non-financial assets (12 out of 27).

Examples of deficiencies and common recommendations are provided below.

A full list of control areas and deficiencies by agency is provided in Appendix B

Deficiencies by control area



Control area: **Payments**

Examples of controls tests

Test controls in place at agencies in accordance with Treasurer's Directions *C3.2: Payments*. This included examining that:

- payments were subject to appropriate management, accountability and control arrangements and were made in accordance with requirements of:
 - the *Financial Management Act 1995*
 - the *Procurement Act 1995*
 - the *Public Sector Employment and Management Act 1993*
 - relevant taxation law provisions in the case of employee benefit payments
 - related Treasurer's Directions
 - other applicable Government policy.
- undisputed invoices were paid within 20 days of receipt of a valid invoice for invoices under \$1 million, and 30 days for invoices over \$1 million.

Deficiencies

Invoices from suppliers being paid outside of the 20-day timeframe.

Recommendation

Implement business improvements to procurement and approval processes to pay invoices sooner and ensure compliance with minimum standards which require invoices under \$1 million to be paid within 20 days.



Control area: **General expenses**

Examples of controls tests

Test controls in place at agencies in accordance with Treasurer's Directions A6.3: *Expenses – General Expenses*. This included examining that:

- purchases of goods and services were recognised and recorded as an expense when the goods or services were received
- the accountable officer (or delegate) approved all official travel, hospitality and personal telephone expenditure prior to the expense being incurred. Travel was subsequently acquitted. Fringe Benefit Tax was appropriately recorded
- repairs and maintenance costs were recognised as an expense when the repairs and maintenance services were provided to/or incurred by the agency
- asset expenses were recognised and recorded by the agency when the related asset was consumed, disposed of, or certain types of impairment losses were incurred.

Deficiencies

Breaches of NTG policies and procedures in relation to travel, corporate credit cards and payments of invoices.

Non-compliance with the NTG Travel Policy Framework (issued by the Department of the Chief Minister and Cabinet), including travel acquittals not being completed within the prescribed 10 working days and the approval for travel obtained after travel departure date.

Hospitality paid for using corporate credit card.

Overpayments to employees from a breakdown in internal control processes.

Expenses not recorded in the correct financial year, some from as far back as 2020.

Expenditure recorded as repairs and maintenance when it should have been capitalised.

Supporting documentation for notional repairs and maintenance charges unable to be provided.

Expense paid without prior approval.

Recommendation

Develop and implement a monitoring system to ensure documented policies and procedures are adhered to.

Establish a more robust system to track and identify recurring exceptions, internal controls weaknesses and areas where additional training may be required.

Improve and strengthen current processes and procedures to ensure official travel is acquitted in a timely manner and in accordance with the relevant Framework.

Update registers to include the minimum information required by the Treasurer's Directions.

Implement review processes to prevent errors in recording business transactions and ensure the business transactions are recorded in the appropriate accounting period.

All expenses be subject to appropriate approval in line with the entity's financial delegation framework before payment is made.

Management should reinforce compliance with approval protocols and consider refresher training for relevant staff, if necessary.



Examples of controls tests

Control area: **Non-financial assets**

Test controls in place at agencies in accordance with Treasurer's Directions *Non-financial assets*, including property, plant and equipment. This included examining that:

- non-financial assets with an original cost or fair value greater than or equal to \$10,000 (\$1 for land) have been recognised and recorded as a non-current asset
- the agency revalued all land assets and all other non-financial assets with a carrying amount of \$50,000 or more, unless the agency holds materially significant volumes of assets under the threshold and applying the threshold could result in a material misstatement in aggregate non-financial asset values of the agency
- non-financial assets valued using observable inputs were revalued once every three years or once every five years for all other non-financial assets.

Deficiencies

Policies for non-financial asset measurement and valuation not finalised, with many in draft.

Draft accounting policy for non-financial assets was missing critical sections, including information relating to the review to be performed by the agency on receiving the external valuer's revaluation report not being covered by the policy.

Delays in capitalising assets.

Errors in capitalisation of fixed asset additions, including incorrect values.

Delays in recording fixed asset disposals.

Not undertaking the annual reconciliation of land assets to the Integrated Land Information System (ILIS).

Discrepancies between land assets register and ILIS.

Assets recorded in incorrect agency post the restructure.

Assets in the fixed asset register with no depreciation expense being calculated or recorded.

❑ Completed work in progress assets were not transferred to client agencies, or the agency's own non-current assets, in a timely manner, resulting in potential misstatement of financial disclosures and capitalisation and depreciation.

Recommendation

Ensure that policy reviews are conducted regularly in accordance with internal requirements and the Treasurer's Directions.

Implement procedures to ensure that all asset additions are recorded in the fixed asset register promptly upon acquisition, with the correct value. This could include closer coordination between procurement and finance teams and period reconciliations between purchase records and the fixed asset register.

Implement procedures to ensure that all asset disposals are recorded in the fixed asset register promptly upon disposal. This could include closer coordination between fixed assets action officers and finance teams and periodic reconciliations between the general ledger and the fixed asset register.

Implement checks to prevent the erroneous retention or recording of assets that fall outside the agency's responsibility.

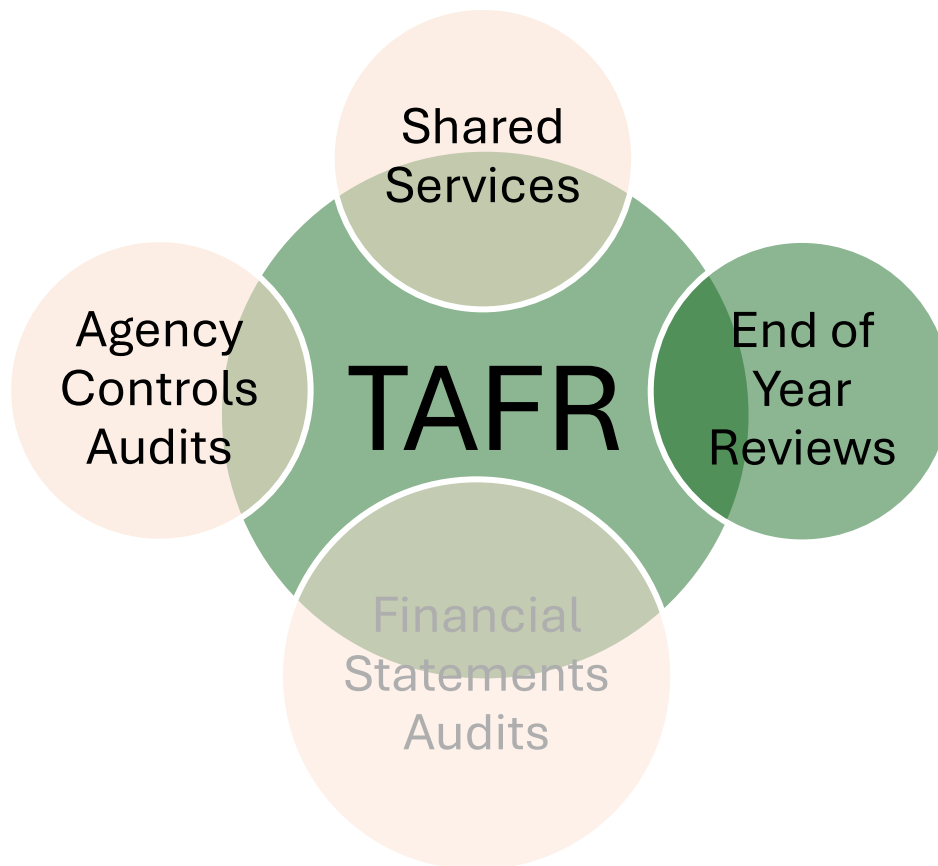
Review depreciation schedules and fixed asset registers to identify and correct any omitted depreciation expense, post adjusting journals to correct balances in the general ledger, strengthen internal controls over asset management and depreciation processes.

