MACC

Annual Report 2017-18

Northern Territory Motor Accidents
(Compensation) Commission

NT Motor Accidents (Compensation) Commission
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3 October 2018

Hon Nicole Manison MLA
Treasurer
GPO Box 3146
DARWIN NT 0801

Dear Minister

I have pleasure in submitting for your information and presentation to Parliament the Motor Accidents (Compensation) Commission 2017-2018 Annual Report.

This report incorporates the audited financial statements for Motor Accidents (Compensation) Commission for the year ended 30 June 2018, as required by section 22 of the Motor Accidents (Compensation) Commission Act 2014.

Yours sincerely

Jim Colvin
Motor Accidents (Compensation) Commissioner

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This Annual Report outlines Motor Accidents (Compensation) Commission (MACC) operations and financial statements for the 2017-18 financial year.

This Report is tabled in the Northern Territory Legislative Assembly to allow for public scrutiny of the MACC and its management of the MAC Scheme.

The Annual Report also includes information for those who have an interest in road safety in the Northern Territory.

About the Motor Accidents Compensation Commission

The Motor Accidents (Compensation) Commission (MACC) commenced operations on 1 January 2015. It is a Government-owned entity with the Commissioner appointed by the Treasurer.

The key functions of MACC are to:

- Administer the Motor Accidents Compensation Scheme (MAC scheme) in accordance with the *Motor Accidents (Compensation) Act* on behalf of the Northern Territory Government
- Manage the Motor Accidents (Compensation) Fund (MAC fund)
- Promote road safety.

As permitted by legislation, MACC has entered into a MAC Management Agreement with Allianz Australia Insurance Limited for claims and fund administration, which continue to be provided by Territory Insurance Office (TIO), a division of Allianz.

The MAC Management Agreement sets out the framework for the administration of the MAC scheme and MAC fund.

About the Commissioner

The MACC Commissioner is appointed by the Treasurer for a period of three years and is responsible for administering the MAC scheme in accordance with the *Motor Accidents (Compensation) Act*, to manage the MAC fund and promote road safety.

Jim Colvin

Jim Colvin was re-appointed as the MAC Commissioner from 1 July 2018 for a further term of three years.

Jim has extensive experience in finance, governance and policy development. Prior to his appointment, he was a senior economist with the Organisation for Economic Cooperation and Development in Paris. He has extensive experience in monopoly regulation, corporate governance for government-owned businesses and industry restructuring. He continues to consult to the World Bank and the International Monetary Fund on these matters.

Jim has previously worked for the Government in senior policy and financial advisory roles before starting his own consultancy.

Drink driving remains the highest contributor to road fatalities and serious injuries

About the MAC Scheme

The MAC scheme provides benefits to those injured in motor vehicle accidents in the Northern Territory.

It provides a wide range of benefits to compensate for the necessary and reasonable costs of medical, rehabilitation and associated treatment and loss of earning capacity.

Benefits are provided on a no-fault basis to any person injured or the families of those killed in a motor vehicle accident occurring in the Territory. Benefits are defined in the *Motor Accidents (Compensation) Act.*

The MAC scheme also covers the liability of drivers of Territory registered vehicles in interstate accidents, giving rise to a small portfolio of claims on a common law basis if the interstate jurisdiction is a common law scheme.

The MAC scheme's focus is on returning people injured in a motor vehicle accident to health and to work to the fullest extent possible and to improve health outcomes in urban, regional and remote communities.

Reductions in benefits may be applied in cases of irresponsible road user behaviour, such as not wearing a seatbelt or helmet, driving an unregistered vehicle or driving under the influence of alcohol or drugs.

The MAC scheme is funded through compulsory compensation contributions paid when registering vehicles in the Territory.

The premium is indexed to the Darwin consumer price index annually on 1 July. There is a legislated requirement for an actuarial review every three years, or more frequently at the discretion of the Minister, to ensure that the scheme remains financially viable, even where there are unanticipated adverse developments in claims costs.

In order to ascertain the amount of reserves that need to be set aside to meet the cost of existing claims in the future, the MAC scheme and its claims liabilities are reviewed by the scheme actuary twice a year.

Commissioner's report

On behalf of the Motor Accidents (Compensation) Commission (MACC), I am proud to present our annual report for the year ending June 2018.

The MAC scheme is a beneficial scheme that operates to assist Territorians injured in motor vehicle accidents. We are committed to helping Territorians minimise the impact of road trauma and are working to do this by:

- promoting safe behaviour by road users through our road safety programs
- facilitating injured persons access to the benefits that the MAC scheme provides
- proactively working with claimants to assist them to return to health and to work where possible
- providing the necessary treatment, care and support to claimants.

At an operational level, the MAC scheme continued to perform well during the year. In 2017-18, the MAC scheme received more than 600 new claims and had over 1250 active claimants who we are assisting in managing their care. This year claim payments to beneficiaries exceeded $47 million, covering such things as medical expenses, loss of earning capacity benefits, attendant care benefits, home and car modifications and medical aids.

The MACC, and its service delivery partner TIO, worked hard during the year to improve our claimant focus. Pleasingly, the MACC's annual claimant satisfaction survey results bore witness to the impact of that work, with net overall satisfaction improving from 6.91 to 7.63 out of 10 and improvements across every category measured. While the increase in results is pleasing, there is room for improvement paticularly around keeping our claimants informed in a timely manner. We will continue to focus on all aspects of our claimant service moving forward.

The MACC places great emphasis on ensuring Territorians have equal access to the benefits of the MAC scheme. A critical focus has been to improve injury management outcomes for Aboriginal Territorians, particulary those living in remote areas, to bring the service they receive into line with the experience of claimants living in major urban centres.

To achieve this we have initiatives to:

- reduce road trauma in Aboriginal communities
- reduce the barriers to Aboriginal people making claims
- facilitate better claims management and access to appropriate services in Aboriginal communities for claimants.

An Indigenous Strategy Manager has been appointed tasked with coordinating our work in these priority areas. We will actively seek to engage service providers who travel to communities to support claimants where possible rather than have claimants travel to Darwin or Alice Springs for care. Not only do people respond better to care when it is provided at home, it also enables the wider family group to become involved in providing this care.

The MACC continues to be a major funder of Government road safety programs. We contribute to a whole of Government approach by working with Government agencies to deliver road safety initiatives under the Government's recently released *Toward Zero 2018-2022 Road Safety Action Plan.*

We have undertaken a number of road safety education and awareness programs specifically targeted at people living in remote communities. The MACC continues as a major partner of the Michael Long Learning and Leadership Centre. Targeted road safety classes delivered by the NTG Road Safety educators form an integral part of the centre's week-long football camps and ongoing road safety awareness when students return to their community. Road safety education sessions were delivered to 212 students from 17 remote communities during the year.

The *Enough's Enough Sorry Business Stories* campaign launched in December 2016 takes a fresh approach to road safety awareness through storytelling. Sorry Business Stories focussed on the harm caused by drink driving and an initial evaluation of the program this year has shown that people are responding well to the messages.

Seatbelt use is an issue across the Territory and this year saw the launch of a new campaign "Always wear your seatbelt". The campaign includes a specific Aboriginal awareness advertisement that addresses not wearing seatbelts in remote communities. The campaign will be evaluated in 2018-19.

Pilot programs encouraging the use of child restraints among Aboriginal babies and children were undertaken in Borroloola and Groote Eylandt, in partnership with local organisations and Kidsafe NT. In Borroloola, more than 100 child restraints were fitted to local vehicles over a seven-month period and Police have reported a big improvement in compliance among children. After the success of the pilot program, the Car Seats for Kids program has commenced being rolled out in remote areas to increase access to, and use of, proper child restraints, and this work will continue through the coming year. Further detail on this initiative is included in the Road Safety overview in this report.

The sustainability of these programs will depend fundamentally on local community support. The MACC is committed to extending its support to these programs where there is local capacity and willingness to drive implementation.

From a financial perspective, the MACC's results for 2017-18 were in line with expectations. On a reported basis, the MACC recorded a small loss of $0.4 million, caused largely by changes in actuarial assumptions affecting the MAC scheme's measurement of liabilities, rather than underlying performance. Because the reported results are significantly affected by movements in these actuarial assumptions which are not reflective of the MAC scheme's operational performance, in 2015-16 the MACC adopted an alternative reporting framework of profit that excludes some of these movements (refer note 21 in the financial statements). This enables an objective assessment of the MAC scheme's operational performance. On this underlying basis, the profit recorded for the year was $14.5 million.

Commissioner's report (cont)

Contribution rates were held constant during 2017-18, reflecting the low inflation environment in the Territory. The number of vehicles covered by the MAC scheme has also remained relatively flat over the past two years. Conversely, there has been growth in the incidence of claims, from a low of 2.41 per 1000 vehicles in 2014-15 to 3.01 claims per 1000 vehicles in the most recent year. The combination of flat revenue and growing claims numbers poses a significant challenge to the MAC scheme, and a threat to continuing stable contribution rates.

To address this challenge, the MACC has developed a number of strategies which it will continue to implement over the coming year. These include:

- working with partners in the Government, to ensure that, to the extent possible, all vehicles travelling on Territory roads are appropriately registered
- continuing to drive effective claims management by the TIO, the MACC's contracted claims manager
- seeking to drive better road user behaviour through targeted investments in road safety
- maximising revenues from the MAC scheme's investment pool through a more optimised investment strategy
- focusing on controllable costs, including the MACC's insurance strategy.

While claims management was largely within expectations, the MAC scheme's liability estimates increased substantially, reflecting a higher risk margin being applied by the MAC scheme's actuaries. Payments for claims rose substantially during the year, driven by an increase in the levy paid to Territory hospitals and increases in payments for attendant care benefits.

The Government has established a regulatory framework for the MAC scheme to ensure it remains financially viable and has appropriate risk controls in place. Under this framework, the solvency of the MACC is measured as a ratio of Capital over Liabilities plus 100 per cent, as defined in Treasurer Determination 1/2017. As at 30 June 2018, the solvency ratio was 138 per cent, which is comfortably within the desired range of 110-150 per cent.

The financial results this year benefited significantly from investment returns, with total Investment assets growing from $654 million to $707 million over the year to 30 June 2018. Total investment returns were 7.2 per cent. This was slightly below the relevant benchmark for the portfolio, largely because of the continued defensive bias in the MAC scheme's asset allocation. During 2017-18 the MACC completed the first stage of its revised asset allocation strategy, which involves a greater emphasis on longer-term growth assets. This work will be completed during the current year.

Looking ahead to 2018-19, the MACC's focus remains on its mission of assisting Territorians injured in motor vehicle accidents and reducing road trauma, while maintaining emphasis on controlling costs to ensure that the contributions of motorists to the MAC scheme are used efficiently.

Jim Colvin
Motor Accidents (Compensation) Commissioner

Protecting vulnerable road users

The *Car Seats for Kids* program aims to reduce the risk of death and serious injury of children aged 7 and under through the increased use of properly fitted child restraints.

The objective of the program is to provide easy access to car seats and boosters and fit them into Indigenous owned vehicles throughout remote communities in the Territory.

Following a successful pilot program in Borroloola with foundation partner McArthur River Mine and support from Mabunji Aboriginal Resource Association, **Car Seats for Kids** program was created for roll out to other communities.

Recognising the enormity of the challenge, the approach is to make the change one community at a time with a simple program model that is scalable and easily replicated.

