Northern Territory
Auditor-General's Office

Follow-up of Effectiveness of Internal Audit and Audit Committees Review

Auditor-General's Report
to the Legislative Assembly
No 2: 2026-27

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

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

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The Speaker
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Auditor-General's Report to the Legislative Assembly No. 2 of 2026-27

In accordance with section 24 of the *Audit Act 1995*, I submit to the Legislative Assembly my report on the follow-up review of the effectiveness of internal audit and audit committees in government departments and agencies.

The report presents an assessment of the progress made by the Department of Treasury and Finance in implementing our audit recommendations. It also examines the extent to which government departments and agencies have enhanced the effectiveness of their internal audit functions and audit committees since our 2025 report.

Jara K Dean
Auditor-General

24 August 2026

Auditor-General's Report to the Legislative Assembly

No 2: 2026-27

Follow-up of Effectiveness of Internal Audit and Audit Committees Review

Preface

Audit committees are a fundamental component of good corporate governance. While their establishment and operation in the public sector are governed by legislation and regulations, this report found that audit committee structures and practices vary across government departments and agencies. To some extent, this is expected given the differences in the size, complexity, risk profile and operating environment of individual entities.

However, an effective audit committee is not defined solely by its structure or compliance with governance requirements. Its role should be broad and responsive to changing risks and expectations. Most importantly, it should comprise individuals with the right skills, experience and independence to provide effective oversight and challenge. Of all the characteristics expected of audit committee members, independence remains the most important. Where those charged with oversight are also responsible for the day-to-day management of the organisation, there is a risk that the committee is effectively marking its own homework.

These attributes became even more important in 2025-26 when four agencies became subject to mandatory financial statement audits. As a result, their audit committees assumed additional responsibilities for overseeing financial reporting and the external audit process, alongside their existing oversight of internal audit, risk management and internal controls.

I was pleased that several departments have commenced initiatives that were not in place at the time of the original review, including the development of assurance maps, implementation of internal quality assessments, competency reviews of audit committee members, and planned evaluations of committee performance. In many instances, departments have either implemented the observations or are actively working towards implementation.

While progress has been encouraging, the survey results also demonstrate that opportunities remain to further strengthen the effectiveness and maturity of internal audit functions and audit committees across the public sector. The next stage of addressing the observations from the 2025 review will require a stronger focus on performance measurement, independent assurance, skills assessment, continuous improvement and accountability.

Reports such as this, together with initiatives including the audit committee forum convened by my office earlier this year, are intended to support departments and agencies in improving their governance arrangements and sharing better practices. I was also pleased to note that the number of government departments that regularly invite me to attend their audit committee meetings has doubled to 12 since the publication of the original report.

I thank everyone who participated in the survey and provided assistance with this report.

Jara K Dean
Auditor-General

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OVERVIEW

Introduction

In September 2025, we tabled our report on *Effectiveness of Internal Audit and Audit Committee*[1] across Northern Territory government departments and agencies.

We undertook this work because internal audit functions and audit committees are critical components of the public sector governance framework. They are two of the four pillars of effective governance, alongside executive management and external audit. As Northern Territory government departments and agencies are not routinely subject to independent external audit[2] and the Auditor-General's performance audit mandate is limited in scope[3], effective internal audit functions and audit committees take on even greater significance. They provide a vital source of independent oversight and assurance, helping chief executive officers discharge their responsibilities and strengthening accountability, transparency and public confidence in government administration.

Corporate Governance

Processes and structures to inform, direct, manage and monitor activites

Internal Audit | Audit Committee | Executive Management | External Audit

Objective of the review

The objective of the follow-up review was to assess the progress made by the Department of Treasury and Finance in implementing our audit recommendations.

The review also examined whether government departments and agencies had considered the report's observations and elected to adopt them as examples of good practice to strengthen their own governance arrangements.

Through this work, we sought to determine the extent to which the report had influenced governance practices across the public sector and whether departments and agencies had taken steps to enhance the effectiveness of their internal audit functions and audit committees.

[1] Auditor-General's Report to the Legislative Assembly No 3: 2025-26, tabled on 2 September 2025.

[2] The *Financial Management Act 1995* does not require the financial statements included in agency annual reports to be independently audited unless directed by the Treasurer.

[3] The *Audit Act 1995* restricts Auditor-General's performance audit functions to auditing performance management systems.

How we conducted the review

This follow-up review was distinct from a follow-up audit. It did not involve the verification of responses through detailed testing. Rather, it was designed as a self-assessment of progress by individual government departments and agencies in considering and implementing the observations made in our 2025 report. Where necessary, we sought clarification from respondents to ensure an accurate assessment, particularly where responses were unclear or appeared inconsistent with our understanding of existing governance arrangements.

Government departments and agencies were asked to complete an online survey to support the review. The survey questions are provided in Appendix C *Survey questions*. The survey opened on 3 May 2026 and was scheduled to close on 22 May 2026. However, the review timeline was extended due to a number of late responses. The final survey response was received on 20 July 2026.

In collating and assessing the responses, we applied weighted scoring to the factors considered under each question and governance principle. Scores achieved against each principle were then used to determine the overall level of implementation. This approach enabled us to assess, in a consistent manner, the extent to which government departments and agencies had considered and adopted the observations and better practices outlined in the 2025 report.

What did we observe?

Areas that improved

- **Internal audit charters are largely in place**

  Seventeen of 20 government departments and agencies had fully implemented internal audit charters that clearly defined the internal audit function's purpose, authority, responsibility and reporting lines. This demonstrates that most departments have established the foundational governance framework necessary for an effective internal audit function.

- **Stronger alignment of internal audit plans with risk**

  The results indicate significant progress towards risk-based internal auditing, with 65 per cent of departments reporting that their internal audit plans are explicitly linked to strategic and operational risks. This suggests that audit resources are increasingly being directed towards areas of greatest risk and importance rather than focusing solely on compliance activities.

- **Most departments are tracking internal audit costs**

  The majority of departments reported tracking internal audit costs. While reporting those costs to audit committees and in annual reports remains an area for improvement, the establishment of cost-tracking mechanisms is an important first step towards assessing efficiency and value for money.

- **Improved focus on audit committee skills and expertise**

  The results suggest that departments increasingly recognise the importance of appropriately skilled audit committees:

  - sixty per cent of departments have amended their terms of reference to require specialised expertise relevant to the department
  - almost all departments reported having members with expertise in governance, risk management, financial reporting and public sector regulatory frameworks.

- **Better understanding of compliance oversight responsibilities**

  Nineteen of 20 departments reported that their audit committee terms of reference explicitly define responsibility for overseeing compliance frameworks and monitoring adherence to legislation, policies and guidelines.

  This directly addresses one of the key concerns raised in the 2025 report and demonstrates that departments have strengthened the formal governance role of audit committees.

- **Recognition of the need for performance evaluation**

  The survey showed that:

  - twenty-five per cent of departments have undertaken a formal audit committee self-evaluation
  - an additional 20 per cent have evaluations scheduled
  - sixty-five per cent of departments sought feedback from Chief Executive Officers regarding committee performance.

