



Auditor-General for the Northern Territory  
Auditing for Parliament

# Annual Report 2009 - 2010







**Northern Territory Auditor-General's Office**

*Auditing for Parliament*

# **Annual Report 2009 - 2010**

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# Our purpose (mission)

To contribute to the Legislative Assembly's scrutiny of the performance of government administration by providing independently analysed and credible information derived from audits of financial information, internal controls, and performance management systems of the Northern Territory public sector.

## Our vision

Be recognised as effective and efficient in identifying and analysing issues of substance about the performance of Northern Territory government administration, and in so doing encouraging improvement in public administration practices.

## Our desired outcomes

- Better informed Members of the Legislative Assembly.
- Better informed Agency managers.
- Improved public understanding of public sector performance.
- Increased attention within the Northern Territory public sector to:
  - accuracy of financial information;
  - timeliness of financial and performance information;
  - compliance with internal control and other governance requirements;
  - implementation of performance management systems and reporting of performance information.
- Assurance about the credibility of information contained in statutory financial reports prepared by public sector entities.

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# Foreword

It is my pleasure to present the annual report of the Northern Territory Auditor-General's Office (NTAGO) for the year ended 30 June 2010.

The Office is exempt from the normal requirements to submit an annual report to the Legislative Assembly. However, the preparation of a summary document such as this offers the opportunity to outline the achievements and performance of the NTAGO for the year.

The 2009-10 year saw a slight increase in the level of audit activity when compared with the result for 2008-09. Authorised audit activity increased by 2 per cent, although the number of audits decreased by 3, with that decline due the effect of a higher number of audits being undertaken during 2008-09 in connection with the creation of new local government shires.

In terms of its financial results, the Office recorded a deficit of \$118,000 after an equity injection of \$200,000. The net cash movement for the year was an increase of \$82,000 resulting in a cash balance of at \$444,000.

I would like to take this opportunity to thank my fellow staff members of the NTAGO, and my private sector authorised auditors who have been instrumental in helping the Office achieve its objectives for the year.

# Purpose of the report

The purpose of this Annual Report is to provide interested readers with a picture of the performance of the Northern Territory Auditor-General's Office (NTAGO) for the year ended 30 June 2010.

The annual reporting requirements of the NTAGO differ from those of other public sector entities. The Audit Act requires the Auditor-General to report to the Legislative Assembly at least once in each financial year. That requirement is generally satisfied by the submission of reports that outline the results of audits and such other matters as considered by the Auditor General to be relevant to the Legislative Assembly. Two reports were submitted to the Speaker during the year (November and February) for tabling in the Legislative Assembly, along with an additional report (June) covering the audit of Strategic Indigenous Housing and Infrastructure Program (SIHIP).

In addition, the Act also requires that the audited accounts of the NTAGO be tabled in the Legislative Assembly each year<sup>1</sup>.

Given the requirements of the Audit Act and bearing in mind the "arms-length" relationship between the Auditor-General and the Executive, the Public Sector Employment and Management (Exemption) Regulations exempt the Auditor-General from the requirement to submit an annual report to the Minister.

Notwithstanding the legislative provisions governing reporting by the NTAGO, it is important to ensure that those who may have an interest in the overall activities and performance of the NTAGO should receive information on the performance of the Office. This report is the vehicle through which that information is disseminated.

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<sup>1</sup> Refer to the following URL for all reports presented to Parliament.

<http://www.nt.gov.au/ago/publications.html>

# The role of the Auditor-General

The role of the Auditor-General is set out in section 13 of the Audit Act. The Act requires the Auditor-General to audit the Public Account and other accounts in such manner as he or she thinks fit having regard to the character and effectiveness of internal control and recognised professional standards and practices. The Act also permits the Auditor-General to conduct audits of performance management systems and it requires the Auditor-General to carry out audits as may be directed by the Minister, either generally or specifically, by an instrument in writing.

# Relationship between the Auditor-General and the Legislative Assembly

The Auditor-General is appointed by the Administrator and is deemed to be an officer of the Crown. Thus, while the Auditor-General is held to be independent of both the Legislature and the Executive in terms of discharging his or her obligations under the Audit Act, that Act does require the Auditor-General to submit a report to the Legislative Assembly at least once in each year.

This process establishes a relationship between the Legislative Assembly and the Auditor-General, through the activities of the Parliamentary Accounts Committee. That the Committee has, as part of its role, the scrutiny of Auditor-Generals' reports. In effect the Committee is the Auditor-General's principal point of access to the Legislative Assembly.

The Auditor-General's concerns are a reflection of his or her mandate under the Audit Act and can be summarised as:

- Accountability – have entities given full and accurate accounts of their activities and of their compliance with the Legislative Assembly's intentions through the annual reporting cycle and are governance and management arrangements suitable to address the concerns identified above?
- Authority – have activities, resourcing and accountability requirements been undertaken within the authority granted by the Legislative Assembly?
- Probity and Financial Prudence – are entities meeting parliamentary and public expectations of an appropriate standard of behaviour in the public sector?

In the discharging of functions under the Act, the Auditor-General is assisted by the Northern Territory Auditor-General's Office, an Agency established pursuant to the provisions of the *Financial Management Act*.

The Auditor-General also has obligations under the Public Interest Disclosure Act. That permits the Commissioner for Public Interest Disclosures to refer a public interest disclosure to a number of specified office holders, among them the Auditor-General. During 2009-10, two matters were referred to the Auditor-General under that Act.

# The NTAGO as an Agency

The NTAGO is established as an Agency under the Administrative Arrangements Order and, as an Agency, it is subject to the same legislative requirements that apply to other Agencies. Thus while the Auditor-General may be independent in terms of performing the functions set down under the Audit Act, he or she is answerable to the Chief Minister for the stewardship of the public resources provided to the NTAGO..

## The NTAGO's Internal Resources

The NTAGO is a small office comprising 5 positions, three of which are full-time and two part-time. The positions are as follows:

**Figure 1 – Internal Resources**

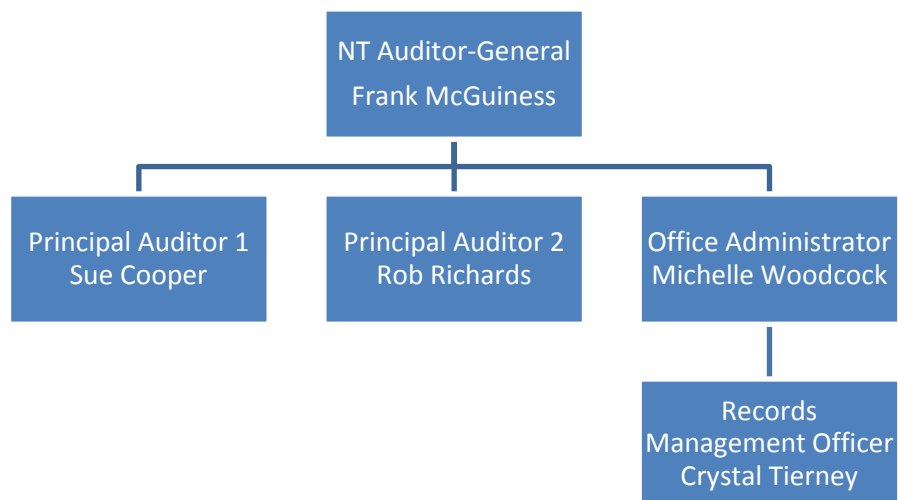
Name	Position
Frank McGuinness	Auditor-General
Susan Cooper	Principal Auditor
Rob Richards	Principal Auditor
Michelle Woodcock	Office Administrator
Crystal Tierney	Records Management Officer

Both administrative staff operated under flexible working arrangements throughout the year, varying between part-time and full-time in response to the work demands of the Office.

## The NTAGO as an Agency cont...

The Office reporting structure is shown in Figure 2, below

**Figure 2 – Organisational Chart**



### Areas of responsibility

The Auditor-General is supported by the Principal Auditors, who are responsible for the high level planning and the oversight of specific Agencies and audits. Both Principal Auditors are appointed as Authorised Auditors under the Audit Act Figure 3 highlights the areas of responsibility for the Principal Auditors.