Review the current practices surrounding the transfer of work in progress, including the appropriateness of using the financial completion date over the physical completion date, to ensure work in progress is transferred in a timely manner.

Control deficiencies surrounding fraud control, procurement, and trust monies were the next highest across all government departments. Recurring issues with procurement included non-compliance with the Northern Territory Government's Procurement Policy and Rules.

Recurring issues with corporate credit cards were also identified, including acquittals not completed within the required timeframe, deficiencies in corporate credit card registers, reporting of stolen credit cards, releasing card information, cards issued before staff have completed training, not putting cards on hold when there are transactions exceeding six weeks old that have not been acquitted.

End of Year Reviews



We consider materiality to determine which government departments and account balances will be the focus of EOY reviews. During the EOY reviews, we also obtain evidence for mostly qualitative disclosures in the TAFR.

Key themes where audit findings were raised emerging from the EOY review program this year, by agency are included in Appendix C *End of year review findings by theme*.

The top recurring themes were:



Excessive annual leave balances

Findings in this area are a recurring theme from year to year. The NTG's leave entitlements are substantial and operational needs make it challenging for staff to take leave.

Failure to manage excessive leave may result in:

- occupational, health and safety implications
- non-compliance with industrial agreements

- disrupted service delivery when employees eventually take leave and are absent for lengthy periods
- accrued employee liabilities are settled at higher rates as a result of salary increases
- increased fraud risks, where staff who perform key control functions do not take leave.

Government departments should continue monitoring and managing excessive annual leave balances by establishing individual management plans for staff to reduce excess annual leave balances within an acceptable timeframe.



Property, plant and equipment (PPE)

These findings capture issues with revaluations, impairment of assets, useful lives not aligning to agency policy, incorrect depreciation expenditure, supporting documentation, time delays in assets being captured into the fixed asset register, issues with reconciliations, general ledger not agreeing to fixed asset registers.

PPE is a significant balance for government departments and deficiencies in accounting for and recording assets may have an impact on the wider general government sector. The risk of misstatement in the financial statements increases where:

- management has not applied the agency's fixed asset policy appropriately
- the methodology and assumptions made by valuers are inconsistent or are not reasonable or management has not sufficiently reviewed the valuation report
- errors in the data are not identified by management in a timely manner
- timely reconciliations of asset registers to the asset management system were not being performed, and omissions of assets in the asset register were not detected
- excessive expensing of capital items through the application of an inappropriate capitalisation threshold.

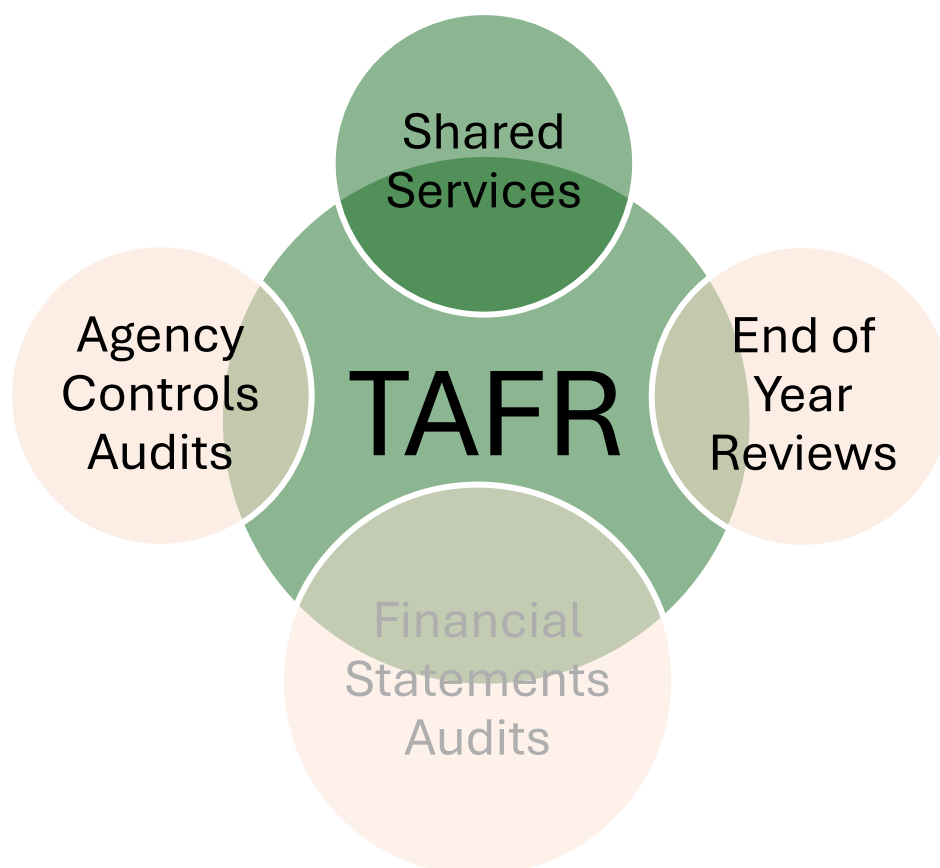
Government department should improve their quality review processes over the accuracy and completeness of fixed asset data supporting the preparation of the financial statements.

Other end of year review findings

Other common issues related to the inability of government departments to provide audit evidence, either at all, or in a timely manner (i.e. it wasn't easily available). In some instances, there were unexplained or long-standing unreconciled variances in reconciliations of the general ledger to subsidiary ledgers and lack of supporting documentation for transactions.

This year, we also noted that 11 out of 16 government departments experienced issues with processing adjusting general journals after the cut off date. These late journals were often a result of slow reconciliation processes and delays in, for example, assets valuations. The impact of late journals was that it slowed down the preparation and audit of the TAFR.

Shared services



The table below shows the number of findings reported to the Department of Corporate and Digital Development as the department responsible for shared services and systems:

Table 4: Number of audit findings from shared services reviews by risk rating

Area of review	H [^]	M ^{^^}	L ^{^^^}	Total
APEX budget and reporting system	-	-	1	1
Common infrastructure for key financial systems	1	-	-	1
Shared services – end of year review	1	-	-	1
Information Technology control environment (ITCE)	-	3	2	5
Government Accounting System (GAS)	-	4	1	5
Personnel Information and Payroll System (PIPS)	-	3	2	5
Total number of audit findings	2	10	6	18

[^] High risk rating

^{^^} Moderate risk rating

^{^^^} Low risk rating

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

In 2023-24 we undertook to do a “top up” of controls across PIPS to ensure that we had tested key controls and they were operating throughout the full financial year. This year we undertook a “top up” of controls across both PIPS and GAS to get better assurance that the key financial systems that are used to generate and capture the majority of payroll and expenditure transactions for whole of government were operating as intended for the entire year.

The GAS and PIPS audits are supported by an IT control environment audit and a common infrastructure for key financial systems audit.

There were some recurring themes across the shared services, such as the user account management, delays in actioning commencements and cessations of employees in the payroll system and delays in reporting salary overpayments to the Debt Recovery Unit.

MANUAL PAYROLL CALCULATIONS

Introduction

Salaries, wages and associated costs, including superannuation contributions are the single largest expense for the Northern Territory Government at \$3.7 billion in 2024-25. This makes payroll services one of the most critical functions managed by the Department of Corporate and Digital Development (DCDD).