  This suggests an increasing awareness that audit committees should periodically assess their effectiveness and seek opportunities for improvement.

Areas for improvement

While the follow-up review demonstrated positive progress in strengthening governance arrangements in government departments and agencies, several areas continue to require attention before the objectives of the original report can be considered fully achieved.

- **Quality assurance of internal audit remains weak**

  The most significant area requiring improvement is the evaluation of internal audit functions. Although some departments have undertaken internal assessments, no departments reported completing an independent external evaluation of their internal audit function during the review period. As a result, there remains limited independent assurance that internal audit functions are operating effectively, efficiently and in accordance with professional standards.

- **Assurance mapping has not yet been embedded**

  Most departments still do not have a fully implemented assurance map. While many are developing one, the absence of assurance mapping limits the ability of management and audit committees to identify assurance gaps, reduce duplication and gain a complete picture of how key risks are being monitored and managed.

- **Internal audit plans are not always completed on time**

  Several departments continue to experience delays in completing planned audit activities. Some reported completion rates below 80 per cent, while others indicated they were behind schedule or did not measure completion rates at all. Delays in completing audits can result in assurance being provided too late to effectively address emerging risks and control weaknesses.

- **Audit committees are not receiving sufficient cost information**

  Although most departments track internal audit costs, only a small proportion report those costs to their audit committees. This limits audit committees' ability to assess the efficiency, effectiveness and value-for-money of the internal audit function and to make informed decisions regarding resource allocation.

- **Audit committee independence remains a concern**

  A small number of departments continue to operate audit committees without independent members, while others have only limited external representation. This can make it difficult to separate management responsibilities from oversight responsibilities and may reduce the committee's ability to provide objective challenge and independent advice.

- **Skills assessments are not routinely undertaken**

  Most audit committees have not formally assessed the competencies, experience and knowledge of their members during the previous 12 months. Without regular skills assessments, committees may be unaware of capability gaps and may not be adequately equipped to respond to changing risks, emerging issues or future succession requirements.

Conclusion

Overall, the follow-up survey indicates that government departments and agencies have made meaningful progress in addressing the observations arising from the *Effectiveness of Internal Audit and Audit Committees* report. The strongest improvements have been in strengthening governance frameworks.

However, the survey also indicates that the maturity of these arrangements remains inconsistent across government. While foundational governance structures are now largely in place, many departments are yet to fully embed the practices that demonstrate effective oversight and continuous improvement. This suggests that the next stage of addressing the observations from the 2025 review will require a stronger focus on performance measurement, independent assurance, skills assessment, continuous improvement and accountability.

Department of Treasury and Finance

In our 2025 report, we made five recommendations to the Department of Treasury and Finance, as the agency responsible for developing and maintaining mandatory guidelines for Northern Territory government departments and agencies subject to the *Financial Management Act 1995*. The recommendations were aimed at strengthening the accountability and transparency of internal audit and audit committee functions and improving the composition and independence of audit committees.

The Department of Treasury and Finance, in its response to the 2025 report, agreed to consider our recommendations as part of the development of a new Treasurer's Direction on Internal Controls. Through the follow-up survey, the Department of Treasury and Finance advised that it had accepted three of the five recommendations and intended to incorporate them into the revised Treasurer's Direction. At the time of this review, the updated Treasurer's Direction had not yet been issued, meaning the recommendations had not been fully implemented.

As a result, the extent to which the revised requirements will strengthen governance arrangements across the public sector will depend on the timely release of the revised Treasurer's Direction and its subsequent adoption by government departments and agencies.

Status of recommendations

The status of recommendations made to the Department of Treasury and Finance is summarised in Table 1.

Table 1: Recommendations to the Department of Treasury and Finance and their status

Recommendations	Status
Recommendation 3 Treasurer's directions should mandate that processes are in place for the evaluation of the effectiveness and efficiency of internal audit, including ongoing monitoring, periodic internal assessments, and mandatory external evaluations. Consideration should be given to creating a uniform quality assurance and improvement plan for all government departments.	✔
Recommendation 4 Treasurer's directions should mandate government departments to include in their annual reports key performance indicators for their internal audit function.	⊖
Recommendation 9 Treasurer's directions should mandate government departments to include in their annual reports the cost of their internal audit function. This includes fees paid to external professional service providers and in-house cost.	⊖

Recommendations	Status
Recommendation 10 Treasurer's directions and audit committee's terms of reference should include more explicit criteria for the independence of audit committee members that specifically address independence from the broader Northern Territory Government, not just the individual government department. This should also include a cooling-off period for former public service employees, such as chief executives, senior executives, senior officers and other officers before they can be appointed as members of audit committees.	✓
Recommendation 14 Treasurer's directions should mandate regular evaluation and continuous improvement of audit committee's performance and provide guidance to audit committees on how to effectively assess and improve their performance practices. For example, the assessment should integrate the audit committee's annual work plan and a baseline level of maturity in areas of focus to measure improvements over time.	✓

✓ Accepted ! Partially accepted − Not accepted

Conclusion

Overall, the Department of Treasury and Finance agreed to implement 60 per cent of our recommendations from the 2025 report.

Although the Department of Treasury and Finance did not accept the recommendations to mandate the reporting of internal audit key performance indicators and costs, our survey results indicate that a number of departments had planned to adopt these practices. Several departments reported that key performance indicators and the cost of their internal audit functions will be included in their 2025-26 annual reports, demonstrating a commitment to greater transparency and accountability.

This outcome suggests that, even in the absence of a mandated reporting requirement, some departments recognise the value of publicly reporting information on the performance and resourcing of their internal audit functions. Such reporting enhances transparency, enables stakeholders to better understand the extent of investment in assurance activities, and supports more informed assessments of the effectiveness of governance arrangements across the public sector.

We regard the overall rate of implementation of recommendations made to the Department of Treasury and Finance as reasonable.

Comments and submissions

A draft report was provided to each government department and agency who participated in the review for comments on 31 July 2026 in accordance with section 24(a) of the *Audit Act 1995*.

Responses received

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

- Attorney-General's Department
- Department of Agriculture and Fisheries
- Department of Corporate and Digital Development
- Department of Corrections
- Department of Education and Training
- Department of Health
- Department of Lands, Planning and Environment
- Department of Mining and Energy
- Department of Trade, Business and Asian Relations
- Department of Treasury and Finance
- Office of the Integrity and Ethics Commissioner[4].

Response from the Department of Treasury and Finance

The Department of Treasury and Finance (DTF) is continuing its review and redevelopment of the Treasurer's Direction on Internal Controls. While a number of recommendations from the 2025 review have been accepted and will be incorporated into the revised Treasurer's Direction, Treasury will also consider the findings and recommendations arising from this survey. Where appropriate, additional measures may be implemented to further strengthen governance, oversight and assurance practices across the Northern Territory public sector.