## The NTAGO as an Agency cont...

**Figure 3 – Areas of Responsibility**

<b>Principal Auditor 1</b>	<b>Principal Auditor 2</b>
Charles Darwin University	Batchelor Institute of Indigenous Tertiary Education
Charles Darwin University Amenities Ltd	Data Centre Services
Charles Darwin University Foundation	Department of Business and Employment
Coburg Peninsula Sanctuary and Marine Park Board	Department of Health and Families
Construction Division	Department of Justice
Darwin Bus Service	Department of the Legislative Assembly of the NT
Darwin Port Corporation	Desert Knowledge Australia
Darwin Waterfront Corporation	Government Printing Office
Department of Chief Minister	Jabiru Town Development Authority
Department of Construction and Infrastructure	Natural Disaster Recovery and Relief Arrangements
Department of Education and Training	Northern Territory Legal Aid Commission
Department of Housing, Local Government and Regional Services	Northern Territory Major Events Company Pty Ltd
Department of Housing, Local Government and Regional Services: NT Home Ownership	Northern Territory Police, Fire and Emergency Services
Department of Natural Resources, Environment and the Arts and Sport	Northern Territory Electoral Commission
Department of Lands and Planning	Northern Territory Grants Commission
Department of Resources	NT Build
Land Development Corporation	NT Fleet
Menzies School of Health Research	Power and Water Corporation and Subsidiary Companies
Nitmiluk (Katherine Gorge) National Park Board	Public Trustee's Office
Northern Territory Treasury	Superannuation Funds
Northern Territory Treasury Corporation	Territory Insurance Office
Office of the Commissioner for Public Employment	
Ombudsman's Office	
Surveyors Board of the Northern Territory of Australia	
Territory Discoveries	
Territory Wildlife Parks	
Tourism NT	

## The NTAGO as an Agency cont...

### **The NTAGO's external resources**

In addition to our internal resources, the NTAGO works closely with a number of private sector firms, from which authorised auditors are drawn, to achieve the Auditor-General's audit mandate. Authorised auditors are persons who are appointed, in writing, by the Auditor-General pursuant to section 17 of the Audit Act and each person appointed is required to satisfy the Auditor-General as to his or her qualifications and experience.

In addition to the two Principal Auditors, authorised auditors were drawn from the following Darwin-based firms during the year:

- Deloitte Touche Tohmatsu
- KPMG
- Merit Partners
- TDH Chartered Accountants

The Office has contracts with each of these firms, with the contracts expiring on the 31st December 2011. The tendering process that is intended to result in contracts being executed for the period commencing 1st January 2012 is expected to commence in early 2011.



# The activities of the NTAGO

## **Provision of audit and other assurance services**

The Office conducts a range of audit and other assurance activities on behalf the Legislative Assembly. For 2009-10 the Office's activity involved the completion of 111 separate audits involving 18,507 hours of both authorised auditors' and internal resources employed across three broad classes of audits.

## **Financial Statement audits**

This class of activity relates to the Auditor-General's statutory duty to carry out audits of the annual financial statement prepared by the Treasurer, statutory bodies, Government Business Divisions and government owned companies.

The number of audit hours allocated to financial statement audits for 2009-10 was 11,466. This represented 65 per cent of the total audit hours allocated for the year

Financial statement audits lead to two main outputs:

- The audit report that is addressed to readers of the financial statements. It provides the auditor's independent opinion on whether the financial statements fairly reflect the financial performance and position of the entity being audited. In cases where the Auditor-General is satisfied that the information contained in a set of financial statements is reliable, an unqualified opinion is issued. However, if a material error or omission should be identified in the financial statements or if the financial statements depart from Australian Accounting Standards, a qualified opinion is issued.
- The management report that is addressed to the governing body of the public sector entity. For this purpose the governing body may be the board of a corporation or statutory body, or the Accountable Officer of an Agency. The management report sets out any significant issues identified by the auditor during the audit and provides recommendations for improving the public entity's controls, systems and processes.

## The activities of the NTAGO cont...

### **Compliance audits**

The accounts of Agencies are generally not audited and no audit opinion is issued on their annual financial statements. Agencies are viewed as an aliquot part of the Northern Territory Government, with financial information being audited as part of the audit of the Treasurer's Annual Financial Statement. Given this, Agency compliance audits are performed by the NTAGO with a focus on how well an Agency's Accountable Officer has implemented systems that enable the entity to comply with the legislated financial management and accountability requirements or those that have been mandated through various determinations, instructions or directions. Compliance audits also include reviews of selected internal control systems.

During the 2009-10 period, compliance audit activity absorbed 4,539 hours, 26 per cent of the total allocation of hours for the year.

### **Audits of Information Technology Systems**

All organisations depend to varying degrees upon information technology to hold data and to generate information that can be used to assess performance. Audits were undertaken during the year to assess the controls in place to ensure the integrity of data held in systems and the reliability of information.

### **Performance Management Systems**

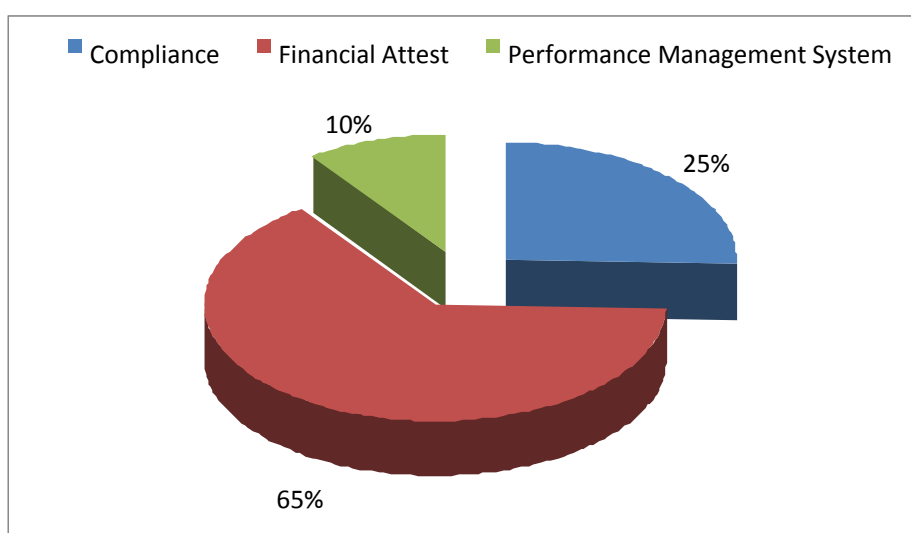
Performance management system audits absorbed 1,717 hours compared to 145 for the prior year

## The activities of the NTAGO cont...

### Allocation of NTAGO resources between classes of audit

The allocation of the NTAGO's resources between various classes of audit (as measured by actual payments to authorised auditors) for 2009-10 is shown in Figure 4:

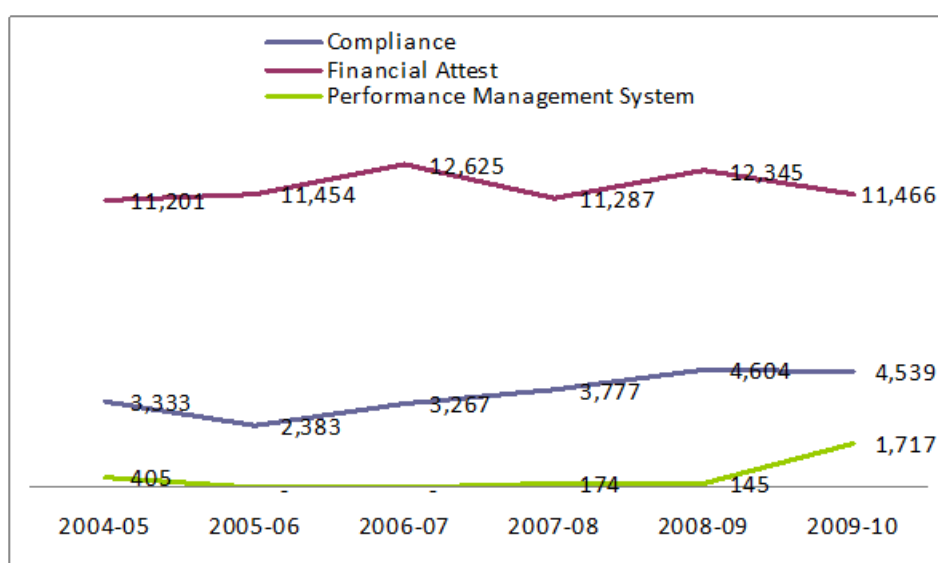
**Figure 4 – Audit Hours by Audit Type  
Percentage of total Hours**



## The activities of the NTAGO cont...

The allocation of audit resources over the five years ended 30 June 2010 is shown at Figure 5.

