



Auditor-General for the Northern Territory
Auditing for Parliament

February 2010 Report to the Legislative Assembly



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Northern Territory Auditor-General's Office

Auditing for Parliament

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

18 February 2010

Dear Madam Speaker,

Accompanying this letter is my report to the Legislative Assembly on matters arising from audits conducted during the six months to 31 December 2009 and I request that you table the report today in the Legislative Assembly.

The larger part of the report deals with the results of audits of statutory financial reports. That type of information is, by its nature, historical dealing with past financial results of Agencies and other public sector entities. The process of annual financial reporting by Agencies is an important part of their accountability to the Parliament for managing the resources under their control. This Report is intended to assist the process of accountability by providing analysis of financial results and by drawing Parliament's attention to matters of interest.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'F. McGuinness'.

F McGuinness
Auditor-General for the Northern Territory

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Guide to Using this Report

This report summarises the results of the following types of audits conducted during the period 1 July 2009 to 31 December 2009:

- Statutory audits of financial statements;
- End of Year Reviews;
- Information Technology Audits; and
- Controls and Compliance Audits.

This Report has 28 sections, each of which deals with a specific audit topic or with a particular Agency or Entity. Each section provides a summary of key findings, if any, my audit opinion, background information, where relevant, and recommendations.

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

The audit opinion and summaries of key findings represent the more important findings. By targeting these sections, readers can quickly understand the major issues faced by a particular Agency or Entity or by the public sector more broadly. Reports prepared following completion of financial statement audits include a brief financial analysis of the financial statements.

Information technology audits are undertaken as stand-alone audits of key government-wide, or Agency systems. Each of the systems selected for audit during the six months ended 31 December 2009 plays an important role in processing data and providing information for the purposes of financial management and, more particularly, for the purposes of financial reporting and the preparation of the Treasurer's Annual Financial Statement.

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

Guide to Using this Report cont...

Controls and compliance audits are conducted of selected systems or accounting processes and these audits are also intended to assist me in my audit of the Public Account.

Agencies and Entities are provided with the opportunity to comment on any of the matters reported. Where they choose to do so, their Responses are detailed at the end of a particular section. As I discuss my proposed comments with Agency and Entity staff during the drafting process, few ask for formal responses to be included.

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Auditor-General's Overview

Audits included in this report

This Report outlines the results of audits conducted during the period 1 July 2009 to 31 December 2009. The exception is the analysis of the Treasurer's Annual Financial Statement that follows the audit of that statement. That analysis was contained in an earlier report that was tabled in the Legislative Assembly in November 2009.

The results of 28 separate audits are included here, with most being the audits of financial statements undertaken in the period following the end of the 2008-09 financial year. Also included is discussion arising from the audits of the outsourcing process for public sector information technology services, together with the results of audits of key common systems for used for records management and the management of employee information.

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

Statutory bodies, Government owned corporations and Government Business Divisions are required by various Acts to prepare annual financial statements and to submit those statements to the Auditor-General. These statements are audited and audit opinions issued accordingly. Those opinions are included in the various entities' annual reports that are tabled in the Legislative Assembly and if matters of concern should be noted during the course of an audit specific comment is included in my report to the Assembly. In addition, the Northern Territory Government controls, either directly or indirectly, a small number of companies that have been incorporated pursuant to the *Commonwealth Corporations Act 2001*. In these instances the Auditor-General has been either directed by legislation (for example the *Charles Darwin University Act*) or requested by responsible Ministers to act as auditor of those companies. These audits are performed subject to the provisions of the Commonwealth legislation, with the Auditor-General being deemed by the *Corporations Act 2001* to be a Registered Company Auditor.

Auditor-General's Overview cont...

Audits by my Office are conducted in accordance with Australian Auditing Standards. These are issued by the Australian Auditing and Assurance Standards Board, a Commonwealth statutory body established under the *Australian Securities and Investments Commission Act 2001*. Auditing standards issued by the Board have the force of law in respect of audits of corporations that fall within the ambit of the *Corporations Act 2001*, while the *Audit Act* also requires that I have regard to those standards.

An unqualified audit opinion indicates that the financial statements in question comply with Australian accounting standards. Only one qualified audit opinion was issued for 2008-09 and that was in respect of NT Build where I was unable to satisfy myself that all revenues due to the Board had been recognised in NT Build's financial statements. The nature of the building approval processes that currently apply in the Territory gives rise to some doubts as to whether NT Build has been advised of all construction work that might be said to fall within the scope of the *Construction Industry Long Service and Benefits Act*.

The Board of NT Build was well aware of the problem and, as indicated in the Board's comments that are included in this report, it continues to pursue solutions to the issue.

Reporting on Audits Conducted in the Six Months Ended 31 December 2009

What is selected for reporting to the Legislative Assembly?

In reporting on the results of audits completed in the six months ended 31 December 2009, this Report outlines only those matters which the Auditor-General considers would contribute fresh and useful information to the Members of the Northern Territory Legislative Assembly.

Records of Parliamentary debates, requests and suggestions to the Auditor-General by Members, and public interest in issues, influence the decisions on the selection of audit topics, and matters to be reported. Matters in the Report include compliance by public sector managers with legislative requirements for financial and performance management; analysis of financial and other performance information; as well as general comment on matters arising from audits conducted.

Members have the opportunity to use the information in reviewing the performance of public sector administration, for which the Executive Government is responsible to the Parliament.

Other reporting arising from audits

More detailed findings from audits are included in reports issued to chief executive officers following the completion of each audit.

Structure of report to the Legislative Assembly

This Report presents findings in relation to the audit mandate provided by the *Audit Act*, that is audits of the Public Account and other accounts (described in Appendix 4) and audits of performance management systems (described in Appendix 5).

Entities responses

The *Audit Act* enables entities referred to in the Report to provide comments for publication. These comments, or an agreed summary, must be included in this Report. Where no comment is shown in this Report, the relevant Agency has elected not to provide a response for publication.

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Auditing the Public and Other Accounts

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Department of Business and Employment

Records Management System Audit – TRIM

Audit Objectives and Scope

The objective of this audit was to assess the reliability of the system of controls surrounding the NT Government's records management system. In particular, the audit sought to assess:

- the management of user privileges;
- compliance with information privacy requirements;
- disaster recovery and backups;
- archiving of electronic mail; and
- policies and procedures.

Audit Opinion

IT controls over the TRIM records management system within the Department in relation to the above specific areas were considered to be generally satisfactory. However, a number of issues that require management attention were identified during the audit in relation to:

- the need to standardise policies and procedures;
- distribution of information to system users; and
- disaster recovery procedures.

Background

The Tower Records and Information Management (TRIM) is an electronic document and records management system that is capable of managing the full range of information held by the Government and its Agencies and it is the mandated system for the management of N T Government records.

TRIM was first implemented in 1999 and the system is a centrally managed whole of government system.

Department of Business and Employment cont...

Key Findings

While the system controls were considered to be generally satisfactory, the following areas were brought to the attention of the Department:

- The NT Government Records Management Standards which are developed and issued by the Department were considered to be out of date and did not reflect significant recent changes to the system.
- The annual survey issued by the Department and which is intended to monitor agency compliance with Part 9 of the *Information Act* was not being used as a means to improve processes, efficiency or controls.
- Agencies were found to be developing their own policies, procedures and guidelines independently of the Department. In most cases, these could be standardised and distributed by the Department.
- There was no charter or terms of reference detailing records management responsibilities of the Department and the various agencies.
- There was a single point of failure of the data contained within TRIM.
- There was no periodic testing of the restoration of TRIM data.
- There was a failure by one agency to ensure that access rights to the system were terminated when individuals ceased their employment.

Department of Business and Employment cont...

The Department of Business and Employment has commented:

Amendments to the Information Act in May 2009 necessitated modifications to the NT Government Records Management Standards and the Service Description 2006, which outlines DBE and agency responsibilities. Revised Standards and Service Description will be circulated for agency comment prior to their release in March 2010.

DBE's role with respect to records management is policy development, provision of advice and monitoring of compliance with the NT Government Records Management Standards. Agency Chief Executives have the authority to develop specific policies to meet their disparate and individual requirements and are responsible for ensuring their agency complies with the Information Act.

The risk of loss of records is considered low. In the event of catastrophic failure the servers can be restored from offsite tapes into any appropriate server environment with very little loss of data. Data Centre Services is currently implementing a new backup/restore product which as the facility to ensure periodic restore testing is implemented in an auditable fashion.

The termination of access to TRIM is an agency specific procedural issue, which has been rectified within the identified agency.

Department of Business and Employment

myHR

Audit Objective and Scope

The objective of the audit was to examine the extent to which the myHR application system was vulnerable to attempts by unauthorised persons to gain access.

The scope of this review was to test security controls over the myHR application, including the evaluation of:

- authentication
- transaction authorisation
- data validation
- communication security
- exception handling
- session management.

My findings are based on a review of documents, system configuration, results of security testing and discussions with DBE personnel.

Opinion

The results of the audit enabled me to form the opinion that the system controls could be generally relied upon. Nevertheless, a number of opportunities to improve security controls over the myHR application were identified.

Department of Business and employment cont...

Background and key findings

Overview

myHR is an Intranet based application that allows Northern Territory Government (NTG) employees to manage details such as bank account information, contact details, next of kin and leave applications. myHR is administrated by the HR Systems Support Unit in the Department of Business and Employment.

myHR is essentially a web front end intended to help manage limited payroll information on the NTG Mainframe, which helps to reduce the likelihood of myHR being exposed to typical web-based application vulnerabilities.

Mainframe security controls provide the application with access and privilege management to protect underlying data. To access myHR, a user requires a valid NTG network account and user access and credentials on the Mainframe environment.

A number of instances were noted where security management over the application should be improved to further reduce the risk of sensitive employee information being breached.

It was noted that production data containing information that would permit individuals to be identified was used within the myHR development environment. This does not comply with promulgated NT Government policies on information management. It was also noted that the application and information contained within myHR had not been formally classified in accordance with NT Government policy. These issues could cause reputational damage if personal data were to be compromised as a result of unauthorised access to the system.

Opportunities to improve the system configuration include validation of input data, encryption of sensitive information, and general strengthening controls around the myHR servers. Although the tests conducted as part of this review did not provide evidence that the system could be breached easily, changes in system configuration or security threats that might emerge over time could increase the possibility of a successful attack upon the system.

Department of Business and Employment cont...

The Department of Business and Employment has commented:

The issues regarding personally identifiable data and data classification have been rectified. Additional security controls identified in the report, where applicable, will be incorporated into the maintenance program for this system.

Department of Business and Employment

IT Outsourcing Audit

Audit Scope and Objectives

The objective of the audit was to review the approach taken to restructuring and re-tendering of contracts for the provision of IT services.

Audit Opinion

Based on discussion with key stakeholders and review of project documentation, I have formed the opinion that a formal and consultative approach was defined and was followed for the IT Outsourcing initiative. This is supported by a defined governance structure and a formal approach to project management.

The management of the IT Outsourcing process and the subsequent outcome will be the subject of future audits.

Background

The IT Service Management Branch (ITSM) within the Department of Business and Employment (the Department) is responsible for the management of the whole-of-government ICT outsourcing contracts. These contracts include Desktop, Telecommunications, Messaging and limited Mainframe services. The requirement that NT Government Agencies use the services provided under these contracts has been mandated.

The current NT Government ICT infrastructure outsourcing contracts are due to expire by mid-2010. The Department is currently undertaking a process to continue the provision of services beyond 2010 through the restructuring and tendering of new contracts.