Northern Territory public sector employees are covered by enterprise agreements negotiated and made under the *Fair Work Act 2009* (Cth). There were 11 enterprise agreements relevant to public sector employees, including the three government owned corporations at the time of the audit.

During 2023, DCDD processed back payments for 10,139 full time equivalent public sector employees (approximately 45% of the NTPS workforce¹) due to retrospective wage increases agreed during enterprise agreement negotiations.

Background

Payroll errors occur and can be an issue for employers, especially those with a large workforce, complex industrial instruments, outdated payroll systems and heavy reliance on some form of manual calculations outside of payroll systems. It would be fair to say that all these risk factors are relevant to the Northern Territory Government.

The majority of Northern Territory public sector employees are covered by enterprise agreements negotiated and made under the *Fair Work Act*.

The processing of employee entitlements and conditions, including paying wages and salaries and relevant allowances is the responsibility of employment services within DCDD. The *Fair Work Act* requires employers to pay employees for all work performed, including all entitlements, in a timely manner. This includes ensuring employees' pays are correct according to all relevant laws, awards, and agreements. In the context of the Northern Territory Government, it is the responsibility of DCDD for ensuring that Northern Territory Government employees receive their correct salaries and entitlements.

¹ The average number of full-time equivalent employees for 2023-24 in the total public sector was 22,706, *2023-24 Treasurer's Annual Financial Report*.

It is not uncommon for enterprise agreements to contain clauses that state pay rises and other benefits apply from a date prior to when the agreement was approved by the Fair Work Commission and formally commenced operation. This is often done to cover a period where negotiations have occurred, but the final agreement is not yet in place. The backdated application of the pay rises and other benefits are a specific term negotiated and included within the agreement itself.

Enterprise agreements negotiated during 2022 and 2023 required retrospective pay increases reflective of effective dates.

During 2023, DCDD processed the multiple enterprise agreements within a small window due to the finalisation and approval of enterprise agreements, which included back payments for retrospective wage increases, impacting 10,139 full time equivalent employees. This resulted in a compressed and increased workload for DCDD staff to ensure that the payroll system was configured to reflect changes to entitlements going forward, as well as to calculate and process the back payments.

The volume of changes required and the back payments themselves, some requiring adjustments across several years, increased the risk of payroll errors as these transactions in some instances were manually (or semi-manually) processed by DCDD staff. This audit examined the systems and process that DCDD had in place to ensure that back payments were calculated correctly and processed in a timely manner, with an emphasis on manual payroll transactions.

The audit covered the period from 1 January 2023 to 31 December 2023.

Objective of the audit

The objective of this performance management system audit was to assess whether there were systems in place at DCDD that enabled its Chief Executive Officer (CEO) to ensure that employees were paid their backdated wage increases and other entitlements in accordance with the applicable EA and that those payments were processed in a timely manner.

How we conducted the audit

The audit assessed:

- systems in place to manage the payroll function relevant to manual payments
- processes to assess how payroll entitlements can be processed effectively and efficiently during the Enterprise Agreement negotiation process
- processes to manage manual payroll calculations and payments
- impacts of back payment calculations.

While we reviewed some calculations as part of understanding of the processes, the audit did not cover the accuracy and completeness of manual payroll calculations.

Key Terms

Key terms used in this report, along with their common meaning, are:

Term	Meaning
Back payment	Payment of employee entitlements for a prior period. Common when an EA is finalised after its commencement date and applies retrospectively from a prior period.
Enterprise Agreement (EA)	EAs contain terms and conditions of employment. Each agreement applies to particular groups of employees. They are negotiated through the enterprise bargaining process.
Employee Entitlement	Refers to the remuneration provided to employees for work. Employee entitlements include wages or salary, allowances, overtime, shift duty, annual leave, long service leave, sick leave, redundancy pay, superannuation and other benefits payable to the employee.
Manual payroll calculation	Refers to payroll calculations that are made outside of the automated processes / electronic system.

Conclusion

The audit identified that DCDD had performance management systems in place to demonstrate that manual payroll calculations were being processed efficiently with some recommendations for improvement.

Recommendations

We have made the following recommendations to the DCDD as the department responsible for processing payroll:

Number	Recommendation
1	Transparency regarding the cost impost of backdated entitlements DCDD should track and report the cost of processing significant back payments such as those resulting from retrospective wage increases. Understanding the cost impost of processing retrospective wage increases would allow for better planning and informed decision making for both DCDD resourcing, impacted agencies, and government as a whole.
2	Transparency in the cost of back payments impacting agencies employee expenses Whilst DCDD has systems in place for processing manual payments, the quantification of the cost of back payments is not generally available to affected agencies in advance, nor is the ability to track the cost of back

Number	Recommendation
	payments processed as a result of EA negotiations / Fair Work rulings when they are processed to separately identify them from business-as-usual employee expenses in agency's ledgers.

Comments and submissions

A draft report was provided to the DCDD for comments on 5 November 2025 in accordance with section 24(a) of the *Audit Act 1995*.

Response from the Department of Corporate and Digital Development

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

The submission received from DCDD is included below.

The Auditor-General's conclusion recognises that DCDD had performance management systems to demonstrate that manual payroll calculations were processed efficiently. DCDD acknowledges both recommendations and will consider possible reporting options to improve transparency relating to costs.

Catherine Weber
Chief Executive Officer

21 November 2025

Audit observations

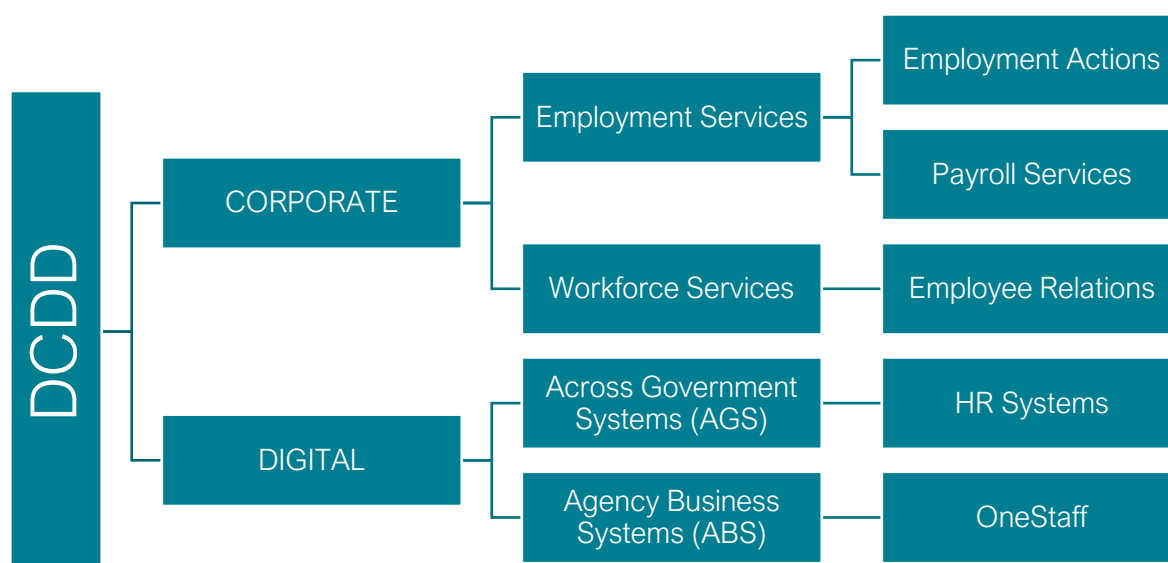
The following sections of this chapter document the:

- systems to manage the Northern Territory Government's payroll function
- processes to assess how payroll entitlements can be processed during EA negotiation process
- processes for managing manual payroll calculations
- impacts of back payment calculations.