Kidsafe NT is MACC's contracted delivery partner for the program. Together with Kidsafe NT we also seek engagement and support from other key stakeholders such as Families as First Teachers, community child care centres and the local schools.

Kidsafe NT manages the day to day operations of the program and plans and co-ordinates the program logistics for sourcing, storing and distributing the hundreds of car seats and boosters to all corners of the Territory.

We are also grateful for the support of Northern Territory Police for their on-ground assistance and to McArthur River Mine, a foundation partner for the pilot program and who continue to support the program in the Borroloola region.

The Kidsafe NT team travel regularly to remote communities to run fitment days, engaging with the community, installing car seats into vehicles and providing car seat education and fitter training .

The program is on track to reach 26 communities by 30 June 2019.

The program has been rolled out to the following Communities:

- Maningrida
- Gunbalanya
- Lajamanu
- Ngukurr
- Borroloola
- Yuendumu
- Barunga
- Beswick
- Numbulwar
- Wadeye
- Peppimenarti
- Palumpa
- Yirrkala

Operational highlights

Claims under management

In 2017-18 there were 609 new No Fault claims received. This represents an increase of three per cent on the previous year, as shown in Figure 1. Of the new claims, 532 relate to accidents that occurred this year. This represents an increase of seven per cent over the previous year, as shown in Figure 2. Included are 33 claimants eligible for Lifetime Care and Support benefits based on their injury severity and National Injury Insurance Scheme benchmarks.

There were 1253 open claims in the No Fault portfolio at year's end, a six per cent increase on the previous year.

Aboriginal claimants accounted for 29 per cent of all open claims, men represented 61 per cent and children aged under 18 years accounted for eight per cent.

Figure 1: New claims received by financial year

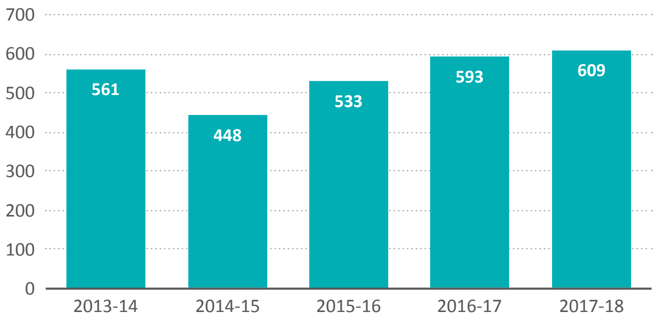
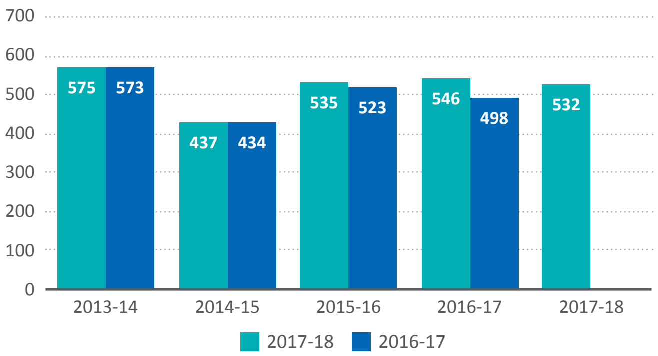


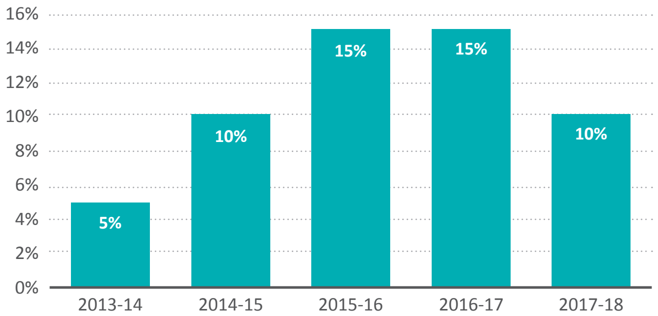
Figure 2: Claims by Accident Year



Liability decisions

Upon registration of a new claim, the liability is determined based on eligibility under the Act. In line with amendments made to legislation in 2014, full benefit exclusions or partial benefit exclusions apply under certain situations, such as if a person is driving under the influence of drugs or alcohol, recklessly ignoring risk, involved in criminal conduct, an unlicensed driver or driving an unregistered vehicle. Due to these exclusions 17 per cent of claims received in 2017-18 have had reduced benefits applied.

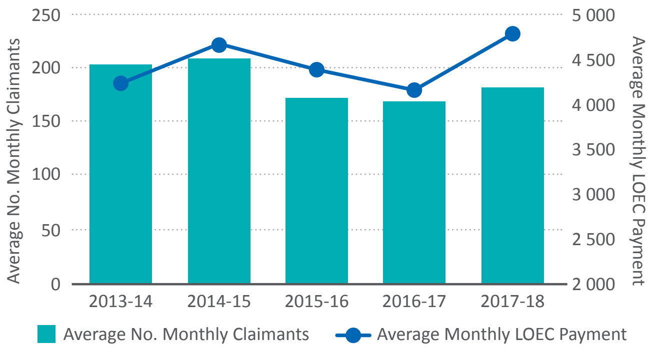
Figure 3: Percentage of claims denied by year of claim registration



Loss of Earning Capacity entitlements

Compensation for loss of earning capacity (LOEC) is available for claimants if their capacity to earn income is reduced as a result of a motor vehicle accident related injury. The average LOEC payment in 2017-18 was 15 per cent higher than the previous year. The average number of claimants receiving LOEC entitlements has slightly increased from 169 in 2016-17 to 182 in 2017-18.

Figure 4: Annual Loss of Earnings Averages



Common law claims

Common law claims apply for interstate claims received where the accident and injury involves a Northern Territory registered vehicle. In 2017-18 there were 18 new common law claims received with 32 files closed. This has resulted in the common law portfolio ending the year with 40 open claims.

Best practice strategies

Claims management

The focus for 2017-18 and beyond is on proactive claims management. This involves:

- liability acceptance service levels, allowing claimants to begin treatment to return to health more quickly
- regular contact with claimants to ensure treatment being provided is beneficial and their recovery to health going as planned
- working with Royal Darwin Hospital to identify and visit potential MAC claimants to allow early involvement in care and discharge planning
- review of claimant documentation is underway to ensure the language is easy to understand, claims processes are clear and claimants are informed about their mutual obligations.

The 2018 claimant satisfaction survey result of 7.63 out of 10 highlights the success of the initiatives introduced. This year's result was an improvement from last year's result of 6.91 and the highest since the claimant satisfaction survey began in 2012.

Aboriginal Support Strategy

The Aboriginal Support Strategy was launched in 2015-16 to improve access to information at the time of the accident as well as assisting claimants to overcome difficulties accessing appropriate medical and rehabilitation care in home communities.

During 2017-18 we continued to work with providers that have the flexibility and appropriate resources to travel directly to remote communities.

We have continued to strengthen the relationship with local hospitals to ensure identification of Aboriginal claimants to allow our early involvement in care and discharge planning. This enables us to ensure appropriate care and treatment is made available for the claimant in their community as the first choice. If this is not possible, alternate arrangements are made.

All team members have participated in cultural awareness training to improve communication between staff and claimants.

Engaging Aboriginal Youth in Road Safety

The Michael Long Learning and Leadership Centre (MLLLC) is changing the lives of young Aboriginal Territorians.

Based at TIO Stadium the state of the art sport, education and accommodation facility delivers leadership and personal development programs using sport to keep aboriginal youth engaged and motivated.

Boys and girls in the age ranges of 12 – 16 years from remote communities have the opportunity to participate in a week-long residential program in Darwin. This provides a very unique experience and is often the first time many of the youth have travelled from their community.

MACC's long term partnership with the MLLLC sees road safety as a core component of the residential program. Targeted road safety session delivered by the Government road safety educators. The sessions are also supported by the school teachers who travel with the students from community.

Over the course of the week, the students have two hours of road safety education engaging them in this serious message through sport, art and games.

The students explore the risks and consequences of not wearing a seatbelt and other road safety messages which they can take back to their family and community.

Over the past year, road safety education sessions were delivered to 212 students from 17 remote communities involved with the program.

The MACC and MLLLC partnership continues to deliver meaningful road safety education and messaging into remote communities.

MACC website

The MACC website, at www.ntmacc.com.au, provides information on the scheme, benefits available, how to make a claim, road safety initiatives and a range of publications and fact sheets.

Analytics collected over the life of the site show a number of trends:

- The number of visitors per month remains fairly constant, at an average of 512 per month in 2017-18 compared to 504 the previous year
- Most people continue to access our website via desktop computer
- The time people spend on our site is just over two minutes
- People are most interested in how to make a claim, although people accessing information about our road safety campaigns increases during advertising campaigns.

Appeals

Under the Motor Accidents (Compensation) Act, claimants have the right to request a review of decisions made about their claims, whether it be to change elements of a decision or have an adverse decision revoked.

Designated Person Review

The first avenue of appeal is a non-legislated internal review process, while the second avenue is via a Designated Person Review as defined under the Act. There were 34 reviews by the Designated Person in 2017-18, with a decision made on 22 claims.

Designated Person Review	2013-14	2014-15	2015-16	2016-17	2017-18
Total received	19	23	26	23	34
Decision upheld	6	7	17	18	13
Decision varied	15	7	6	9	8
Agreement reached	0	0	0	0	0
Ineligible for review or withdrawn	0	1	7	1	2
Open	3	11	7	2	13

Tribunal

A litigation protocol is also in place to ensure that matters only continue to a Tribunal hearing in appropriate circumstances. The protocol is reflective of MACC's commitment to following model litigant principles and to resolving matters without undue delay or cost in the interests of both the claimant and the MAC scheme.

Of the eight claims that were referred to the tribunal, four were carried over from the previous year. Decisions were made on five of those claims.

MAC Tribunal	2013-14	2014-15	2015-16	2016-17	2017-18
Total received	1	0	4	6	4
Decision upheld	0	0	0	0	0
Decision varied	0	1	0	1	0
Agreement reached	0	1	3	2	5
Ineligible for review or withdrawn	0	0	0	0	0
Open	2	0	1	4	3

MAC scheme operational results

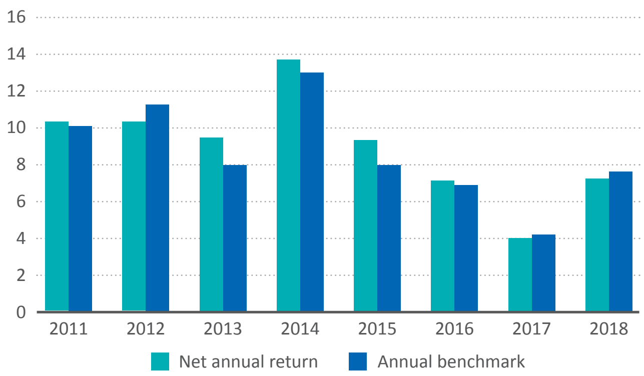
	2013-14	2014-15	2015-16	2016-17	2017-18
Number of vehicles insured	192 000	195 000	199 010	199 540	200 950
Premium normal private vehicle	$511.00	$531.00	$544.15	$546.85	$547.95
New claims received	575	470	535	593	609
Claims received per 1,000 vehicles	2.99	2.41	2.69	2.97	3.01
Number of finalised claims	543	532	507	565	583
Number of active claims at end of period	1 025	1 001	1 113	1 185	1 253
Gross No Fault claim payments (millions)	$40.1	$39.4	$35.4	$35.4	$47.5
Net No Fault claim payments (millions)	$38.2	$37.5	$33.5	$32.4	$45.3
Number of pedestrian claims received	49	46	47	63	72

MAC no fault claim payments by major heads of benefits ($millions)	2013-14	2014-15	2015-16	2016-17	2017-18
Attendant care benefits	1.70	2.3	3.9	2.3	2.7
Hospital costs	8.0	6.5	6.7	7.9	9.5
Weekly benefits	8.8	10.0	8.5	7.8	8.9
Vocational rehabilitation benefits	1.1	1.4	1.2	1.6	1.9
Rehabilitation benefits	1.6	1.8	1.6	1.4	1.6
Medical benefits	3.6	3.9	4.2	3.6	3.9
Death and dependency benefits	3.4	2.1	2.9	3.1	4.4

MAC fund performance

Total investment assets grew from $654 million to $707 million over the year to 30 June 2018. During this period, the portfolio was propelled by very strong equity market returns whereas bond yields, both domestically and internationally, stayed relatively constant. Our overall return of 7.2 per cent slightly lagged the aggregate benchmark, primarily due to the defensive characteristic of the fund's equities sector.