Approach to restructure the IT Outsourced contracts

A governance group was formed and a project team established to develop a revised strategy for the provision of IT services by external providers. In order to determine agency and industry needs, the sourcing model was developed in consultation with agency and industry stakeholders and was aligned with NT Government strategic technology drivers. These stakeholders included:

- the Department, as the shared services provider;
- all major NTG agencies;
- ICT industry participants; and
- other parties having a specific interest.

Department of Business and Employment cont...

A Strategic Sourcing Strategy was then developed to define the objectives, framework and program of work to guide the Department's Sourcing Program Team. That strategy was completed and approved by Cabinet in March 2009.

It was noted that the Strategic Sourcing Strategy was approved prior to the NT Government ICT Strategy Strategic Intent 2010 – 2015 being approved by the NT Government Information Management Committee. Although the risk of these documents not being aligned is reduced by virtue of a number of common stakeholders being involved in the development of both documents, it would be prudent for the Department to confirm the alignment between the NT Government strategic technology drivers, the ICT Strategy Strategic Intent 2010 – 2015 and the sourcing strategy.

Once the sourcing strategy was approved detailed service definition and tender documentation was produced. The final sourcing model released to market defines a number of separate service package bundles as follows:

Package	Suppliers	Package Description
1	One	Service Centre – Single point of contact for all ICT services
2	One	Network Management – Management of all WAN and LAN active equipment
3a	One	Desktop & Servers – Network management (Active Directory), desktops, servers and onsite support
3b	One	PowerWater Corporation – Desktop and help desk support services
4	One	Voice Telephony – Management of Telephony Systems
5	Multiple	Voice Carrier – Voice & mobile data services
6	Multiple	Data Carrier – Data carriage services
7	One	Internet Carrier – Internet data carrier services
8	Multiple	Hardware – Desktop, Laptops, Network equipment for Government

Department of Business and Employment cont...

Power and Water Corporation (PWC) has developed a separate sourcing strategy for desktop and server services. Before going to tender, the Department and PWC agreed to bundle the PWC's requirements into the overall sourcing strategy as a separate package. Following the closure of tenders, PWC was to examine the tender responses within the sourcing framework to determine the appropriate sourcing model. The outcome from this process may provide PWC the opportunity of establishing a separate contract directly with a vendor. If a suitable vendor should not be selected, the Department has made provision within the overall desktop and server package for PWC to be included. PWC will utilise all other ICT services covered under the scope of this tender.

The tender was released in July 2009 and was open for a period of 6 weeks. The assessment process proceeded in September 2009, with selections and contract negotiations planned to be completed by January 2010.

Approach to re-tendering IT Outsourcing contracts

The following tasks were completed in order to re-tender the IT outsourcing contracts:

- Stage 1: Analysis and Definition of Services Requirements
 - Review and analysis of the current services and documenting their requirements into individual bundles.
 - Alignment of service bundles into packages detailing inter-dependencies and interoperability.
 - Development of a revised contract framework to cater for the service bundles / packages.
- Stage 2: Tender documentation and draft contract/s
 - Preparation of service requirements into a tender document in readiness for release to the market.
 - Develop tender assessment criteria including score weightings.
 - Develop a financial model including forecast and value of services.

Department of Business and Employment cont...

A risk management plan and register has been developed to document risks and management plans associated with the ICT Strategic Sourcing initiative. The risk register was reviewed on a regular basis, and management of risks was included as a part of overall ongoing project governance and reviewed at each Sourcing Governance Group meeting. The risks contained in the register are largely focused on project risks. Additional risk assessments, focused on sourcing risks, were to be performed as part of the tender evaluation and transition planning phases. Those assessments should assist with the identification and management of key risks associated with the ICT sourcing objectives not being achieved.

I understand that the alignment of proposed services with relevant NT Government policies and standards will be examined as part of the tender assessment process to ensure that the new service providers will meet NT Government requirements for information technology risk management in areas such as information security and disaster recovery. This is an important step towards ensuring that relevant Government standards for technology controls are consistently applied across all systems that are relied upon within Government.

Project Management of IT Outsourcing Project

A project management framework and methodology was established for the tendering process. Detailed project plans and milestones have been defined for each phase of the project that include definition of the objectives, scope and deliverables. Project expenditure and delivery schedules and project risks were reviewed on a regular basis.

Governance and reporting structures were established and project team responsibilities defined. The project team was developed based on basis of skill-sets required and previous experience of team members. Where necessary external consultants were used in areas such as probity and legal advice, strategy and technical writing.

The Department of Business and Employment has commented:

A review was conducted subsequent to the audit, which confirmed the alignment of the NTG Strategic Technology drivers, the ICT Strategy Strategic Intent and the ICT Outsourcing Strategy.

Department of the Chief Minister / Northern Territory Major Events Company Pty Ltd

Honda Masters and Arafura Games

Audit objectives and scope

The objective of the audit was to review the Company's management of the Alice Springs Masters Games and Arafura Games including:

- the financial and accounting controls over revenue and expenditure;
- the transitional process for transferring responsibility for the Games from a government agency to the Company;
- the Company's systems to assess its performance in hosting the Games;
- the extent to which performance targets for each of the events were achieved; and
- the net financial cost to the community for each of the events.

Audit Opinion

Responsibility for the management of the Alice Springs Masters Games and Arafura Games transferred to the Company in 2007 along with the transfer of staff and resources from the Sports & Recreation – Events Branch of the then Department of Local Government, Housing and Sport.

While no significant issues were identified with the Company's financial management of the games, issues were identified with the transfer process and a lack of a performance management system to identify, assess and report on the achievement of performance goals.

Background

The Northern Territory Government operates two major sporting events, being the Arafura Games and the Alice Springs Masters Games.

The Arafura Games commenced in 1991 as the Arafura Sports Festival, the event is run every two years, with the 10th Games held in May 2009. The Arafura Games are operated under 3 fundamental principles: 'Emerging Champions', 'Sporting Neighbours' and 'Sharing Knowledge'. The Games are not directed at elite athletes, their primary focus is stated as providing a goodwill event where neighbouring countries and states can meet, compete and share sporting knowledge.

Department of the Chief Minister / Northern Territory Major Events Company Pty Ltd cont...

The Alice Springs Masters Games was first held in 1986 as the Central Australian Masters Games. As is the case with the Arafura Games, the event is held every second year. The Masters Games are focused on good natured competition and the building of camaraderie between athletes; as such they have earned the reputation as the 'Friendly Games'.

The administration of these events has historically lain within the Northern Territory Government Department responsible for Sport and Recreation.

On 3 April 2006, Cabinet approved the amalgamation of the Northern Territory Major Events Company Pty Limited (the Company) with the Sports & Recreation – Events Branch of the Department of Local Government, Housing and Sport.

In August 2006, a Position Paper was prepared providing advice on the functions, structure and resources required for the success of the amalgamation. As part of preparation of the Position Paper a risk assessment was commissioned to identify and assess potential risks of the amalgamation phase.

The risk assessment identified 22 risks, 13 of which were considered highly likely to occur and have major consequences. The amalgamation went ahead around the time of the 2007 Arafura Games, with very little disruption to the Games themselves.

Financial Analysis

	2009 Arafura Games	2008 Masters Games
	\$'000	\$'000
Revenue from ordinary activities	472	307
Less expenses from ordinary activities	(4,481)	(1,301)
Operating result for the year	(4,009)	(994)
Govt funding received	4,404	1,060
Surplus	395	66

Department of the Chief Minister / Northern Territory Major Events Company Pty Ltd cont...

In addition to the financial information provided in the above table, the Company incurred additional costs of \$213,336 relating to the 2007 Arafura Games as a consequence of the amalgamation with the Sport and Recreation – Events Branch.

Additional funding was provided to the Company by the Department of the Chief Minister to enable outstanding claims relating to the 2007 event to be settled.

Key Findings

The process of amalgamating the Sports and Recreation – Events Branch and the Company was always expected to experience difficulties as identified in the risk assessment referred to previously.

The Position Paper's terms of reference identified the first objective of the risk assessment process as ..."Assess the risks involved with amalgamating the existing MEC and EU organisations, and potential treatments for those risks." The identification of the actions required to mitigate the perceived risks was not performed, effectively providing the Company with a list of risks, but with no suggested remedial action.

As part of a subsequent review of the amalgamation it was established that of the 13 risks considered highly likely to occur and have major consequences, 10 actually came to fruition.

Of particular interest were:

- Of the 18 staff transferred only 1 remained after a 12 month period. The other 17 staff were reassigned back to various NT Government agencies and their roles filled by 8 new staff recruited for the purpose and by increasing the duties of existing NTME staff.
- The initial funding provided for the amalgamation was not sufficient to cover the full costs of the 2007 Arafura Games and other commitments in respect of events transferred to the Company. Consequently, an additional \$1.2 million was sought from the Department of the Chief Minister in late 2007.
- There was no transition process identified as part of the amalgamation planning, resulting in an immediate and significant increase in the workload and responsibility of existing NTME senior staff.

Department of the Chief Minister / Northern Territory Major Events Company Pty Ltd cont...

Formal performance indicators, against which the success of either the Arafura Games or the Alice Springs Masters Games might be measured, are still to be developed. The absence of performance indicators has meant that no assessment of the overall contribution of the Games to the Territory has been made.

The Company engaged consultants to perform a comprehensive review of the Arafura Games in late 2009. The results of this review will be used to guide the management of the Games into the future and as a basis for the establishment of measurable performance goals.

The role of the Company is confined to managing the staging of the Games. The responsibility for determining the measures against which the Games might be assessed in terms of their success should lie with the Department of the Chief Minister in its role as the funder of the events. Accordingly, that Department should ensure that appropriate performance measures are developed, agreed with the Company and are included in the Department's annual report to its Minister.

The Department of the Chief Minister has commented:

The Department of the Chief Minister agrees with the audit opinion and notes that no significant issues were identified with the Northern Territory Major Events Company's financial management of the Alice Springs Masters Games and Arafura Games, and that the amalgamation went ahead with little disruption to the Games themselves.

On the first key finding, the Department of the Chief Minister recognises that some aspects of the amalgamation and transition process could have progressed smoother. On the second key finding, the Department of the Chief Minister, in consultation with the Northern Territory Major Events Company, engaged consultants to undertake a comprehensive review of the Arafura Games in late 2009, in particular its future direction and goals. Implementing the recommendations from this review will address the adverse finding of the lack of a performance management system to identify, assess and report on the achievement of performance goals. A copy of the report from the review and the proposed responses will be forwarded to the Northern Territory Auditor-General's Office.

CDU Amenities Limited

Audit findings and Analysis of the financial statements for the year ended 31 December 2007 and 31 December 2008

Background

CDU Amenities Limited was incorporated in March 2007 and has not traded since then. The provisions of the Commonwealth *Corporations Act 2001* were not adhered to as no initial appointment of an auditor was made and no annual general meetings held. That has now been rectified and the Auditor-General was appointed following a resolution of the Board of the company on 6 August 2009.

Audit Opinion

The audit of the financial statements of CDU Amenities for the year ended 31 December 2007 resulted in a qualified independent audit opinion that was issued on 21 August 2009.

The audit of the financial statements of CDU Amenities for the year ended 31 December 2008 also resulted in a qualified independent audit opinion that was also issued on 21 August 2009.