Systems to manage the Northern Territory Government's payroll function

NTG Payroll Function

DCDD is responsible for the NTG payroll function. The key work units within DCDD involved, from EA negotiations to processing the outcomes of the approved EAs relevant to this audit are shown in the following diagram:

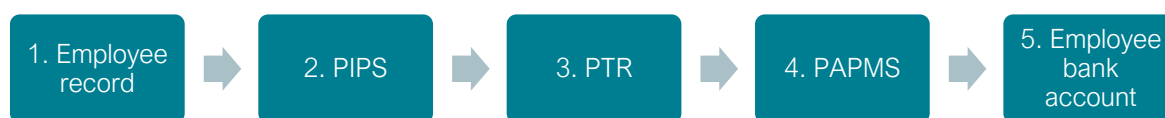


Each of the units and their involvement in the NTG payroll function are described in detail below.

Unit	Service description
Employment Actions	Employment Actions process commencements, employment contract extensions, and position changes.
Payroll Services	The Payroll Services unit processes salary payments, calculates employee benefits including superannuation, and tracks entitlements such as accrued leave.
Employee Relations	Employee Relations supports agencies to manage relationships with employees and representative organisations (including Unions), as part of meeting obligations outlined in public sector employment frameworks. They are involved in EA negotiations
Across Government Systems (AGS)	AGS supports and maintains the following key systems impacting payroll: Personnel Information and Payroll System (PIPS) used to process employee's pay and Payroll and Payments Management Services (PAPMS) used for payroll disbursements. AGS also maintain and run existing automated processing of EA salary and higher duties allowance increases, including back adjustments.
Agency Business Systems (ABS)	ABS manages OneStaff, one of the staff management and rostering system used by hospitals and health clinics; and corrections.

The Northern Territory Government utilises a mainframe payroll system. Not all entitlements due to their nature and variation are currently system automated and require a level of manual intervention. Where not systems automated, DCDD Payroll Services staff process transactions that fall outside of the automation.

The diagram below shows a simplified version of the payroll process:



1. Employee record – this is where the employee’s payroll information starts. It contains their employment data to create their pay. This may be salary information, or timesheet data if paid based on timesheets.
2. Personnel Information and Payroll System (PIPS) – this is where the employees pay is calculated. DCDD Payroll Services staff work in PIPS to generate pay transactions.
3. Pay Transaction Record (PTR) – once the data is calculated in PIPS a PTR is created for each employee. This is the point that validation processes take place.
4. Payroll and Payments Management Services (PAPMS) – Once the PTR has been system validated the transaction data is uploaded into PAPMS to generate the bank file.
5. Employee bank account – the bank file is loaded to the bank marking the end of the payment process as the bank distributes employees pays into employee’s bank account.

Payroll transactions (not limited to EA processing) are generated using the following methods:

Payment	Meaning
Auto / automated	Auto / automated payroll transaction are transactions for employees. With these types of transactions there is no Payroll Officer interaction.
Manual	Manual payments are created by a Payroll Officer. A Payroll Officer generates the transaction, and a Senior Payroll Officer checks and certifies the transaction.
Semi-manual / semi-auto	Semi-manual / semi-auto payroll processing may fall into two categories and is where a combination of manual and function automation is utilised. These transactions may be created through the system program/automation but require a Senior Payroll Officer to check and certify (for example, salary and higher duties allowance transactions), or may involve calculations performed outside the system (manually) and utilises automated transaction programs to create and certify transactions in PIPS (for example Overtime and Shift Penalties entitlements) For example, for the latter where a large number of employees are identified that require a percentage increase under a wages policy for overtime and/or shift penalties. The employees are

Payment	Meaning
	identified and data is extracted by DCDD Payroll Services staff into Excel. The calculation is performed in Excel, and then the data is uploaded into PIPS. These transactions are marked as “auto” when the file is uploaded due to the program being used, i.e. transaction “automatically” created from data set.

Semi-manual and manual payment methods were used to process the back payments required for the EA changes.

Back payments are dependent on the effective dates of the EAs. The pay periods are determined in the implementation planning between OCPE and DCDD and documented in the DCDD EA Implementation and Processing Plan.

Policies, processes and guidelines

DCDD utilise work instructions, checklists, review processes and exception reporting to ensure that payroll transactions are processed accurately.

The same policies, processes and guidelines that are utilised by DCDD for processing standard payroll transactions are used for EA processing, with some additional steps, as described later in this report. DCDD have standard operating procedures that are utilised.

Enterprise Agreements

The Northern Territory Government is party to a number of EAs which contain terms and conditions of employment and each agreement applies to a specific group of employees. EAs are negotiated through the enterprise bargaining process which involves formal negotiations between the Commissioner for Public Employment (as the employer), agencies and employees’ representatives to create an EA.

EAs are not effective until they have been approved by Fair Work. An EA becomes effective seven days after approved by Fair Work.

The following 12 EAs were in place as at December 2023:

	Enterprise Agreement	Commencement	Expiry	Fair Work Commission Decision Date
1	Medical Officers	2022	2025	19/07/2023
2	Dental Officers	2022	2026	21/07/2023
3	Nurses and Midwives	2022	2026	2/08/2023
4	Aboriginal Health Practitioner	2022	2025	2/06/2023
5	Teachers and Assistant Teachers	2021	2024	11/01/2023
6	Northern Territory Public Sector	2021	2025	1/04/2022
7	Fire and Rescue Service	2021	2025	23/10/2023

	Enterprise Agreement	Commencement	Expiry	Fair Work Commission Decision Date
8	Correctional Officer	2021	2025	18/04/2023
9	Jacana Energy	2021	2025	13/07/2022
10	Power and Water Corporation	2021	2026	23/08/2023
11	Territory Generation	2022	2026	14/08/2023
12	Frances Bay Marine Facility Port Service Workers	2018	2022	not stated

Source: <https://ocpe.nt.gov.au/employment-terms-and-conditions/current-enterprise-agreements/enterprise-agreements-current>, accessed October 2024

As detailed above, 11 EAs were approved after the commencement date of the EA and were processed during 2023. The Frances Bay Marine Facility Port Service Workers EA was deemed outside of scope of this audit, as it was still in effect in 2023.

The effective date of the EAs resulted in back payments to employees.

Determinations

There were Determinations issued as a result of the new EAs which were also processed by DCDD Payroll Services during 2023.

Determinations are issued by the Commissioner for Public Employment. They may include matters that apply generally to all employees, to a specific class of employees, or to an individual employee, such as:

- temporary employment conditions
- rates for travelling allowance
- special remote locality provisions.

All determinations are published on the Office of the Commissioner for Public Employment (OCPE) website at <https://ocpe.nt.gov.au/employment-terms-and-conditions/determinations>, accessed October 2024.

Often during EA negotiations, amendments are required to Determinations, which can result in the need for back payments. This was the case in 2023.

Enterprise Agreement negotiations

EA negotiations in the NTPS take place between:

- the Commissioner for Public Employment (who is the employer of all NTPS employees);
- any union who has a member that would be covered by the agreement; and
- any person specified in writing as their bargaining representative by an employee who would be covered by the agreement.

Bargaining process

In the NTPS, the enterprise bargaining process involves the following steps, undertaken in order:

- The employer to give notice to employees of their representational rights.
- Start of negotiations.
- Bargaining representatives reach agreement.
- Employees have their say (the vote).
- Fair Work Commission approval.
- Start date of the new agreement.

