



Auditor-General for the Northern Territory  
Auditing for Parliament

# Annual Report 2010 – 2011







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

*Auditing for Parliament*

# **Annual Report 2010 - 2011**

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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 2011.

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.

2010-11 was notable for the passing by the Legislative Assembly of amendments to the Audit Act. Those amendments expand the scope of the Act and now provide for the audit of entities that are not incorporated pursuant to an Act passed by the Legislative Assembly, but which might nevertheless be deemed to be controlled by the Territory. The amendments also make explicit the independence of the Auditor-General; something that was formerly implicit. Finally the term of appointment of the Auditor-General was amended. Whereas the Auditor-General was appointed for a single period of seven years, the Act now provides for an initial appointment of five years with a further appointment for a period not exceeding five years.

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 readers with a picture of the performance of the Northern Territory Auditor-General's Office (NTAGO) for the year ended 30 June 2011.

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 (October and February) for tabling in the Legislative Assembly, along with an additional report (March) that dealt with the results of an enquiry by the Auditor-General following the receipt of referral by a Member of the Legislative Assembly regarding a breach of the Public Information Act.

In addition, the Audit 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 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.htm>

# 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 (including the accounts of a Territory controlled entity) 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, the 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. 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 Act 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 2010-11, two matters were referred to the Auditor-General under the Act.

# The NTAGO as an Agency

The NTAGO is established as an Agency under the Administrative Arrangements Order and in this capacity 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 as shown below:

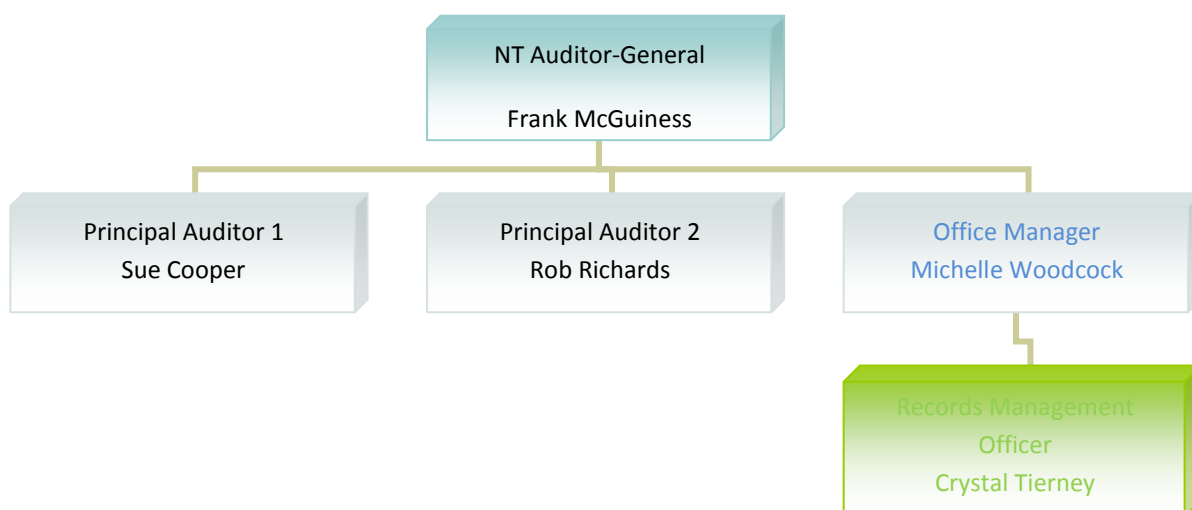
**Figure 1 – NTAGO personnel**

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

## The NTAGO as an Agency cont...

Administrative staff utilized flexible working arrangements throughout the year, varying between part-time and full-time in response to the work cycles and changing demands of the Office. The Office reporting structure is shown 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 and Figure 3 highlights the Principal Auditors' areas of responsibility.

## 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
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 Children and Families	Natural Disaster Recovery and Relief Arrangements
Department of Construction and Infrastructure	Northern Territory Legal Aid Commission
Department of Education and Training	Northern Territory Major Events Company Pty Ltd
Department of Housing, Local Government and Regional Services	Northern Territory Police, Fire and Emergency Services
Department of Housing, Local Government and Regional Services: NT Home Ownership	Northern Territory Grants Commission
Department of Lands and Planning	Northern Territory Electoral Commission
Department of Natural Resources, Environment and the Arts and Sport	NT Build
Department of Resources	NT Fleet
Land Development Corporation	Office of the Commissioner for Public Employment
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
Ombudsman's Office	
Surveyors Board of the Northern Territory of Australia	
Territory Discoveries	
Territory Wildlife Parks	
Tourism NT	

## The NTAGO as an Agency cont...

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 mandate. Authorised auditors are persons who are appointed by the Auditor-General pursuant to section 17 of the Audit Act.