Key issues

Qualification

The audit opinion was qualified as the company did not comply with the following sections under the *Corporations Act 2001* for the periods ended 31 December 2007 and 31 December 2008:

- Section 319 – “Lodgement of annual reports with ASIC”, in that the company had not lodged the relevant reports with ASIC within four months after the end of the financial year; and
- Section 250N – “Public Company must hold AGM”, in that the company failed to hold an AGM within 5 months after the end of the financial year.

Other than the audit qualifications noted above the audit did not identify any matters of significance and no material weaknesses in controls were identified.

CDU Amenities Limited cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities		
Income	-	-
Total revenue from ordinary activities	-	-
Less expenses from ordinary activities		
Operational costs	-	-
Depreciation and amortisation	-	-
Total expenses from ordinary activities	-	-
Operating result for the year	-	-

As the company did not trade for the audited periods there was no activity recorded within the financial statements.

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	-	-
Less Current Liabilities	-	-
Working Capital	-	-
Add Non Current Assets	-	-
	-	-
Less Non Current Liabilities	-	-
Net assets	-	-
Represented by:	-	-
Equity	-	-

Cobourg Peninsula Sanctuary and Marine Park Board

Audit findings and Analysis of the financial statements for the year ended 30 June 2010

Background

The Cobourg Peninsula Sanctuary and Marine Park Board (the Board) was formed in 1981 under the *Cobourg Peninsula Aboriginal Land, Sanctuary and Marine Park Act* to acknowledge and secure the right of Aboriginals to occupy and use certain land on the Cobourg Peninsula in the Northern Territory of Australia, to vest that land in trustees for Aboriginals, to declare that land to be a national park, making certain provisions relating to the management of adjacent marine areas and for related purposes.

Audit Opinion

The audit of the financial statements of Cobourg Peninsula Sanctuary and Marine Park Board for the year ended 30 June 2009 resulted in an unqualified independent audit opinion that was issued on 12 November 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Cobourg Peninsula Sanctuary and Marine Park Board cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities		
Park Income	292	324
Payments to traditional owners	(253)	(285)
Other revenue	69	64
Total revenue from ordinary activities	108	103
Less expenses from ordinary activities		
Operational costs	(117)	(79)
Depreciation and amortisation	-	-
Total expenses from ordinary activities	(117)	(79)
Operating result for the year	(9)	24

An increase in operating expenses saw the Board's net surplus decrease by \$33,000. The increase in expenses was primarily due to "one-off" projects including an aerial survey of crocodile nests.

Cobourg Peninsula Sanctuary and Marine Park Board cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	439	459
Less Current Liabilities	(123)	(134)
Working Capital	316	325
Add Non Current Assets	-	-
	316	325
Less Non Current Liabilities	-	-
Net assets	316	325
Represented by:		
Retained surplus	316	325
Equity	316	325

Construction Division

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

Construction Division is responsible for the project management of the Government's capital works, and repairs and maintenance programs.

The host Agency during 2008-09 was the Department of Planning and Infrastructure (now the Department of Construction and Infrastructure).

Audit Opinion

The audit of Construction Division for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 3 November 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Construction Division cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	66,105	50,463
Less expenses from ordinary activities		
Operational costs	(14,881)	(11,706)
Employee Expenses	(27,008)	(20,365)
Consultants fees	(17,868)	(11,327)
Depreciation and amortisation	(47)	(39)
Borrowing costs	(52)	(157)
Total expenses from ordinary activities	(59,856)	(43,594)
Net surplus before income tax expense	6,249	6,869
Less income tax expense	(1,875)	(2,061)
Net surplus	4,374	4,808
Less dividends	(2,187)	(2,404)
Retained surplus	2,187	2,404

The Division's total revenue increased to \$66 million, primarily due to the increase in project management fees as a result of a \$201 million increase in the value of capital projects managed.

Despite the increased program management activities, net profit before tax declined by \$434,000. This was predominantly due an increase in employee expenses of \$6.6 million and consultants' fees increasing by \$6.5 million.

Construction Division cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	10,846	16,105
Receivables and other current assets	8,646	8,793
Less Current Liabilities	(12,788)	(20,508)
Working Capital	6,704	4,390
Add Non Current Assets	28	42
	6,732	4,432
Less Non Current Liabilities	(1,236)	(1,143)
Net assets	5,496	3,289
Represented by:		
Accumulated surplus	5,293	3,106
Reserves	203	183
Equity	5,496	3,289

The decline in the value of current assets (mainly due to the reduction in cash balances by \$5.259 million) was offset by a reduction in liabilities (principally a \$2.5 million loan by the NT Treasury, and a reduction in deposits held).

Darwin Bus Service

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

The Darwin Bus Service (DBS), together with private sector operators, contracts for the provision of bus services to the Northern Territory Government in the Darwin and rural area. The DBS earned its revenue for the year from charging the then Department of Planning and Infrastructure (DPI) on a 'kilometres provided' basis. Bus fares were collected on behalf of DPI and formed part of the revenues of that Department. DBS continued to receive revenues from DPI at the contracted rate in circumstances where it may have been directed by Government to provide free services to the public on special occasions.

The host Agency during 2008-09 was the Department of Planning and Infrastructure. This responsibility has since been allocated to the Department of Lands and Planning.

Audit Opinion

The audit of Darwin Bus Service for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 3 November 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Darwin Bus Service cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	8,567	7,585
Less expenses from ordinary activities		
Employee Expenses	(3,819)	(3,551)
Supplies and services	(2,989)	(2,577)
Depreciation and amortisation	(871)	(845)
Total expenses from ordinary activities	(7,679)	(6,973)
Net surplus before income tax expense	888	612
Less income tax expense	(267)	(184)
Net surplus	621	428
Less dividends	(311)	(214)
Retained surplus	310	214

The net surplus for the year increased by \$193,000 due to an increase in the rate of fees paid under Service Level agreement with the Public Transport Division of the Department. The DBS also increased its routes during the year with a new service to Cullen Bay and the extension of the Mandorah route.

Salaries and payroll expenses increased in line with the government wide enterprise bargaining increase and because of increased overtime and allowances resulting from the route extensions. A restructure of staffing at the DBS also affected total employment expenses, with a number of positions being upgraded following a formal evaluation process.

Darwin Bus Service cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	5,132	5,036
Less Current Liabilities	(1,415)	(1,064)
Working Capital	3,717	3,972
Add Non Current Assets	5,948	5,364
	9,665	9,336
Less Non Current Liabilities	(198)	(179)
Net assets	9,467	9,157
Represented by:		
Accumulated funds	9,120	8,810
Reserves	347	347
Equity	9,467	9,157

Darwin Port Corporation

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

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

The Corporation provides commercial and non-commercial services including berth facilities, cargo handling, marine industry support, development and management of the Darwin Wharf Precinct for tourism and recreation, and provision of Port and reception facilities for cruise and naval vessel visits.

The Corporation is subject to the provisions of the National Tax Equivalent Regime.

Audit Opinion

The audit of Darwin Port Corporation for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 7 October 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Darwin Port Corporation cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities		
Rendering services	23,852	18,343
Community Service Obligations	3,606	2,426
Interest earned	94	155
Total revenue from ordinary activities	27,552	20,924
Less expenses from ordinary activities		
Employee Expenses	(8,926)	(7,184)
Operational costs	(8,269)	(6,480)
Repairs and maintenance expenses	(2,902)	(2,698)
Depreciation and amortisation	(6,066)	(6,139)
Borrowing costs	(2,902)	(2,493)
Total expenses from ordinary activities	(29,065)	(24,994)
Net deficit before income tax expense	(1,513)	(4,070)
Less income tax benefit/(expense)	-	-
Net deficit	(1,513)	(4,070)

The improvement noted in the deficit this financial year relates mainly to an increase in wharfage revenue of \$3.804 million and an increase of \$1.180 million in the NT Government community service obligation revenue.

Darwin Port Corporation cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	4,562	2,562
Receivables and other current assets	2,699	3,287
Less Current Liabilities	(4,655)	(4,482)
Working Capital	2,606	1,367
Add Non Current Assets	202,893	197,580
	205,499	198,947
Less Non Current Liabilities	(40,762)	(38,319)
Net assets	164,737	160,628
Represented by:		
Accumulated funds	(20,634)	(19,121)
Reserves	20,176	20,176
Contributed Equity	165,195	159,573
Equity	164,737	160,628

The Corporation's net asset position increased by \$4.109 million during the year, with a significant contributor to that increase being the recognition of the new Stokes Hill Wharf Cruise Ship terminal at a value of \$5.2 million.

The Corporation's short-term liquidity position improved to a current ratio of 1.68. This was attributable to an improvement in net cash generated by operating activities coupled with higher borrowings for the year which resulted in an increase in cash of \$2 million held at year end.

Darwin Waterfront Corporation

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

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

Audit Opinion

The audit of Darwin Waterfront Corporation for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 17 November 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Darwin Waterfront Corporation cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	14,776	2,469
Less expenses from ordinary activities		
Employee expenses	(861)	(466)
Territory Incentive Payments	(680)	-
Territory Operating Payments	(3,568)	(935)
Territory Availability Payments	(2,772)	-
Other Grants and Subsidies	(2)	-
Depreciation and Amortisation	(3,171)	-
Finance Costs	(7,441)	-
Other	(947)	(840)
Total expenses from ordinary activities	(19,442)	(2,241)
Net surplus before income tax expense	(4,666)	228
Less income tax expense	-	-
Net surplus	(4,666)	228
Less dividends	-	-
Retained surplus	(4,666)	228

The 2008-09 financial year saw the first full year of payments by the Territory to Darwin Cove Convention Centre Pty Ltd in connection with the construction and operation of the Darwin Convention Centre.

Darwin Waterfront Corporation cont...

The payments made during the year under the contract with Darwin Cove Convention Centre Pty Ltd were:

	\$'000
Territory Incentive Payment – a payment per interstate and overseas delegate.	680
Territory Operating Payment – which represents the net cash shortfall arising from the operation of the Convention Centre for the year.	3,568
Territory Availability Payment – which represents payments made in respect of debt, equity, construction and maintenance aspects of the Convention Centre project and which are to be made over a period of 25 years.	2,772

Darwin Waterfront Corporation cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	870	742
Receivables and other current assets	649	157
Less Current Liabilities	(4,485)	(1,344)
Working Capital	(2,966)	(445)
Add Non Current Assets	243,410	167,824
	240,444	167,379
Less Non Current Liabilities	(87,997)	(89,011)
Net assets	152,447	78,368
Represented by:		
Accumulated surplus	(4,438)	228
Contributed equity	156,885	78,140
Equity	152,447	78,368

During the year Community Infrastructure (\$52.2 million) and Land (\$26.5 million) was transferred to the Corporation from the Department of Planning and Infrastructure (now the Department of Construction and Infrastructure).

Data Centre Services

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

Data Centre Services (DCS) manages the NT Government's Data Centre, providing mainframe and midrange support to government Agencies.

The host Agency was the Department of Business and Employment.

Audit Opinion

The audit of Data Centre Services for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 2 October 2009.

Key issues

No material weaknesses in controls were identified during the audit and the accounting and control procedures examined in relation to end of year financial processing were found to be generally satisfactory.