OCPE updates are published in the Bulletin section of the OCPE website. Bulletins are used to communicate the progress of the EA negotiation including back payments. After the voting ballot outcome, an announcement is made through a Bulletin for a new EA and the changes that will be implemented in the new agreement including the nature of new conditions and entitlements (salaries, overtime), pay days and the effective date of the new agreement.

DCDD involvement in EA and Bargaining

DCDD Employment Relations staff participate in the EA negotiation and bargaining process, along with Unions, OCPE, and Agency representatives.

The key roles of DCDD Employment Relations in the negotiation process are:

- Providing expert advice and support to agencies in preparation for and during enterprise bargaining to ensure their workforce strategies and plans are supported.
- Assisting agencies with commitments arising from enterprise agreement negotiation outcomes.
- Providing expert advice and support to agencies considering or implementing change, including developing change management and employee consultation plans.
- Working with OCPE on strategic employment issues, such as reforms of the NTPS employment framework and changes to federal industrial legislation.
- Participating in the Northern Territory Public Sector Consultative Committee.
- Engaging and liaising with the Solicitor for the Northern Territory and OCPE about agency change management processes and industrial relations issues.
- Assist agencies to manage industrial relations matters including disputes, by providing employee relations advice that focusses on minimising industrial risk.

Determining the impact of amended EAs and their ability to be processed in PIPS

Draft EAs are shared with representatives from DCDD's Payroll Services, Employee Relations, and HR Systems to determine the impact of proposed entitlements and their ability to be processed either by the system or by payroll.

If there is a proposal to include a new or changed entitlement in the EA, internal meetings are convened within DCDD involving the teams above. Discussions include the need for system updates, creation of allowances, and requirements for interim and ongoing processing, as a result of the new EA.

Once the internal meetings within DCDD are held, DCDD holds meetings with OCEP representatives on the actual EA implementation.

This process occurred throughout 2023, with pay processing possibilities documents prepared for OCEP explaining any processing impacts including proposed timelines for processing, the level of complexity and the number of employees affected.

As examples:

- 558 employees were identified as affected by changes to the Correctional Officers 2021-2025 EA. Payments of backpay were required affecting two prior years. The nature of the calculations involved higher complexity associated with higher duties. Processing was expected to occur over two pay periods.
- 3,109 employees were identified as being affected by changes to the Nurses and Midwives EA. In addition to payment of backpay of salary and allowances, and payments of overtime and penalties, there was increased complexity relating to processing new 'Top of Range' increments, two meal breaks paid and unpaid. Processing was expected to occur over seven to eight pay periods.

Through collaboration between OCEP and DCDD, DCDD ensures that all entitlements in an EA can be calculated and processed. This involves DCDD staff from Payroll Services, Employee Relations and HR Systems.

DCDD follows a process to identify any new changes/allowances in the EAs, determine if there is any significant manual intervention required, the complexity of processing the EA changes, and the timeframes to process the back payments. This process includes:

- EA Implementation and Processing Plan
- EA Implementation Workshop Decision Register
- DCDD Implementation Table Notes
- Meetings
- New allowances and entitlements

Each of these processes are described below.

EA Implementation and Processing Plan

DCDD prepared an EA Implementation and Processing Plan for the 2023 EA process. It contained a summary of each EA, the number of Full Time Equivalent (FTE) employees that are estimated to be affected by the change in the EA, the effective date of the increases, the number of pay periods required to process the EA, along with narrative of the complexities of each EA. The DCDD EA Implementation and Processing Plan table below shows that it was estimated that 11 EAs would impact 10,139 FTE, approximately 45 percent of the NTPS workforce.

Employee	Full Time Equivalent employees affected by the change in EA	Effective date of increases	Number of pay periods required to process
Non-Contract Principals, Teachers and Assistant Teachers 2021-2024	2 628	11/10/2021 13/10/2022	2
Correctional Officers 2021-2025	558	9/12/2021	2
Aboriginal Health Practitioner	65	18/8/2022	2
NT Police	1 608	7/7/2022	3
Power and Water	868	22/7/2021 21/7/2022	6
Dental Officers	18	21/8/2022	2
Medical Officers	912	1/1/2022 1/1/2023	4
Territory Generation	190	21/7/2022	4
Nurses and Midwives	3 109	9/8/2022	7 / 8
Fire and Rescue Service	183	11/11/2021 10/11/2022 10/11/2023	4
TOTAL	10 139		

Source: NTAGO extracted from DCDD Enterprise Agreement Implementation and Processing as at 29 October 2023

EA Implementation Workshop Decision Register

A decision register is maintained for each EA following the release of Proposed Explanatory Notes for the EA by OCPE. These registers contain information and decisions made in collaboration with both DCDD and OCPE.

The EA Implementation Workshop Decision Registers are maintained by DCDD and record the existing and new changes that have been implemented by OCPE into the EAs. The register also details status updates, if any, the timelines for processing, and any action required from OCPE related to EA changes.

DCDD Implementation Table Notes

The DCDD Implementation Table Notes outlines the same content as the EA Implementation Decision Register but also includes the progress on how DCDD is tracking with the new implementation plan on EAs and final comments from AGS which includes the deadlines and if there are any changes required within PIPS. These are the technical notes for implementation of EAs. A separate implementation table note is created for each EA that is negotiated.

The implementation table notes include details of the clause and clause number in the EA, a column detailing the changes for PIPS/Payroll to note, a column for the Action required. For example, a 3% pay increase from December 2021 for 4 years has Action required notes of:

- 3% pay increase for 4 years commencing from 2021.
- Back payments required for 2 December 2021 and 2 December 2022 increases.

Meetings

Regular meetings are established between OCPE and DCDD to ensure that the implementation of EA terms are progressing as planned and to discuss any issues recorded in the EA implementation Workshop Decision Register.

A snapshot of processing is developed for each EA so that DCDD Payroll Services staff know exactly what is required to be actioned and when.

A simplified example of the Processing Overviews that are created is shown below:

Pay A	Pay B	Pay C
Processing Requirements:		
EA preparation Outstanding transaction / processing Leave HR tickets Employment – Contracts and Promotions Increments	Rates of pay New basic salary, higher duties allowance and consolidated allowance (% based) 2021 back adjustments from 09/12/2021 2022 back adjustments from 08/12/2022 New allowances – shift, training	Top up Overtime Minimum notice – roster change Leave cash ups
Responsible Team:		
Payroll team BAU	API • Reporting and filtering data for processing	API Reporting and filtering data for bulk PTRs generation
EA task force team	EA task force team • PTRs	AGS • Bulk PTRs generation – certification status

New allowances and entitlements

For any new allowances or entitlements required, a checklist (“PIPS entitlement payment code template”) is commenced by DCDD Payroll Service and sent to OCPE for validation of entitlement. The checklist highlights the details of the new entitlement and impact on PIPS. This checklist is signed by a Member Services Manager (Northern Territory Superannuation Office), Employee Relations Senior Advisor (OCPE) and Assistant Director before opening a new entitlement code in PIPS.

The PIPS entitlement payment code template it has a number of fields to be completed including whether the new or modified entitlement code is:

- calculated on working days or calendar days
- whether public holidays included
- paid for whole days only
- payable during leave
- counts as salary for any purpose
- affected by Higher Duties Allowance (HDA)/salary variation
- affected by leave (recreation, long service, personal)
- counts as salary for calculation of penalties, overtime salary on HDA or promotion, leave bonus
- pro-rata impacts.