The Department of Treasury and Finance appreciates the work undertaken by the Northern Territory Auditor-General's office and will continue to work collaboratively to support effective governance, internal control and accountability arrangements across government.

Tim McManus
Under Treasurer

11 August 2026

The responses from other government departments and agencies are included in the *Comments and Submissions* section of the report.

[4] Formerly the Office of the Independent Commissioner Against Corruption

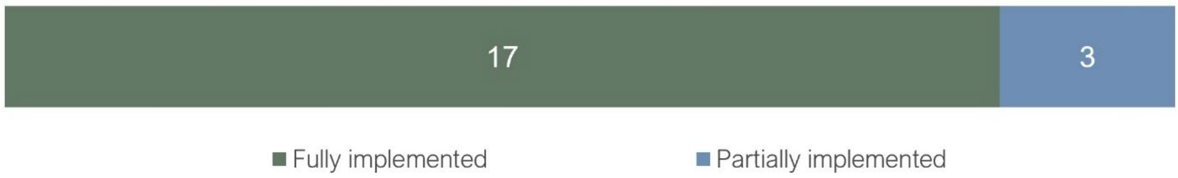
INTERNAL AUDIT

Internal audit is a function of management that helps to evaluate the effectiveness of internal controls and ensure that the government department's operations comply with policies and procedures. Internal audit adds value by helping to identify potential risks and opportunities for improvement in the department's operations.

Internal audit charter

While most departments and agencies have current internal audit charters in place, the survey results indicate that opportunities remain for some entities to strengthen their governance arrangements by ensuring that internal audit charters are reviewed, approved and maintained on a timely basis.

Figure 1: Rate of implementation of Observation number 1



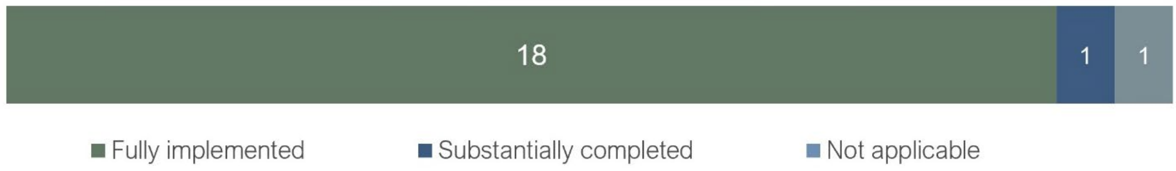
An internal audit charter is a key governance document that defines the purpose, authority and responsibilities of the internal audit function. To remain effective and aligned with an organisation's governance arrangements, the charter should be reviewed and updated periodically.

Our survey results indicate that most government departments and agencies had reviewed their internal audit charters within the previous 24 months. We identified two departments that had reviewed their internal audit charters within the past three years, in accordance with the review frequency prescribed by their charters.

Governance documents like policies and charters should be reviewed at least once every 12 to 24 months, with major updates triggered immediately by significant changes. Periodic review of internal audit charters is important to ensure they continue to reflect current governance arrangements, responsibilities, organisational risks and better practice standards. Regular review also helps to ensure internal audit functions remain appropriately positioned and empowered to provide effective assurance and advice to accountable officers.

The majority of government departments and agencies have established internal audit charters that adequately define the internal audit function. This is a positive result, as a well-defined and approved charter provides the foundation for an effective internal audit function by clearly articulating its mandate, authority, responsibilities and reporting relationships. Clear definitions help ensure the internal audit function can operate independently, access the information required to perform its work, and be held accountable for delivering its responsibilities. They also reduce ambiguity regarding roles and expectations, support consistent oversight by audit committees and management, and strengthen confidence in the assurance provided by internal audit.

Figure 2: Rate of implementation of Observation number 2



Quality Assurance and Improvement Program

The 2025 report sought to strengthen the effectiveness and efficiency of internal audit functions through the establishment of a formal Quality Assurance and Improvement Program, including:

- ongoing monitoring
- periodic internal assessments
- regular independent external evaluations.

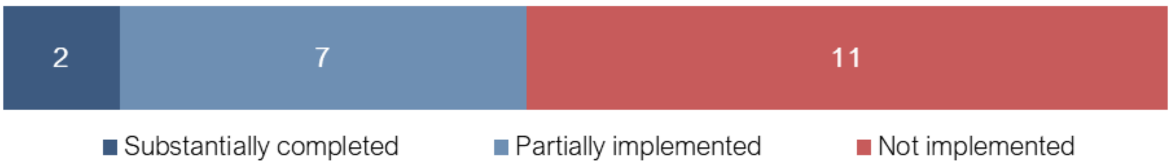
The underlying objective was not simply to perform audits, but to ensure that the internal audit function itself is subject to systematic review and continuous improvement, consistent with the Global Internal Audit Standards.

The responses indicate that most departments continue to focus on the delivery of internal audit activities without the systematic evaluation of the effectiveness of the internal audit function itself.

While 40 per cent of departments reported undertaking an internal assessment of their internal audit function in the past 12 months, no departments reported undertaking an independent external evaluation over the same period.

External evaluations provide the strongest source of independent assurance regarding the effectiveness, efficiency and conformance of the internal audit function with professional standards. While a number of departments indicated that they intend to undertake an external evaluation in the future, none had established a defined timeframe for doing so. This suggests that although some progress has been made in implementing internal quality review processes, the broader objective of our recommendation to establish a systematic quality assurance and improvement framework comprising ongoing monitoring, periodic internal assessments and independent external evaluations has not yet been fully achieved across the government sector.

Figure 3: Rate of implementation of Observation number 3



Recognising the costs associated with formal external quality assessments, departments could consider establishing a cross-government peer review program. This could involve the development of a common quality assessment framework aligned with professional standards and periodic reviews undertaken by suitably experienced internal audit personnel or audit committee members from other departments.

Such an approach could provide a greater level of independence and objectivity than self-assessment alone, promote the sharing of good practices and consistency across government and help departments identify improvement opportunities at a lower cost

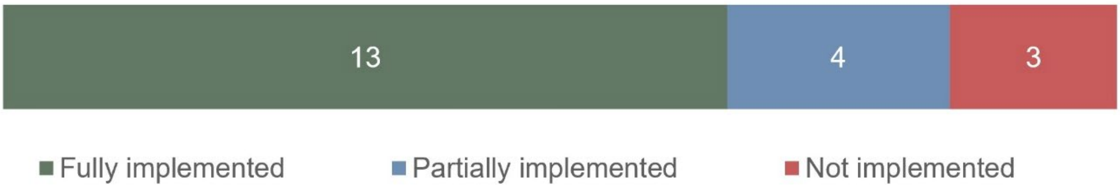
Although not equivalent to an independent external evaluation, a structured peer review process could provide a practical and economical mechanism for strengthening quality assurance arrangements.

Internal audit plans

The 2025 review found that, while some audit plans referenced departmental risks, many did not clearly demonstrate how audit activities were derived from the most significant strategic and operational risks, resulting in audit effort potentially being directed away from areas of greatest risk.