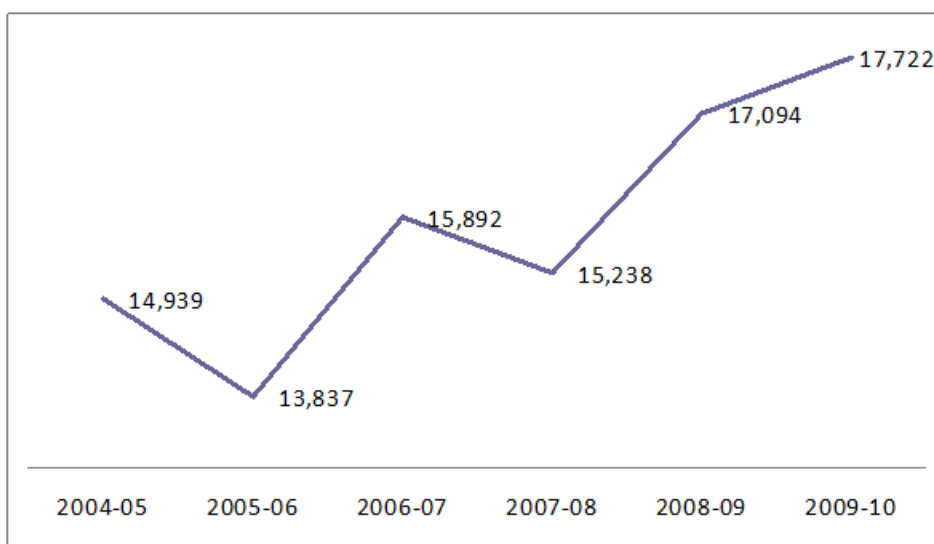
**Figure 5 – Allocation of Audit Hours**



## The activities of the NTAGO cont...

The trend in the total number of audit hours committed to all classes of audit is shown at Figure 6 and reinforces the information conveyed by Figure 5 which highlights the increase in new audit hours.

**Figure 6 – Audit Hours Committed**

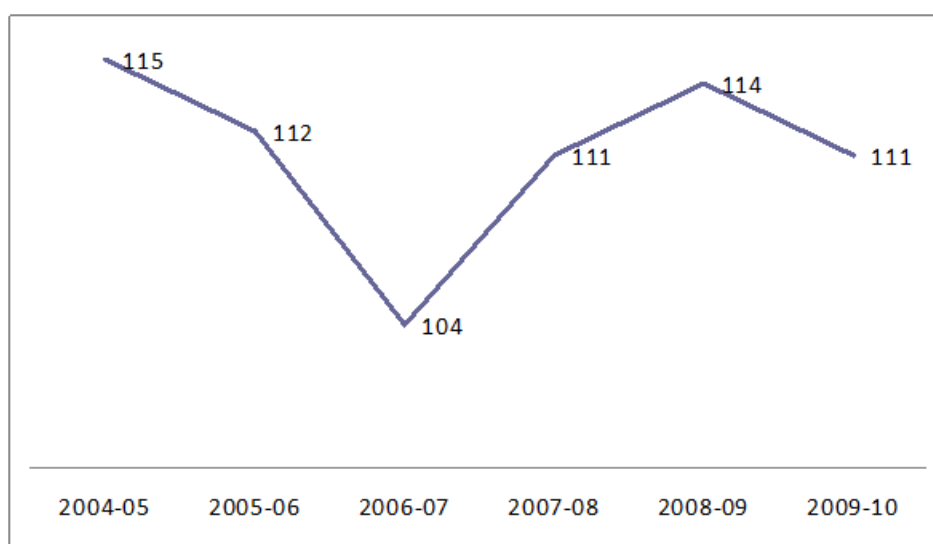


## The activities of the NTAGO cont...

The Office's level of activity for the past four years, as measured by its outputs, is illustrated in Figure 7 and shows the level of audit activity ended 30 June 2010 as measured by the number of completed audits.

The decline in the number of completed audits as shown in Figure 7 is a result of a number of "one off" audit being undertaken in 2008-09 as a result of the creation of local government shires.

**Figure 7 – Number of Audits Conducted**



# The auditing process – the service delivery relationship

There is a close working relationship between the NTAGO and the private sector authorised auditors. NTAGO staff work collaboratively with the Auditor-General to undertake planning, prepare guidelines for individual audit assignments, provide information and technical support, manage the contracts with the authorised auditors and conduct a small number of “in-house” audits.

The majority of field audit work is undertaken by the authorised auditors and they prepare the necessary working papers, draft reports, opinions and management letters for review by the Auditor-General and his staff. The responsibility for the content of correspondence to Agency managers and for reports submitted to the Legislative Assembly rests solely with the Auditor-General.

The heavy reliance upon private sector firms recognises the difficulties in recruiting appropriately qualified and experienced public sector auditors in a small jurisdiction and in providing suitable opportunities for career development. However, the approach adopted does allow the Office to take advantage of the significant pool of private sector audit experience that is available.

For 2009-10 the expenses incurred by the Office in having private firms provide audit services amounted to \$3.0 million and this represented 17,722 hours acquired from authorised auditors, a 3.5 per cent increase when compared with 17,094 hours for 2008-09 at a cost of \$2.9 million.

The relationship between the number of hours acquired from authorised auditors and the cost incurred by the NTAGO is affected by several factors. For example, the relative weighting between partners, managers and audit seniors can vary between audits, depending upon the nature and complexity of the audit in question. At the same time, the types of audits undertaken will also affect the mix of audit skills employed. For example financial, information technology or specialist insurance auditors may be used depending upon the nature of the audit and this, in turn, affects that average hourly cost of any particular audit.

# Our governance framework

Good corporate governance is intended to assist an organisation to achieve its outcomes and obligations through planning, decision-making and risk management.

The Office's corporate governance framework is intended to ensure the efficient use of resources, compliance with statutory and other external requirements, adherence to sound administrative and financial management practice and provides the framework within which the Auditor-General is accountable:

- to the Legislative Assembly for the discharge of the responsibilities allocated under the Audit Act., including the ways by which the strategies and goals of the Office are set, promoted and achieved; and
- to the Chief Minister for the stewardship of resources entrusted to the NTAGO.

These obligations are discharged through:

- Submission of reports to the Legislative Assembly each year, setting out the results of audits, together with any observations that may be relevant.
- Appearances by the Auditor-General before the Public Accounts Committee during which Committee has the opportunity to question the Auditor-General and his staff about the content of reports to the Legislative Assembly, and current and planned audits.
- Annual appearances before the Estimates Committee during which the Committee has the opportunity to question the Auditor-General about the activities of the NTAGO.
- Annual financial reporting. The annual financial reports of the NTAGO are audited by an auditor appointed by the Administrator, and the audited reports required to be tabled in the Legislative Assembly. An unqualified audit opinion on the NTAGO's financial statements was issued for 2009-10 and those statements are included at Appendix A to this report.

Section 26 of the Audit Act requires a strategic review of the NTAGO to be conducted at least once every three years. The terms of reference and the appointment of the reviewer are recommended by the Chief Minister to the Administrator, after consultation with the Public Accounts Committee and the Auditor General.



## Our governance framework cont...

The last review was conducted in mid-2009 by Mr John Viljoen, Assistant Auditor-General for new South Wales. Mr Viljoen's report, which was tabled in the Legislative Assembly during the October sittings of 2009, made a number of recommendations and the Auditor-General's comments in response to those recommendations were included as part of the Minister's response to the Legislative Assembly.

### **Reviewing the performance of our authorised auditors**

Authorised auditors are appointed under contracts for periods of three years. The existing contracts will expire on 31 December 2011.

Authorised auditors are subject to annual performance appraisals by the Auditor-General and as part of that process the authorised auditors also provide an assessment of the performance of the Auditor-General and the NTAGO.

The NTAGO has issued two manuals that define the working relationship between authorised auditors and the NTAGO. These are:

- the Audit Contract Management manual which sets out the contractual arrangement between the NTAGO and authorised auditors, including qualifications and experience for appointment, and standard operating procedures;
- the Audit Handbook that outlines the types of audits that are conducted and the standards that are to be applied when conducting audits.

The processes for the management of audits generally consists of:

- the issue of Audit Task Assignment forms (ATA's) and audit guidelines to authorised auditors by the NTAGO. These documents set the scope and cost of audit tasks, together with guidelines on how the task should be conducted.
- the provision to the NTAGO of weekly progress reports by authorised auditors on the status of tasks relative to the completion of the audit.
- the provision of comments by the NTAGO following the completion of the review of audit working papers following the completion of each audit task.
- a formal two-way review of performance standards achieved by the contract auditors and the NTAGO. This process commences at the end of each calendar year and concludes early in the following year.