Data Centre Services cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	19,568	19,003
Less expenses from ordinary activities		
Operational costs	(9,477)	(8,455)
Employee Expenses	(5,456)	(4,874)
Depreciation and amortisation	(1,962)	(1,425)
Borrowing costs	-	-
Total expenses from ordinary activities	(16,895)	(14,754)
Net surplus before income tax expense	2,673	4,249
Less income tax expense	(802)	(1,275)
Net surplus	1,871	2,974
Less dividends	(935)	(1,487)
Retained surplus	936	1,487

The factors that contributed to the decrease in the net surplus before tax and dividends compared to the prior year were as follows:

- \$610,000 increase in goods and services revenue due to the business growth in the mid range services for application and hosting services.
- \$582,000 increase in employee expenses due to an increase in the number of employees from 59 in 2008 to 63 in 2009, coupled with increased salary rates that applied generally as a result of enterprise bargaining arrangements.
- \$959,000 increase in purchases of goods and services due primarily to an increase in IT Consultants costs, other consultants and training and studying expenses.
- \$537,000 increase in depreciation and amortisation expenses due to significant additions to fixed assets including the ePASSII development costs being capitalised in late 2007/08.

Data Centre Services cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	5,045	4,507
Receivables and other current assets	3,706	3,391
Less Current Liabilities	(3,230)	(4,475)
Working Capital	5,521	3,423
Add Non Current Assets	3,850	4,885
	9,371	8,308
Less Non Current Liabilities	(230)	(197)
Net assets	9,141	8,111
Represented by:		
Accumulated funds	8,572	7,636
Capital	569	475
Equity	9,141	8,111

DCS continued to demonstrate a strong net asset position as at 30 June 2009 and the increase of \$1.03 million in the value of the entity's net assets was largely due to the net surplus retained after payment of dividends. In addition DCS received an equity injection of \$94,000 during the year, which also improved the net asset position.

Department of Local Government and Housing: NT Home Ownership

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

NT Home Ownership is a new GBD that came to effect on 1 July 2008. The GBD was formerly part of Territory Housing.

NT Home Ownership's role is to provide housing assistance to Territorians through means such as loans, grants and subsidies with the objective of increasing home ownership opportunities for low to middle income earners.

The host Agency in 2008-09 was the Department of Local Government and Housing.

Audit Opinion

The audit of NT Home Ownership for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 9 October 2009.

Key issues

NT Home Ownership's end of the year accounting and control procedures were found to be generally satisfactory.

Department of Local Government and Housing: NT Home Ownership cont...

Financial analysis

Abridged Income Statement

	2009
	\$,000
Revenue from ordinary activities	
Other income	25
Interest revenue	9,822
Community Service Obligations (CSO)	781
Gain on sale of investments	1,459
Gain on revaluation of investments	6,406
Total revenue from ordinary activities	18,493
Less expenses from ordinary activities	
Employee expenses	(145)
Administration fees	(2,055)
Borrowing costs	(8,474)
Other expenses on ordinary activities	(269)
Total expenses from ordinary activities	(10,943)
Net surplus before income tax expense	7,550
Less income tax expense	(2,265)
Net surplus	5,285
Less dividends	(2,642)
Retained surplus	2,643

The most significant factors contributing to NT Home Ownership's surplus for the year were:

- \$9.8 million interest revenue from loans and \$6.4 million gain on revaluation of investments; offset by
- Interest expense of \$8.4 million on loans provided by the NT Treasury Corporation.

Department of Local Government and Housing: NT Home Ownership cont...

Abridged Balance Sheet

	2009
	\$'000
Current Assets	
Cash and cash equivalents	21,938
Receivables and other current assets	5,004
Less Current Liabilities	(11,649)
Working Capital	15,293
Add Non Current Assets	169,716
	185,009
Less Non Current Liabilities	(159,621)
Net assets	25,388
Represented by:	
Accumulated surplus	2,643
Contributed equity	22,745
Equity	25,388

NT Home Ownership's net assets as at 30 June 2009 comprised:

- \$123.6 million of loans to home purchasers;
- \$2.7 million prepayments in respect of properties awaiting settlement at 30 June 2009;
- \$48.6 million investments representing minority interest in properties;
- cash and deposits of \$21.9 million;

offset by

- borrowings and advances of \$165.8 million from Treasury Corporation; and
- tax payable of \$2.3 million and a dividend payable of \$2.6 million.

Desert Knowledge Australia

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

Desert Knowledge Australia (DKA) was established under the *Desert Knowledge Australia Act 2003* (the Act), which came into force on 18 September 2003. DKA is a body corporate that has been declared by its enabling Act to be excluded from the provisions of the *Commonwealth Corporations Act 2001*. The objectives of DKA are centred on a range of activities intended to promote economic and social development in desert and arid land areas.

DKA is managed by a Board, the members of which hold office in accordance with the provisions of the Act.

Audit Opinion

The audit of the Desert Knowledge Australia for the year ended 30 June 2009 resulted in the issue of an unqualified independent audit opinion on 16 November 2009.

Key issues

While no matters of significance were raised as a result of the audit, a number of minor matters were again brought to the attention of the Board.

Desert Knowledge Australia cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	5,203	1,423
Less expenses from ordinary activities		
Salaries	(911)	(663)
Depreciation and amortisation	(133)	(80)
Board costs	(70)	(81)
Consultants	(66)	(21)
Media/marketing/advertising	(118)	(90)
Motor vehicles	(53)	(47)
Travel	(61)	(37)
Desert Knowledge Precinct	(119)	(117)
Desert Knowledge Symposium	(1)	(47)
CBBN Partner Payments	(355)	-
Other	(132)	(141)
Total expenses from ordinary activities	(2,019)	(1,324)
Retained surplus	3,184	99

The increase in total revenue for the year was due to:

- the receipt of grants of \$1.8 million for Outback Business Networks which commenced in October 2008; and
- the donation to DKA of solar equipment with a total value of \$1.97 million from the Centre for Appropriate Technology.

Expenses increased due to:

- an increase in staff employed during the year; and
- expenses incurred in relation to cross-border business networks.

Desert Knowledge Australia cont...

Revenues and expenses for the year resulted in an increased net surplus of \$3.18 million (2008: \$0.1 million). This increase needs to be considered in conjunction with tied funding of \$1.36 million (2008: \$0.11 million) that has been received by DKA, but not expended at 30 June 2009. The unexpended grants relate to the following projects:

Projects	2009	2008
	\$	\$
Indigenous Employment and Education Taskforce	20,000	29,000
Outback Business Network Project	1,266,792	-
Desert Governance	-	11,000
Nevada Institute Seed Fund	70,751	70,751
Total	1,357,543	110,751

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	2,309	790
Less Current Liabilities	(279)	(102)
Working capital	2,030	688
Add Non Current Assets	5,447	3,605
Net assets	7,477	4,293
Represented by:		
Equity Contribution	2,434	2,434
Accumulated surplus	5,043	1,859
Equity	7,477	4,293

Government Printing Office

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

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

The host Agency was the Department of Business and Employment.

Audit Opinion

The audit of the Government Printing Office for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 2 October 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Government Printing Office cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	5,831	6,013
Less expenses from ordinary activities		
Operational costs	(3,194)	(3,175)
Employee Expenses	(2,405)	(2,402)
Depreciation and amortisation	(214)	(291)
Total expenses from ordinary activities	(5,813)	(5,868)
Net surplus before income tax expense	18	145
Less income tax expense	(5)	(43)
Net surplus	13	102
Less dividends	(6)	(50)
Retained surplus	7	52

The net surplus before tax and dividends declined by \$127,000 from prior year, which was attributable to an overall decline in revenue of \$182,000, from \$6.013 million to \$5.831 million, offset by a decrease in expenses of \$55,000. The most significant factor underlying the decrease in revenue was the decline in sales of goods and services. This was due to fewer printing jobs as a result of lower demand from the NT Government and its Agencies.

The \$55,000 decrease in expenses was predominantly due to a decrease in depreciation of \$77,000 as the majority of the GPO's assets were already fully depreciated while there were no significant acquisitions of fixed assets during the financial year. Despite the decrease in revenue, purchases of goods and services increased by \$79,000 as a result of an increase in subcontractors' costs.

Personnel costs have remained relatively consistent with the previous financial year with only slight increase resulting from a public sector wide increase of 4% during the financial year.

Government Printing Office cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	3,530	3,358
Less Current Liabilities	(904)	(937)
Working Capital	2,626	2,421
Add Non Current Assets	560	767
	3,186	3,188
Less Non Current Liabilities	(158)	(167)
Net assets	3,028	3,021
Represented by:		
Accumulated funds	2,655	2,648
Capital	373	373
Equity	3,028	3,021

Jabiru Town Development Authority

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

The Jabiru Town Development Authority (the Authority) has overall responsibility under the *Jabiru Town Development Act* for maintenance and development of the town of Jabiru, the issue of sub-leases of land and for administration, management and control of the town. A Headlease Agreement between the Authority and the Commonwealth over the town is due to expire in 2021.

A 1985 Cost Sharing Agreement set out the principles for the allocation between participating parties of expenditure required for the town development. The participating parties were principally Energy Resources Australia Limited, the NT Government, the Commonwealth Government and the Authority.

The NT Government provided loan funds of \$8.4 million for over-designed services, mainly water supply and sewerage facilities, which were constructed to facilitate expansion of the town to its final estimated population. During the period January 1984 to June 1986 the Authority's debt to the NT Government increased to \$8.8 million due to the capitalisation of net unpaid interest. In August of 1986 the Government granted the Authority a moratorium on interest payments and principal repayments on existing loans. That moratorium continued to apply at 30 June 2009.

Audit Opinion

The audit of the Jabiru Town Development Authority for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 29 October 2009.

Key issues

The audit opinion report while not qualified included the following emphasis of matter:

“Without qualification to the opinion expressed above, attention is drawn to the following matter. Under the heading of Basis of Accounting and Going Concern in Note 1(a), the Authority refers to its expectation of the continuation of the moratorium on the Authority's future interest and repayment of loans due to the Northern Territory Government totalling \$8,804,916. Without this moratorium, there would be significant uncertainty whether the Authority would be able to continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.”

Jabiru Town Development Authority cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	176	258
Less expenses from ordinary activities		
Administration expenses	(193)	(588)
Amortisation of town infrastructure	(63)	(63)
Total expenses from ordinary activities	(256)	(651)
Net loss	(80)	(393)

The main reason for the decrease in the operating loss shown in the above table was the decrease in contributions paid by the Authority to the Jabiru Town Council for emergency and infrastructure works (\$383,652 was paid in prior year).

Jabiru Town Development Authority cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	3,323	3,340
Less Current Liabilities	(9)	(8)
Working Capital	3,314	3,332
Add Non Current Assets	769	832
	4,083	4,164
Less Non Current Liabilities	(8,805)	(8,805)
Net assets	(4,722)	(4,641)
Represented by:		
Accumulated deficit	(4,722)	(4,641)
Equity	(4,722)	(4,641)

Legislative Assembly Members' Superannuation Trust

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

The provision of superannuation benefits to Members of the Legislative Assembly was affected by two Acts passed by the Legislative Assembly during 2005-06. The first, the *Legislative Assembly Members' (Scheme Closure) Act* closed the defined benefits scheme to new members. Members of the Legislative Assembly who were re-elected at the general election held on 18 June 2005 continue as members of the defined benefit scheme. The second Act, the *Legislative Assembly Members' Superannuation Contributions Act*, established a new superannuation arrangement for Members elected to the Legislative Assembly for the first time at the general election on 18 June 2005. The new arrangement provides for the payment of the 9% superannuation guarantee to the Member's superannuation fund of choice and, in the absence of a nomination of a fund by a Member, to a default fund.