Survey responses indicate a marked improvement compared with the findings of the original review. Thirteen departments reported that their internal audit plans explicitly and demonstrably link to strategic and operational risks, suggesting that risk-based planning is becoming more embedded within internal audit functions.

Figure 4: Rate of implementation of Observation number 5



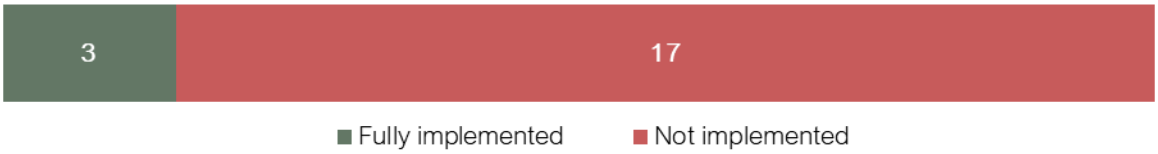
This result indicates progress towards the intent of the 2025 report, with most departments recognising that internal audit activities should be driven by organisational risks rather than solely by compliance-based or mandated audit requirements.

Assurance mapping

The 2025 review also found that the majority of departments lacked assurance maps or similar mechanisms to provide a comprehensive view of risk and control activities. The report noted that assurance maps help management and audit committees identify assurance gaps, avoid duplication of effort, coordinate assurance activities and demonstrate effective oversight of key risks.

Only three departments reported having an assurance map in place. Ten of the remaining 17 departments reported that they do not currently have an assurance map but are in the process of developing one. Most of these departments have identified target completion dates during 2026, with the majority aiming to finalise their assurance maps by September 2026.

Figure 5: Rate of implementation of Observation number 6



Departments without detailed assurance maps will continue to have limited visibility over the completeness of their assurance activities and may be unable to identify potential assurance gaps or duplication of effort.

We encourage government departments that have established assurance maps (Department of the Chief Minister and Cabinet, Department of Education and Training and Department of Treasury and Finance) to leverage existing audit committee, risk management and internal audit forums to share their approaches, templates and lessons learned with departments and agencies that are yet to implement them.

Such collaboration would improve consistency, reduce development costs, enhance assurance coverage across government and help departments more efficiently identify assurance gaps and overlaps.

Inefficiencies in internal audit

The 2025 review found that more than half of departments experienced delays in completing planned audits, resulting in backlogs, delayed assurance and reduced audit effectiveness. The report noted that effective internal audit functions should not only have approved audit plans, but also the capacity to execute those plans in a timely manner.

All departments reported that internal audit engagements are established with realistic timelines that take into account the complexity of the audit area. However, that planning has not consistently translated into timely completion of internal audits. While 11 departments reported internal audit program completion rates exceeding 80 per cent or programs being fully completed, several departments were behind schedule or did not measure completion rates of their internal audits.

Figure 6: Rate of implementation of Observation number 7

Overall, the results suggest that consistent and timely delivery of internal audit plans remains an area requiring further improvement across the sector.

Internal audit cost

Our 2025 review noted that government departments and agencies were not consistently tracking internal audit costs or reporting those costs to audit committees. This limited the ability of chief executive officers and audit committees to assess the cost-effectiveness, efficiency and value-for-money of internal audit functions.

Figure 7: Rate of implementation of Observation number 8

Survey responses suggest that departments have mechanisms to track internal audit costs. However, the benefits of this information are not being fully realised because most departments do not routinely report these costs to their audit committees. As a result, the principal concern identified in the 2025 report that audit committees lack sufficient information to assess the value and efficiency of internal audit functions remains relevant across much of the sector. Further attention is required to ensure that cost information is not only collected but also regularly reported and considered alongside audit performance information to support informed governance and resource allocation decisions.

AUDIT COMMITTEES

Audit committees in the public sectors have historically focused on internal audit: approving internal audit plan, reviewing progress of internal audits, reviewing internal audit reports and following up the implementation of internal audit recommendations.

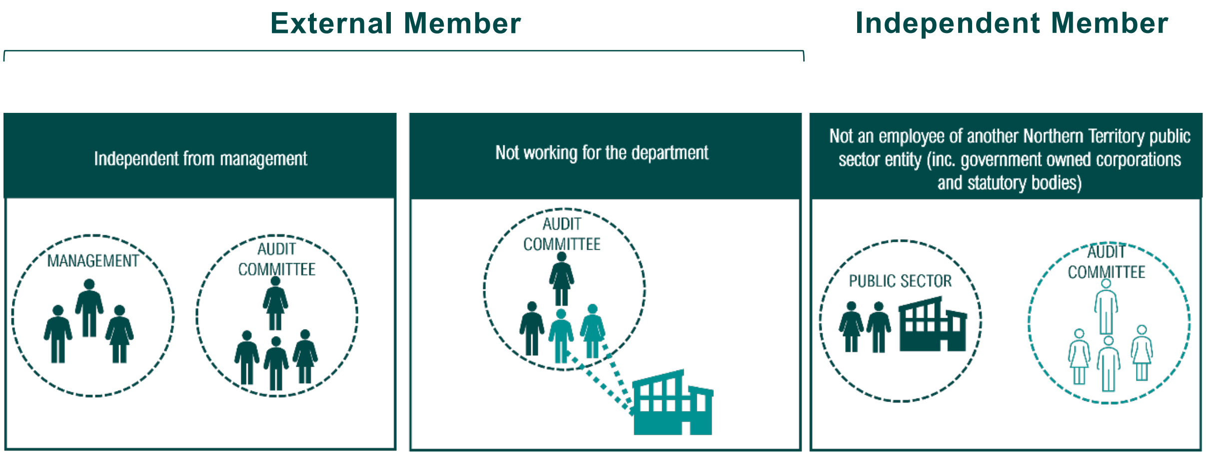
These days, audit committees should be providing independent advice to chief executive officers on a range of matters concerning the systems of risk management and internal control, and financial and performance reporting. Effective audit committees also play an important role in influencing better governance.

Independence and composition

The independence of audit committee members is crucial for their ability to provide objective oversight.

This principle aligns with professional standards, which emphasise that the internal audit function itself must operate independently with appropriate reporting lines to fulfil its responsibilities. By extension, an audit committee as the body responsible for overseeing internal audit, must also possess this independence.

We distinguish independent members from external members as follows:



The 2025 report sought to strengthen the independence of audit committees by requiring more explicit independence criteria for audit committee members, including independence from the broader Northern Territory Government and appropriate safeguards to manage actual or perceived conflicts of interest. The recommendation recognised that effective audit committees must be able to provide objective oversight and challenge management where necessary.