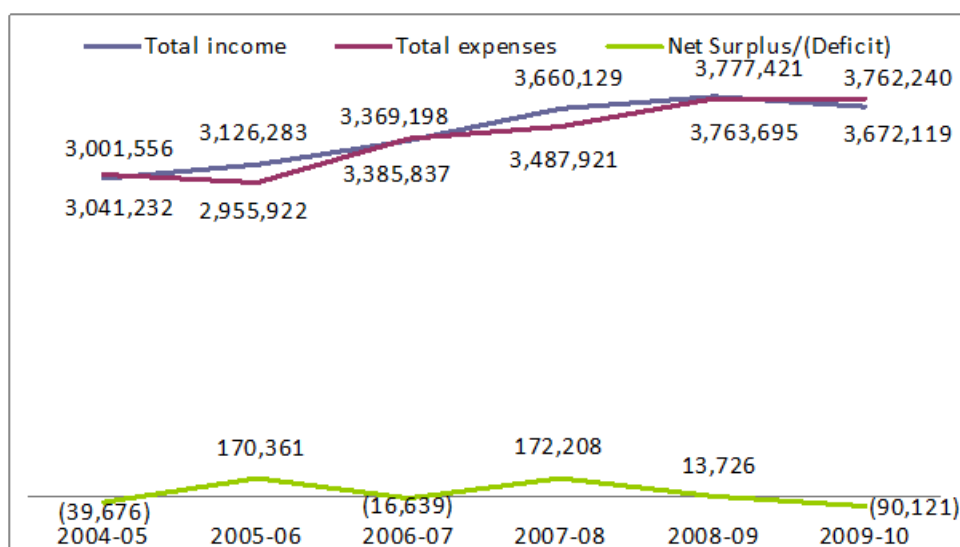
## Our governance framework cont...

### Overview of the NTAGO's Financial Performance for the Year

The financial performance of the NTAGO for 2009-10, resulted in a net deficit of \$90,121, compared with a surplus of \$13,726 for the prior year, with the principal contributor to the operating result being an increase of \$91,000 in expenses incurred in respect of audit hours provided by authorised auditors, coupled with a reduction of \$155,000 in the recovery of audit costs. That decline reflects higher recoveries in 2008-09 associated with audits of new local government shires.

The comparative financial performance of the Office for each of the five years to 30 June 2010 is shown below.

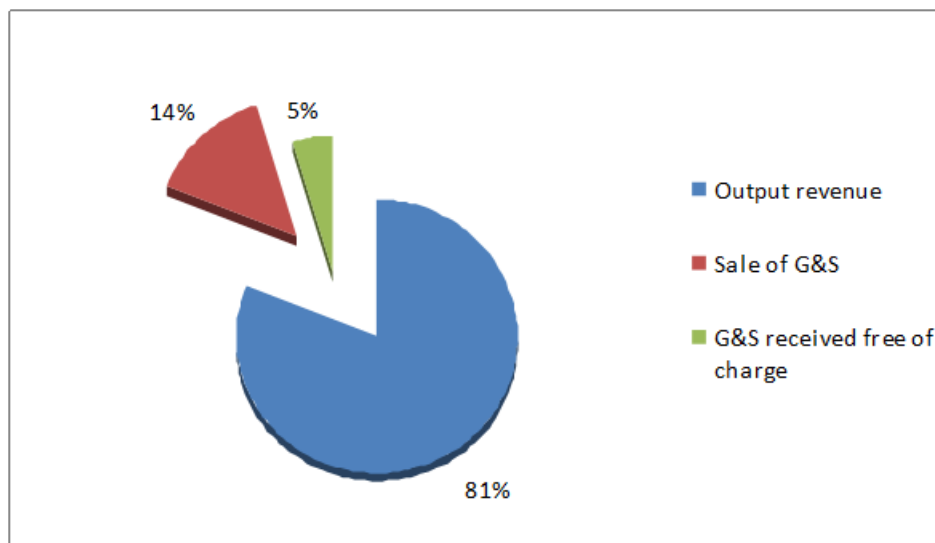
**Figure 8 – Comparative Financial Performance**



## Our governance framework cont...

The components of the Office's income for 2009-10 are shown in Figure 9, below.

**Figure 9 – Income Components**



As in past years, the largest source of revenue of the NTAGO has been Output Revenue that is appropriated by the Legislative Assembly pursuant to annual Appropriation Acts. Output revenue represented 81 per cent of the total revenues of the NTAGO for 2009-10, (compared with 77 per cent for 2008-09), while audit costs recovered represented 14 per cent (compared with 18 per cent for the prior year).

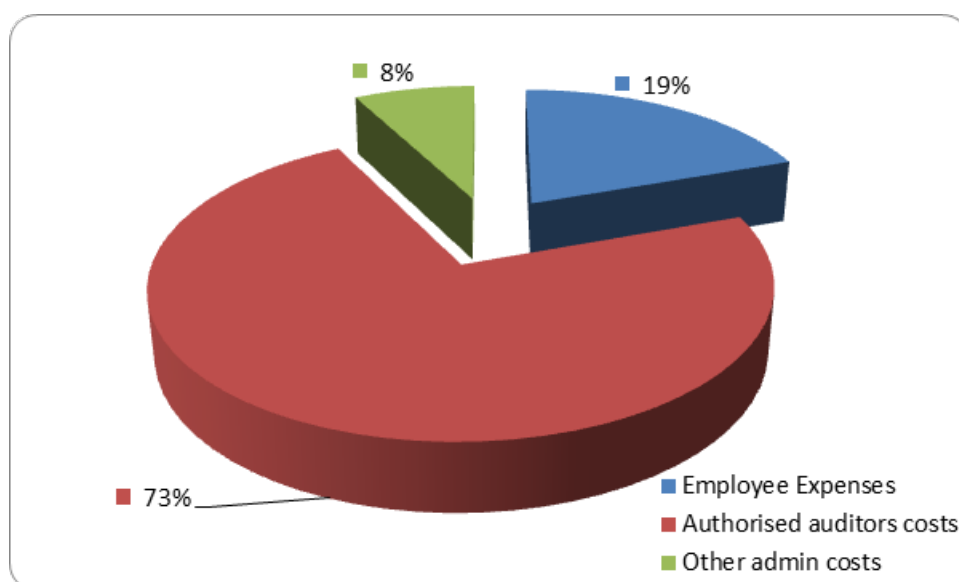
The cash outcome for the year saw a negative result of \$118,000. Significant factors in this result was the decline of 4 per cent in income that represents recoveries of audit costs and an increase in the costs of audit services provided by authorised auditors.

## Our governance framework cont...

The increased audit costs reflected both the higher number of audit hours allocated for the year and increases in hourly auditors' rates that applied from 1 January 2010.

Figure 10, below, highlights the major areas of expense incurred by the NTAGO during the year and highlights the extent to which the NTAGO's total expenses are dominated by those incurred in the use of authorised auditors. Employment expenses is less than a quarter of overall Office expenditure.

**Figure 10 – Purchases of Goods and Services**



## How was the Office funded during the year and how were those funds applied?

The sources of funds available to the Office for the year were:

	\$
Operating revenues	3,672,119
Equity injection	200,000
Net increase in provisions	4,448
<b>Total Sources of Funds</b>	<b>3,876,567</b>

and those funds were applied as follows:

	\$
Operating expenses	3,762,240
Increase in cash and deposits	82,001
Decrease in payables and prepayments	14,424
Decrease in receivables	17,902
<b>Total Application of Funds</b>	<b>3,876,567</b>

As can be seen from the above table, the largest sources of funds for the year were revenues received as part of output appropriation and recoveries of audit costs, and the equity injection from the Central Holding Authority. When taken in conjunction with the application of funds associated with the net decline in both payables and receivables, and the operating deficit for the year, the result was an increase of \$82,000 in the cash balance at 30 June 2010.

## Compliance with legislation

The NTAGO complied with the provisions of the Information Act throughout the year insofar as that Act affected the Office. Section 49A of the Act exempts the Office from requests for information obtained or created as a result of an audit. Information held by the NTAGO is mainly derived from the conduct of audits which is specifically exempted from this disclosure requirement of the Information Act. However, two requests, lodged under the provisions of the Information Act, received by the Office during 2009-10. As neither request involved the provision of information connected with the conduct of the audits the requests were complied with.

Under the Public Sector Employment and Management Act, Employment Instructions provide direction to agencies on human resource management matters. Each instruction specifies required agencies to reporting against in their agency annual report. The NTAGO's performance against each instruction is reported below.

## Compliance with legislation cont...

### Reporting Against Employment Instructions

The NTAGO includes reporting performance against the Annual Report Requirement to report under the Public Sector Employment and Management Act against the Employment Instructions.