Annual performance



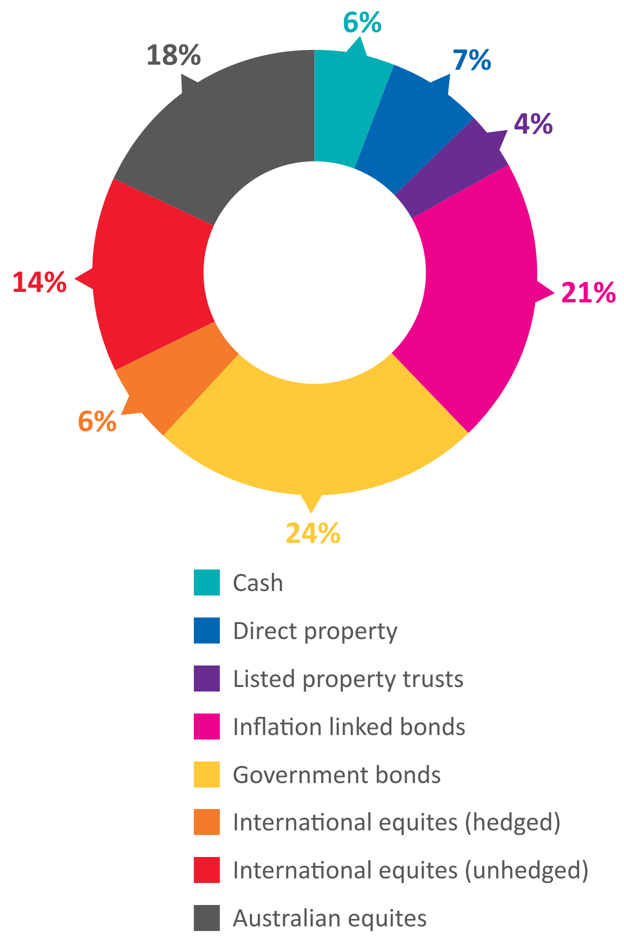
The first tranche of strategic asset allocation was completed in April 2018 to increase the proportion held in Growth Assets. Tranche two is expected to be completed next year.

Sensitivity of operating result

Due to the long term nature of the MAC scheme volatility can impact the fund significantly, as shown below. The fund is particularly sensitive to changes in interest rates, wage inflation assumptions and local and global equity markets.

Sensitivity to external factors	2017-18
1% decrease in interest rates	$(56.3) million
1% decrease in wage inflation (AWE) assumptions	$26.8 million
20% decrease in equity markets	$(51.7) million

MAC asset allocation



Road Safety

Road Safety in the Northern Territory

The Territory remains the most dangerous place in Australia to be on the road. On average 48 people are killed on Territory roads each year and more than 540 people are seriously injured.

In the 2017 calendar year there were 31 fatalities, representing the lowest road toll since 2009. However, with such a small population there is a high level of volatility from year to year.

Of those killed on Territory roads last year, 77 per cent were male, consistent with long-term statistics. Aboriginal fatalities decreased significantly, with 11 in 2017 compared to 23 in 2016. Again, these figures remain volatile from year to year.

From January to 30 June 2018, the number of fatalities had already surpassed the total for 2017.

The Government launched its five-year “Towards Zero” action plan in May 2018, putting forward a vision of zero deaths on Territory Roads. The Action Plan adopts the Safe Systems approach, which acknowledges that people will make mistakes and therefore to improve road safety outcomes, strategies are needed for safer roads and roadsides, safer vehicles, safer speed as well as safe road user behaviour and attitudes.

MACC Road Safety

The MACC continued to develop its portfolio of campaigns and program during the year targeting the high priorities and key behaviour changes to reduce the incidence of road trauma.

Drink Driving – Urban and Remote Communities

Two drink driving campaigns continued throughout the year – the *Enough’s Enough* campaign targeting the urban audience and the *Sorry Business Stories* campaign, developed specifically for regional and remote community audiences.

Seatbelts – Urban and Remote Communities

Two new seatbelt campaigns were launched at the commencement of the 2017-18 year targeting the urban and remote community audiences. The *Always Wear Your Seatbelt* campaign for regional and remote community audiences specifically addressed the issues of vehicle overcrowding, riding in the back of utility vehicle trays and unrestrained children. Materials were produced and broadcast in six Aboriginal languages.

Vehicle Registration

The *No Rego, No Cover* campaign continued throughout the year to educate the community about the need to maintain Territory motor vehicle registration and the risk of not being covered by the MAC scheme if driving or riding an unregistered vehicle. The campaign, which had run for four years, was retired in June 2018.

Michael Long Learning and Leadership Centre (MLLLC) Partnership

The MLLLC partnership continues to deliver meaningful road safety education and messaging into remote communities. Targeted road safety classes delivered by the Government road safety educators form an integral part of the MLLLC week-long football camps and to continue road safety awareness when students return to their own community. Over the year road safety education sessions were delivered to 212 students from 17 remote communities. AFLNT regional development managers are road safety ambassadors supporting the program in the communities in which they live.

Car Seats for Kids - Aboriginal Communities Program

The ***Car Seats for Kids*** program aims to reduce the risk of death and serious injury of children aged 7 and under through the increased use of properly-fitted child restraints. The program supplies and fits child car seats and boosters into Aboriginal-owned vehicles throughout remote communities in the Territory. The program is fully funded by MACC with Kidsafe NT contracted as partner for program delivery.

Recognising the enormity of the challenge the approach is to make the change one community at a time with a simple program model that is scalable and easily replicated. As at 30 June a total of 527 restraints have been fitted across nine communities and 34 Aboriginal fitters trained. The program will continue in the coming year and is on track to be delivered into an additional 17 Aboriginal communities.

Darwin Cup Carnival - Car Park Security

The MACC's sponsorship of the ***Darwin Cup Carnival Car Park Security*** provides for overnight safe car parking at the Darwin Turf Club during the Darwin Cup Carnival. The sponsorship came about following research that showed people were taking the risk of driving home after drinking because they were concerned about their vehicle being vandalised if left in the car park overnight. The sponsorship provides for car park security from 6pm to 6am on each racing day of the carnival each year.

MACC-funded Government programs

The MACC provided $3.4 million in 2017-18 to the Government for road safety promotion and prevention programs.

DriveSafe NT

The DriveSafe NT urban driver education and licensing program operates in the greater Darwin area, Palmerston, Katherine, Alice Springs and Tennant Creek.

Around 800 people enrol in the DriveSafe NT program each year taking advantage of subsidised driving lessons, free licences and testing. Participants can access professional driving instruction from a panel of 26 approved driving schools and can complete their practical driving tests with one of 36 approved industry assessors.

DriveSafe NT Remote works in partnership with more than 25 community-based organisations to ensure disadvantaged road user groups have access to the program.

School and community education

In 2017-18, community engagement officers visited 88 schools, delivering 224 road safety education sessions to more than 12 000 students from pre-school through to senior years.

The Choices Program is a road safety pre-learner and learner driver educational workshop delivered to senior schools in partnership with Police, Fire and Emergency Services and St John Ambulance. Remote and regional schools are priority, with at least one remote school visit program each month.

During the year, 96 road safety presentations and workshops were also delivered to community groups and workplaces. Hector the road safety cat attended 26 childcare centres engaging with more than 760 children. Road safety was promoted at 17 community events including Barunga, Red CentreNATS, Defence Expos and the show circuit.

Parap and Newland Park Road Safety Centres

Practical bike-safety lessons are available for students from years 4 to 6 at the Parap Road Safety Centre in Darwin and years 2 to 6 at the Newland Park Road Safety Centre in Alice Springs. The Centres promote bicycle safety education, teaching the basics of riding safely on the roads. Education theory is delivered in the classroom at school and practical lessons are delivered in the simulated road environment.

The Parap Road Safety Centre is also open to the public all year round and is used by DriveSafe NT to conduct driver theory sessions. During the year, 15 bike education sessions were held at the centres with 320 students.

Towards Zero Road Safety Action Plan 2018-22

The Government's Towards Zero Road Safety Action Plan was launched in March 2018. The five year plan aims to improve road safety outcomes and to inspire community ownership of the Territory's road safety challenges.

The action plan was developed in consultation with the Territory Community and its implementation is overseen by the Road Safety Executive Group. The group comprises the Northern Territory Police Commissioner, Chief Executive of the Department of Infrastructure, Planning and Logistics, the Motor Accidents Compensation Commissioner and the Deputy Under-Treasurer.

Who's Your Sober Bob? Campaign

The 'Who's Your Sober Bob?' campaign is a drink driving preventative strategy that encourages Territorians to plan their transport options ahead of time if they will be drinking. The campaign messages are promoted year round with an emphasis over the Christmas and New Year period.

"Who's Your Sober Bob?" is supported by the Australian Hotels Association with promotion through licensed venues and alcohol sales outlets. Recording Artists Actors and Athletes Against Drink Driving promote the campaign in the media, which is also supported with bus advertising in Darwin.

Other Government initiatives

Other road safety campaigns and initiatives that the Government delivered included National Yellow Ribbon Road Safety Week and the "Check. Plan. Go"' safe holiday driving and Back to School campaigns. The road safety bus shelter artwork project saw 17 more bus shelters around the Darwin region painted with eye-catching road safety messaging designed by school students.

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MACC

Motor Accidents (Compensation) Commission

2017-18 Financial Statements

Motor Accidents (Compensation) Commissioners' Statement

The Motor Accidents (Compensation) Commissioner is of the opinion that to the best of his belief:

The Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Financial Statements of the Motor Accidents (Compensation) Commission are drawn up so as to present fairly Motor Accidents (Compensation) Commission's financial position as at 30 June 2018 and its performance for the year ended on that date.

The financial statements are drawn up in accordance with Australian Accounting Standards and Interpretations, International Financial Reporting Standards, other mandatory professional reporting requirements, and the *Motor Accidents (Compensation) Commission Act,* as amended.