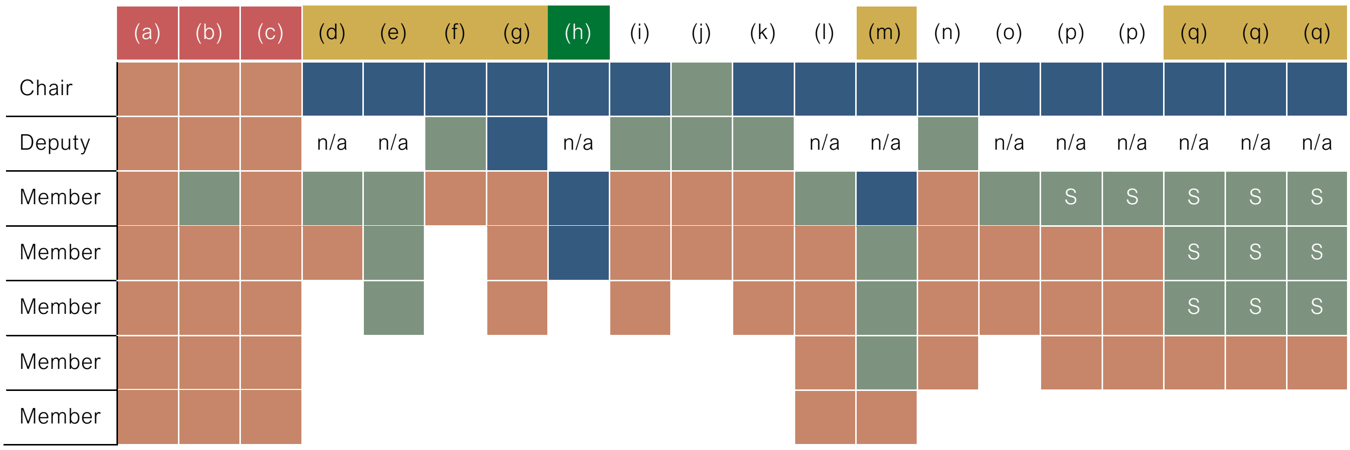
The survey results indicate that progress towards this recommendation has been mixed. While most departments have appointed at least one external or independent member to their audit committees, there remain notable exceptions.

Table 2 shows that government departments continue to have audit committees comprised entirely of members sourced from senior management within the department, with no independent or external representation. One department reported having one external member with the remaining five members being internal staff. One department had a mix of internal and external members, but no independent members.

Table 2: Composition of audit committee across government departments and agencies

(a)	Northern Territory Police Force	(k)	Department of Children and Families
(b)	Northern Territory Fire and Emergency Service	(l)	Department of Lands, Planning and Environment
(c)	Department of People, Sport and Culture	(m)	Department of Tourism and Hospitality
(d)	Department of the Legislative Assembly	(n)	Department of Corporate and Digital Development
(e)	Department of Logistics and Infrastructure	(o)	Office of the Independent Commissioner Against Corruption[5]
(f)	Department of Housing, Local Government and Community Development	(p)	Department of the Chief Minister and Cabinet
(g)	Department of Health	(p)	Department of Treasury and Finance
(h)	Department of Education and Training	(q)	Department of Agriculture and Fisheries
(i)	Department of Corrections	(q)	Department of Mining and Energy
(j)	Attorney-General's Department	(q)	Department of Trade, Business and Asian Relations

Good practice
Acceptable mix of independent and external members
Not good practice
Independent or external chair. However, independent and external members are outnumbered by internal staff



Independent member
External member
Internal staff member
S Indicates shared member(s)

[5] Office of the Integrity and Ethics Commissioner from 1 June 2026, refer Appendix A for details.

A number of these arrangements do not align with better practice governance principles. Where an audit committee contains no independent members, or only a limited external presence, it becomes difficult to effectively separate the day-to-day responsibilities of management from the committee's oversight role. The committee may be required to review decisions, controls and risks for which its own members have management responsibility, creating actual or perceived conflicts of interest and potentially limiting objective challenge.

Independence is particularly important in areas such as risk management, internal control, financial reporting, compliance and oversight of internal audit. Audit committees that lack independent members may be less able to challenge existing practices, bring external perspectives to governance issues or provide chief executive officers with unbiased advice. This was one of the key concerns identified in the original report, which noted that the absence of independent members can make separating management activities from oversight responsibilities "difficult, if not impossible".

The results suggest that while the overall composition of audit committees has improved across the sector, further work is required to ensure all departments have an appropriate balance of independent members. Doing so would strengthen the objectivity, credibility and effectiveness of audit committees and better align departmental governance arrangements with the intent of the 2025 report.

Skills of audit committee members

The terms of reference of 12 audit committees require members to have specialised expertise relevant to the agency. Regardless of whether specialised expertise is formally required by the terms of reference, most departments reported that their audit committee members collectively possess expertise in:

- governance
- risk management
- financial reporting
- public sector regulatory frameworks.

In addition, most departments reported access to department-specific expertise. Only four entities did not identify committee members with specialised expertise relevant to their department:

Figure 8: Rate of implementation of Observation number 11

Overall, it appears that the capability of audit committees has improved since the 2025 review as most departments continue to focus on appointing suitably qualified members. However, only 25 per cent of departments have undertaken a formal assessment of member competencies and mapped those skills against committee requirements during the past 12 months.

Figure 9: Rate of implementation of Observation number 12

These results suggest that an ongoing process for identifying capability gaps has not yet been embedded across most government departments.

Oversight and self-assessment

The 2025 review found that audit committee terms of reference often lacked sufficient detail regarding oversight of key governance responsibilities, particularly oversight of compliance frameworks and adherence to relevant legislation, policies and guidelines.

Nineteen of the twenty departments reported that their audit committee terms of reference explicitly define responsibilities for oversight of compliance frameworks and monitoring adherence to legislation, policies and guidelines. This represents a significant improvement from the position identified in the original report and suggests that departments have strengthened the clarity and comprehensiveness of their audit committee mandates.

Figure 10: Rate of implementation of Observation number 13

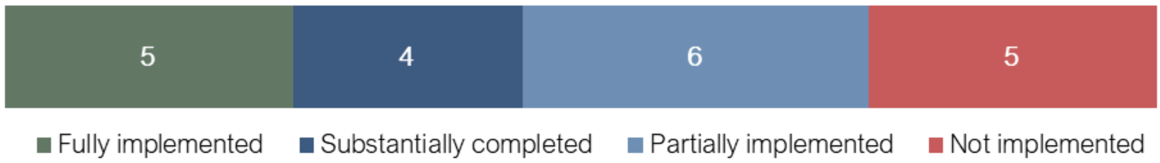
Audit committee self-assessment and continuous improvement

The survey results indicate some improvement since the original review, but implementation remains limited across much of the sector.

The most positive finding is that almost two-thirds of departments are now seeking feedback from their chief executive officer. This demonstrates a greater recognition that audit committees should actively consider whether they are meeting management expectations and fulfilling their governance responsibilities effectively.

However, self-evaluation remains low with only 25 per cent of departments reported conducting a formal self-assessment during the previous 12 months, while more than half reported undertaking no evaluation at all.

Figure 11: Rate of implementation of Observation number 14



Although a further 20 per cent have evaluations planned in the near future, this does not address the absence of a completed assessment during the reporting period.