The triennial Actuarial Review of the defined benefit scheme was carried out as at 30 June 2007. The estimated value of vested benefits (the value of members' rights that were not conditional upon continued scheme membership) of the defined benefit scheme at 30 June 2009 were \$54.626 million.

Audit Opinion

The audit of the Legislative Assembly Members' Superannuation Trust for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 2 October 2009.

Key issues

The audit did not identify any matters of consequence.

Legislative Assembly Members' Superannuation Trust cont...

Financial analysis

Abridged Statement of Changes in Net Assets

	2009	2008
	\$'000	\$'000
Net investment revenue		
Sundry income	-	20
Interest and distributions	5,324	7,092
Changes in net market value of investments	(13,636)	(12,670)
Member contributions	199	308
Member surcharge contributions	503	86
Territory contributions	2,790	2,537
Benefits paid	(4,140)	(2,304)
Superannuation contribution surcharge	(31)	(54)
Other expenses	(3)	(3)
Revenue less expenses before income tax	(8,994)	(4,988)
Less income tax expense	(285)	(6)
Change in net assets	(9,279)	(4,994)

The performance of Trust for year was largely the result of a fall of \$13.636 million in the values of investments as a consequence of financial market conditions that persisted throughout much of the year.

Member surcharge contributions of \$502,661 were received as deductions from former members who received lump sum benefit payments upon resignation. Territory contributions were \$2.790 million for year compared with \$2.537 million for the prior year.

Legislative Assembly Members' Superannuation Trust cont...

Abridged Statement of Net Assets

	2009	2008
	\$'000	\$'000
Current Assets		
Cash at bank and other assets	533	1,812
Investments	41,609	50,263
Total Assets	42,142	52,075
Less Liabilities	(429)	(1,083)
Net assets	41,713	50,992
Vested benefits	54,626	52,304

Vested benefits are the value of benefits that would have been payable upon voluntary withdrawal by members from the scheme at 30 June 2009.

Due to the investment performance for the year, net assets represented 76.4% of vested benefits at 30 June 2009 (2008: 97.5%).

Nitmiluk (Katherine Gorge) National Park Board

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

The Nitmiluk (Katherine Gorge) National Park Board (the Board) was formed in 1989 under the *Nitmiluk (Katherine Gorge) National Park Act* to acknowledge and secure the right of those Aboriginals who are the traditional owners of certain land in the Northern Territory of Australia, and certain other Aboriginals, to occupy and use that land, to establish a National park comprising that land to be known as the Nitmiluk (Katherine Gorge) National Park, to provide for the management and control of that Park and certain other land, and for related purposes.

Audit Opinion

The audit of the financial statements of Nitmiluk (Katherine Gorge) National Park Board for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 12 November 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

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

Financial analysis

Abridged Income Statement

	2009	2008
	\$,000	\$'000
Revenue from ordinary activities		
Park income	1,119	980
Less Payments to Traditional Owners	(681)	(608)
Less Payments to parks and Wildlife Commission of the NT	(460)	(372)
NT Government funding sundry income	45	38
Total revenue from ordinary activities	23	38
Less expenses from ordinary activities		
Operational costs	(45)	(36)
Total expenses from ordinary activities	(45)	(36)
Retained surplus	(22)	2

The increase in revenue for the year resulted mainly from an increase in the concessionaires' revenue which forms the base of the park royalties.

The deficit for the year resulted mainly from an additional payment of \$22,000 to the beneficiaries following the closure of a bank account held in the name of the Board.

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

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	650	591
Less Current Liabilities	(650)	(569)
Working Capital	-	22
Add Non Current Assets	-	-
	-	22
Less Non Current Liabilities	-	-
Net assets	-	22
Represented by:		
Accumulated surplus	-	22

Northern Territory Government and Public Authorities Employees' Superannuation Fund

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

The Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS) was established by the *Superannuation Act* (the Act). The Scheme was closed to new members on 9 August 1999.

The NTGPASS is a defined benefit scheme which means that the benefits payable by the Scheme are linked to years of membership and salary levels.

The future liability of the Government, and each year's emerging cost, for providing benefits to withdrawing members is calculated by an appropriately qualified actuary and I have relied upon the work performed by that actuary when conducting my audit. The last actuarial review of the scheme was performed as at 30 June 2007.

The unfunded liability of the scheme at 30 June 2009, after taking into account the value of assets held by the scheme at that date, was \$844.3 million, compared with an unfunded liability of \$755.6 million at 30 June 2008.

Audit Opinion

The audit of Northern Territory Government and Public Authorities Employees' Superannuation Fund for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 6 October 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified. However, the volatility that existed in both national and international financial markets during 2008-09 resulted in a significant decline of \$100.2 million in the net market value of the Scheme's investments.

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

Financial analysis

Abridged Statement of Changes in Net Assets

	2009	2008
	\$'000	\$'000
Net investment revenue	(100,156)	(51,210)
Member contributions	42,624	38,742
Member surcharge payments received	219	452
Territory contributions	50,060	63,688
Transfers and rollovers	33,837	52,570
Benefits expense	(103,974)	(144,371)
Other expenses	(98)	(185)
Revenue less expenses before income tax	(77,488)	(40,314)
Less income tax expense	(5,103)	(7,081)
Change in net assets	(82,591)	(47,395)

The decrease in the benefits expense for the year was largely due to a decline in the number of members who left the fund in 2008-09 compared to the prior year.

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

Abridged Statement of Net Assets

	2009	2008
	\$'000	\$'000
Cash at bank and other assets	43,199	33,957
Investments	556,566	638,360
Total assets	599,765	672,317
Less Liabilities	(67,249)	(57,210)
Net assets	532,516	615,107
Vested benefits	1,376,860	1,370,740

Vested benefits are the value of benefits that would have been payable upon the voluntary withdrawal of members from the scheme at 30 June 2009.

Northern Territory Legal Aid Commission

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

The NT Legal Aid Commission (the Commission) is established under the *Legal Aid Act*.

Audit Opinion

The audit of Northern Territory Legal Aid Commission for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 26 November 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

As reported last year, it was observed that the basis for estimating the value of certain provisions was based upon estimates first used in 2005-06. No data was available to support the continued use of those estimates in 2008-09. It was again recommended to the Commission that it should consider reviewing the basis upon which the value of provisions are determined.

Northern Territory Legal Aid Commission cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	8,753	8,821
Less expenses from ordinary activities		
Administration	(1,290)	(1,392)
Employee Expenses	(4,642)	(4,189)
Legal	(1,873)	(2,219)
Depreciation and amortisation	(256)	(236)
Other	(801)	(799)
Total expenses from ordinary activities	(8,862)	(8,835)
Net (deficit)/surplus	(109)	(14)

Revenue declined by \$68,343 when compared with the prior year, due mainly to a decline in funding received from the Commonwealth Government. Increases in salaries and employee benefits of \$453,268 arising as a result of the EBA increase in late 2008 added to the reported loss, although legal costs fell by \$346,127 to \$1,873,261 reflecting a move by the Commission to increase the amount of work undertaken "in house". Employee numbers remained relatively stable at 60 (2008: 61). A decline of \$101,919 in administration expenses and \$105,815 in other expenses/minor assets was also noted.

Northern Territory Legal Aid Commission cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	3,348	3,554
Less Current Liabilities	(1,047)	(1,090)
Net Current Assets	2,301	2,464
Add Non Current Assets	1,617	1,527
	3,918	3,991
Less Non Current Liabilities	(214)	(178)
Net assets	3,704	3,813
Represented by:		
Reserves	2,472	2,472
Retained earnings	1,232	1,341
Equity	3,704	3,813

The Northern Territory Legal Aid Commission has commented:

The Commission is aware of the issue regarding the calculation of certain provisions. The Commission would like to resolve this issue and has contracted Merit Partners, Chartered Accountants, to assist.

Northern Territory Major Events Company Pty Ltd

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

The Northern Territory Government established the Northern Territory Major Events Company Pty Ltd (the Company) with the principal responsibility for attracting major events to the Northern Territory and promoting and coordinating such events.

Following the holding of the 2002 round of the V8 Supercar Championship in Darwin, the rights to run the event in Darwin were transferred from Hidden Valley Promotions Pty Ltd (HVP) to the Company together with the remaining assets and liabilities of HVP.

Responsibility for the management of the Alice Springs Masters Games for 2008 and subsequent years and the Arafura Games for 2009 and subsequent years was transferred to the Company in 2007. Further analysis of the Masters and Arafura Games can be found on pages 27 to 30 of this report.

Audit Opinion

The audit of Northern Territory Major Events Company Pty Ltd for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 14 December 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Northern Territory Major Events Company Pty Ltd cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue before government grants	6,168	1,545
Less expenses from ordinary activities		
Employee Expenses	(2,029)	(1,199)
Depreciation	(12)	(12)
Other	(13,016)	(3,072)
Total expenses from ordinary activities	(15,057)	(4,283)
Net loss before government grants	(8,889)	(2,738)
Government grants	7,710	3,953
Net profit/(loss)	(1,179)	1,215

The \$1.179 million loss that was reported for the year was due predominantly to the recognition in 2008-09 of revenues and expenses associated with the 2008 V8 Supercar Championships round. Approximately \$2.5 million of revenues and \$3.5 million of expenses were incurred during the year ended 30 June 2009.

As the 2009 V8 Supercar Championships event also fell in the 2008-09 financial year the majority of the revenues and expenses for that event, approximately \$4.11 million and \$4.03 million respectively, were also disclosed in 2008-09.

The other significant events which took place in 2008-09 were the Arafura Games and Alice Spring Masters Games. These events contributed an additional \$4.89 million of revenues and \$3.73 million of expenses to the year's financial activities.

Northern Territory Major Events Company Pty Ltd cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	3,477	4,376
Less Current Liabilities	(2,903)	(2,624)
Net current assets	574	1,752
Add Non Current Assets	43	44
Net assets	617	1,796
Represented by:		
Retained profits	617	1,796
Contributed equity (\$2)	-	-
Equity	617	1,796

Northern Territory Police Supplementary Benefit Scheme

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

The Northern Territory Police Supplementary Benefit Scheme (NTPSBS) differs from other superannuation schemes discussed in this report in that it was established under a Trust Deed rather than by legislation and is intended to supplement pensions payable from the Commonwealth Superannuation Scheme (CSS) for members of the Northern Territory Police, Fire and Emergency Services.

Eligibility for membership of the CSS ceased from 1 January 1988 and all members of the police force recruited after that date were required to join the NT Government and Public Authorities Superannuation Scheme, until that scheme's closure to new members in 1999. The NTPSBS is therefore closed to new members and membership of the scheme is declining steadily as a consequence. At 30 June 2009 there were 97 (107 in 2008) members and 149 (136 in 2008) pensioners.

Members finance a share of scheme benefits by contributing one per cent of their salary to the fund, which is managed by the Trustees. Each member has an accumulation account in the fund representing the member's contributions and interest earnings.

A member qualifies for a supplementary benefit if:

- the member is at least 50 years of age or has at least 25 years CSS contributory service when ceasing to be a member of the scheme; and
- the member becomes entitled to a CSS age retirement pension, early retirement pension, deferred pension or postponed pension on or after ceasing to be a member of the scheme.

The supplementary benefit is based on the amount of the member's CSS employer-financed pension and the member's age when ceasing to be a member of the NT Police Force or a CSS contributor, whichever occurs later. Upon qualification for a supplementary benefit, the member's accumulated contributions and interest are paid to the Territory, which is responsible for the payment of the supplementary benefit.