**Figure 11 – Employment Instructions**

Employment Instruction	Agency Requirement/Action
No. 1 (& 9). Advertising, Selection Appointment, Transfer and Promotion. No. 2. Probation. No. 5. Medical Incapacity. No. 6. Inability to Discharge Duties. No. 7. Discipline. No. 8. Grievances.	The Office incorporates the requirements against the NTG policies and procedures within its internal policies for these employment instructions. During the reportable period, there were no changes or adjustments to positions or any action required against any of these Employment Instructions (EI).
No. 3. Natural Justice.	Staff have access to information regarding the principles of natural justice. The Office incorporates these principles on a day to day basis in accordance with its internal operations code of conduct.
No. 4. Performance Management.	The Office has a strong training and development ethic on account of the CPD requirements for the executive positions. Both the administrative positions are participating in higher education programs. The employees meet regularly with the Auditor-General both on an ad-hoc basis as well as regular-timed sessions to discuss performance and commitments. Information is contained within the induction process for new employees.
No. 10. Employee Records.	During the 2009-10 year, the Office commenced processes to incorporate EDRM. To this point, records will be progressively stored electronically rather than file based.
No. 11. Equal Employment Opportunity. No. 12. Occupational Health and Safety. No. 14. Part-Time Employment.	See relevant chapters on EEO and OH&S.

# Compliance with legislation cont...

## **The Office's insurance arrangements**

In November 2008, a Treasurer's Direction issued pursuant to the Financial Management Act required all Agencies to include insurance related information in their annual reports. The Office had no insurance claims for the 2009-10 year and the ongoing risks are considered to be low.

## **Equal employment opportunity**

The NTAGO has an Equal Opportunity Management Policy which also incorporates the following:-

- Work Life Balance – The NTAGO attempts to provides opportunities for staff to take advantage of work life balance principles. Staff members are encouraged to access training and study opportunities; and to explore opportunities for flexible work arrangements that take account of family and study commitments. Staff are also encouraged to participate and contribute to the Office's day to day operating objectives and directions.

This policy has assisted administrative staff to:-

- work part-time while completing a degree; and
- work part-time to assist in meeting the needs of a young family.

## **Occupational health and safety**

The Office incorporates the NTG policies and procedures within its operations. Office staff attend meetings with other government Agencies within NT House and reports any issues accordingly. The OH&S committee provides support and information to the Office as required and is documented through the weekly staff meetings.

During this reporting year, there were no accidents or risks identified. In accordance with the Directions for Insurance Reporting (R2.1 – Insurance Arrangements), due to the low risk and the high level of pro-activeness of Office members it is assessed as being of low risk and, accordingly, no commercial insurance is required.



## Compliance with legislation cont...

### **Training and development**

The Office provides resources annually to its external stakeholders in the way of induction and training to private firm newcomers.

Principal Auditors maintain their professional status by attending to Continuing Professional Development (CPD) training program's that are offered locally or, in some cases, interstate.

### **Environmental policies**

The Office is developing records policies and procedures intended to encourage a progressive shift to "paperless" administration. In pursuit of this objective the Office introduced changes during the year that are intended to introduce electronic filing for audit files in place of the current paper-based system.

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## **Appendix A – Audited Financial Statements**

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# Northern Territory Auditor-General's Office Financial Report

## Certification of the Financial Statements

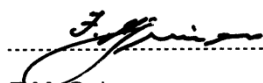
We certify that the attached financial statements for the Northern Territory Auditor-Generals' Office (NTAGO) have been prepared from proper accounts and records in accordance with the prescribed format, the Financial Management Act and Treasurer's Directions.

We further state that the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes to and forming part of the financial statements, presents fairly the financial performance and cash flows for the year ended 30 June 2010 and the financial position on that date.

At the time of signing, we are not aware of any circumstances that would render the particulars included in the financial statements misleading or inaccurate.

We also advise to the best of our knowledge and belief:

- a) proper records of all transactions affecting the Office are kept and all employees observe the provisions of the *Financial Management Act*, Financial Management Regulations and Treasurer's Directions;
- b) procedures within the Office afford proper internal control and a current description of such procedures is recorded in the accounting and property manual which has been prepared in accordance with the requirements of the *Financial Management Act*;
- c) no indication of fraud, malpractice, major breach of legislation or delegation, major error in or omission from the accounts and records exists;
- d) in accordance with section 15 of the *Financial Management Act*, the internal audit capacity available to the Office is adequate and has been satisfied by the conduct of the annual external audit in accordance with section 27 of the *Audit Act*; and
- e) All Employment Instructions issued by the Commissioner for Public Employment have been satisfied in all material respects, and in particular, the Code of Conduct.



F McGuinness

Auditor-General for the Northern Territory

3 September 2010



MC Woodcock

Office Administrator for the NTAGO

3 September 2010



Chartered Accountants  
& Business Advisers

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE CHIEF MINISTER OF THE NORTHERN TERRITORY AND THE AUDITOR-GENERAL FOR THE NORTHERN TERRITORY**

#### **Scope**

I have audited the accompanying financial report of the Northern Territory Auditor-General's Office, which comprises the statement of financial position as at 30 June 2010, and the comprehensive operating statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the certification of the financial statements by the Accountable Officer.

#### **Accountable Officer's Responsibility for the Financial Report**

The Accountable Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Financial Management Act and Treasurer's Directions. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

I have conducted an independent audit of the financial report in order to express an opinion on it to the Chief Minister of the Northern Territory and the Auditor-General for the Northern Territory.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Accountable Officer, as well as evaluating the overall presentation of the financial report.

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

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**Independence**

In conducting my audit, I have complied with the independence requirements of Australian professional ethical pronouncements.

**Auditor's Opinion**

In my opinion the financial report of The Northern Territory Auditor-General's Office is in accordance with the Financial Management Act and Treasurer's Directions, including:

- (a) giving a true and fair view of the Office's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations)



**Ian J Painter**  
Partner

of PKF Chartered Accountants

Signed in Adelaide this 3<sup>rd</sup> day of September 2010

**Northern Territory Auditor-General's Office**  
**Comprehensive Operating Statement**  
**For the year ended 30 June 2010**

	<b>Note</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
<b>Income</b>			
Appropriation			
Output		2,978	2,923
Sales of Goods and Services	5	519	674
Goods and Services Received Free of Charge	4	175	180
<b>Total Income</b>	3	<b>3,672</b>	<b>3,777</b>
<b>Expenses</b>			
Employee Expenses		(735)	(798)
Administrative Expenses			
Purchases of Goods and Services	6	(2,851)	(2,784)
Repairs and Maintenance		0	(1)
Depreciation and Amortisation	9	0	0
Other Administrative Expenses <sup>(1)</sup>		(176)	(180)
<b>Total Expenses</b>	3	<b>(3,762)</b>	<b>(3,763)</b>
<b>Net Surplus/(Deficit)</b>		<b>(90)</b>	<b>14</b>
<b>Other Comprehensive Income</b>			
Changes in Accounting Policies		0	0
Correction of Prior Period Errors		0	0
<b>Total Other Comprehensive Income</b>		<b>0</b>	<b>0</b>
<b>Comprehensive Result</b>		<b>(90)</b>	<b>14</b>

*The Comprehensive Operating Statement is to be read in conjunction with the notes to the financial statements.*

<sup>1</sup> Includes DBE service charges.

**Northern Territory Auditor-General's Office**  
**Statement of Financial Position**  
**For the year ended 30 June 2010**

	Note	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b><i>Current Assets</i></b>			
Cash and Deposits	7	444	362
Receivables	8	206	189
Prepayments		5	4
<b><i>Total Current Assets</i></b>		<b>655</b>	<b>555</b>
<b><i>Non-Current Assets</i></b>			
Property, Plant and Equipment	9	0	0
<b><i>Total Non-Current Assets</i></b>		<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>		<b>655</b>	<b>555</b>
<b>LIABILITIES</b>			
<b><i>Current Liabilities</i></b>			
Payables	10	105	120
Provisions	11	95	90
<b><i>Total Current Liabilities</i></b>		<b>200</b>	<b>210</b>
<b><i>Non-Current Liabilities</i></b>			
Provisions	11	40	40
<b><i>Total Non-Current Liabilities</i></b>		<b>40</b>	<b>40</b>
<b>TOTAL LIABILITIES</b>		<b>240</b>	<b>250</b>
<b>NET ASSETS</b>		<b>415</b>	<b>305</b>
<b>EQUITY</b>			
Capital	12	200	0
Accumulated Funds	12	215	305
<b>TOTAL EQUITY</b>		<b>415</b>	<b>305</b>

*The Balance Sheet is to be read in conjunction with the notes to the financial statements.*