COMMENTS AND SUBMISSIONS

Response from the Attorney-General's Department

I acknowledge the findings of the report and appreciate the continued attention you and your office has given to internal audit and audit committees as key components of the public sector governance framework.

I recognise that effective internal audit and audit committee arrangements require ongoing oversight and continual improvement, rather than a single point of compliance. Strengthening governance, assurance and internal audit capability remains a priority of mine, and I will ensure the department will continue to enhance these arrangements to support effective risk management and accountability.

I also welcome the anticipated implementation of the revised Treasurer's Direction on Internal Control by the Department of Treasury and Finance, and the greater consistency and clarity that a common set of requirements will provide across government.

Leonique Swart
Acting Chief Executive Officer

13 August 2026

Response from the Department of Agriculture and Fisheries

The Internal Audit function and Risk Management and Audit Committee (RMAC) have continued to implement the observations arising from *Report 3: 2025-26 Effectiveness of Internal Audit and Audit Committees.* Progress has continued since the survey was undertaken, and implementation of the remaining actions will continue to be monitored by the RMAC.

In relation to audit committee independence, the department's RMAC comprises one independent member, one internal member and three external members. This composition provides an appropriate balance of skills, experience and oversight, and is considered suitable for the department's circumstances. We acknowledge that this report confirms this composition reflects an acceptable mix of independent and external members.

The report also identifies best practice annual reporting disclosures relating to Internal Audit that have not been implemented. As these disclosures are not currently mandated under legislation or Treasurer's Directions, they have not been adopted by the department. The department will consider any future reporting requirements as they are introduced.

Continued on next page

Response from the Department of Agriculture and Fisheries cont.

Overall, the department remains committed to strengthening its internal audit and governance arrangements and acknowledges the important role of the Auditor-General in supporting continuous improvement across the Northern Territory Government.

Amelia Vellar
Chief Executive Officer

10 August 2026

Response from the Department of Corporate and Digital Development

The Department of Corporate and Digital Development acknowledges the observations and recommendations within the review and will consider relevant areas to further strengthen the department's internal audit and audit committee arrangements.

Catherine Weber
Chief Executive Officer

14 August 2026

Response from the Department of Corrections

The department acknowledges the Auditor Generals attention to internal audit, review of Audit Committees and the findings of the report.

The report and its finding is timely for the Department of Corrections. As a new department formed through the recent Machinery of Government changes, and with a newly established Risk Management and Audit Committee, it will guide the implementation and maturation of the Committee, its work programme, scope, reach and oversight of critical risk and audit matters across the department.

The establishment of a joint Internal Audit function, shared with [the Attorney-General's Department] is designed to encourage and promote both developing and sharing a professional and specialist knowledge base and the efficiency of limited availability of resources.

The department also welcomes the anticipated implementation of the revised Treasurer's Direction on Internal Control by the Department of Treasury and Finance, and to the greater consistency and clarity that a common set of requirements will provide across government.

Matthew Varley
Commissioner

21 August 2026

Response from the Department of Education and Training

The Department of Education and Training notes that most recommendations and observations from the review have been implemented and is committed to addressing the remaining actions. The Department of Education and Training is sharing risk assurance map resources and methodologies to some agencies and will continue to do so on request or through whole-of-government governance and risk communities of practice.

Aderyn Chatterton
Acting Chief Executive

10 August 2026

Response from the Department of Health

The Department of Health welcomes the Auditor-General's follow-up review of the Effectiveness of Internal Audit and Audit Committees Review and acknowledges the important role of internal audit and audit committee arrangements in supporting good governance, accountability, risk management and stewardship of public resources.

The Department notes the areas where the review identified full implementation of key governance elements, including the establishment of an Internal Audit Charter, defined internal audit responsibilities and reporting lines, reporting of internal audit key performance indicators, specialised expertise within the Audit Committee, and clearly defined compliance oversight responsibilities in the Audit Committee Terms of Reference.

The Department also acknowledges the observations and recommendations identifying opportunities for further maturity. A formal quality assessment of the internal audit function is programmed for this financial year to assess conformance with professional standards and identify further opportunities to strengthen internal audit effectiveness.

Internal audit planning is informed by risk assessments, emerging issues, NTG mandated audits and organisational priorities. The Department recognises, however, that documentation of the links between audit activity and enterprise risks can be further strengthened.

Assurance mapping has now been incorporated into the Department's 2026-27 Strategic Internal Audit Plan. Prior to this, the Department considered that further development of its enterprise risk management framework and risk analysis was necessary to ensure assurance mapping was informed by a sufficiently mature understanding of organisational risks and provided meaningful assurance insights.

Continued on next page

Response from the Department of Health cont.

The Department notes the observations regarding delivery of internal audit plans. While delivery against approved plans remains important, the Department considers a risk-based internal audit function must retain flexibility to respond to urgent business requirements, emerging risks and matters requiring further examination, including potential fraud and integrity concerns. Internal audit expenditure is monitored through the Risk, Audit and Integrity cost centre and managed through established monthly financial reporting processes.

The Department has strengthened audit committee independence through the appointment of an independent Chair and independent Deputy Chair. The Department also notes the observations regarding audit committee competency assessments and recognises and more formalised process may further support succession planning, capability development and continuous improvement.

The Department remains committed to strengthening internal audit, enterprise risk management and audit committee arrangements, and will use the Auditor-General's observations to guide ongoing improvement in support of public sector governance and the delivery of health services to Territorians.

The Department appreciates the opportunity to provide comment on the Auditor-General's report.

Susan Bowden
Acting Chief Executive

17 August 2026

Response from the Department of Lands, Planning and Environment

I am pleased to note that my Department has fully implemented Observations 1, 2, 5 and 7, as outlined in Attachment D of the report.

Control Area Recommendations 3 and 4 pertain to Treasurer's Directions. My Department maintains compliance with all Treasurer's Directions and will ensure that mandated processes are adhered to. In relation to Control Area Observation 6, the department is developing an assurance map to assist with the identification of assurance gaps, reduce duplication and better inform how key risks are being monitored and managed.

The internal audit process provides independence and assurance to ensure we are meeting the goals of the agency. I value the work that has been undertaken in the review and appreciate the opportunity to provide a response to the review report.

Joanne Townsend
Chief Executive Officer

12 August 2026

Response from the Department of Mining and Energy

The Internal Audit function and Risk Management and Audit Committee (RMAC) have continued to implement the observations arising from *Report 3: 2025-26 Effectiveness of Internal Audit and Audit Committees.* Progress has continued since the survey was undertaken, and implementation of the remaining actions will continue to be monitored by the RMAC.

In relation to audit committee independence, the department's RMAC comprises one independent member, one internal member and three external members. This composition provides an appropriate balance of skills, experience and oversight, and is considered suitable for the department's circumstances. We acknowledge that this report confirms this composition reflects an acceptable mix of independent and external members.