James Colvin
Commissioner

2 October 2018

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018	2017
		$'000	$'000
Profit and Loss			
Revenue	5	153,446	108,817
Insurance expense	6	(6,285)	(9,731)
Claims expense	12 (c)	(127,350)	12,195
Grants provided to fund road safety programs		(4,305)	(4,594)
Other expenses		(15,929)	(16,246)
Profit/(Loss) before tax		**(423)**	**90,441**
Income tax expense	2.1	-	-
Profit/(Loss) for the period		**(423)**	**90,441**
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on hedging instruments entered into for cash flow hedge		-	-
Total items that may be reclassified subsequently to profit or loss		**-**	**-**
Other comprehensive income/(loss) for the period		**-**	**-**
Total comprehensive income/(loss) for the period		**(423)**	**90,441**

The total comprehensive income for the period is attributable to the owner.

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2018

	Notes	2018	2017
		$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	7	61,225	21,378
Trade and other receivables	8	4,296	4,491
Other financial assets	9	599,674	587,455
Insurance and other recoveries receivable	10	3,921	9,203
Total Current Assets		**669,116**	**622,527**
NON-CURRENT ASSETS			
Insurance and other recoveries receivable	10	136,341	114,594
Investment property	11	45,500	45,000
Total Non-Current Assets		**181,841**	**159,594**
Total Assets		**850,957**	**782,121**
CURRENT LIABILITIES			
Outstanding claims provision	12	72,092	71,205
Unearned CTP contributions	13	35,610	35,132
Trade and other payables	14	5,383	5,532
Total Current Liabilities		**113,085**	**111,869**
NON-CURRENT LIABILITIES			
Outstanding claims provision	12	543,061	475,018
Total Non-Current Liabilities		**543,061**	**475,018**
Total Liabilities		**656,146**	**586,887**
Net Assets		**194,811**	**195,234**
EQUITY			
Retained earnings		194,811	195,234
Total Equity		**194,811**	**195,234**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2018

	Notes	Retained Earnings	Total
		$'000	$'000
Balance as at 30 June 2016		**104,793**	**104,793**
Profit/(Loss) for the period		90,441	90,441
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		**90,441**	**90,441**
Transactions with owners in their capacity as owners			
Dividend paid		-	-
		-	**-**
Balance as at 30 June 2017		**195,234**	**195,234**
Profit/(Loss) for the period			
Other comprehensive income		(423)	(423)
Total comprehensive income/(loss) for the period		**(423)**	**(423)**
Transactions with owners in their capacity as owners			
Dividend paid		-	-
		-	**-**
Balance as at 30 June 2018		**194,811**	**194,811**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018	2017
		$'000	$'000
Cash flows from operating activities			
Cash receipts from customers and service providers		132,544	127,116
Cash paid to suppliers and claimants		(93,497)	(85,566)
Net cash flow from operating activities	**18**	**39,047**	**41,550**
Cash flows from investing activities			
Receipts for investments		109,634	11,039
Payments for investments		(108,187)	(95,760)
Payments for investment property		(647)	(459)
Net cash flow from/(used in) investing activities		**800**	**(85,180)**
Net increase/(decrease) in cash and cash equivalents		**39,847**	**(43,630)**
Cash and cash equivalents at the beginning of the period		21,378	65,008
Cash and cash equivalents at the end of the period	**7**	**61,225**	**21,378**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Corporate Information

Motor Accidents (Compensation) Commission ("MACC") is domiciled in the Northern Territory. The principal commercial activities of MACC are the administration of the MAC Scheme on behalf of the Northern Territory Government.

Motor Accidents (Compensation) Commission Principal Place of Business
24 Mitchell Street
DARWIN NT 0800

2. Summary of significant accounting policies

2.1 Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the *Financial Management Act, Treasurer's Directions, Motor Accidents (Compensation) Commission Act 2014*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The principal accounting policies adopted are consistent with those of the previous year, except where otherwise stated. The financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These general purpose financial statements were authorised by the MAC Commissioner on 2 October 2018.

The financial statements have been prepared in accordance with the fair value basis of accounting with certain exceptions as described in the accounting policies set below at Note 2.3. Motor Accidents (Compensation) Commission is a for profit entity for financial reporting purposes. MACC is not subject to income tax as per Income Tax Assessment Act 1936 Part III Division 1AB section 24AK.

2.2 New and Revised Accounting Standards

Standards and Interpretations affecting amounts, presentation and disclosure reported in the current period

No accounting standard has been adopted earlier than the applicable dates as stated in the standard.

New standards/revised standards/interpretations/amending standards issued prior to the sign off date applicable to the current reporting period did not have a financial impact on MACC and are not expected to have future financial impact on MACC.

Standards and Interpretations in issue not yet adopted

The following new and revised Standards and Interpretations have recently been issued or amended but are not yet effective. MACC will apply these standards in its financial statements for the annual reporting periods beginning on or after the effective dates. Adoption of these standards is not expected to have a material impact on MACC.

Title	Amendment	Effective for accounting periods on or after	Financial year expected to be applied
AASB 9 'Financial Instruments, and relevant amending standards'	AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers, and relevant amending standards'	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 *Leases* (or AASB 16 *Leases*, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: ► Step 1: Identify the contract(s) with a customer ► Step 2: Identify the performance obligations in the contract ► Step 3: Determine the transaction price ► Step 4: Allocate the transaction price to the performance obligations in the contract ► Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	1 January 2018	30 June 2019

2.3 Significant Accounting Policies

MACC's primary operation is to administer the MACC Scheme pursuant to the MACC Act. All accounting policies are consistent with the previous year unless otherwise stated.

a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria are also used before revenue is recognised:

Compulsory Third Party contributions ("CTP contributions or Contributions")

CTP contributions relate to amounts charged to owners of motor vehicles registered in the Northern Territory that relate to the funding of the MACC Scheme. The earned portion of CTP contributions collected and receivable are recognised as revenue. CTP contributions are treated as earned from the date of attachment of risk.

The pattern of recognition of income over the contribution is in accordance with the pattern of the incidence of risk to which the contribution relates or over its expected life. Unearned CTP contribution liability, which is the proportion of contribution collected or receivable not earned in the Statement of Profit or Loss and Other Comprehensive Income, is determined by apportioning the CTP contribution in the year over the periods of indemnity from the attachment of risk, and is treated as a liability on the Statement of Financial Position at the reporting date.

Insurance and other recoveries receivable

Insurance and other recoveries receivable on paid claims expenses, reported claims not yet paid, claims incurred but not reported are recognised as revenue.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims provision. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims. The details of discount and inflation rates applied are included in note 3.

Interest

Interest income is recognised on an accrual basis.

Rental revenue

Rental revenue is recognised as income on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

b) Adequacy of unearned CTP contributions

The adequacy of the unearned CTP contributions is assessed by considering current estimates of all expected future cash flows relating to future claims provision covered by current CTP contribution contracts. This assessment is referred to as the liability adequacy test and is performed separately for each group of the contracts subject to broadly similar risks and managed together in a single portfolio.

If the unearned CTP contribution less related intangible assets and related deferred acquisition costs, if any, is exceeded by the present value of the expected future cash flows relating to future claims provision plus the additional risk margin to reflect the inherent uncertainty in the central estimate, then the unearned CTP contribution is deemed to be deficient. MACC applies a risk margin to achieve the same probability of sufficiency for future claims provision as is achieved on the outstanding claims provision.

The entire deficiency, gross and net of insurance is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, if any, with any excess being recorded in the Statement of Financial Position as an unexpired risk liability.

c) Insurance expense

Insurance expense is in the Statement of Profit or Loss and Other Comprehensive Income from the attachment date over the period of indemnity of the contributions received in accordance with the pattern of insurance protection received. Where appropriate, an unearned portion of insurance expense is treated at the reporting date as an asset.

d) Receivables

Receivables comprise CTP contributions receivable, interest receivables, other debtors and insurance and other recoveries. These amounts are initially recognised at fair value.

CTP contribution receivable and insurance and other recoveries, which include amounts due from insurers and intermediaries, are subsequently measured at fair value through the profit and loss section of the Statement of Profit or Loss and Other Comprehensive Income. Interest receivables and other debtors are subsequently measured at amortised cost using the effective interest rate method.

An allowance for impairment of receivables is established when there is objective evidence that MACC will not be able to collect all moneys due. The amount of the allowance is equal to the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The impairment charge is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

e) Income Taxes

MACC is not subject to income tax as per Income Tax Assessment Act 1936 Part III Division 1AB Section 24AK and accordingly MACC is not subject to the National Tax Equivalents Regime and has no tax related balances or transactions recorded.

f) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

g) Dividend

Pursuant to Section 20 of the *Motor Accidents (Compensation) Commission Act*, the Minister may direct that any amount of funds held by MACC which, in the Minister's opinion, is in excess of that required as adequate provision for actual and contingent liabilities or for the reasonable operating and other expenses of MACC shall be paid by MACC to the Central Holding Authority of the Territory.

h) Financial instruments

Financial assets and financial liabilities are recognised on MACC's Statement of Financial Position when MACC becomes a party to the contractual provisions of the instrument.

Financial Assets: Cash and cash equivalents, receivables and investment assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

Receivables

Refer to note 2.3(d)

Investments

MACC actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from outstanding claim provisions.

Investment assets have been categorised as "at fair value through profit and loss".

Initial recognition is at fair value in the Statement of Financial Position and subsequent measurement is at fair value with any resultant gains or losses recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Details of fair value for financial assets are listed below:

Financial asset	Details of how fair value is determined
Listed fixed interest securities, units in listed unit trusts and Government securities.	Initially recognised at cost and the subsequent fair value is taken as the quoted bid price of the instrument at the reporting date.
Unlisted fixed interest securities.	Initially recognised at cost and the subsequent fair value is measured based on valuations using rates of interest equivalent to the yields obtainable on comparable investments at the reporting date.
Units in unlisted unit trusts.	Initially recognised at cost and the subsequent fair value is measured at fund manager's valuation at the reporting date.
Cash assets and bank overdrafts.	Initially recognised at cost and the subsequent fair value is measured at face value of the amounts deposited or drawn.

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention ('regular way' transactions) are recognised on the date of settlement, being the date the asset is delivered to or by MACC.

In cases where the period between trade and settlement exceeds this time frame, the transaction is also recognised at settlement date. Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and MACC has transferred substantially all the risks and rewards of ownership or control of the asset.

Finance revenue, comprising trust distributions and interest, is brought to account on an accruals basis. Revenue on investments in unlisted unit trusts is deemed to accrue on the date the distributions are declared.

Impairment of Financial Assets

At each reporting date, MACC assesses whether there is objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Liabilities: Trade Payables, derivative financial instruments and receivables.

Trade payables
Trade payables represent liabilities for goods and services provided to MACC prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments
MACC's activities expose it primarily to the financial risk associated with changes in interest rates.

MACC's external investment managers utilise derivatives as part of the management of exposures associated with those portfolios of investments held for trading.

The use of financial derivatives is governed by MACC's policies approved by the MAC Commissioner, which provide written principles on the use of financial derivatives consistent with MACC's risk management strategy. MACC does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

i) Fair value measurement

A number of MACC's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

MACC has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. MACC regularly review significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then MACC assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the MAC Commissioner.

When measuring the fair value of an asset or a liability, MACC uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement.

MACC recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

j) Investment Property

Freehold Land and Building at 24 Mitchell Street is valued using the fair value as the date of the revaluation less any impairment losses.

A valuation is conducted annually and is based on an external property valuation report. Any change in the valuation is accounted for through the Statement of Profit or Loss and Other Comprehensive Income.

k) Management Fee

MACC does not employ staff in its own right; accordingly there are no employee benefit liabilities.

The management of the MAC Fund and Scheme fell under the provision of the management agreement between NT Government and Allianz, effective 1 January 2015. In return, MACC pays a management fee in accordance with the provision of the management agreement.