**Northern Territory Auditor-General's Office**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2010**

	Equity at 1 July \$'000	Comprehensive result \$'000	Transactions with owners in their capacity as owners \$'000	Equity at 30 June \$'000
<b>2009-10</b>				
<b><i>Accumulated Funds</i></b>	305	(90)	0	215
	305	(90)	0	215
<b><i>Capital - Transactions with Owners</i></b>	0			0
Equity Injections				
Other Equity Injections			200	200
	0	(90)	200	200
<b><i>Total Equity at End of Financial Year</i></b>	<b>305</b>	<b>(90)</b>	<b>200</b>	<b>415</b>
<b>2008-09</b>				
<b><i>Accumulated Funds</i></b>	291	14	0	305
	291	14	0	305
<b><i>Capital - Transactions with Owners</i></b>	(231)			(231)
<b><i>Equity Injections</i></b>				
Other Equity Injections			231	231
	(231)	0	231	0
<b><i>Total Equity at End of Financial Year</i></b>	<b>60</b>	<b>14</b>	<b>231</b>	<b>305</b>

*This Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.*

**Northern Territory Auditor-General's Office**  
**Cash Flow Statement**  
**For the year ended 30 June 2010**

	Note	2010 \$'000	2009 \$'000
<b>Cash Flows from Operating Activities</b>			
<i>Operating Receipts</i>			
Appropriation			
Output		2,978	2,923
Receipts From Sales of Goods And Services		789	1,089
<i>Total Operating Receipts</i>		3,767	4,012
<i>Operating Payments</i>			
Payments to Employees		726	785
Payments for Goods and Services		3159	3,101
<i>Total Operating Payments</i>		3,885	3,886
<b>Net Cash From/(Used In) Operating Activities</b>	13	<b>(118)</b>	<b>126</b>
<b>Cash Flows from Financing Activities</b>			
<i>Financing Receipts</i>			
Equity Injections			
Other Equity Injections		200	231
<i>Total Financing Receipts</i>		200	231
<b>Net Cash From/(Used In) Financing Activities</b>		<b>200</b>	<b>231</b>
Net Increase/(Decrease) in Cash Held		82	357
Cash at Beginning of Financial Year		362	5
<b>Cash at End of Financial Year</b>	7	<b>444</b>	<b>362</b>

*The Cash Flow Statement is to be read in conjunction with the notes to the financial statements.*

**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**Index of Notes to the Financial Statements**

1. Objectives and Funding
2. Statement of Significant Accounting Policies
3. Comprehensive Operating Statement by Output Group

**Income**

4. Goods and Services Received Free of Charge
5. Audit Costs Recovered

**Expenses**

6. Purchases of Goods and Services

**Assets**

7. Cash and Deposits
8. Receivables
9. Property, Plant and Equipment

**Liabilities**

10. Payables
11. Provisions

**Equity**

12. Equity

**Other Disclosures**

13. Notes to the Cash Flow Statement
14. Financial Instruments
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**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**1. Objectives and Funding**

The Northern Territory Auditor-General's Office is an Agency established under Administrative Arrangements Order to support the activities of the Auditor-General.

The Auditor-General's role is to audit the Public Accounts and other accounts as required by various Acts of Parliament, to perform such other audits as may be permitted by the Audit Act and to report to the Legislative Assembly at least once in each year.

The Office is funded primarily by, and is dependent upon, the provision of funding by the Legislative Assembly in accordance with the provisions of the Appropriation Act.

These financial statements report on all assets and revenues that were controlled by the Office during the year and through which the Office was able to perform its functions and deliver the outputs specified in the Budget Papers.

**2. Statement of Significant Accounting Policies**

**a) *Basis of Accounting***

The financial statements have been prepared in accordance with the requirements of the Financial Management Act and related Treasurer's Directions. The Financial Management Act requires the NTAGO to prepare financial statements for the year ended 30 June based on the form determined by the Treasurer. The form of Agency financial statements is to include:

- (i) a Certification of the Financial Statements;
- (ii) a Comprehensive Operating Statement;
- (iii) a Balance Sheet;
- (iv) a Statement of Changes in Equity;
- (v) a Cash Flow Statement; and
- (vi) applicable explanatory notes to the financial statements.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effect of financial transactions and events when they occur, rather than when cash is paid out or received. As part of the preparation of the financial statements, all intra Agency transactions and balances have been eliminated.

Except where stated, the financial statements have also been prepared in accordance with the historical cost convention.

The form of the Agency financial statements is also consistent with the requirements of Treasurer's Directions and the Australian Accounting Standards that were effective at 30<sup>th</sup> June 2010.

**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**2. Statement of Significant Accounting Policies (continued)**

**b) *Agency and Territory Items***

***Central Holding Authority***

The Central Holding Authority is the 'parent body' that represents the Government's ownership interest in Government controlled entities.

The Central Holding Authority also records all Territory items, such as income, expenses, assets and liabilities controlled by the Government and managed by Agencies on behalf of the Government. The main Territory item is Territory income, which includes taxation and royalty revenue, Commonwealth general purpose funding (such as GST revenue), fines, and statutory fees and charges.

The Central Holding Authority also holds certain Territory assets not assigned to Agencies as well as certain Territory liabilities that are not practical or effective to assign to individual Agencies such as unfunded superannuation and long service leave.

The Central Holding Authority recognises and records all Territory items, and as such, these items are not included in the Agency's financial statements. The NTAGO has no such items or schedule for Territory items.

**c) *Comparative figures***

Where necessary, comparative information for the 2008-09 financial year has been reclassified to provide consistency with current year disclosures.

**d) *Presentation and Rounding of Amounts***

Amounts in the financial statements and notes to the financial statements are presented in Australian dollars and have been rounded to the nearest thousand dollars, with amounts of \$500 or less being rounded down to zero.

**e) *Changes in Accounting Policies***

There have been no changes to accounting policies adopted in 2009-10 as a result of management decisions.

**f) *Accounting Judgements and Estimates***

The preparation of the financial report requires the making of judgements and estimates that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**2. Statement of Significant Accounting Policies (continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates that have significant effects on the financial statements are disclosed in the relevant notes to the financial statements. Notes that include significant judgements and estimates are:

- Employee Benefits – Note 2(p) and Note 11: Non-current liabilities in respect of employee benefits are measured as the present value of estimated future cash outflows based on the appropriate Government bond rate, estimates of future salary and wage levels and employee periods of service.
- Doubtful Debts – Note 2(l), 8: Receivables & 14: Financial Instruments
- Depreciation and Amortisation – Note 2(j), Note 9: Property, Plant and Equipment .

**g) Goods and Services Tax**

Income, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred on a purchase of goods and services is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable or payable unless otherwise specified.

**h) Income Recognition**

Income encompasses both revenue and gains.

Income is recognised at the fair value of the consideration received, exclusive of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration being exchanged are not recognised as income.

**Appropriation**

Output Appropriation is the operating payment to each agency for the outputs they provide and is calculated as the net cost of Agency outputs after taking into account funding from Agency income. It does not include any allowance for major non-cash costs such as depreciation.

Revenue in respect of Appropriations is recognised in the period in which the Agency gains control of the funds.

**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**2. Statement of Significant Accounting Policies (continued)**

***Sale of Goods***

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when:

- the significant risks and rewards of ownership of the goods have transferred to the buyer;
- the Agency retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Agency; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

***Audit Costs Recovered***

Revenue from rendering services is recognised by reference to the stage of completion of the contract. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering services is recognised on a stage of completion basis.

Income that is included under the heading "Audit costs recovered" represents a recouping of the direct costs incurred in conducting audits and related services for agencies that do not form part of the Public Account. Audit costs recovered are recognised when a chargeable audit service has been provided to an agency and the Office has issued an invoice.

All invoices issued are recognised at the amount receivable as they are due for settlement in no more than 30 days. Accrued revenue is recognised when a chargeable audit service has been provided to an agency and the Office has yet to issue an invoice.

***Goods and Services Received Free of Charge***

Goods and services received free of charge are recognised as revenue when a fair value can be reliably determined and the resource would have been purchased if it had not been donated. Use of the resource is recognised as an expense.

***i) Repairs and Maintenance Expense***

Funding is received for repairs and maintenance works associated with Agency assets as part of Output Revenue. Costs associated with repairs and maintenance works on Agency assets are expensed as incurred.

**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**2. Statement of Significant Accounting Policies (continued)**

**j) Depreciation and Amortisation Expense**

All depreciable assets controlled by the Office were fully depreciated at the commencement of the 2009/10 financial year. The Office did not record any depreciation or amortisation during the year as a result.

**k) Cash and Deposits**

For the purposes of the Balance Sheet and the Cash Flow Statement, cash includes cash on hand, cash at bank and cash equivalents.

**l) Receivables**

Receivables include accounts receivable and other receivables and are recognised at fair value less any allowance for impairment losses.