The report also identifies best practice annual reporting disclosures relating to Internal Audit that have not been implemented. As these disclosures are not currently mandated under legislation or Treasurer's Directions, they have not been adopted by the department. The department will consider any future reporting requirements as they are introduced.

Overall, the department remains committed to strengthening its internal audit and governance arrangements and acknowledges the important role of the Auditor-General in supporting continuous improvement across the Northern Territory Government.

Alister Trier
Chief Executive Officer

12 August 2026

Response from the Department of Trade, Business and Asian Relations

The Internal Audit function and Risk Management and Audit Committee (RMAC) have continued to implement the observations arising from *Report 3: 2025-26 Effectiveness of Internal Audit and Audit Committees.* Progress has continued since the survey was undertaken, and implementation of the remaining actions will continue to be monitored by the RMAC.

In relation to audit committee independence, the department's RMAC comprises one independent member, one internal member and three external members. This composition provides an appropriate balance of skills, experience and oversight, and is considered suitable for the department's circumstances. We acknowledge that this report confirms this composition reflects an acceptable mix of independent and external members.

The report also identifies best practice annual reporting disclosures relating to Internal Audit that have not been implemented. As these disclosures are not currently mandated under legislation or Treasurer's Directions, they have not been adopted by the department. The department will consider any future reporting requirements as they are introduced.

Overall, the department remains committed to strengthening its internal audit and governance arrangements and acknowledges the important role of the Auditor-General in supporting its continuous improvement across the Northern Territory Government.

Kelly Ralston
A/Chief Executive Officer

14 August 2026

Response from the Office of the Integrity and Ethics Commissioner

The Office of the Integrity and Ethics Commissioner welcomes the Auditor-General's review and acknowledges the opportunities identified to further strengthen governance arrangements. The Office remains committed to continuous improvement and will consider the report's observations as part of its ongoing program of enhancing assurance, risk management and audit committee practices.

Reece Kershaw
Chief Executive Officer

14 August 2026

APPENDIX A

Government departments and agencies included in the 2025 review and the follow-up survey

Attorney-General's Department

Department of Agriculture and Fisheries

Department of the Chief Minister and Cabinet

Department of Children and Families

Department of Corporate and Digital Development

Department of Corrections

Department of Education and Training

Department of Health

Department of Housing, Local Government and Community Development

Department of Lands, Planning and Environment

Department of the Legislative Assembly

Department of Logistics and Infrastructure

Department of Mining and Energy

Department of Tourism and Hospitality

Department of Trade, Business and Asian Relations

Department of Treasury and Finance

Department of People, Sport and Culture

Office of the Independent Commissioner Against Corruption[6]

Northern Territory Fire and Emergency Service

Northern Territory Police Force

[6] Renamed the Office of the Integrity and Ethics Commissioner from 1 June 2026 following the commencement of the *Integrity and Ethics Commissioner Act 2025* which brought together the functions of the Independent Commissioner Against Corruption, Ombudsman, Information Commissioner and Health and Community Services Complaints Commissioner under a single independent statutory office.

APPENDIX B

Complete list of 2025 recommendations and observations

Number	Recommendation or observation
Observation 1	Government departments should prioritise developing or finalising a comprehensive internal audit charter that clearly defines the purpose, authority, responsibility and reporting lines of their internal audit functions.
Observation 2	Audit committees should review the language and responsibilities in their department's internal audit charter to ensure that the purpose, authority, responsibility and reporting lines of their internal audit functions are clearly defined, appropriate and specific to the department.
Recommendation 3	Treasurer's directions should mandate that processes are in place for the evaluation of the effectiveness and efficiency of internal audit, including ongoing monitoring, periodic internal assessments, and mandatory external evaluations. Consideration should be given to creating a uniform quality assurance and improvement plan for all government departments.
Recommendation 4	Treasurer's directions should mandate government departments to include in their annual reports key performance indicators for their internal audit function.
Observation 5	Government departments, through their audit committees, should ensure that internal audit plans are explicitly and demonstrably linked to the significance of their strategic and operational risks.
Observation 6	Government departments should develop and maintain an assurance map to identify and address assurance gaps.
Observation 7	Heads of internal audit should implement robust project management for internal audit engagements, ensuring realistic timelines, clear milestones and proactive progress monitoring to ensure timely completion of internal audit projects.
Observation 8	Heads of internal audit should track internal audit cost and regularly report this, alongside performance against the audit plan, to the audit committee for effective oversight and value assessment.
Recommendation 9	Treasurer's directions should mandate government departments to include in their annual reports the cost of their internal audit function. This includes fees paid to external professional service providers and in-house costs.

Number	Recommendation or observation
Recommendation 10	Treasurer's directions and audit committee's terms of reference should include more explicit criteria for the independence of audit committee members that specifically address independence from the broader Northern Territory Government, not just the individual government department. This should also include a cooling-off period for former public service employees, such as chief executives, senior executives, senior officers and other officers before they can be appointed as members of audit committees.
Observation 11	Government departments should review and where necessary amend audit committee's terms of reference to include diverse and complementary mix of members with specialised expertise relevant to the department.
Observation 12	Audit committees should assess the current profile and skills lacking in its members to ensure that they collectively have the knowledge and understanding of the department's functions as well as expertise in areas including governance, risk management, financial reporting and public sector regulatory frameworks.
Observation 13	Government departments should review and where necessary revise audit committee's terms of reference to ensure they explicitly and comprehensively define the committee's oversight responsibilities.
Recommendation 14	Treasurer's directions should mandate regular evaluation and continuous improvement of audit committee's performance and provide guidance to audit committees on how to effectively assess and improve their performance practices. For example, the assessment should integrate the audit committee's annual work plan and a baseline level of maturity in areas of focus to measure improvements over time.

APPENDIX C

Survey questions

Observation 1

Does your department have an internal audit charter?

Observation 2

Does the internal audit charter clearly define the internal audits:

- Purpose
- Authority
- Responsibility
- Reporting lines?

Recommendation 3

Have you conducted an internal assessment of your internal audit function in the past 12 months?
Has an external evaluation been conducted on your internal audit function in the past 12 months?

Recommendation 4

For the 2024-25 Annual Report, did your department include key performance indicators for internal audit functions?

Observation 5

Does your internal audit plan explicitly and demonstrably link to the strategic and operational risks in your department?

Observation 6

Does your department have an assurance map to identify and address assurance gaps?
What date do you anticipate the assurance map to be finalised and approved?

Observation 7

What was the annual internal audit plan completion rate at the end of last financial year?
What is the likely annual internal audit plan completion rate for this financial year at the time of the survey?
Are internal audit engagements set up with realistic timelines (taking into account the complexity of the audit area, available resources and potential for interruptions), clear milestones and regular

Observation 8

Does your department track internal audit costs? This includes fees paid to external professional service providers and in-house costs.

Are these costs reported to the audit committee?

Recommendation 9

For the 2024-25 Annual Report, did your department report separately the costs of the internal audit functions?

Recommendation 10

What is the composition of your audit committee?