Authorised auditors were drawn from the following Darwin-based firms during the year:

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

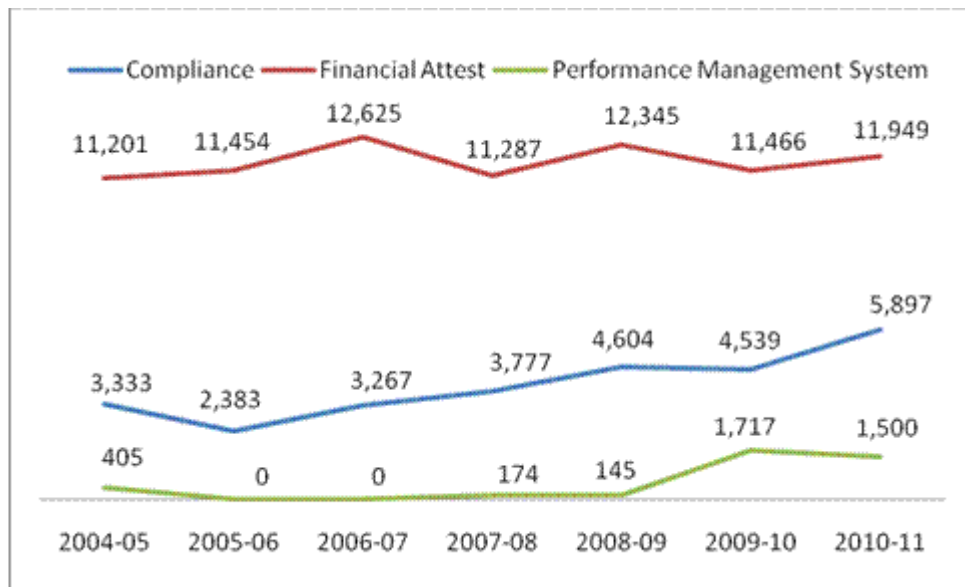


# The activities of the NTAGO

## Provision of audit and other assurance services

The Office conducts a range of audit and other assurance activities on behalf the Legislative Assembly. For 2010-11 the Office's activity involved the completion of 117 separate audits involving 19,346 hours of both authorised auditors' and internal resources employed across three broad classes of audits as shown in Figure 4.

**Figure 4 – Authorised Audit Hours by Audit Type**



# The activities of the NTAGO cont...

## Financial Statement audits

This class of activity relates to the Auditor-General's statutory duty to carry out audits of financial statement prepared by the Treasurer, statutory bodies, Government Business Divisions and government owned companies. Also included in this category are audits of funding acquittals prepared by agencies generally for submission to the Commonwealth.

The number of audit hours allocated to financial statement audits for 2010-11 was 11,949, an increase of 483 hours or 4.2 per cent over the prior year.

Financial statement audits lead to two main outputs:

- A audit report that is addressed to readers of the financial statements. It provides the auditor's 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.
- A management report that is addressed to the board or the Accountable Officer, as the case may be, of the public sector entity. The management report sets out any significant issues identified by the auditor during the audit and provides recommendations for improving the entity's controls, systems and processes.

## Compliance audits

The accounts of Agencies are generally not audited thus no audit opinion is issued on their annual financial statements. Agencies are viewed as an aliquot part of the Northern Territory Government, with their 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 to establish the extent to which agencies have implemented systems that enable compliance with the prescribed financial management and accountability requirements. Compliance audits also include reviews of selected internal control systems.

During 2010-11, compliance audit activity utilized 5,897 hours, an increase of 1,358 hours, or almost 30 per cent over the prior year. That increase reflected both an increase in the number of audits and the scope of audits as part of an assessment of the adequacy of internal control systems across the General Government Sector.

## The activities of the NTAGO cont...

### Audits of Information Technology Systems

All organisations depend to varying degrees upon information technology to hold data and to generate information intended to meet the needs of a range of users. Audits were undertaken during the year to assess the system controls in place with a view to forming opinions about the integrity of data held in systems and the reliability of information generated from those systems. These audits were undertaken as part of either financial or compliance audits.