The management agreement is a 10 year contract beginning 1 July 2015 for the provision of the following services:

- Manage all claims in respect of the MAC Scheme, pay benefits and settle claims for Benefits
- Undertake all duties and perform all roles of MACC under the MAC Act except to the extent that the power of function has been expressly reserved to MACC under the contract or by written notice by MACC
- Enter into any MAC Scheme Contracts (including in relation to management of the MAC Fund, MAC Agency Contracts) which it is required to enter into or it considers

appropriate or desirable for the purposes of managing the MAC Scheme and / or MAC Fund to which it is not expressly prohibited from entering
- Administer and manage the investment of the MAC Fund in accordance with the MAC Act and Prudential Documents
- Perform such other functions as the parties agree in writing from time to time.

The management fee payable for the provision of management services is comprised of the following:

(a) Base remuneration which is adjusted for each period in accordance with:

(i) the Service Level Bonus/Malus; and
(ii) the Liability Management Bonus/Malus; and

(b) the Funds Under Management fee is calculated using a percentage applied to the level of Funds Under Management over the relevant period.

The Base remuneration and amounts used in the calculation of the Service Level and the Liability Management Bonus/Malus are adjusted on each CPI adjustment date by the applicable CPI.

l) Funding for road safety programs

MACC provides the Northern Territory Government with funds to meet certain costs in relation to the operation of the road safety programs.

m) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

MACC is a lessor in respect of operating leases that are entered into with tenants who occupy properties owned by MACC. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

n) Claims provision

Claims include statutory benefits and compensation claimed by eligible persons as defined under the Motor Accidents (Compensation) Act (“MAC Act”).

The outstanding claims provision is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

Claims expense and the outstanding claims provision are recognised in respect of MACC Scheme. The provision covers claims reported but not yet paid, incurred but not reported claims ("IBNR") and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims, IBNRs and settlement costs using statistics based on past experience and trends. Valuation of outstanding claims is subject to independent actuarial assessment.

The outstanding claims provision is measured as the present value of expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation. The expected future payments are discounted to present value at the Statement of Financial Position date using a risk free rate. The details of rates applied are included in note 3.

o) Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed in the notes to the financial statements, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable, a provision is recognised.

Contingent assets are not recognised in the Statement of Financial Position but are disclosed in the notes to the financial statements when inflows are probable. If inflows become virtually certain, an asset is recognised.

The amount disclosed as a contingent liability or contingent asset is the best estimate of the settlement or inflow.

p) Commitments

Commitments are not recorded on the Statement of Financial Position but are disclosed in the financial statements at their face value.

q) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

r) Rounding of amounts

Amounts in the financial statements are presented in Australian dollars and have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2.4 Critical accounting judgments and estimates

MACC makes estimates, judgments and assumptions in respect of certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below and relate to outstanding claims provision and insurance recoveries assets.

a) The ultimate liability arising from Compulsory Third Party

Provision is made at the year-end for the estimated cost of claims incurred but not yet settled at the Statement of Financial Position date, including the cost of claims incurred but not yet reported to MACC. The estimated cost of claims provision include direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries.

MACC takes all reasonable steps to ensure that it has appropriate information regarding its outstanding claims provision exposures. However, given the uncertainty in establishing claims provision, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to MACC, where more information about the claim event is generally available. IBNR claims may often not be apparent to MACC until many years after the events giving rise to the claims have happened. There is also typically a greater variation between initial estimates and final outcomes due to the uncertainty in estimating the ultimate cost of claims reported.

In calculating the estimated cost of unpaid claims MACC uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- Changes in MACC processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods
- Changes in the legal environment
- The effects of inflation
- The impact of large losses
- Movements in industry benchmarks
- Medical and technological developments.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these claims MACC has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible, MACC adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Claims provisions are calculated gross of any insurance recoveries. A separate estimate is made of the amounts that will be recoverable from insurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims provisions at year end are detailed in note 3.

b) Assets arising from insurance and other recoveries

Assets arising from insurance and other recoveries are also computed using the above methods. The recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that MACC may not receive amounts due to it and these amounts can be reliably measured.

3. Actuarial assumptions and methods

Provisions of claims estimates for MACC are derived from analysis of the results of several different actuarial models including claims incurred, payment per active claims, claims estimates, loss ratio and annuity. Payment reporting patterns and payment experience are analysed to develop a weighting to each method that the actuary expects to best represent likely future payments at the valuation date.

Claims inflation is incorporated into the resulting projected payments, to allow for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience.

Projected payments are discounted to allow for the time value of money. The long tail classes of business are also subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the Statement of Financial Position date. Such uncertainties are considered when setting the risk margin appropriate for this class.

Actuarial assumptions

The following assumptions were made in determining the outstanding claims provisions.

	2018	2017
Average weighted term to settlement (years)	14.74	15.15
Average claim frequency (latest accident year)	0.28%	0.28%
Average claim size ($)	116,385	110,281
Expense rate *	6.0% - 16.0%	6.0% - 16.0%
Discount rate	1.9% - 4.5%	1.6% - 5.0%
Inflation	3.25%	3.5%

* 16% (2017: 16%) is used for the period applicable to the MACC management agreement. A rate of 6% (2017: 6%) has been applied for the period after 30 June 2025.

3. Actuarial assumptions and methods continued…

Process used to determine assumptions
A description of the processes used to determine these assumptions is provided below:

Average weighted term to settlement
The average weighted term to settlement is calculated separately by class of business based on historical payment patterns.

Average claim frequency
Claim frequency is estimated by projecting the number of claims incurred based on past patterns and dividing this by the number of policies in force.

Expense rate
Claims handling expenses were calculated through the application of the claims handling expense (CHE) rate to central estimate of gross outstanding claims liability. The rate is derived with reference to 63% of the budgeted base contract fee as a proportion of expected claim payments.

Discount rate
Discount rates derived from market yields on Commonwealth Government securities as at the reporting date have been adopted.

Inflation
Economic inflation assumptions are set by reference to current economic indicators.

Sensitivity analysis

i) Summary
MACC conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of MACC. The tables below describe how a change in each assumption will affect the outstanding claims provision and show an analysis of the sensitivity of the profit/(loss) and equity to changes in these assumptions both gross and net of insurance.

3. Actuarial assumptions and methods continued…

Variable	Impact of movement in variable
Average weighted term to settlement	A decrease in the average term to settlement in the long tail classes would lead to more claims being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims provision. An increase or decrease in the average weighted term would have a corresponding increase or decrease on claims expenses respectively.
Average claim frequency	Claims frequencies are used in determining the level of claims incurred but not reported (IBNR). An increase or decrease in the assumed average frequency levels would have a corresponding impact on claims expense.
Expense rate	An estimate for the internal costs of handling claims is included in the outstanding claims provision. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	The outstanding claims provision is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Inflation	Expected future payments are inflated to take account of inflationary increases. Such rates of inflation are specific to the model adopted. An increase or decrease in the assumed levels of inflation would have a corresponding impact on claims expense, with particular reference to longer tail business.
Average claim size	Average amount paid per claim. An increase or decrease in the average claim size would have a corresponding impact on claims expense.

ii) Impact of changes in key variables

		Effect on Profit/(loss) before tax		
		Gross of insurance $'000	Net of insurance $'000	Equity $'000
MACC				
Weighted term to settlement	+10%	9,062	8,354	8,354
	-10%	(9,205)	(8,503)	(8,503)
Average claim frequency – latest accident year	+10%	(7,582)	(7,582)	(7,582)
	-10%	7,582	7,582	7,582
Average claim size	+10%	(58,309)	(47,530)	(47,530)
	-10%	58,309	47,530	47,530
Expense rate	+1%	(5,316)	(5,316)	(5,316)
	-1%	5,316	5,316	5,316
Discount rate	+1%	67,700	60,852	60,852
	-1%	(87,272)	(79,774)	(79,774)
Inflation	+1%	(86,019)	(76,639)	(76,639)
	-1%	67,860	60,552	60,552

4. Risk management policies and procedures

a) Objectives in managing risks arising from CTP contribution scheme and policies for mitigating those risks

MACC has an objective to control CTP contributions risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of risks attached to CTP contributions, which can lead to significant variability in the loss experience, profits from the scheme are affected by market factors. Short-term variability is, to some extent, a feature of CTP contribution schemes.

The MAC Commissioner, through the management agreement with Allianz, has developed, implemented and maintained a sound and prudent Risk Management Strategy (RMS) and Reinsurance Management Strategy (ReMS). ReMS relates to insurance transactions with MACC.

The RMS and ReMS identify MACC's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by MACC.

The RMS and ReMS have been approved by the MAC Commissioner. Key aspects of these processes established in both the RMS and ReMS to mitigate risks include:

- The maintenance and use of management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Multiple claim events are more challenging to manage. MACC monitors exposure to such risks through special modelling techniques involving the collation of data on historical claim events which support decisions on limiting exposure.
- Insurance is used to limit MACC's exposure to large single and multiple claim events. When selecting an insurer MACC only considers those companies that provide high security. In order to assess this, MACC use rating information from the public domain or gathered through internal investigations.
- In order to limit concentrations of credit risk, in purchasing insurance MACC has regard to existing insurance assets and seeks to limit excess exposure to any single reinsurer or group of related insurers.
- The mix of assets in which MACC invests is driven by the nature and term of the Schemes liabilities.

b) Terms and Conditions of the MAC Act

The terms and conditions of the MAC Act attaching to each CTP contribution affect the level of risk accepted by MACC. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements. All CTP contributions registered in the Northern Territory are subject to substantially the same terms and conditions.

4. Risk management policies and procedures continued…

c) Interest rate risk

Interest rate risk arises from CTP contributions due to the extent that there is an economic mismatch between the fixed-interest portfolios used to back the outstanding claims' provisions and those outstanding claims. The degree of matching is in accordance with approved risk tolerance. The interest rate risk can be managed by matching the duration profiles of the investment assets and the outstanding claims' provision.

d) Credit risk

Financial assets and liabilities are stated in the Statement of Financial Position at the amount that best represents the maximum credit risk exposure at reporting date. There are no significant concentrations of credit risk. Additional information relating to the ageing of CTP contribution debtors is included in note 2.3 (b).

e) Insurance counterparty risk

MACC insures a portion of risks to control exposure to losses, reduce volatility and protect capital. MACC's strategy in respect of the selection, approval and monitoring of insurance arrangements is addressed by the following protocols, which are overseen by the MAC Commissioner:

- Treaty or facultative insurance is placed in accordance with the requirements of MACC's insurance management strategy.
- Insurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses based on Realistic Disaster Scenarios and MACC's Maximum Event Retention.
- Exposure to insurance counterparties and the credit quality of those counterparties is actively monitored.
- Insurance contracts are expected to be commuted 10 years following the inception of the contract. Commutation recoveries are assessed based on the commutation agreement for each insurance arrangement. Commutation agreements provide for the valuation, payment, and complete discharge of all obligations between the parties under a particular insurance contract. Commutation settlements are due and payable to MACC immediately upon agreement of the commutation, unless otherwise stated.

Strict controls are maintained over insurance counterparty exposures. Insurance is placed with counterparties that have a strong credit rating and concentration of risk is managed by adherence to counterparty limits. Counterparty limits are reviewed by management on a regular basis. Credit risk exposures are calculated regularly and compared with authorised credit limits.