- Independent
- External
- Internal
- Shared
- N/A

Does your department require a cooling-off period for former public service employees before they can be appointed as independent members to the audit committee?

How long is the cooling-off period?

Observation 11

Does the audit committee Terms of Reference require members to have specialised expertise relevant to your department?
Do your members have expertise in the following?

- Governance
- Risk management
- Financial reporting
- Public sector regulatory frameworks
- Specialised expertise relevant to the department

Observation 12

In the past 12 months, has your audit committee assessed the key competencies, experience and knowledge of its members and mapped those against its requirements?

Observation 13

Do the terms of reference explicitly and comprehensively define the audit committee's responsibilities in overseeing the department's compliance framework and monitoring adherence to relevant legislation, policies and guidelines?

If no, who has the oversight responsibilities?

Recommendation 14

In the past 12 months, has your audit committee self-evaluated its performance?
In the past 12 months, did the audit committee seek feedback from the chief executive officer on its performance and areas for improvement?
In the past 12 months, did the audit committee seek feedback from other stakeholders on its performance and areas for improvement?

APPENDIX D

Assessment against observations and recommendations by department or agency

Department or agency/Control area	Observation 1	Observation 2	Recommendation 3	Recommendation 4	Observation 5	Observation 6	Observation 7
Attorney-General's Department	Fully implemented	Fully implemented	Not implemented	Substantially completed	Fully implemented	Not implemented	Substantially completed
Department of Agriculture and Fisheries	Fully implemented	Fully implemented	Not implemented	Not implemented	Fully implemented	Not implemented	Substantially completed
Department of Children and Families	Partially implemented	Fully implemented	Not implemented	Substantially completed	Not implemented	Not implemented	Not implemented
Department of Corporate and Digital Development	Fully implemented	Fully implemented	Partially implemented	Substantially completed	Not implemented	Not implemented	Not implemented
Department of Corrections	Partially implemented	Not applicable	Not implemented	Substantially completed	Partially implemented	Not implemented	Fully implemented
Department of Education and Training	Fully implemented	Fully implemented	Partially implemented	Not implemented	Fully implemented	Fully implemented	Substantially completed
Department of Health	Fully implemented	Fully implemented	Partially implemented	Fully implemented	Partially implemented	Not implemented	Partially implemented
Department of Housing, Local Government and Community Development	Fully implemented	Substantially completed	Not implemented	Substantially completed	Fully implemented	Not implemented	Partially implemented
Department of Lands, Planning and Environment	Fully implemented	Fully implemented	Partially implemented	Not implemented	Fully implemented	Not implemented	Fully implemented
Department of Logistics and Infrastructure	Fully implemented	Fully implemented	Not implemented	Not implemented	Fully implemented	Not implemented	Substantially completed
Department of Mining and Energy	Fully implemented	Fully implemented	Partially implemented	Not implemented	Fully implemented	Not implemented	Substantially completed
Department of People, Sport and Culture	Partially implemented	Fully implemented	Not implemented	Substantially completed	Not implemented	Not implemented	Not implemented
Department of the Chief Minister and Cabinet	Fully implemented	Fully implemented	Partially implemented	Not implemented	Fully implemented	Fully implemented	Substantially completed
Department of the Legislative Assembly	Fully implemented	Fully implemented	Not implemented	Not implemented	Fully implemented	Not implemented	Substantially completed
Department of Tourism and Hospitality	Fully implemented	Fully implemented	Partially implemented	Substantially completed	Partially implemented	Not implemented	Not implemented
Department of Trade, Business and Asian Relations	Fully implemented	Fully implemented	Not implemented	Not implemented	Fully implemented	Not implemented	Substantially completed
Department of Treasury and Finance	Fully implemented	Fully implemented	Partially implemented	Not implemented	Fully implemented	Fully implemented	Substantially completed
Northern Territory Fire and Emergency Services	Fully implemented	Fully implemented	Partially implemented	Not implemented	Partially implemented	Not implemented	Fully implemented
Northern Territory Police Force	Fully implemented	Fully implemented	Not implemented	Substantially completed	Fully implemented	Not implemented	Not implemented
Office of the Integrity and Ethics Commissioner	Fully implemented	Fully implemented	Not implemented	Not implemented	Fully implemented	Not implemented	Fully implemented

Department or agency/Control area	Observation 8	Recommendation 9	Recommendation 10	Observation 11	Observation 12	Observation 13	Recommendation 14
Attorney-General's Department	Not implemented	Not implemented	Not implemented	Fully implemented	Not implemented	Fully implemented	Fully implemented
Department of Agriculture and Fisheries	Partially implemented	Not implemented	Partially implemented	Fully implemented	Not implemented	Fully implemented	Partially implemented
Department of Children and Families	Partially implemented	Not implemented	Partially implemented	Partially implemented	Not implemented	Fully implemented	Substantially completed
Department of Corporate and Digital Development	Not implemented	Not implemented	Partially implemented	Fully implemented	Not implemented	Fully implemented	Partially implemented
Department of Corrections	Fully implemented	Not implemented	Partially implemented	Partially implemented	Not implemented	Fully implemented	Not implemented
Department of Education and Training	Fully implemented	Substantially completed	Fully completed	Partially implementation	Fully implemented	Fully implemented	Fully implemented
Department of Health	Partially implemented	Not implemented	Substantially completed	Fully implemented	Not implemented	Fully implemented	Partially implemented
Department of Housing, Local Government and Community Development	Fully implemented	Substantially completed	Partially implemented	Fully implemented	Fully implemented	Fully implemented	Substantially completed
Department of Lands, Planning and Environment	Partially implemented	Not implemented	Partially implemented	Partially implemented	Not implemented	Fully implemented	Substantially completed
Department of Logistics and Infrastructure	Partially implemented	Not implemented	Partially implemented	Fully implemented	Fully implemented	Fully implemented	Substantially completed
Department of Mining and Energy	Partially implemented	Not implemented	Partially implemented	Fully implemented	Not implemented	Fully implemented	Partially implemented
Department of People, Sport and Culture	Partially implemented	Not implemented	Not implemented	Not implemented	Not implemented	Not implemented	Not implemented
Department of the Chief Minister and Cabinet	Fully implemented	Not implemented	Partially implemented	Fully implemented	Fully implemented	Fully implemented	Fully implemented
Department of the Legislative Assembly	Partially implemented	Not implemented	Partially implemented	Partially implemented	Not implemented	Fully implemented	Fully implemented
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Department of Treasury and Finance	Fully implemented	Not implemented	Partially implemented	Fully implemented	Fully implemented	Fully implemented	Fully implemented
Northern Territory Fire and Emergency Service	Not implemented	Not implemented	Not implemented	Partially implemented	Not implemented	Fully implemented	Partially implemented
Northern Territory Police Force	Partially implemented	Substantially completed	Not implemented	Fully implemented	Not implemented	Fully implemented	Not implemented
Office of the Integrity and Ethics Commissioner	Fully implemented	Not implemented	Partially implemented	Partially implemented	Fully implemented	Fully implemented	Not implemented

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