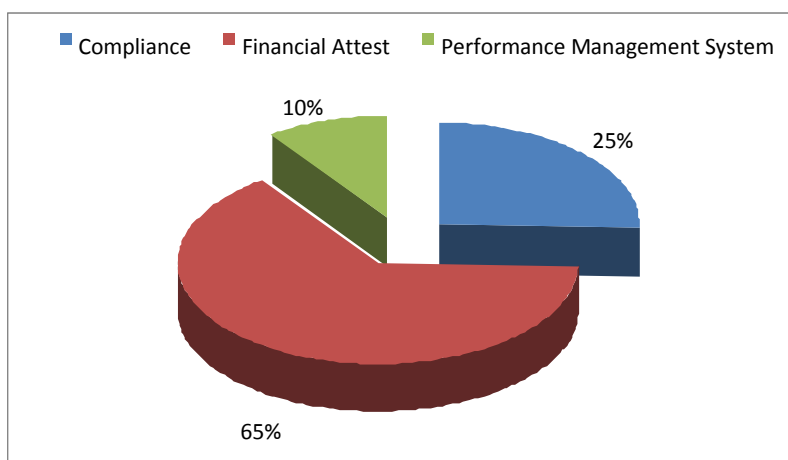
### Performance Management Systems

1,500 hours of available audit hours were applied to Performance Management System audits, compared to 1,717 for the prior year, a decline of 217 hours or 12.6 per cent. The decline in hours devoted to this class of audit reflected the greater emphasis placed on compliance audits during the year. Performance management system audits were conducted at the Departments of Education and Training, and Housing, Local Government and Regional Services, together with the Darwin Port Corporation.

### 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 2010-11 is summarised in Figure 5:

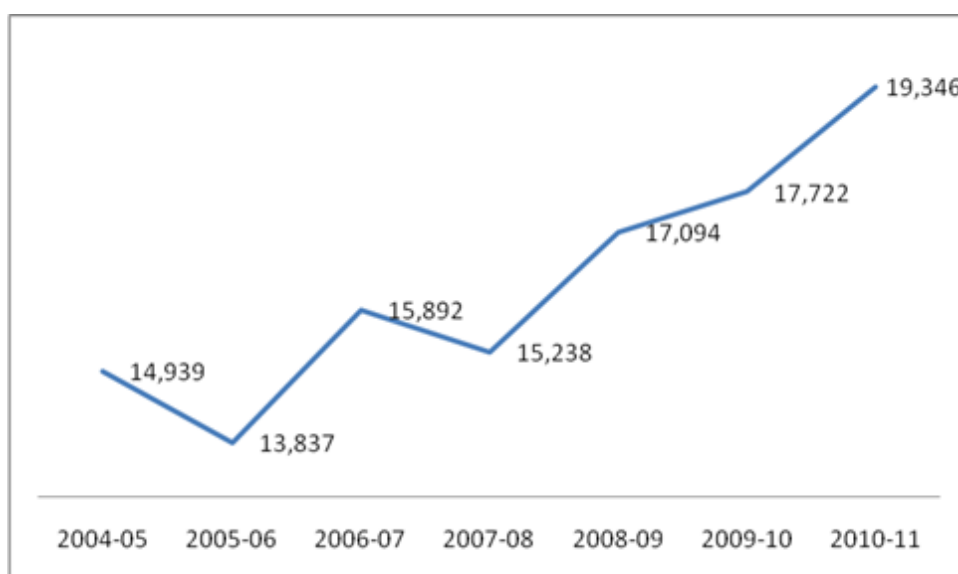
**Figure 5 – Audit Hours by Audit Type (% of total hours)**



## The activities of the NTAGO cont...

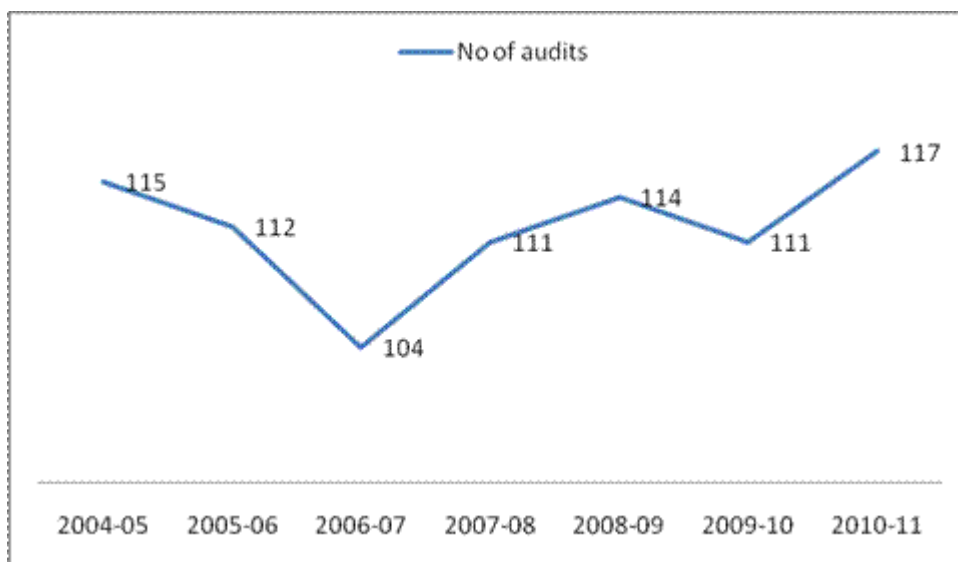
The trend in the total number of audit hours committed to all classes of audit is shown at Figure 6.