4. Risk management policies and procedures continued…

The following table provides information about the quality of MACC's credit risk exposure in respect of insurance and other recoveries on outstanding claims provision at the reporting date. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating.

		Credit Ratings				
		AAA $'000	AA $'000	A $'000	Unrated $'000	Total $'000
Insurance and other recoveries on paid claims	2018	-	166	178	62	406
	2017	-	389	149	76	614

The following table provides further information regarding the ageing of insurance and other recoveries on paid claims as at 30 June.

		0 to 3 months $'000	3 to 6 months $'000	Greater than 6 months $'000	Impaired $'000	Total $'000
Insurance and other recoveries on paid claims	2018	294	38	74	-	406
	2017	563	-	51	-	614

5. Revenue

	2018	2017
	$'000	**$'000**
CTP contributions revenue		
CTP contributions received (note 6)	85,283	84,658
Total CTP contributions revenue	**85,283**	**84,658**
Insurance and other recoveries	**19,416**	**(2,735)**
Finance revenue		
Interest revenue	9,801	10,688
	9,801	**10,688**
Financial assets at fair value through profit and loss:		
Trust distributions	20,288	15,669
Change in the fair value of investments	1,762	(3,904)
Net gain on the disposal of investments	11,904	(716)
Total finance revenue	**43,755**	**21,737**
Revenue from properties		
Rental revenue	4,734	4,732
Change in the fair value of investment property	(147)	40
Total property revenue	**4,587**	**4,772**
Other revenue		
Other miscellaneous revenue	405	385
Total other revenue	**405**	**385**
Total revenue	**153,446**	**108,817**

6. Net CTP contributions revenue

	2018	2017
	$'000	$'000
CTP contributions received	85,761	85,157
Movement in unearned CTP contributions	(478)	(499)
CTP contributions revenue	**85,283**	**84,658**
Insurance expense	(6,285)	(9,731)
Net CTP contributions revenue	**78,998**	**74,927**

7. Cash and cash equivalents

	2018	2017
	$'000	$'000
Cash at bank and on hand	61,225	21,378
Total cash at bank and on hand	**61,225**	**21,378**

8. Trade and other receivables

	2018	2017
	$'000	$'000
CTP contributions receivable	2,633	2,082
Less: allowance for impairment loss	-	-
	2,633	**2,082**
Interest receivable	1,152	1,708
Others	511	701
Total trade and other receivables	**4,296**	**4,491**

9. Other financial assets

Other Financial Assets	2018	2017
	$'000	$'000
Derivative financial assets		
Interest rate swaps	15,195	14,296
Total derivative financial assets	**15,195**	**14,296**
Other financial assets		
At fair value through profit and loss: Investments held for trading		
Securities	584,479	573,159
Total other financial assets	**584,479**	**573,159**
Current financial assets		
Short term deposits	-	35,000
Bonds	259,468	320,436
Units in unlisted trusts	325,011	217,723
Derivative financial instruments	15,195	14,296
Total current financial assets	**599,674**	**587,455**

The financial assets included above represent investments in unlisted unit trusts, bonds and floating rate notes, which offer MACC the opportunity for return through interest income, trust distributions and fair value gains. The fair values of these financial assets are based on quoted market prices.

The derivative financial asset or financial liability represents the fair value of derivatives in existence at year end. MACC is a party to derivative financial instruments in the normal course of business in order to economically hedge exposure to fluctuations in interest rates. Interest rate swaps convert the variable nature of the deposits portfolio into fixed.

10. Insurance and other recoveries receivable

	2018	2017
	$'000	$'000
Undiscounted on claims paid	**406**	**614**
Expected future recoveries undiscounted on outstanding claims provisions	179,096	165,201
Discount to present value	(39,240)	(42,018)
Discounted expected future recoveries on outstanding claims provisions (Note 12 (c))	**139,856**	**123,183**
Allowance for impairment loss – insurance recoveries	-	-
Total allowance for impairment loss	-	-
Insurance and other recoveries receivable	**140,262**	**123,797**
Current	3,921	9,203
Non-current	136,341	114,594
Insurance and other recoveries receivable	**140,262**	**123,797**

Average inflation rates (normal) and discount rates that were used in the measurement of insurance and other recoveries receivable were the same as for outstanding claims provision as per note 3.

11. Investment Property

	2018	2017
	$'000	$'000
Balance at 1 July 2017	**45,000**	**44,500**
Capital expenditure on existing property	647	460
Changes in fair value	(147)	40
Balance at 30 June 2018	**45,500**	**45,000**

Measurement of fair value

(i) Fair value hierarchy

The fair value of MACC's property as at 30 June 2018 has been determined and approved by the MAC Commissioner on the basis of an independent valuation carried out at that date by Nick Bell of Knight Frank Valuations who is a certified practicing valuer. The independent valuer provides the fair value of the investment property every 12 months.

The fair value measurement for the property of $45.5 million has been categorised as Level 3 fair value based on the inputs to the valuation technique used (see Note 2.3(j)).

(ii) Level 3 fair value

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used.

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Capitalisation Approach: The valuation model considers yields indicated by sales by similar property investments to reflect any expectations of future growth in income and capital value. Adjustments are then made for any relevant rental reversion including letting up allowances for vacant space, incentives, leasing fees, capital expenditure and other appropriate capital allowances	Current market rental per square metre. Vacancy periods (average 12 months after the end of each lease). Rent-free periods (1 year period on new leases). Capitalisation rate of 8.50% based on recent sales of comparable properties.	The estimated fair value would increase (decrease) if: Expected market rental growth were higher (lower); Vacancy periods were shorter (longer); The occupancy rate were higher (lower); Rent-free periods were shorter (longer); or The capitalisation rate were lower (higher).

12. Outstanding claims provision

a) Outstanding claims provision

	2018	2017
	$'000	$'000
Central estimate undiscounted	874,035	847,345
Claims handling costs undiscounted	67,799	66,758
Risk margin undiscounted	151,225	116,091
Gross claims incurred undiscounted	**1,093,059**	**1,030,194**
Discount to present value	(477,906)	(483,971)
Gross outstanding claims provision	**615,153**	**546,223**
Central estimate discounted	492,135	449,379
Current	72,092	71,205
Non-current	543,061	475,018
Gross outstanding claims provision	**615,153**	**546,223**

b) Risk margin

Process for determining risk margin

The overall risk margin was determined allowing for diversification of the claims provision and the relative uncertainty of the outstanding claims estimate for the portfolio. Uncertainty was analysed for the portfolio taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the claims environment, and the potential impact of future legislative reform.

The assumptions regarding uncertainty for each class was applied to the net central estimates, and the results were aggregated, in order to arrive at an overall provision which is intended to have a 75% probability of adequacy.

Risk margins applied

	2018	2017
	%	%
MACC	16.056	12.700

12. Outstanding claims provision continued….

c) Reconciliation of movement in discounted outstanding claims provision

	2018			2017		
	Gross $'000	Insurance $'000	Net $'000	Gross $'000	Insurance $'000	Net $'000
Brought forward	**546,223**	**(123,183)**	**423,040**	**604,318**	**(128,820)**	**475,498**
Effect of changes in assumptions	38,141	(11,747)	26,394	(91,715)	8,941	(82,774)
Increase in claims incurred/recoveries anticipated over the year	89,209	(7,668)	81,541	79,520	(6,206)	73,314
Incurred claims recognised in the Statement of Profit or Loss and Other Comprehensive Income	**127,350**	**(19,415)**	**107,935**	**(12,195)**	**2,735**	**(9,460)**
Net claim payments	(58,420)	2,742	(55,678)	(45,900)	2,902	(42,998)
At 30 June	**615,153**	**(139,856)**	**475,297**	**546,223**	**(123,183)**	**423,040**

d) The maturity profile of MACC's discounted net outstanding claims provision is analysed below.

30 June 2018	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	Total $'000
MACC	40,972	118,472	315,853	475,297
Total discounted net outstanding claims provision	**40,972**	**118,472**	**315,853**	**475,297**

30 June 2017	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	Total $'000
MACC	41,698	108,593	272,749	423,040
Total discounted net outstanding claims provision	**41,698**	**108,593**	**272,749**	**423,040**

13. Unearned CTP contributions

	2018	2017
	$'000	$'000
Unearned CTP contributions as at 1 July	**35,132**	**34,633**
Deferral of contributions received in the period	35,610	35,132
Earning of contributions received in previous periods	(35,132)	(34,633)
Unearned CTP contributions as at 30 June	**35,610**	**35,132**

14. Trade and other payables

	2018	2017
	$'000	$'000
Trade payables	4,767	4,043
Insurance payables	535	1,000
Related party payable	-	385
Other	81	104
Total trade and other payables	**5,383**	**5,532**

15. Equity and Reserves

Dividends

No dividends were declared this financial year.

16. Remuneration of auditors

The auditor of MACC is the Auditor-General for the Northern Territory.

	2018 $	2017 $
Amounts paid, or due and payable to the NT Government for services provided by the Northern Territory Auditor-General for:		
° Audit of MACC financial statements	289,058	284,770
	289,058	**284,770**

17. Related party disclosure

a) Related Parties

The Northern Territory Government is the ultimate parent entity of MACC. Companies and/or agencies that have the Northern Territory Government as a common parent are considered related parties to MACC.

The related parties of MACC include:

- the MAC Commissioner, as MACC's key management personnel (KMP) for having authority and responsibility for planning, directing and controlling the activities of MACC directly; and
- spouses, children and dependants who are close family members of the MAC Commissioner; and
- all public sector entities that are controlled and consolidated into the whole of government financial statements; and
- any entities controlled or jointly controlled and consolidated into the whole of government financial statements; and
- any entities controlled or jointly controlled by the MAC Commissioner or controlled or jointly controlled by their close family members.

b) Remuneration of Key Management Personnel

Compensation of key management personnel	2018 $	2017 $
Short term benefits	269,180	223,200
Long term benefits	-	-
Termination benefits	-	-
	269,180	**223,200**

17. Related party disclosure continued....

c) Other related party disclosures:

The following is a list of transactions that MACC enters into with related parties at market price and on normal commercial terms.

Cash collected

Related Party	**Details**
Motor Vehicle Registry	CTP Contributions collected on behalf of MACC from motor vehicle registrations to fund the MACC Scheme

Expenses

Related Party	**Details**
Jacana Energy	Electricity transactions
Receiver of Territory Monies	METAL funding, Road safety funding and DTAL reimbursement

Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

For the year ended 30 June 2018, MACC has not made any allowance for doubtful debts relating to amounts owed by related parties as the payment history does not warrant an allowance (2017: $nil).

The following table provides quantitative information about related party transactions entered into during the year with all other Northern Territory Government controlled entities.