The form also is required to be sent to DCDD Corporate Tax Unit (CTU) to complete whether the new or modified entitlement is subject to PAYG income tax, fringe benefit tax and if it is to appear on an employee’s income statement. DCDD CTU is required to sign off on the form.

The form is also required to be sent to the NT Superannuation Office (NTSO) for their review of superannuation implications and signed off.

Then DCDD Payroll Services sign off before given to DCDD AGS for processing.

This checklist is a part of the standard operating procedure. It is the same process used when new allowances or requirements are required as a result of EA negotiations. Amended EAs required a number of new codes to be created in 2023.

Timelines for processing the impacts of EAs

As described earlier, DCDD teams and OCPE negotiated timeframes for processing the approved EAs in 2023, and in particular the back payments, taking into consideration already scheduled commitments and sequencing of requirements. These timeframes were issued by the Commissioner of Public Employment to affected employees via Commissioner’s Bulletins, which at the time were available on their website, and were emailed to impacted employees.

Once negotiations and back payments are completed the Bulletins are removed from the website, to make way for the next round of EA negotiations.

A timeline for processing is produced for each EA.

As an example, Bulletin 14 for the Fire and Rescue Service Agreement Negotiations provided the timeline for processing of the new salary and allowance rates. As can be seen below, the EA back payments were physically processed over four pay periods, requiring considerable work by DCDD Payroll Services staff, as there was a compounding effect over three years, and then an additional adjustment to be made for overtime and new allowances:

NTPS Fire and Rescue 2021--2025 Enterprise Agreement	
Adjustment	Payday
2021 Salary increases and allowance increases and back pay (Pay 11)	23 November 2023
2022 Salary increases and allowance increases and back pay (Pay 12)	7 December 2023
2023 Salary increases and allowance increases and back pay (Pay 13)	21 December 2023
Adjustment Overtime and New allowances back adjustment (Pay 15)	18 January 2024

Source: Bulletin 14 - Fire and Rescue Service Agreement

Processes for managing manual payroll calculations

The processes DCDD utilise for managing manual payroll calculations as a result of EA negotiations is the same that is used for managing any manual payroll calculation. As described earlier, manual and semi-manual payroll calculations involve a level of human intervention (in all or some steps) to calculate and ensure that they are processed correctly.

When entitlements under an EA are backdated over several years, there can be different percentage increases for each year which have to be applied over several pay periods. To demonstrate, the processing of a salary increment going back two years requires back payment for the first year to be processed in one pay period and the second-year increment to be processed in a subsequent pay period. The reason this is processed in this way is to accommodate the requirements of processes within the pay processing period both preparing and review and reduce the risk of errors.

Staffing, training and knowledge sharing

DCDD Payroll Services staff are responsible for processing manual payroll calculations, including back payments as a result of EA negotiations. Processing manual payments, such as back payments, is a fundamental role of a Payroll Officer, and their work is reviewed by a Senior Payroll Officer before the transaction is processed to payment.

The core staff for manual payments in DCDD Payroll Services are:

Staff	Level
Support Payroll Officer	AO3
Payroll Officer	AO4
Senior Payroll Officer	AO5
Team Leader	AO6

DCDD have a structured training program for becoming a payroll officer. This includes an eight-week basic payroll training program, followed by immediate and then advanced training as staff develop.

Payroll Officers are grouped into teams who manage specific EAs and employee entitlements, ensuring that they learn the nuances of the EAs, including all entitlements and allowances.

When an EA changes, Payroll Officers are briefed on the changes to be implemented by Team Leaders.

DCDD Payroll Services update the communication documentation that is available for staff to access, hold regular team meetings, and collate information for future EAs – both EA conditions and processing implications.

Processing back payments

Once the EA is finalised the DCDD Employment Relations team communicates the changes and requirements to the DCDD Payroll Services team through the joint meetings referenced above. These are documented through the processes described earlier, including the DCDD Implementation Table Notes.

Payroll Officers use templates to assist with processing which have been developed by DCDD Payroll Services staff.

The changes required are:

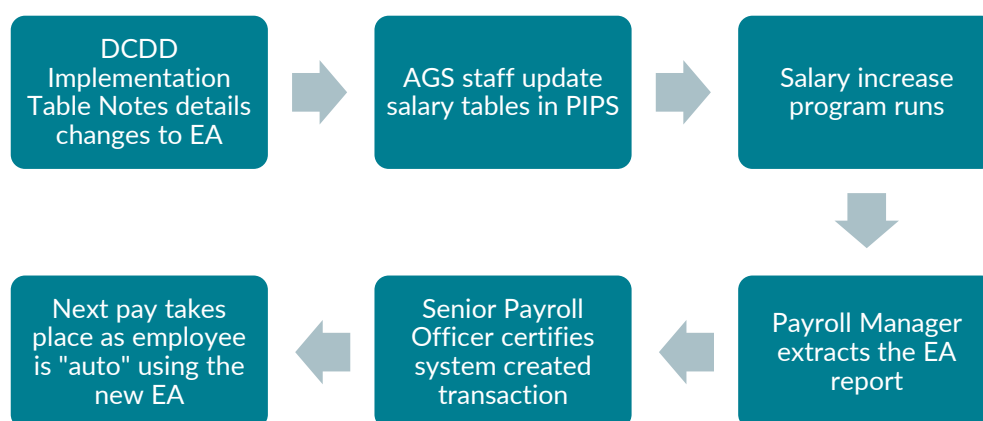
- EA changes where there is an increase in employee entitlements
- EA changes where there is back payment as a result in changes to employee entitlements

EA changes where there is a salary (including HDA) increase in employee entitlements

The EA identifies employee classifications and contains salary tables. DCDD AGS update the salary tables in PIPS, and the salary increase program creates pay transactions to introduce the new salary entitlements and creates back adjustments where required at the difference between old and new salary rates. These transactions are in prepared status and do not transmit to PAPMS without Senior Payroll Officer certification.

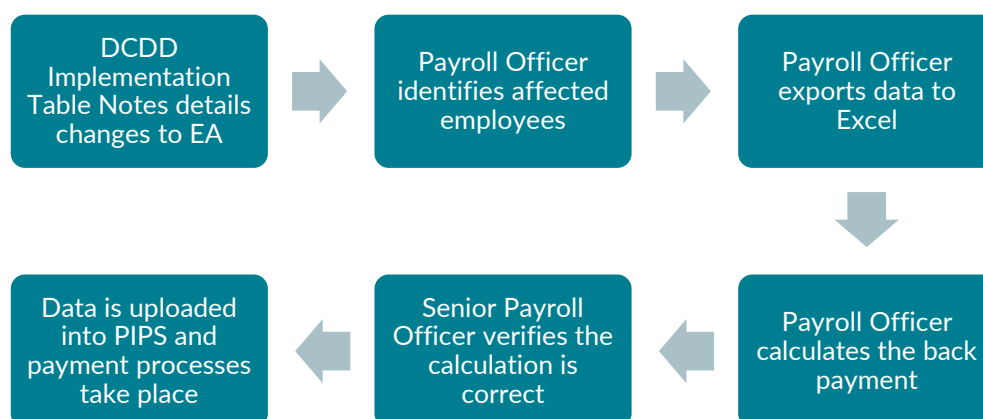
The Payroll Manager then extracts the EA report which lists all employees who are entitled to the EA changes including back payments. A Senior Payroll Officer checks the system created transaction and certifies it if correct to transmit to PAPMS.

For simple EA changes, such as those employees whose payroll transactions are semi-automated, the following is a simplification of the process that is applied.