Northern Territory Police Supplementary Benefit Scheme cont...

The supplementary benefit is paid as a lifetime indexed pension, which commences when the CSS employer-financed pension begins to be paid. A supplementary pension may be commuted to a lump sum equal to ten times the annual amount of supplementary pension. Where a member ceases membership and is not entitled to a supplementary benefit, an amount equal to the member's contributions with interest is paid to the member.

Audit Opinion

The audit of the Northern Territory Police Supplementary Benefit Scheme for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 2 October 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified. However, net investment revenue continued in the negative as a result of the volatility that characterised both national and international financial markets during 2008-09.

Northern Territory Police Supplementary Benefit Scheme cont...

Financial analysis

Abridged Statement of Changes in Net Assets

	2009	2008
	\$'000	\$'000
Net investment revenue	(349)	(352)
Contribution revenue	106	108
Benefits		
Refunds of accumulated contributions	(48)	(3)
Payment of accumulated contributions to the Territory	(227)	(256)
Superannuation contribution surcharge	(2)	(3)
Other expenses	(2)	(2)
Revenue less expenses before income tax	(522)	(508)
Less income tax expense	(1)	(1)
Change in net assets	(523)	(509)

Northern Territory Police Supplementary Benefit Scheme cont...

Abridged Statement of Net Assets

	2009	2008
	\$'000	\$'000
Cash at bank and other assets	130	98
Investments	2,514	3,068
Total assets	2,644	3,166
Less Liabilities	(331)	(330)
Net assets	2,313	2,836
Vested benefits	38,400	33,600

Vested benefits are the value of benefits payable on voluntary withdrawal from the scheme at that date.

Northern Territory Treasury Corporation

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

The Northern Territory Treasury Corporation (the Corporation) is the investment and borrowing agent for the Northern Territory. Its transactions are material to the Public Account and a very high degree of assurance as to financial regularity is required.

The powers and obligations of the Corporation are to be found in the *Northern Territory Treasury Corporation Act* (the Act). The Under Treasurer constitutes the Corporation and is the Accountable Officer. There is an Advisory Board constituted under section 8 of the Act to which may be delegated any of the powers and functions under the enabling Act.

The Corporation is a Government Business Division and maintains its accounts in accordance with accounting principles generally applied in commercial practice and submits financial statements for audit by the Auditor-General each year.

Audit Opinion

The audit of Northern Territory Treasury Corporation for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 30 September 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified.

Northern Territory Treasury Corporation cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	160,175	174,063
Less expenses from ordinary activities		
Interest	(139,016)	(146,898)
Administration	(2,086)	(2,186)
Total expenses from ordinary activities	(141,102)	(149,084)
Net surplus before income tax expense	19,073	24,979
Less income tax expense	(5,722)	(7,494)
Net surplus	13,351	17,485
Less dividends	(13,351)	(17,485)
Retained surplus	-	-

Northern Territory Treasury Corporation cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Total Assets	2,392,912	2,392,061
Less Total Liabilities	(2,371,282)	(2,369,971)
Net assets	21,630	22,090
Represented by:		
Contributed capital	18,714	18,714
Reserves	2,916	3,376
Equity	21,630	22,090

NT Build

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

NT Build is the name of the Board established under the *Construction Industry Long Service Leave and Benefits Act* (the Act) which came into force on 1 July 2005. The role of the Board is to administer a scheme also established under the Act to provide for entitlements to long service leave and long service leave benefits for construction workers.

Audit Opinion

The audit of NT Build for the year ended 30 June 2009 resulted in a qualified independent audit opinion, which was issued on 25 November 2009.

Key issues

Qualification

I issued a qualified audit opinion on the financial statements of NT Build for the year ended 30 June 2009. The qualification reported within the audit opinion follows:

“The statutory obligation to notify NT Build of the commencement of a project rests with the developer. NT Build has implemented a number of mechanisms to help monitor compliance and identify leviable projects and consequently those liable to pay the levy, including monitoring projects where building permits under the *Building Act* are issued. It is noted that not all types of construction work carried out in the Territory require a building permit.

Due to the nature of the approval process within the Northern Territory construction industry, there exists some uncertainty regarding the ability of NT Build to identify all construction and maintenance projects that fall within the scope of the *Construction Industry Long Service Leave and Benefits Act*. As such, I am unable to satisfy myself as to the completeness of the \$11,848,410 recognised as ‘Contributions from levy payers’ in the income statement.”

NT Build cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	11,136	7,459
Less expenses from ordinary activities		
Employee Expenses	(494)	(578)
Occupancy costs	(76)	(80)
Depreciation and amortisation	(71)	(73)
Fees and allowances	(40)	(22)
Long service leave benefit payments	(319)	(199)
Long service scheme expense	(5,982)	(2,161)
Other	(341)	(317)
Total expenses from ordinary activities	(7,323)	(3,430)
Net (deficit)/surplus before income tax expense	3,813	4,029

NT Build cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	22,896	13,165
Less Current Liabilities	(312)	(402)
Working Capital	22,584	12,763
Add Non Current Assets	88	159
	22,672	12,922
Less Non Current Liabilities	(13,363)	(7,426)
Net assets	9,309	5,496
Represented by:		
Implementation funding	297	297
Accumulated surplus	9,012	5,199
Equity	9,309	5,496

The liability for accrued long service leave benefits was estimated to be \$13.603 million at 30 June 2009. That amount represents the net present value of future payments expected to arise from the service of eligible workers up to 30 June 2009.

NT Build cont...

NT Build has commented:

The NT Build Board notes the audit findings and the qualification of the audit opinion.

Throughout the 2009-2010 reporting period NT Build continued to work closely with the Department of Planning and Infrastructure to pursue suitable amendments to both the Building Act and the Planning Act in order to strengthen NT Build's ability to maximise levy compliance.

In response to the discussion paper entitled Building Regulation in the NT, released for comment by the building industry and the community, the Board made a submission in support of the matters raised in the Paper that directly relate to NT Build. Specifically, Part B2 of the discussion Paper addressed the proposal that the building regulatory provisions be amended to require evidence that a Project Notification Form has been lodged with NT Build before a Building Permit is issued. Such an amendment would greatly enhance levy compliance within the building control areas, representing the majority of leviable construction works.

While the Board notes such a change to the current building approval regime will have a limited effect, it will enable NT Build to better concentrate its resources on identifying both leviable construction undertaken throughout the non-controlled remote areas of the Northern Territory, including on mining sites, and on other categories of "construction" (eg; civil works and some maintenance) as defined by the Construction Industry Long Service Leave and Benefits Act not covered under the building regulatory provisions.

Notwithstanding the above the Board remains confident that a high level of compliance is being achieved, although a level of uncertainty may always exist. As a consequence, NT Build continues to utilise and refine a range of mechanisms to identify construction projects throughout the Northern Territory.

In any event, where non payment is being detected the Board is taking a rigorous approach to debt collection including legal action where necessary.

The Board has also introduced a strategic audit and levy compliance program. Through this program routine audits of selected construction projects are now being conducted to ensure that levy payers are declaring and remitting the correct amount of levy.

NT Fleet

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

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

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

The host Agency was the Department of Business and Employment.

Audit Opinion

The audit of NT Fleet for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 6 October 2009.

Key issues

No material weaknesses in controls were identified during the audit and the accounting and control procedures examined in relation to end of year financial processing were found to be generally satisfactory.

NT Fleet cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities		
Revenue from vehicle lease rentals	39,097	35,551
Gain on disposal of assets	1,300	1,773
Other revenues	313	459
Total revenue from ordinary activities	40,710	37,783
Less expenses from ordinary activities		
Operational costs	(10,572)	(9,292)
Employee Expenses	(2,094)	(2,120)
Depreciation and amortisation	(17,787)	(15,623)
Borrowing costs	(284)	(285)
Total expenses from ordinary activities	(30,737)	(27,320)
Net surplus before income tax expense	9,973	10,463
Less income tax expense	(2,992)	(3,139)
Net surplus	6,981	7,324
Less dividends	(3,491)	(3,662)
Retained surplus	3,490	3,662

NT Fleet cont...

Total revenue recorded by NT Fleet for the year was \$40.71 million, an increase of \$2.92 million over the prior year, mainly due to increase in sales of goods and services. Despite the increase in revenue, NT Fleet reported a net surplus before tax and dividends of \$9.97 million, a decline of \$0.49 million from the previous year. The most significant factors that contributed to the decrease in the net surplus before tax and dividends were:

- the gain on disposal of assets decreased from \$1.77 million to \$1.30 million due to fewer sales of vehicles and falling sale prices; and
- an increase in vehicle repairs and maintenance expenses from \$7.70 million to \$8.73 million (13%) and depreciation expense from \$15.62 million to \$17.78 million (14%) due to the increased number of motor vehicles being managed (2,509 vehicles in 2007/08 to 2,665 vehicles in 2008/09).

NT Fleet cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	5,952	8,775
Receivables and other current assets	929	1,307
Less Current Liabilities	(10,154)	(12,071)
Working Capital	(3,273)	(1,989)
Add Non Current Assets	87,904	83,085
	84,631	81,096
Less Non Current Liabilities	(4,136)	(4,122)
Net assets	80,495	76,974
Represented by:		
Accumulated funds	80,028	76,537
Capital	467	437
Equity	80,495	76,974

NT Fleet continued to display a strong net asset position as at 30 June 2009, with its financial position influenced strongly by a continuing growth in retained earnings after taking into account the effect of tax and dividend payments.

The cash position of NT Fleet although still relatively strong has decreased as the net investment in the vehicle fleet has increased.

Power and Water Corporation

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

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

From 1 July 2002 the Corporation became a government owned corporation under the *Government Owned Corporations Act*.

The Corporation controls three fully owned subsidiary companies: Darnor Pty Ltd; Gasgo Pty Ltd; and Indigenous Essential Services Pty Ltd.

Audit Opinion

The audit of Power and Water Corporation for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 25 September 2009.

Key issues

The audit did not identify any matters of significance nor were material weaknesses in controls identified.

Power and Water Corporation cont...

Financial analysis

Abridged Income Statement of the Consolidated Entity

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	826,922	600,222
Less expenses from ordinary activities		
Raw materials and consumables used	(312,897)	(252,672)
Finance costs	(32,618)	(28,063)
Repairs and maintenance expenses	(64,251)	(52,145)
Employee expenses	(71,904)	(65,356)
External service agreements	(25,575)	(18,429)
Depreciation and amortisation	(72,558)	(58,919)
Impairment of non current assets	(5,718)	-
Other expenses	(68,356)	(42,532)
Total expenses from ordinary activities	(653,877)	(518,116)
Net (loss)/profit before income tax expense	173,045	82,106
Less income tax benefit/(expense)	(51,903)	(24,640)
Net profit	121,142	57,466
Less dividends	-	-
Retained profit	121,142	57,466

The increase in the current year profit was influenced strongly by:

- the write back of an amount of \$161 million in respect of water and sewerage assets. That amount was recorded as an expense in prior years following the write-down in the value of water and sewerage assets due to the inability of net cash flows to support the recorded asset values. The increases in tariffs that have since been approved by the NT Government have resulted in the expected present values of cash flows from water and sewerage assets increasing to a point where the original carrying amounts of the assets could be reinstated;

Power and Water Corporation cont...

- NT Government capital contribution of \$50 million that was included as part of the Corporation's revenue; and
- the receipt of liquidated damages totalling \$6.3 million from ENI due the delay in the supply of Blacktip Gas partially offset the increased expense incurred for alternative energy supplies.