The allowance for impairment losses represents the amount of receivables the Agency estimates are likely to be uncollectible and are considered doubtful. Analyses of the age of the receivables that are past due as at the reporting date are disclosed in an aging schedule under credit risk in Note 14 Financial Instruments. Reconciliation of changes in the allowance accounts is also presented.

Accounts receivable are generally settled within 30 days and other receivables within 30 days.

**m) Property, Plant and Equipment**

The Office did not purchase or acquire property, plant and equipment equal to or greater than \$5,000.

**n) Leased Assets**

Leases under which the Office assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Other leases are classified as operating leases.

**Finance Leases**

The Office was not a party to any finance lease arrangements in the reporting period.

**Operating Leases**

Operating lease payments made at regular intervals throughout the term are expensed when the payments are due.

The Office has an operating lease that requires monthly payments over a period of five years. Those payments commenced in December 2005 and will conclude in December 2010. Refer Note 15(iii)

**o) Payables**

Liabilities for accounts payable and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Agency. Accounts payable are normally settled within 30 days.

**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**2. Statement of Significant Accounting Policies (continued)**

**p) *Employee Benefits***

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and recreation leave. Liabilities arising in respect of wages and salaries and recreation leave and other employee benefit liabilities that fall due within twelve months of reporting date are classified as current liabilities and are measured at amounts expected to be paid. Non-current employee benefit liabilities that fall due after twelve months of the reporting date are measured at present value, calculated using the Government long term bond rate.

No provision is made for sick leave, which is non-vesting, as the anticipated pattern of future sick leave to be taken is less than the entitlement accruing in each reporting period.

Employee benefit expenses are recognised on a net basis in respect of the following categories:

- wages and salaries, non-monetary benefits, recreation leave, sick leave and other leave entitlements; and
- other types of employee benefits.

As part of the Financial Management Framework, the Central Holding Authority assumes the long service leave liabilities of Government Agencies, including NTAGO and as such no long service leave liability is recognised in Agency financial statements.

**q) *Superannuation***

Employees' superannuation entitlements are provided through the:

- NT Government and Public Authorities Superannuation Scheme (NTGPASS);
- Commonwealth Superannuation Scheme (CSS); or
- non-government employee nominated schemes for those employees commencing on or after 10 August 1999.

The Agency makes superannuation contributions on behalf of its employees to the Central Holding Authority or non-government employee nominated schemes. Superannuation liabilities related to government superannuation schemes are held by the Central Holding Authority and as such are not recognised in Agency financial statements.

**r) *Contributions by and Distributions to Government***

The Agency may receive contributions from Government where the Government is acting as owner of the Agency. Conversely, the Agency may make distributions to Government. In accordance with the Financial Management Act and Treasurer's Directions, certain types of contributions and distributions, including those relating to administrative restructures, have been designated as contributions by, and distributions to, Government. These designated contributions and distributions are treated by the Agency as adjustments to equity.

The Statement of Changes in Equity provides additional information in relation to contributions by, and distributions to, Government.

**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**2. Statement of Significant Accounting Policies (continued)**

**s) *Commitments***

Disclosures in relation to capital and other commitments, including lease commitments are shown at Note 15 and are consistent with the requirements contained in AASB 101, AASB 116 and AASB 117.

Commitments are those contracted as at 30 June where the amount of the future commitment can be reliably measured.

**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**3. Comprehensive Operating Statement by Output Group**

		<b>Audits and Reviews</b>	
	<b>Note</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
<b>Income</b>			
Appropriation			
Output		2,978	2,923
Sales of Goods and Services	5	519	674
Goods and Services Received Free of Charge	4	175	180
<b>Total Income</b>		<b>3,672</b>	<b>3,777</b>
<b>Expenses</b>			
Employee Expenses		(735)	(798)
Administrative Expenses			
Purchases of Goods and Services	6	(2,851)	(2,784)
Repairs and Maintenance		0	(1)
Depreciation and Amortisation	9	0	0
Other Administrative Expenses <sup>(1)</sup>		(176)	(180)
<b>Total Expenses</b>		<b>(3,762)</b>	<b>(3,763)</b>
<b>Net Surplus/(Deficit)</b>		<b>(90)</b>	<b>14</b>
<b>Other Comprehensive Income</b>			
Changes in Accounting Policies		0	0
Correction of Prior Period Errors		0	0
<b>Total Other Comprehensive Income</b>		<b>0</b>	<b>0</b>
<b>Comprehensive Result</b>		<b>(90)</b>	<b>14</b>

*This Comprehensive Operating Statement by Output Group is to be read in conjunction with the notes to the financial statements.*

<sup>1</sup> Includes DBE service charges.

**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
<b>4. Goods and Services Received Free of Charge</b>		
Corporate and Information Services	175	180
	<b>175</b>	<b>180</b>
<b>5. Audit Costs Recovered</b>		
<i><b>Goods and Services Expenses:</b></i>		
Batchelor Institute of Indigenous Tertiary Education	48	44
Charles Darwin University	129	127
Darnor Pty Ltd	9	12
Department of Employment, Education and Training	22	20
Department of Local Government, Housing and Sport	10	29
Department of Planning and Infrastructure	22	15
Department of Regional Development, Primary Industry, Fisheries and Resources	0	2
Gasgo Pty Ltd	11	14
Indigenous Essential Services Pty Ltd	24	34
Local Government Prospective Shires	0	127
Menzies School of Health Research	26	27
Northern Territory Treasury	19	15
NT Build Statutory Corporation	12	12
NT Legal Aid Commission	30	29
NT Major Events Company Pty Ltd	19	17
Territory Insurance Office	110	130
Darwin Waterfront Corporation	28	20
	<b>519</b>	<b>674</b>

**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

	2010	2009
	\$'000	\$'000

## 6. Purchases of Goods and Services

The net surplus/(deficit) has been arrived at after charging the following expenses:

***Goods and Services Expenses:***

Consultants (Authorised Auditors)	2,737	2,646
Consultants (Information Technology)	6	0
Document Production	8	9
Legal Expenses <sup>(1)</sup>	0	11
Training and Study	4	12
Official Duty Fares	8	12

<sup>1</sup> Includes legal fees, claim and settlement costs.

## 7. Cash and Deposits

Cash on Hand	0	0
Cash at Bank	444	362
	<b>444</b>	<b>362</b>

## 8. Receivables

***Current***

Accounts Receivable	91	97
GST Receivables	25	26
Other Receivables	90	66
<b><i>Total Receivables</i></b>	<b>206</b>	<b>189</b>



**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

	2010	2009
	\$'000	\$'000

**9. Property, Plant and Equipment**

***Computer Software***

At Cost	10	10
Less: Accumulated Depreciation	(10)	(10)

***Total Property, Plant and Equipment***

	0	0
	0	0

**10. Payables**

Accrued Expenses	103	114
Other	2	6

***Total Payables***

	105	120
	105	120

**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>11. Provisions</b>		
<i><b>Current</b></i>		
<i><b>Employee Benefits</b></i>		
Recreation Leave	73	68
Leave Loading	2	1
<i><b>Other Current Provisions</b></i>		
FBT	4	5
Payroll Tax On Costs	7	7
Employer Superannuation Contribution	9	9
	<b>95</b>	<b>90</b>
<i><b>Non-Current</b></i>		
<i><b>Employee Benefits</b></i>		
Recreation Leave	40	40
	<b>40</b>	<b>40</b>
Total Provisions	<b>135</b>	<b>130</b>
<i><b>Reconciliations of Provisions</b></i>		
<b>Balance as at 1 July</b>	21	14
Additional Provisions Recognised	1	7
Reductions Arising from Payments	(2)	0
<b>Balance as at 30 June</b>	<b>20</b>	<b>21</b>

The Agency employed 5 employees as at 30 June 2010 (5 employees as at 30 June 2009).

**Northern Territory Auditor-General's Office**  
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**2010**  
**\$'000**

**2009**  
**\$'000**

## **12. Equity**

Equity represents the residual interest in the net assets of the NTAGO. The Government's ownership interest in NTAGO is held in the Central Holding Authority as described in note 2(c).

### ***Capital***

<b>Balance as at 1 July</b>	0	(231)
<i>Equity Injections</i>		
Equity Transfers In	200	231
<i>Equity Withdrawals</i>		
Equity Transfers Out	0	0
<b>Balance as at 30 June</b>	<b>200</b>	<b>0</b>

### ***Accumulated Funds***

<b>Balance as at 1 July</b>	305	291
Surplus /(Deficit) for the Period	(90)	14
<b>Balance as at 30 June</b>	<b>215</b>	<b>305</b>

## **13. Notes to the Cash Flow Statement**

### ***Reconciliation of Cash***

The total of Agency Cash and Deposits of \$444 recorded in the Balance Sheet is consistent with that recorded as 'cash' in the Cash Flow Statement.