	2018				2017			
	Revenue from related parties $'000	Payments to related parties $'000	Amounts owed from related parties $'000	Amounts owed to related parties $'000	Revenue from related parties $'000	Payments to related parties $'000	Amounts owed from related parties $'000	Amounts owed to related parties $'000
All NTG Government departments	-	3,411	-	293	-	3,118	-	1,338

18. Reconciliation of net profit to net cash inflow from operating activities

	2018	2017
	$'000	$'000
Net Profit/(Loss)	(423)	90,441
Changes in net market value of investments	(1,762)	3,906
Profit on Sale of Investment Securities	(11,904)	716
Change in investment property fair value	147	(40)
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	196	(861)
(Increase)/Decrease in insurance and other recoveries receivable	(16,465)	3,686
Increase/(Decrease) in outstanding claims provisions	68,930	(55,688)
Increase/(Decrease) in unearned CTP contributions	478	499
Increase/(Decrease) in payables	(244)	(1,183)
Increase/(Decrease) in GST payable	94	74
Net cash inflow from operating activities	**39,047**	**41,550**

19. Risk management and financial instruments information

Classes of Financial Instruments

	2018	2017
	$'000	$'000
Financial Assets		
Cash at bank and on hand	61,225	21,378
Interest receivables and others	1,663	2,409
CTP contributions receivable	2,633	2,082
Insurance recoveries on claims paid	140,262	123,797
Short term securities	-	35,000
Bonds	259,468	320,436
Other instruments	-	-
Units in unlisted unit trusts	325,011	217,723
Derivative financial assets	15,195	14,296
Financial Liabilities		
Trade creditors and accruals	4,409	4,187
Insurance creditors and accruals	535	1,000

19. Risk management and financial instruments information continued…

Financial Risk Management objectives

MACC has exposure to the following key financial risks through the use of financial instruments:

- Market risk (interest rate risk and price risk)
- Credit risk
- Liquidity risk

Exposure to these financial risks is managed in accordance with the Risk Management Strategy (RMS) and Treasury Policy (TP). The principal objective of MACC's TP is to establish a robust structure for the investment of and measuring, monitoring and reporting of financial investments and financial risks.

MACC seeks to manage financial risks to:

- Ensure there is sufficient cash flow available to meet contractual obligations.
- Outperform an asset allocation strategy benchmark set by the Board based on the expected growth in the liability portfolio.

The MAC Commissioner has overall responsibility for the establishment and oversight of the risk management strategy. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MACC's activities.

Financial Risk Management structure

The MAC Commissioner has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively.

a) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market factors. Market risk at MACC comprises interest rate risk due to fluctuations in market interest rates, and price risk due to fluctuations in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

(i) Interest rate risk

MACC's exposure to interest rate risk arises predominantly when a change in the value of the liabilities due to a change in interest rates, does not lead to an exactly offsetting change in the value of the assets.

The MAC Commissioner has approved the use of interest rate swaps, to reduce exposure to unmatched maturity patterns and for hedging purposes.

19. Risk management and financial instruments information continued...

MACC has externally managed portfolios which are exposed to interest rate risk. For externally managed portfolios, management may use derivatives to manage interest rate risk, but not to leverage or gear the asset.

Interest rate risk tables

The following table sets out MACC's exposure to interest rate risk showing the carrying value of financial instruments and the weighted average effective interest rates, when applicable. The banding is based upon the earlier of the contractual repricing or maturity dates.

The interest rate risk table does not disclose financial assets and financial liabilities that are non-interest bearing.

30 June 2018	Fixed or floating	1 year or less $'000	> 1 year and <2 years $'000	>2 years and <3 years $'000	>3 years and <4 years $'000	>4 years and <5 years $'000	More than 5 years $'000	Total $'000	Weighted average effective interest rate %
Financial assets									
Cash at bank and on hand	Floating	61,225	-	-	-	-	-	**61,225**	1.50%
Short term securities	Fixed	-	-	-	-	-	-	**-**	-
Bonds	Floating	22,566	-	-	-	-	-	**22,566**	1.50%
Bonds	Fixed	-	255	-	434	26,373	209,840	**236,902**	3.46%
Total		**83,791**	**255**	**-**	**434**	**26,373**	**209,840**	**320,693**	
Derivative Financial Instruments									
Interest rate swaps		(23,000)	-	-	(64,000)	34,000	53,000	-	-
Total		**(23,000)**	**-**	**-**	**(64,000)**	**34,000**	**53,000**	**-**	
Total Financial Assets		**60,791**	**255**	**-**	**(63,566)**	**60,373**	**262,840**	**320,693**	

19. Risk management and financial instruments information continued…

30 June 2017	Fixed or floating	1 year or less	> 1 year and <2 years	>2 years and <3 years	>3 years and <4 years	>4 years and <5 years	More than 5 years	Total	Weighted average effective interest rate
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
Financial assets									
Cash at bank and on hand	Floating	21,378	-	-	-	-	-	**21,378**	1.50%
Short term securities	Fixed	35,000	-	-	-	-	-	**35,000**	2.42%
Bonds	Floating	29,883	-	371	-	544	1,657	**32,455**	1.50%
Bonds	Fixed	-	-	-	4,829	9,287	273,865	**287,981**	3.45%
Total		**86,261**	**-**	**371**	**4,829**	**9,831**	**275,522**	**376,814**	
Derivative Financial Instruments									
Interest rate swaps		(776,000)	136,000	151,900	111,000	159,800	217,300	-	-
Total		**(776,000)**	**136,000**	**151,900**	**111,000**	**159,800**	**217,300**	**-**	
Total Financial Assets		**(689,739)**	**136,000**	**152,271**	**115,829**	**169,631**	**492,822**	**376,814**	

Interest Rate Risk Sensitivity Analysis

The following table demonstrates MACC's sensitivity to movement in interest rates in relation to the value of interest bearing financial assets and liabilities.

	Change in interest rate	2018 Impact on profit after tax $'000	2018 Impact on Equity $'000	2017 Impact on profit after tax $'000	2017 Impact on Equity $'000
Interest bearing financial assets and liabilities	+100 basis points	41,242	41,242	32,821	32,821
Interest bearing financial assets and liabilities	-100 basis points	(56,283)	(56,283)	(46,050)	(46,050)

19. Risk management and financial instruments information continued…

The effect of interest rate movements on MACC's provision for outstanding claims is included in note 3.

(ii) Currency Risk
MACC does not have any exposure to currency risk, as there are no sales, purchases, liabilities or assets denominated in a currency other than the Australian dollar.

(ii) Price Risk
MACC is exposed to price risk through the holding of units in unlisted unit trusts. Price risk arises due to the changes in the market value of the units as advised by the respective fund managers.

Price risk is managed through the use of strictly monitored allocation limits for units held in each class of managed fund. MACC invests in a diverse range of managed funds thereby limiting the impact of any one underlying variable affecting unit prices.

Returns achieved by appointed fund managers are continuously assessed by the MAC Commissioner in relation to its stated objectives and are compared to returns earned by a suitable peer group of other professional fund managers.

19. Risk management and financial instruments information continued…

Price Risk Sensitivity Analysis

The analysis below demonstrates the impact of a movement in the prices of units held in unlisted unit trusts. It is assumed that any relevant price change occurs as at the reporting date.

MACC	Change in unit price	2018 Impact on profit after tax $'000	2018 Impact on Equity $'000	2017 Impact on profit after tax $'000	2017 Impact on Equity $'000
Upside					
Australian equities	+20%	59,303	59,303	38,405	38,405
International equities	+20%	-	-	-	-
Global listed properties	+20%	5,700	5,700	5,139	5,139
Australian fixed interest	+2%	-	-	-	-
Australian inflation linked	+2%	-	-	-	-
Total		**65,003**	**65,003**	**43,544**	**43,544**
Downside					
Australian equities	-20%	(59,303)	(59,303)	(38,405)	(38,405)
International equities	-20%	-	-	-	-
Global listed properties	-20%	(5,700)	(5,700)	(5,139)	(5,139)
Australian fixed interest	-2%	-	-	-	-
Australian inflation linked	-2%	-	-	-	-
Total		**(65,003)**	**(65,003)**	**(43,544)**	**(43,544)**

b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Trade and other receivables

Trade receivable balances are monitored on an ongoing basis to ensure that MACC's exposure to bad debts is not significant. A provision for impairment is recognised when there is objective evidence that the receivable is impaired. Other receivable balances do not contain impaired assets as they are not past due, they are expected to be received when due.

19. Risk management and financial instruments information continued…

Interest bearing Investments

The credit risk associated with interest bearing investments is managed by MACC as follows:

- The setting and review of credit limits as they relate to recognised external credit assessment institution's ratings.
- The setting and review of credit limits as they relate to exposures to individual entities.
- The monitoring of limit usage for both the credit ratings and the individual entities.

MACC has a maximum exposure equal to the carrying amount of each financial asset, including derivatives, on the Statement of Financial Position.

Units held in unlisted unit trusts

Fund managers are selected pursuant to a strategic asset allocation approved by the MAC Commissioner. Fund managers manage applicable credit risk in accordance with their product disclosure statements. Their approach to credit risk is one of the factors in the selection process and their compliance with their product disclosure statements is confirmed annually.

The following table provides information regarding the aggregate credit risk exposure of MACC as at 30 June in respect of the major classes of financial assets, excluding units in unlisted unit trusts, loans and receivables. The analysis classifies the assets according to recognised counterparty credit ratings.

	Credit Ratings				
	AAA or A1+ $'000	**AA or A1 $'000**	**A or A2 $'000**	**Unrated $'000**	**Total $'000**
30 June 2018					
Cash at bank and on hand	43,246	-	17,869	110	**61,225**
Short term securities and floating rate notes	-	-	-	-	**-**
Other instruments	-	-	-	-	**-**
Bonds	202,459	57,009	-	-	**259,468**
Derivative financial instruments	-	-	-	15,195	**15,195**
Total	**245,705**	**57,009**	**17,869**	**15,305**	**335,888**
30 June 2017					
Cash at bank and on hand	15,886	-	5,493	-	**21,379**
Short term securities and floating rate notes	-	23,000	12,000	-	**35,000**
Other instruments	-	-	-	-	**-**
Bonds	320,437	-	-	-	**320,437**
Derivative financial instruments	-	-	-	14,296	**14,296**
Total	**336,323**	**23,000**	**17,493**	**14,296**	**391,112**

19. Risk management and financial instruments information continued…

The following table provides further information regarding the carrying balance of MACC's financial assets that have been impaired and the ageing of those that are past due but not impaired at the reporting date. Information relating to the ageing of insurance financial assets on paid claims is disclosed in note 4 (e).

		Past due but not impaired				
	Neither past due nor impaired	0 to 3 months	3 to 6 months	Greater than 6 months	Impaired	Total
30 June 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
CTP contributions receivable	-	2,633	-	-	-	**2,633**
Other receivables	223	260	28	-	-	**511**
Investment receivables	1,152	-	-	-	-	**1,152**
Loans and advances	-	-	-	-	-	**-**
Total	**1,375**	**2,893**	**28**	**-**	**-**	**4,296**
30 June 2017						
CTP contributions receivable	-	2,082	-	-	-	**2,082**
Other receivables	-	701	-	-	-	**701**
Investment receivables	1,708	-	-	-	-	**1,708**
Loans and advances	-	-	-	-	-	**-**
Total	**1,708**	**2,783**	**-**	**-**	**-**	**4,491**

c) Liquidity risk

Liquidity is the ability to access funds at short notice via internal or external sources to the organisation. Liquidity risk is the risk that MACC will be unable to meet its obligations in an orderly manner as and when they fall due. This includes the risk that MACC may not be able to borrow funds when required, or at an acceptable cost.

Liquidity risk arises due to unanticipated obligations arising. This may occur when anticipated receipts do not eventuate, or when short term sources of funds are withdrawn, or where MACC is exposed to one particular market sector.

The three main elements of managing liquidity risk are:

Day-to-day cash management: Involves the use of working cash and investment balances. The key tool used to manage cash balances involves the use of cash flow forecasts.

19. Risk management and financial instruments information continued…

Short Term Liquidity management: Involves the use of both internal and external tools and facilities. MACC utilises tools including cash flow forecasts and investment maturity profiles to ensure liquidity does not fall below prudential limits. The external facilities include committed and uncommitted stand-by lines for planned and emergency funding requirements.