EA changes where there is back payment in associated employee entitlements (overtime and/or shift penalties)

DCDD Payroll Services Payroll Officers identify the affected employees by classification, using the same process as above. The employees are identified by DCDD Payroll Services staff and relevant data extracted into Excel. The calculation is performed in Excel by a Payroll Officer, checked by a Senior Payroll Officer, and then the data is uploaded into PIPS. These transactions are marked as "auto" when the file is uploaded.



Quality Assurance processes

Payroll Transaction Records (PTR), as described earlier are the files with the payment data that are imported into PAPMS. They are created by Payroll Officers and checked and certified by a Senior Payroll Officer. This checking process takes place whenever a PTR is created, whether on an individual basis, or using the bulk PTR generation program (essentially a data import function) is used. The same systems and processes are used for PTRs related to back payments.

Post EA processing, quality assurance checks of bulk PTR activity are undertaken by DCDD Payroll Services.

2023 EA processing

Adjustments affecting prior years resulting from the negotiated EAs required manual calculations to be performed between 1 January 2023 to 31 December 2023 for the following employee groups:

- | | |
|---|---|
| 1) Aboriginal Health Practitioner | 15) Jacana Energy |
| 2) Batchelor Institute of Indigenous Tertiary Education | 16) Medical officers |
| 3) Correctional officers | 17) Nurses and Midwives |
| 4) Dentists | 18) Board Member |
| 5) Executive contract officers | 19) Electorate - Electorate Liaison Officer |
| 6) Executive contract officers - Batchelor Institute of Indigenous Tertiary Education | 20) Electorate - Electorate Officer |
| 7) Executive contract officers – Coroner | 21) Fire Aux |
| 8) Executive contract officers – Judge | 22) Interpreter |
| 9) Executive contract officers– Police | 23) Member of the Legislative Assembly |
| 10) Executive contract officers – Power and water corporation | 24) Pilot |
| 11) Executive contract officers – Principal | 25) Pension |
| 12) Electorate - Electorate Officer | 26) Police |
| 13) Fire fighters | 27) Port |
| 14) General (administrative, physical, professional and technical officers) | 28) Power and Water Corporation |
| | 29) Teachers |
| | 30) Territory Generation |
| | 31) Workers Compensation |

Each of the EAs had the following types of adjustments:

1) Allowances	3) Entitlement - Overtime/Penalty/Penalty in Lieu	4) Leave Bonus
2) Other Entitlements		

All of these adjustments were processed using the systems and processes outlined in this report.

Impacts of back payment calculations

During 1 January 2023 to 31 December 2023, most manual payroll transactions related to back payments of up to three years and new or changed entitlements to EAs that had to be processed.

The changes in the EAs impacted DCDD through increased overtime hours for payroll staff to perform the manual calculations on a timely basis and resulted in reprioritisation of tasks to manage budget. DCDD incurred over \$1.5 million in overtime (approximately 10% additional to their \$15 million budget) over the two financial years of EA negotiation and processing. However, this overtime amount was not restricted to EA only and we were unable to accurately determine the cost of processing retrospective pay increases under the renegotiated EAs.

No labour hire was utilised. All overtime was voluntary for existing staff to work. Staffing levels that are usually outside of the scope of overtime under the NTPS EA, being AO7 and SAO1 staff were approved through a Determination to be able to receive overtime to ensure that processing was undertaken in a timely manner.

The processing of each of the 10 EAs were programmed into the year based on resourcing capacity balancing already committed bodies of work and ensuring NTPS employees were paid as soon as possible. This included other business processes and to avoid peak periods, such as onboarding graduates and school staff.

There were impacts in being able to deliver DCDD's usual response times. These were communicated to NTPS employees through email updates, as well as notifications in MyHR.

**Recommendation
1**

**Transparency regarding the cost impost of
backdated entitlements**

DCDD should track and report the cost of processing significant back payments such as those resulting from retrospective wage increases.

Understanding the cost impost of processing retrospective wage increases would allow for better planning and informed decision making for both DCDD resourcing, impacted agencies, and government as a whole.

The back payments of retrospective pay increases had a significant impact on 2023-24 financial results of the Northern Territory Government. It was not possible to separate and quantify the impact the back payments had on the overall result. Similarly, agencies do not have the visibility over back payments resulting from errors or omissions because these are not identifiable in the payroll system and costed separately.

**Recommendation
2**

**Transparency in the cost of back payments
impacting agencies employee expenses**

Whilst DCDD has systems in place for processing manual payments, the quantification of the cost of back payments is not generally available to affected agencies in advance, nor is the ability to track the cost of back payments processed as a result of EA negotiations / Fair Work rulings when they are processed to separately identify them from business-as-usual employee expenses in agency's ledgers.

APPENDIX A

Status of audit work program

Financial audits

Status of audits of financial reports not yet complete:

Year	Entity	Comment
2024-25	Cobourgh Peninsula Sanctuary and Marine Park Board	In progress
	Nitmiluk (Katherine Gorge) National Park Board	In progress
	Territory Wildlife Park	In progress

The above entities received extensions of time for the preparation of their financial reports for the year ended 30 June 2025 to 30 November 2025.

Other financial audits

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

Year	Entity
2024-25	Department of Health – NT Regional Health Services Funding
	Department of Housing, Local Government and Community Development - Payments made to Local Governing Bodies
	Department of Logistics and Infrastructure – Local Roads and Community Infrastructure Program
	Department of Logistics and Infrastructure – Roads to Recovery
	Northern Territory State Funding Pool

Non-financial audits

Status of other, non-routine audits and reviews identified as not yet complete in Appendix A of the Auditor-General's Report No. 1 of 2025-26 issued on 28 July 2025:

Matter	Report
Effectiveness of Internal Audit and Audit Committees	No 2: 2025-26

Matter	Report
Manual Payroll Calculations	No 4: 2025-26
Police System Replacement Project	No 6: 2025-26

There are no other non-financial audits and reviews currently underway.

APPENDIX B

Deficiencies by control area

The tables below identify government departments and agencies who had deficiencies identified for the following control areas:

Agency/Control Area	Organisational Performance and Accountability	Standard Classification Codes	Income	Expenses - Overview	Expenses - General Expenses	Expenses - Grants and Subsidies	Assets - Non- Financial assets	Assets - Cash
Attorney-General's Department					✓	✓	✓	
Department of Agriculture and Fisheries							✓	
Department of Children and Families			✓		✓		✓	
Department of Corporate and Digital Development			✓				✓	
Department of Corrections					✓			
Department of Education and Training					✓	✓		
Department of Health			✓				✓	
Department of Housing, LG and Community Development					✓		✓	
Department of Lands, Planning and Environment					✓		✓	
Department of Logistics and Infrastructure					✓		✓	
Department of Mining and Energy								
Department of People, Sport and Culture			✓		✓	✓		
Department of the Chief Minister and Cabinet					✓		✓	
Department of the Legislative Assembly								
Department of Tourism and Hospitality	✓	✓	✓		✓		✓	✓
Department of Trade, Business and Asian Relations							✓	
Department of Treasury and Finance					✓			
NT Fire and Emergency Service					✓			
Northern Territory Police Force					✓		✓	
Office of the Independent Commissioner Against Corruption				✓				
Total	1	1	5	1	13	3	12	1

Deficiencies by control area (continued)