### ***Reconciliation of Net Surplus/(Deficit) to Net Cash From Operating Activities***

Net Surplus/(Deficit)	(90)	14
Non-Cash Items:		
Depreciation and Amortisation	0	0
Changes in Assets and Liabilities:		
Decrease/(Increase) in Receivables and Prepayments	(18)	173
(Decrease)/Increase in Payables	(15)	(73)
(Decrease)/Increase in Provision for Employee Benefits	6	5
(Decrease)/Increase in Other Provisions	(1)	7
(Decrease)/Increase in Other Liabilities		
<b>Net Cash From Operating Activities</b>	<b>(118)</b>	<b>126</b>

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## **14. Financial Instruments**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments held by the NTAGO include cash and deposits, receivables, payables and finance leases. The NTAGO has limited exposure to financial risks as discussed below.

### **(a) Categorisation of Financial Instruments**

The carrying amounts of the NTAGO's financial assets and liabilities by category are disclosed in the table below.

	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
Financial Assets		
Cash and deposits	444	362
Accounts Receivable	91	97

### **(b) Credit Risk**

The Agency has limited credit risk exposure (risk of default). In respect of any dealings with organisations external to Government, the Agency has adopted a policy of only dealing with credit worthy organisations and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Agency's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

#### **Receivables**

Receivable balances are monitored on an ongoing basis to ensure that exposure to bad debts is not significant. A reconciliation and aging analysis of receivables is presented below.

	<b>Aging of Receivables</b>	<b>Net Receivables</b>
	<b>\$000</b>	<b>\$000</b>
<b>2009-10</b>		
Not Overdue	91	91
Overdue for less than 30 Days	0	0
Overdue for 30 to 60 Days	0	0
Overdue for more than 60 Days	0	0
<b>Total</b>	<b>91</b>	<b>91</b>

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**14. Financial Instruments (continued)**

	Aging of Receivables \$000	Net Receivables \$000
<i>2008-09</i>		
Not Overdue	87	87
Overdue for less than 30 Days	0	0
Overdue for 30 to 60 Days	0	0
Overdue for more than 60 Days	10	10
<i>Total</i>	<b>97</b>	<b>97</b>

**(c) Liquidity risk**

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they fall due. The Agency's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due.

The following tables detail the Agency's remaining contractual maturity for its financial assets and liabilities. It should be noted that these values are undiscounted, and consequently totals may not reconcile to the carrying amounts presented in the Balance Sheet.

**2010 Maturity analysis for financial assets & liabilities**

	Fixed Interest Rate					Total \$'000	Weighted Average %
	Variable Interest \$'000	Less than a Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000	Non Interest Bearing \$'000		
<b>Assets</b>							
Cash and deposits					444	444	68
Receivables					206	206	32
<b>Total Financial Assets:</b>					<b>650</b>	<b>650</b>	<b>100</b>
<b>Liabilities</b>							
Payables	2				103	105	100
<b>Total Financial Liabilities:</b>	<b>2</b>				<b>103</b>	<b>105</b>	<b>100</b>

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**For the year ended 30 June 2010**

**14. Financial Instruments (continued)**

**2009 Maturity analysis for financial assets & liabilities**

	Variable Interest \$'000	Fixed Interest Rate			Non Interest Bearing \$'000	Total \$'000	Weighted Average %
		Less than a Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000			
<b>Assets</b>							
Cash and deposits					362	362	66
Receivables					189	189	34
<b>Total Financial Assets:</b>					<b>551</b>	<b>551</b>	<b>100</b>
<b>Liabilities</b>							
Payables	6				114	120	100
<b>Total Financial Liabilities:</b>	<b>6</b>				<b>114</b>	<b>120</b>	<b>100</b>

**(d) Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises interest rate risk, price risk and currency risk.

**i. Interest Rate Risk**

The NTAGO is not exposed to interest rate risk as Agency financial assets and financial liabilities, are non-interest bearing. Finance lease arrangements are established on a fixed interest rate and as such do not expose the NTAGO to interest rate risk.

**ii. Price Risk**

The NTAGO is not exposed to price risk as the Office does not hold units in unit trusts.

**iii. Currency Risk**

The NTAGO is not exposed to currency risk as the Office does not hold borrowings denominated in foreign currencies or transactional currency exposures arising from purchases in a foreign currency.

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**14. Financial Instruments (continued)**

**(e) Net Fair Value**

The fair value of financial instruments is estimated using various methods. These methods are classified into the following levels:

Level 1 – fair value is calculated using quoted prices in active markets. Instruments whose carrying amount is deemed to be equal to its fair value qualify for this level of classification.

Level 2 – to be used for those instruments that cannot be classified as either Level 1 or Level 3.

Level 3 – fair value is estimated using inputs other than quoted market data, for example, net present value.

<b>2010</b>	<b>Total Carrying Amount</b>	<b>Net Fair Value Level 1</b>	<b>Net Fair Value Level 2</b>	<b>Net Fair Value Level 3</b>	<b>Net Fair Value Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>					
Cash and Deposits	444		444		444
Receivables	206		206		444
<b>Total Financial Assets:</b>	<b>650</b>		<b>650</b>		<b>650</b>
<b>Financial Liabilities</b>					
Payables	105		105		105
<b>Total Financial Liabilities:</b>	<b>105</b>		<b>105</b>		<b>105</b>
<b>2009</b>	<b>Total Carrying Amount</b>	<b>Net Fair Value Level 1</b>	<b>Net Fair Value Level 2</b>	<b>Net Fair Value Level 3</b>	<b>Net Fair Value Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>					
Cash and Deposits	362		362		362
Receivables	189		189		189
<b>Total Financial Assets:</b>	<b>551</b>		<b>551</b>		<b>551</b>
<b>Financial Liabilities</b>					
Payables	120		120		120
<b>Total Financial Liabilities:</b>	<b>120</b>		<b>120</b>		<b>120</b>

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	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>

**15. Commitments**

The model under which the NTAGO operates relies upon the use of authorised auditors who are drawn from private accounting firms and appointed by the Auditor-General pursuant to section 17 of the *Audit Act*. Contracts with various firms are executed each three years and the current contracts will expire on the 31 December 2011.

**(i.a) Authorised Auditor Commitments**

The minimum legal commitment to accounting firms for the remaining term of the current contracts are as follows:-

Commitments under contracts for Authorised Auditors' services are :

Within one year	2,080	1,817
Later than one year and not later than five years	1,148	2,867
Later than five years	0	0
	<b>3,228</b>	<b>4,684</b>

**(i.b) Authorised Auditor Commitments**

The actual number of hours acquired from accounting firms in each year has historically exceeded the number of hours specified by contract. On that basis the value of services that are expected to be acquired from accounting firms for the period covered by forward estimates is as follows:-

Commitments under contracts for Authorised Auditors' services are :

Within one year	2,599
Later than one year and not later than five years	10,513
Later than five years	0
	<b>13,112</b>



**Northern Territory Auditor-General's Office**  
**Notes to the Financial Statements**  
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	2010 \$'000	2009 \$'000
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## **15. Commitments (continued)**

### **(i.c) Commitments Arising From Work In Progress**

Throughout the year instructions are issued to authorised auditors requiring them to undertake particular audits. At 30 June in any year not all audits that are the subject of instructions will be complete and as a result a commitment exists under which the NTAGO will be required to meet the costs of these audits in the following year. To the extent to which these audits are funded by moneys appropriated by the Legislative Assembly, the commitments will need to be met from the following year's appropriation or from cash balances that the NTAGO may be permitted to carry forward from one year to the next.

Commitments in respect of work in progress at 30 June 2010 were \$70,788, compared with \$117,100 at 30 June 2009.

### **(ii) Audit Contract**

The NTAGO relies upon the use of interstate auditors to ensure there is no conflict of interest when auditing the Office's Financial Statements. A 3 year contract is in place with PKF and the current contract will expire on the 30 June 2012.

Within one year	11	0
Later than one year and not later than five years	22	0
Later than five years	0	0
	<b>33</b>	<b>0</b>

### **(iii) Operating Lease Commitments**

The Agency also leases items of plant and equipment under non-cancellable operating leases. Future operating lease commitments not recognised as liabilities are payable as follows:

Within one year <sup>(1)</sup>	2	3
Later than one year and not later than five years	0	2
Later than five years	0	0
	<b>2</b>	<b>5</b>

<sup>1</sup> Lease expires December 2010 – as yet, no arrangements have been made for a replacement.

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