Abridged Balance Sheet of the Consolidated Entity

	2009	2008
	\$'000	\$'000
Current Assets	188,868	179,919
Less Current Liabilities	(166,897)	(167,252)
Working Capital	21,971	12,667
Add Non Current Assets	1,479,330	1,191,205
	1,501,301	1,203,872
Less Non Current Liabilities	(764,479)	(589,502)
Net assets	736,822	614,370
Represented by:		
Retained profits	736,822	615,680
Reserves	-	(1,310)
Equity	736,822	614,370

Net cash generated by the Corporation's operations for the year was \$99 million and this was supplemented by the net proceeds of borrowings totalling \$138 million. The funds were used to acquire property, plant and equipment totalling \$223 million, with the balance being represented by the increase in the Corporation's cash balances at 30 June 2009.

Territory Discoveries

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

Territory Discoveries was established to increase the exposure of, and potential economic returns to, the NT tourism industry, particularly small to medium sized operators. Territory Discoveries develops travel, tour and accommodation packages for sale in the domestic and international markets. It promotes the sale of these packages through the retail travel network and direct to the consumer via a range of advertising and marketing mechanisms including brochure production, internet sites and trade and consumer journals.

Territory Discoveries' host Agency is Tourism NT.

Audit Opinion

The audit of Territory Discoveries for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 9 October 2009.

Key issues

Territory Discoveries' end of the year accounting and control procedures were found to be generally satisfactory.

However, it was again noted that key financial reconciliations had not been performed on a timely basis for several successive months. Weaknesses in systems intended to ensure that financial reconciliations are performed and reviewed regularly are viewed by audit as representing an increased level of risk that errors or irregularities may remain undetected and thus issues requiring attention may not be dealt with promptly.

Territory Discoveries cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$'000	\$'000
Revenue from ordinary activities	7,445	8,708
Less expenses from ordinary activities		
Operational costs	(4,298)	(5,253)
Employee expenses	(3,283)	(3,411)
Depreciation and amortisation	(2)	(2)
Interest expense	(1)	-
Total expenses from ordinary activities	(7,584)	(8,666)
Net surplus before income tax expense	(139)	42
Less income tax expense	-	-
Net surplus	(139)	42
Less dividends	-	-
Retained surplus	(139)	42

Territory Discoveries cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	8,469	9,631
Receivables and other current assets	187	333
Less Current Liabilities	(5,586)	(6,742)
Working Capital	3,070	3,222
Add Non Current Assets	1	3
	3,071	3,225
Less Non Current Liabilities	(9)	(24)
Net assets	3,062	3,201
Represented by:		
Accumulated losses	(2,615)	(2,476)
Contributed equity	5,677	5,677
Equity	3,062	3,201

Territory Discoveries has commented:

With regard to the comment “key financial reconciliations had not been performed on a timely basis for several successive months” – only two Balance Sheet account reconciliations were not completed for several successive months, both of which formed the Trust Account. This was due to the Trust Account being reconciled back to 2002-03 because of an outstanding \$400K GST issue. The current balances of these accounts were being reviewed on a monthly basis but due to the outstanding GST issue, could not be reconciled until the previous years had been reconciled. Regular meetings were held between Territory Discoveries and the Department of Business and Employment during the year to rectify this problem which resulted in the account being fully reconciled in June 2009.

Territory Insurance Office

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

The Territory Insurance Office (TIO) is a wholly owned entity of the NT Government which operates under its own enabling Act, the *Territory Insurance Office Act*. As part of its mandate, TIO also manages the Motor Accident Compensation Fund.

The liabilities of TIO that arise from insurance contracts or from deposits made with TIO are guaranteed by the Northern Territory.

Audit Opinion

The audit of the Territory Insurance Office for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 29 September 2009.

Key issues

During 2007-08 the Treasurer issued a Determination pursuant to section 7 of the *Territory Insurance Office Act* requiring TIO to comply with prudential standards issued by the Australian Prudential Regulatory Authority (APRA) as modified to address specific factors affecting TIO. Thus while TIO may lie outside the jurisdiction of APRA, the effect of the Treasurer's Determination is to subject TIO to the same level of prudential regulation that applies to other insurers and authorised deposit-taking institutions.

In April 2009 the Treasurer issued a revised Determination to take into account amendments to the APRA prudential standards. The revisions to the Treasurer's Determination were primarily administrative and did not require material changes in prudential standards or compliance processes.

For the purposes of the Determination, the Auditor-General has been deemed to be the "appointed auditor" consistent with the requirements imposed upon general insurers that are subject to direct supervision by APRA. Accordingly, I conducted reviews of both the insurance and banking functions of TIO during 2008-09 to assess the extent to which TIO met the requirements of the APRA prudential standards. Following that review I advised the Treasurer and the Board of TIO that I was generally satisfied that TIO had met the requirements of the APRA prudential standards.

Territory Insurance Office cont...

Financial analysis

Abridged Income Statement

	TIO Insurance & Banking		MAC Fund		TIO	
	2009	2008	2009	2008	2009	2008
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Underwriting result						
Net premium revenue	52	51	46	43	98	94
Net claims expense	(50)	(36)	(47)	(25)	(97)	(61)
Acquisition costs	(8)	(6)	(1)	(1)	(9)	(7)
Underwriting result	(6)	9	(2)	17	(8)	26
Other revenues and expenses						
Interest receivable	54	51	7	6	61	57
Change in value of investments	(8)	(10)	(34)	(37)	(42)	(47)
Loss on disposal of investments	(6)	-	(15)	(1)	(21)	(1)
Other investment income	4	4	14	33	18	37
Total investment revenue	44	45	(28)	1	16	46
Other revenue	8	8	-	-	8	8
Borrowing costs	(39)	(38)	-	-	(39)	(38)
Other costs and depreciation	(25)	(22)	(11)	(10)	(36)	(32)
Net other revenues and expenses	(12)	(7)	(39)	(9)	(51)	(16)
Net profit (loss) before tax	(18)	2	(41)	8	(59)	10

Territory Insurance Office cont...

TIO's 2008-09 performance was affected by the "global financial crisis", which saw significant decreases in equity markets, falling interest rates, reduced and more expensive funding options and increased volatility. This contributed to TIO insurance and banking operations' after tax loss of \$11.8 million for the year compared to an after tax profit of \$1.6 million in 2007-08. The MAC Fund also reported a net deficit of \$41.1 million compared to net surplus of \$7.9 million in the previous year.

The after-tax profit/(loss) from banking, general insurance and the MAC Fund for the 2009 financial year were (\$15,000), (\$11.8 million) and (\$41.1 million), respectively. This compares to an after-tax profit from banking, general insurance and the MAC Fund for the 2008 financial year of \$1.8 million, (\$227,000) and \$7.9 million, respectively.

It is noteworthy that a significant recovery has taken place in financial markets since the end of the 2008-09 financial year. If that recovery should be sustained, the losses recognised by TIO in 2008-09 should be substantially reversed in 2009-10 and subsequent years.

Territory Insurance Office cont...

Abridged Balance Sheet

	TIO Insurance & Banking		MAC Fund		TIO	
	2009	2008	2009	2008	2009	2008
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Assets						
Cash and cash equivalents	24	20	9	7	33	27
Trade and other receivables	45	39	1	2	46	41
Other financial assets	197	171	293	308	490	479
Intangible assets	-	1	3	-	3	1
Investment property	-	-	-	37	-	37
Loans	544	526	-	-	544	526
Reinsurance and other recoveries	23	25	28	25	51	50
Property, plant and equipment	14	45	32	1	46	46
Deferred reinsurance expense	25	20	-	-	25	20
Deferred acquisition costs	4	4	-	-	4	4
Deferred tax assets	7	7	-	-	7	7
Total Assets	883	858	366	380	1,249	1,238
Liabilities						
Outstanding claims liability	(112)	(113)	(256)	(231)	(368)	(344)
Trade and other payables	(31)	(26)	(3)	(3)	(34)	(29)
Deposits	(448)	(373)	-	-	(448)	(373)
Other financial liabilities	(1)	(1)	-	-	(1)	(1)
Tax liabilities	(2)	(7)	-	-	(2)	(7)
Provisions	(5)	(5)	-	-	(5)	(5)
Unearned premium liability	(53)	(45)	(23)	(21)	(76)	(66)
Securitisation liabilities	(134)	(182)	-	-	(134)	(182)
Subordinated loans	-	(21)	-	-	-	(21)
Total Liabilities	(786)	(773)	(282)	(255)	(1,068)	(1,028)
Net Assets	97	85	84	125	181	210

Territory Wildlife Parks

Audit findings and Analysis of the financial statements for the year ended 30 June 2009

Background

This Government Business Division operates the Territory Wildlife Park at Berry Springs and the Alice Springs Desert Park. The parks have required significant financial contributions from the Government, by way of Community Service Obligations to enable them to meet their operating expenses.

The host Agency is the Department of Natural Resources, Environment, the Arts and Sport.

Audit Opinion

The audit of Territory Wildlife Parks for the year ended 30 June 2009 resulted in an unqualified independent audit opinion, which was issued on 7 October 2009.

Key issues

The audit did not identify any matters of significance and no material weaknesses in controls were identified. However the GBD has recorded deficits since its inception and it continues to rely upon the receipt of Community Service Obligation from the NT Government to enable it to manage its cash flow requirements.

Territory Wildlife Parks cont...

Financial analysis

Abridged Income Statement

	2009	2008
	\$,000	\$'000
Revenue from ordinary activities (excl CSO)	1,944	2,645
Less expenses from ordinary activities		
Employee Expenses	(5,491)	(5,963)
Depreciation and amortisation	(1,911)	(1,895)
Other expenses	(4,447)	(4,765)
Total expenses from ordinary activities	(11,849)	(12,623)
Net deficit before CSO	(9,905)	(9,978)
Community Service Obligation funding	7,915	7,915
Net deficit	(1,990)	(2,063)

A decline in visitor numbers, and the outsourcing of the café and gift shop at the Territory Wildlife Park, contributed to a decline in revenue of \$567,598 at the Territory Wildlife Park and \$133,682 at the Alice Springs Desert Park.

The decrease in expenditure was also predominantly related to the outsourcing of the café and gift shop at the Territory Wildlife Park.

Territory Wildlife Parks cont...

Abridged Balance Sheet

	2009	2008
	\$'000	\$'000
Current Assets	487	1,102
Less Current Liabilities	(932)	(1,286)
Working Capital	(445)	(184)
Add Non Current Assets	34,561	36,011
	34,116	35,827
Less Non Current Liabilities	(128)	(183)
Net assets	33,988	35,644
Represented by:		
Accumulated losses	(5,881)	(3,891)
Contributed equity	15,504	15,170
Asset revaluation reserve	24,365	24,365
Equity	33,988	35,644

Appendix 1: Audit Opinion Reports Issued Since 30 June 2009

	Date 2008-09 Financial Statements tabled to Legislative Assembly	Date of Audit Report Year ended 30 June 2009	Date of Audit Report Year ended 30 June 2008
Sec 9 Financial Management Act			
Treasurer's Annual Financial Statement	20 October 09	14 October 09	21 October 08
Government Business Divisions; Sec 10 Financial Management Act			
Construction Division	26 November 09	3 November 09	14 October 08
Darwin Bus Service	26 November 09	3 November 09	14 October 08
Darwin Port Corporation	26 November 09	7 October 09	21 October 08
Data Centre Services	22 October 09	2 October 09	10 November 08
Government Printing Office	22 October 09	2 October 09	10 November 08
Northern Territory Treasury Corporation	20 October 09	30 September 09	1 October 08
NT Fleet	22 October 09	6 October 09	10 November 08
NT Home Ownership	26 November 09	9 October 09	N/A
Territory Discoveries	26 November 09	9 October 09	4 November 08
Territory Wildlife Parks	22 October 09	7 October 09	9 October 08
Government Owned Corporation; Sec 42 Government Owned Corporations Act			
Power and Water Corporation	20 October 09	25 September 09	30 September 08

Appendix 1: Audit Opinion Reports Issued Since 30 June 2009 cont...