Agency/Control Area	Equity Investments	Fraud control	Central Banking Arrangements	Receipting	Payments	Corporate Credit Cards	Trust Money	Losses
Attorney-General's Department			✓	✓	✓	✓		✓
Department of Agriculture and Fisheries		✓			✓			
Department of Children and Families					✓	✓		✓
Department of Corporate and Digital Development		✓			✓		✓	
Department of Corrections	✓	✓			✓		✓	✓
Department of Education and Training					✓			✓
Department of Health				✓	✓	✓		
Department of Housing, LG and Community Development		✓				✓		
Department of Lands, Planning and Environment					✓	✓		
Department of Logistics and Infrastructure					✓	✓		
Department of Mining and Energy		✓			✓			
Department of People, Sport and Culture		✓			✓	✓		
Department of the Chief Minister and Cabinet					✓	✓		
Department of the Legislative Assembly								
Department of Tourism and Hospitality	✓	✓			✓	✓	✓	
Department of Trade, Business and Asian Relations		✓			✓			
Department of Treasury and Finance		✓			✓			
NT Fire and Emergency Service		✓			✓			✓
Northern Territory Police Force		✓			✓	✓		✓
Office of the Independent Commissioner Against Corruption					✓			
Total	2	11	1	2	18	10	3	6

Deficiencies by control area (continued)

Agency/Control Area	Advances	Guarantees and indemnities	Internal Audit	Audit Committees	Internal Control	Legal and Statutory Arrangements	Procurement	Total
Attorney-General's Department	✓	✓					✓	11
Department of Agriculture and Fisheries			✓	✓	✓			6
Department of Children and Families				✓			✓	8
Department of Corporate and Digital Development				✓				6
Department of Corrections								6
Department of Education and Training								4
Department of Health		✓	✓			✓	✓	9
Department of Housing, LG and Community Development			✓				✓	6
Department of Lands, Planning and Environment			✓				✓	6
Department of Logistics and Infrastructure							✓	5
Department of Mining and Energy			✓	✓	✓		✓	6
Department of People, Sport and Culture			✓	✓			✓	9
Department of the Chief Minister and Cabinet		✓		✓			✓	7
Department of the Legislative Assembly				✓				1
Department of Tourism and Hospitality		✓	✓	✓	✓			15
Department of Trade, Business and Asian Relations			✓	✓	✓			6
Department of Treasury and Finance		✓		✓				5
NT Fire and Emergency Service							✓	5
Northern Territory Police Force		✓					✓	8
Office of the Independent Commissioner Against Corruption								2
Total	1	6	8	10	4	1	11	131

The control areas for carryovers, loans and advances, gifting of property and surety bonds and bank guarantees have been omitted as there were no deficiencies identified within any of the government departments and agencies.

APPENDIX C

End of year review findings by theme

Theme/Agency	AGD	DAF	DCDD	DCF	DET	DHLGCD	DLI	DLPE	DME	DoC	DoH	DPSC	DTBAR	DTH	NTFES	NTPF	Total
Accruals							✓							✓			2
Budget Variations														✓			1
Cut-off						✓					✓			✓			3
Documentation/ reconciliation processes	✓			✓		✓	✓			✓	✓			✓	✓		13
Employee expenses															✓		2
Expenditure approvals															✓		1
Grants							✓					✓					2
Inventory										✓							1
Journals processes										✓							1
Late journals	✓			✓	✓	✓	✓	✓	✓		✓	✓	✓	✓			11
Leases							✓										1
Liabilities								✓									1
Negative and/or excessive annual leave entitlements	✓	✓	✓	✓	✓		✓	✓		✓	✓		✓	✓	✓	✓	22
NTG payment policy					✓									✓	✓	✓	4

Theme/Agency	AGD	DAF	DCDD	DCF	DET	DHLGCD	DLI	DLPE	DME	DoC	DoH	DPSC	DTBAR	DTH	NTFES	NTPF	Total
Procurement							✓	✓							✓	✓	5
Property Management expenses														✓			1
Property, plant and equipment	✓			✓		✓	✓	✓		✓	✓	✓		✓	✓	✓	20
Provisions								✓									1
Security access review			✓			✓				✓	✓						4
Trust Accounts														✓			1
Unearned revenue															✓		1

Abbreviation	Government department
AGD	Attorney-General's Department
DAF	Department of Agriculture and Fisheries
DCF	Department of Children and Families
DCDD	Department of Corporate and Digital Development
DoC	Department of Corrections
DET	Department of Education and Training
DoH	Department of Health
DHLGCD	Department of Housing, LG and Community Development
DLPE	Department of Lands, Planning and Environment
DLI	Department of Logistics and Infrastructure
DME	Department of Mining and Energy
DPSC	Department of People, Sport and Culture
DTH	Department of Tourism and Hospitality
DTBAR	Department of Trade, Business and Asian Relations
NTFES	Northern Territory Fire and Emergency Service
NTPF	Northern Territory Police Force

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APPENDIX D

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
Significant	▪ Matters that could lead to a material misstatement of the financial report and will result in a qualified opinion if not addressed immediately ▪ Matters that have resulted in a qualified audit opinion
High	▪ 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). ▪ Failure or non-existence of internal controls which resulted in fraud. ▪ Matters that could potentially result in a modified audit opinion if not addressed as a matter of urgency.
Moderate	▪ Matters of a systemic nature that pose a moderate business or financial risk to an entity if not addressed as high priority. ▪ Failure or non-existence of internal controls which could lead to misstatements in the financial report not being prevented, detected or corrected. ▪ Failure or non-existence of internal controls which could lead to fraud. ▪ Matters that may escalate to high risk if not addressed within the reporting period. ▪ Low risk matters which have been reported to management in the past but have not been addressed.
Low	▪ Matters that are isolated, non-systemic or procedural in nature. ▪ Matters that may escalate to moderate risk if not addressed within a reasonable timeframe. ▪ Matters that reflect relatively minor administrative shortcomings and could be addressed in the context of the entity's overall control environment.

APPENDIX E

Abbreviations

AASB	Australian Accounting Standards Board	GGS	General Government Sector
ABS GFS Manual	Australian Bureau of Statistics Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015	GPS	General Insurance Prudential Standard
AER	Australian Energy Regulator	GST	Goods and services tax
ALRA	<i>Aboriginal Land Rights (Northern Territory) Act 1976</i>	HECS	Higher Education Contribution Scheme
APES	Accounting Professional and Ethical Standard	HELP	Higher Education Loan Program
APRA	Australian Prudential Regulation Authority	ICT	Information and communication technology
APRO	Agency Purchase Requisition Online	IES	Indigenous Essential Services
ASA	Australian Auditing Standard	IT	Information Technology
ASAE	Australian Standard on Assurance Engagements	NOA	Notice of Acceptance
ATIQ	Authority to Invite Quotations	NT	Northern Territory
AUD	Australian Dollar	NTAG	Northern Territory Art Gallery
CDU	Charles Darwin University	NTAGO	Northern Territory Auditor-General's Office
CHA	Central Holding Authority	NTG	Northern Territory Government
CPS	Cross-Industry Prudential Standard	NTGDIS	Northern Territory Government Death and Invalidity Scheme
CSO	Community Service Obligations	NTGPASS	Northern Territory Government and Public Authorities' Superannuation Scheme
CSS	Commonwealth Superannuation Scheme	PAR	Procurement Assessment Recommendation
DCDD	Department of Corporate and Digital Development	PIPS	Personnel Information and Payroll System
EDTL	Executive Director of Township Leasing	PWC	Power and Water Corporation
EIMS	Electronic Invoice Management System	SLA	Service Level Agreement
FTE	Full Time Equivalent	TAFR	Treasurer's Annual Financial Report
GAS	Government Accounting System	TAFS	Treasurer's Annual Financial Statements
GBP	Great Britain Pound	VET	Vocational education and training
GFS	Government Finance Statistics		

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