Long Term Liquidity management: Involves the use of budgets and business plans to protect against a liquidity problem in the future.

The following table summarises the maturity profile of MACC's liabilities. This is based on contractual undiscounted repayment obligations, which includes estimated interest repayments. The maturity profiles of outstanding claims provisions are determined on the basis of discounted estimated timing of net cash outflows and are disclosed in note 12 (d). Repayments that are subject to notice are treated as if notice were to be given immediately.

Maturity profiles of undiscounted financial liabilities.

	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	No term $'000	Total $'000
30 June 2018					
Trade and other payables	4,944	-	-	-	**4,944**
Related party payables	-	-	-	-	**-**
Total undiscounted financial liabilities	**4,944**	**-**	**-**	**-**	**4,944**
30 June 2017					
Trade and other payables	4,802	-	-	-	**4,802**
Related party payables	385	-	-	-	**385**
Total undiscounted financial liabilities	**5,187**	**-**	**-**	**-**	**5,187**

19. Risk management and financial instruments information continued…

d) Derivative financial instruments

MACC uses derivative financial instruments to hedge financial risk from movements in interest rates. All such transactions are carried out within the parameters set by the third party.

Derivative financial instruments are carried at fair value and recorded in the Statement of Financial Position as assets and liabilities. Changes in values of derivative financial instruments are recognised in the profit and loss section of the statement of profit or loss or other comprehensive income.

e) Capital Management

MACC manages its capital requirements by assessing capital levels on a regular basis. The capital policy has been designed to:

- Ensure compliance with the Motor Accidents (Compensation) Commission Act, and prudential standards of the regulator (Northern Territory Government).
- Provide policies that will be consistent with an APRA regulated organisation.

The adequacy of the MAC Fund's capital is measured as a solvency ratio of retained earnings to net outstanding claims. Although there is no minimum regulatory capital ratio to which the MAC Fund is required to comply, the minimum target set by the Northern Territory Government has been exceeded at all times during the current financial year.

The following table provides information about MACC's capital resources:

	2018	2017
	$'000	**$'000**
Retained earnings	194,811	195,234
Total capital resources	**194,811**	**195,234**

MACC

The MAC Commissioner requires MACC to maintain the minimum levels of capital taking into account regulation 19 (2) (b) of the Motor Vehicles Regulations. These regulations set a minimum solvency level which the MAC Scheme must comply with.

19. Risk management and financial instruments information continued...

f) Fair values

The fair values of listed held for trading financial assets have been determined using market values.

The fair values of derivatives have been calculated by discounting the expected future cash flows at applicable interest rates. The fair values of other financial assets have been calculated using the market interest rates.

The carrying amount of receivables, cash at bank, insurance recoveries and creditors approximate their fair value due to their short term nature. The carrying amount of loans and advances and deposits are not materially different from their fair values.
The following table provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

19. Risk management and financial instruments information continued...

MACC

30 June 2018	Carrying Amount			Fair Value			
	Held-for-trading $'000	Fair value - hedging instruments $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets							
Derivative instruments							
Interest rate swaps	-	15,195	**15,195**		15,195	-	**15.195**
Non-derivative instruments							
Short term deposits	-	-	**-**	-	-	-	**-**
Bonds	259,468	-	**259,468**	259,468	-	-	**259,468**
Units in unlisted trusts	325,011	-	**325,011**	-	325,011	-	**325,011**
Total	**584,479**	**15,195**	**599,674**	**259,468**	**340,206**	**-**	**599,674**
Financial Liabilities							
Derivative instruments	-	-	**-**	-	-	-	-
Interest rate swaps	-	-	**-**	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

MACC

30 June 2017	Carrying Amount			Fair Value			
	Held-for-trading $'000	Fair value - hedging instruments $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets							
Derivative instruments							
Interest rate swaps	-	14,296	**14,296**		14,296	-	**14,296**
Non-derivative instruments							
Short term deposits	35,000	-	**35,000**	35,000	-	-	**35,000**
Bonds	320,436	-	**320,436**	320,436	-	-	**320,436**
Units in unlisted trusts	217,723	-	**217,723**	-	217,723	-	**217,723**
Total	**573,159**	**14,296**	**587,455**	**355,436**	**232,019**	**-**	**587,455**
Financial Liabilities							
Derivative instruments	-	-	**-**	-	-	-	-
Interest rate swaps	-	-	**-**	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

19. Risk management and financial instruments information continued...

The fair value disclosure in 2018 represents MACC's financial assets and liabilities.

The fair values of financial assets and liabilities are determined as follows:

- The fair values of financial assets and liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market prices (includes, floating rate notes, bonds and units in unlisted trusts).
- The fair values of other financial assets and liabilities are determined using prices from observable current market data and other relevant models used by market participants (includes short term deposits, other floating rate investments and interest rate swaps).
- Financial instruments that do not have an active market are based on valuation techniques using market data that is not observable.

20. Commitments

	2018	2017
	$'000	$'000
(a) Non-cancellable operating leases where TIO/ MACC is the lessor		
Future minimum lease payments for rent receivable in relation to direct property held by MACC:		
Within one year	3,909	3,900
Later than one year but not later than five years	3,779	5,707
Later than five years	438	-
	8,126	**9,607**
(b) Management Agreement		
Future minimum base line fee payments for outsourcing arrangement:		
Within one year	13,450	13,174
Later than one year but not later than five years	53,801	52,694
Later than five years	26,901	39,521
	94,152	**105,389**

Certain properties, where MACC is a lessor, are leased under non-cancellable operating leases. Most leases are subject to annual reviews with increases subject to a set percentage or based upon either movement in consumer price indices or market criteria. Where appropriate, a right of renewal has been incorporated in the lease agreements.

Management Agreement refer Note 2.3 (k).

21. Impact of alternative net outstanding claims measurement

In accordance with a directive from the Treasurer of the Northern Territory Government, the net outstanding claims provision was restated using an alternative measurement basis. This basis has not been accounted for in the financial statements, the impact of this request is for illustrative purposes only.

The alternative method for the outstanding claims provision is measured as the present value of expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and "superimposed" inflation. The expected future payments are discounted to present value at the Statement of Financial Position date using a flat discount rate of 5.25%. Claims handling expense rate of 16% is used for the period applicable for MACC management agreement, a rate of 6% has been applied for the period after 30 June 2025. The impact of using the alternative measurement basis is reflected as follows:

21. Impact of alternative net outstanding claims measurement continued...

	Notes	30 June 2018	Alternative Measure	Change
Statement of Profit or Loss and Other Comprehensive Income		$'000	$'000	$'000
Revenue	5	153,446	152,704	(742)
Insurance expense		(6,285)	(6,285)	-
Claims expenses	12	(127,350)	(111,668)	15,682
Grants provided to fund road safety programs		(4,305)	(4,305)	-
Other expenses		(15,929)	(15,929)	-
Profit/(Loss) for the period		**(423)**	**14,517**	**14,940**

	Notes	30 June 2018	Alternative Measure	Change
Statement of Financial Position		$'000	$'000	$'000
Assets				
Cash and cash equivalents	7	61,225	61,225	-
Trade and other receivables	8	4,296	4,296	-
Other financial assets	9	599,674	599,674	-
Insurance and other recoveries receivable	10	140,262	116,289	(23,973)
Investment property	11	45,500	45,500	-
Total Assets		**850,957**	**826,984**	**(23,973)**
Liabilities				
Outstanding claims provision	12	615,153	481,229	133,924
Trade and other payables	14	5,383	5,383	-
Unearned CTP contributions	13	35,610	35,610	-
Total Liabilities		**656,146**	**522,222**	**133,924**
Net Assets		**194,811**	**304,762**	**109,951**
Equity				
Opening Retained Earnings		195,234	290,245	95,011
Profit/(Loss) for the period		(423)	14,517	14,940
Total Equity	15	**194,811**	**304,762**	**109,951**

22. Events subsequent to balance date

There are no events subsequent to balance date.

23. Contingent liabilities and contingent assets

a) Contingent liabilities
MACC has legal matters in progress which arise in the normal course of business. MACC defends such matters; however the outcome and quantum of any liabilities are contingent upon the Courts' decisions.

b) Contingent assets
MACC has no contingent assets.

Appendix 1 of the Annual Report

Regulatory Capital

Under the Motor Accidents Compensation Commission Act, MACC is regulated for prudential purposes by the Northern Territory Government through Treasurer's Determinations that state the MAC Fund must separately comply with all APRA prudential standards unless any standard is specifically exempted.

MACC

MACC is exempt from the APRA prudential standards GPS110 to GPS 116.

The solvency of the MACC is measured as a ratio of Capital over Liabilities plus 100%, as defined in Treasurer Determination 1/2017.

As at 30 June 2018, the Solvency ratio was 138%.

Auditor-General

Independent Auditor's Report to the Treasurer
Motor Accidents (Compensation) Commission

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Opinion

I have audited the accompanying financial report of the Motor Accidents (Compensation) Commission, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the Motor Accidents (Compensation) Commissioner's statement.

In my opinion the accompanying financial report of the Motor Accidents (Compensation) Commission, is in accordance with Australian Accounting Standards and the *Motor Accidents (Compensation) Commission Act,* including:

- Giving a true and fair view of the Commission's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- Complying with *International Financial Reporting Standards* as disclosed in Note 2.1.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the Motor Accidents (Compensation) Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matters	Audit scope response to the Key Audit Matter
Valuation of Outstanding Claims Provision and Insurance and Other Recoveries Receivable	
The determination of the value of the Outstanding Claims Provision and associated value of Insurance and Other Recoveries Receivable involve significant assumptions and judgements by management and complex actuarial calculations.	My procedures included but were not limited to: ▪ obtaining the independent Third Party Valuation of Claims Liability and Recoveries Report for the financial year ended 30 June 2018 and:

Auditor-General

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Key Audit Matters	Audit scope response to the Key Audit Matter
	○ assessing the valuation report for appropriateness, including evaluating the work of the expert; ○ confirming the final valuation agrees to the balances reported within the financial statements as at 30 June 2018; and ○ agreeing total claims paid as documented within the valuation report to the total claims recorded in the general ledger. ▪ testing benefit and claim payments from the claims recording system to the general ledger. ▪ evaluating estimation uncertainty of the accounting estimates by assessing the following: ○ management's consideration of alternative assumptions or outcomes and the basis upon which assumptions have been determined; ○ determining whether the significant assumptions used by management appear reasonable; and ○ when relevant to the reasonableness of the significant assumptions used by management or the appropriate application of the applicable financial reporting framework, management's intent to carry out specific courses of action and its ability to do so.

Other Information

The Motor Accidents (Compensation) Commissioner is responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon. My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Auditor-General

Responsibilities of the Motor Accidents (Compensation) Commissioner for the Financial Report

The Motor Accidents (Compensation) Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Motor Accidents (Compensation) Commission Act*, and for such internal control as the Motor Accidents (Compensation) Commissioner determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Motor Accidents (Compensation) Commissioner is responsible for assessing the Motor Accidents (Compensation) Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Motor Accidents (Compensation) Commission or to cease operations, or has no realistic alternative but to do so.

The Motor Accidents (Compensation) Commissioner is responsible for the overseeing Motor Accidents (Compensation) Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Motor Accidents (Compensation) Commission's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor-General

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Motor Accidents (Compensation) Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Motor Accidents (Compensation) Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

3 October 2018

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