	Date 2008-09 Financial Statements tabled to Legislative Assembly	Date of Audit Report Year ended 30 June 2009	Date of Audit Report Year ended 30 June 2008
Entities to which Sec 10 <i>Financial Management Act</i> applies as though a GBD			
Cobourg Peninsula Sanctuary and Marine Park Board	26 November 09	12 November 09	2 October 08
Jabiru Town Development Authority	Not yet tabled	29 October 09	11 December 08
Nitmiluk (Katherine Gorge) National Park Board	26 November 09	12 November 09	3 October 08
NT Grants Commission	24 November 09	15 September 09	16 September 08
Surveyors Board of the NT	26 November 09	29 September 09	23 September 08
Territory Insurance Office	19 October 09	28 September 09	29 September 08

Appendix 1: Audit Opinion Reports Issued Since 30 June 2009 cont...

	Date 2008-09 Financial Statements tabled to Legislative Assembly	Date of Audit Report Year ended 30 June 2009	Date of Audit Report Year ended 30 June 2008
Other Entities/Separate Acts/Trust Deeds			
Common Funds of the Public Trustee	Not yet tabled	18 November 09	16 December 08
Darnor Pty Ltd	N/A	25 September 09	4 September 08
Darwin Waterfront Corporation	26 November 09	17 November 09	18 November 08
Desert Knowledge Australia	26 November 09	16 November 09	24 November 08
Gasgo Pty Limited	N/A	25 September 09	4 September 08
Indigenous Essential Services Pty Ltd	N/A	25 September 09	30 September 08
Legislative Assembly Members' Superannuation Trust	20 October 09	2 October 09	8 October 08
Northern Territory Government and Public Authorities Employees Superannuation Fund	20 October 09	6 October 09	14 October 08
Northern Territory Major Events Company Pty Ltd	N/A	14 December 09	17 December 08
Northern Territory Police Supplementary Benefits Scheme	N/A	2 October 09	6 October 08
NT Legal Aid Commission	Not yet tabled	26 November 09	24 November 08
NT Build	Not yet tabled	25 November 09	19 November 08

Appendix 1: Audit Opinion Reports Issued Since 30 June 2009 cont...

	Date 2008 Financial Statements tabled to Legislative Assembly	Date of Audit Report Year ended 31 December 2008	Date of Audit Report Year ended 31 December 2007
Other Entities/Separate Acts/Trust Deeds			
CDU Amenities Limited (30 June 09)	N/A	21 August 09	21 August 09
	Date 2007 Financial Statements tabled to Legislative Assembly	Date of Audit Report Year ended 31 December 2007	Date of Audit Report Year ended 31 December 2006
CDU Amenities Limited (30 June 08)	N/A	21 August 09	n/a

Appendix 1: Audit Opinion Reports Issued Since 30 June 2009 cont...

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 30 June 2009	Date of Audit Report Year ended 30 June 2008
Inter-Government Statements By Legislation			
Local Government Financial Assistance	ASAP	23 October 09	19 November 08
<i>AusLink (National Land Transport) Act 2005 – National Highways and Roads of National Importance</i>	31 December 09	Not yet completed	18 December 08
<i>AusLink (National Land Transport) Act 2005 – Road Safety (Black Spot)</i>	31 December 09	Not yet completed	18 December 08
<i>AusLink (National Land Transport) Act 2005 – Port Keats Road Upgrade</i>	31 December 09	Not yet completed	18 December 08
<i>AusLink (National Land Transport) Act 2005 – Outback Highway – Plenty Highway</i>	31 December 09	Not yet completed	18 December 08
<i>AusLink (National Land Transport) Act 2005 – Roads to Recovery</i>	31 October 09	17 December 09	29 October 08
<i>AusLink (National Land Transport) Act 2005 – Supplementary AusLink Roads to Recovery</i>	31 October 09	17 December 09	29 October 08
<i>Interstate Road Transport Act 1985</i>	31 December 09	Not yet completed	18 December 08

Appendix 1: Audit Opinion Reports Issued Since 30 June 2009 cont...

	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 30 June 2009	Date of Audit Report Year ended 30 June 2008
Inter-Government Statements By Agreement			
National Disaster Relief and Recovery Arrangements	31 December 08	10 December 09	16 December 08
	Deadline for submission of Audited Financial Statements	Date of Audit Report Year ended 31 December 2008	Date of Audit Report Year ended 31 December 2007
By Agreement			
2005-08 Commonwealth-State Agreement for Skilling Australia's Workforce – State-Sourced Recurrent Expenditure	30 June 09	2 July 09	30 June 08
Department of Education, Employment and Workplace Relations	30 June 09	30 September 09	3 July 08
Bilateral Agreement on the Nation Building and Jobs Plan:			
Primary Schools for the 21st Century Acquittal	31 October 09	12 November 09	N/A
National School Pride Acquittal	31 October 09	12 November 09	N/A
By Legislation			
Vocational Education and Training Financial Data	14 July 09	21 July 09	29 July 08

N/A – Not applicable

Not yet completed – as at 31 December 2009

Not yet tabled – as at 31 December 2009

Appendix 2: Status of Audits which were Identified to be Conducted in the Six Months to 31 December 2009

In addition to the routine audits, primarily being end of financial year audits of Agencies and of financial statements, and follow-up of outstanding issues in previous audits, the following audits, were identified in Appendix 3 of the August 2009 as being scheduled for the period.

Northern Territory Major Events Company Pty Ltd

Honda Masters Games and Arafura Games Refer page 27

Department of Business and Employment

Records Management System Audit – TRIM Refer page 17

Accounts Payable Data Analytics ongoing

IT Outsourcing Project Refer page 23

myHR Web Application Security Refer page 20

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Appendix 3: Proposed Audit Activity in the Six Months Ending 30 June 2010

In addition to the routine audits, primarily compliance audits of selected agencies, interim audits of entities requiring financial statement opinions and follow up of outstanding issues in previous audits, the following audit has been scheduled for the period.

Department of Health and Families

Pharmacy stock control including controlled drugs and poisons

Patient Assistance Travel Scheme

Pensioner and Carer Concession Scheme

Role of NGOs in delivering outputs for DHF (a PMS audit)

Department of Education and Training

Operating Grants (a PMS audit)

Department of Housing, Local Government and Regional Services

Access to safe, sustainable and affordable housing for all eligible Territorians (a PMS audit)

Department of Justice

Fines Recovery Unit (a PMS audit)

Department of Natural Resources, Environment, The Arts and Sport

Visitor experience that showcases the biodiversity of the unique environment of the Top End and promotes conservation issues (a PMS audit)

Northern Territory Police, Fire and Emergency Services

Road Safety Strategy (a PMS audit)

NT Fleet

Greening the fleet (a PMS audit)

Selected Agencies

Administration of proceeds of Criminal Property Forfeiture Act

Grants

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Appendix 4: Overview of the approach to auditing the Public Account and other accounts

The requirements of the *Audit Act* in relation to Auditing the Public Account and other accounts are found in:

- Section 13, which requires the Auditor-General to audit the Public Account and other accounts, with regard to:
 - the character and effectiveness of internal control, and
 - professional standards and practices.
- Section 25, which requires the Auditor-General to issue a report to the Treasurer on the Treasurer's Annual Financial Statement.

What is the Public Account?

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

- the Central Holding Authority, and
- Operating accounts of Agencies and Government Business Divisions.

Audit of the Public Account

Achievement of the requirements of section 13, including the reference to the character and effectiveness of internal control, as defined, can occur through:

- annual financial statement audits of entities defined to be within the Public Account, in particular Government Business Divisions, which have a requirement for such audits under the *Financial Management Act*, and
- an audit approach which the Northern Territory Auditor-General's Office terms the Agency Compliance Audit. This links the existence of the required standards of internal control over the funds administered within the Public Account, to the responsibilities for compliance with required standards as defined for Accountable Officers.

Appendix 4: Overview of the approach to auditing the Public Account and other accounts cont...

Areas of internal control requiring a more in-depth audit, because of materiality or risk, can also be addressed through:

- specific topic audits of the adequacy of compliance with prescribed internal control procedures. These can be initiated as a result of Agency Compliance Audits, or pre-selected because of the materiality or inherent risk of the activity; and
- reviews of the accounting processes used by selected Agencies at the end of the financial year, to detect if any unusual or irregular processes were adopted at that time.

Other accounts

Although not specifically defined in the legislation, these would include financial statements of public entities not defined to be within the Public Account, as well as the Trust Accounts maintained by Agencies.

Audit of the Treasurer's Annual Financial Statement

Using information about the effectiveness of internal control identified in the overall control environment review, Agency Compliance Audits and financial statement audits, an audit approach is designed and implemented to substantiate that balances disclosed in the Statement are in accordance with the disclosure requirements adopted by the Treasurer, and are within acceptable materiality standards.

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

Appendix 5: Overview of the approach to auditing performance management systems

Legislative Framework

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

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

A performance management system is not defined in the legislation, but section 15 identifies that: “ the object of an audit conducted under this section includes determining whether the performance management systems of an agency or organisation in respect of which the audit is being conducted enable the Agency or organisation to assess whether its objectives are being achieved economically, efficiently and effectively.”

Operational Framework

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

- identification of the policy and corporate objectives of the entity;
- incorporation of those objectives in the entity's corporate or strategic planning process and allocation of these to programs of the entity;
- identification of what successful achievement of those corporate objectives would look like, and recording of these as performance targets;
- development of strategies for achievement of the desired performance outcomes;

Appendix 5: Overview of the approach to auditing performance management systems cont...

- monitoring of the progress with that achievement;
- evaluation of the effectiveness of the final outcome against the intended objectives; and
- reporting on the outcomes, together with recommendations for subsequent improvement.

Performance management system audits can be conducted at a corporate level, a program level, or at a category of cost level, such as capital expenditure. All that is necessary is that there be a need to define objectives for intended or desired performance.

Appendix 6: Abbreviations

APRA	Australian Prudential Regulatory Authority
CBF	Community Benefit Fund
CSO	Community Service Obligation
DBE	Department of Business and Employment
DBS	Darwin Bus Service
DCS	Data Centre Services
DHF	Department of Health and Families
DKA	Desert Knowledge Australia
DPI	Department of Planning and Infrastructure
GAS	Government Accounting System
GBD	Government Business Division
GPO	Government Printing Office
IT	Information Technology
MAC Fund	Motor Accidents Compensation Fund
NTGPASS	Northern Territory Government and Public Authorities Superannuation Scheme
NTPFES	NT Police, Fire and Emergency Services
NTPSBS	Northern Territory Police Supplementary Benefit Scheme
SIMSC	Strategic Information Management Steering Committee
TAFS	Treasurer's Annual Financial Statement
TIO	Territory Insurance Office

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