**Figure 6 –Comparison of Total Annual Audit Hours Committed**



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 2011 as measured by the number of completed audits.

**Figure 7 – Comparison of Total Number of Audits Conducted Per Annum**



# 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 2010-11 the expenses incurred by the Office in having private firms provide audit services amounted to \$2.9 million and this represented 19,346 hours acquired from authorised auditors, representing a 7 per cent increase in delivery cost, compared with 17,094 hours at a cost of \$2.7 million for the 2009-10 period.

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 practices 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 2010-11.

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.

The next review will be conducted in the 2012/13 period.

## Our governance framework cont...

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

Authorised auditors are appointed under contracts for periods of three years. The contracts that applied during 2010-11 expired on 31 December 2011. Following tender process, contracts with firms have been executed to cover the period 2012-14.

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:

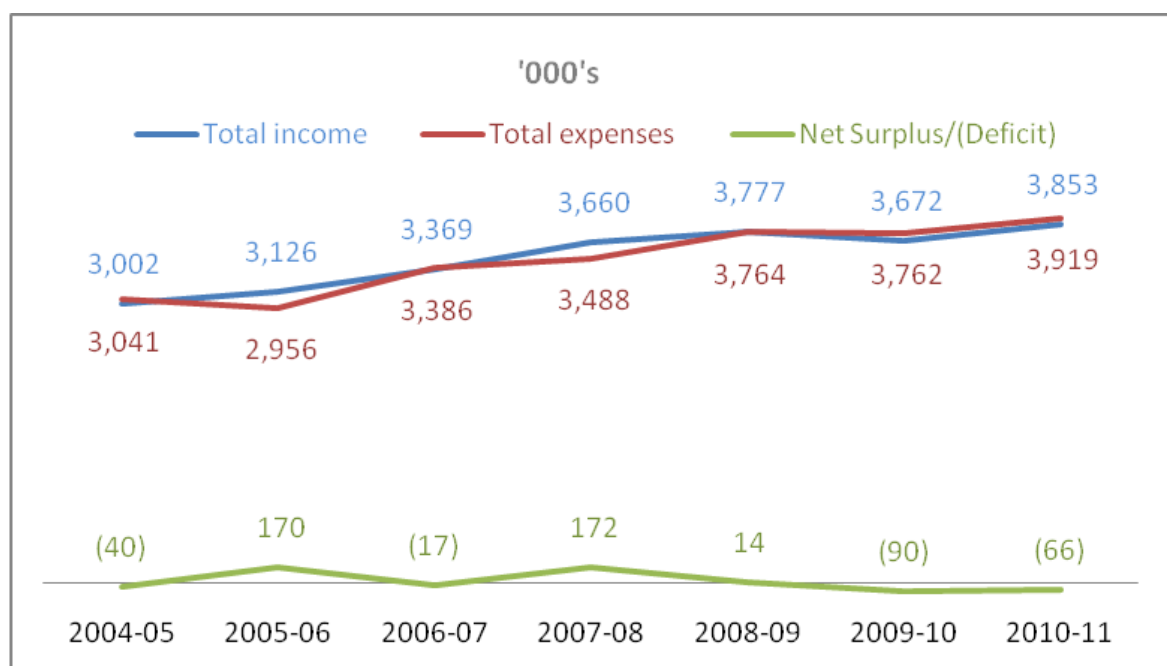
- the issue of Audit Task Assignment forms (ATA's) and audit guidelines to authorised auditors by the NTAGO. These documents set the scope and cost of audit tasks, together with guidelines on how the task should be conducted.
- the provision to the NTAGO of weekly progress reports by authorised auditors 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 2010-11, resulted in a net deficit of \$65,624, compared with a deficit of \$90,121 for the prior year. The principal contributor to the operating result was an increase in expenses for the use of authorised auditors, with that, in turn, being affected by an increase in audit hours for the year together with rates that increased in line with the Australian Bureau of Statistics' Consumer Price Index.

**Figure 8 – Comparative Annual Financial Performance**



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 Act. Output revenue represented 80 per cent of the total income of the NTAGO for 2010-11, (compared with 81 per cent for 2009-10), while audit costs recovered represented 15 per cent (compared with 14 per cent for the prior year).

The components of the Office's income for 2010-11 are shown in below



## Our governance framework cont...

**Figure 9 – Income Components**

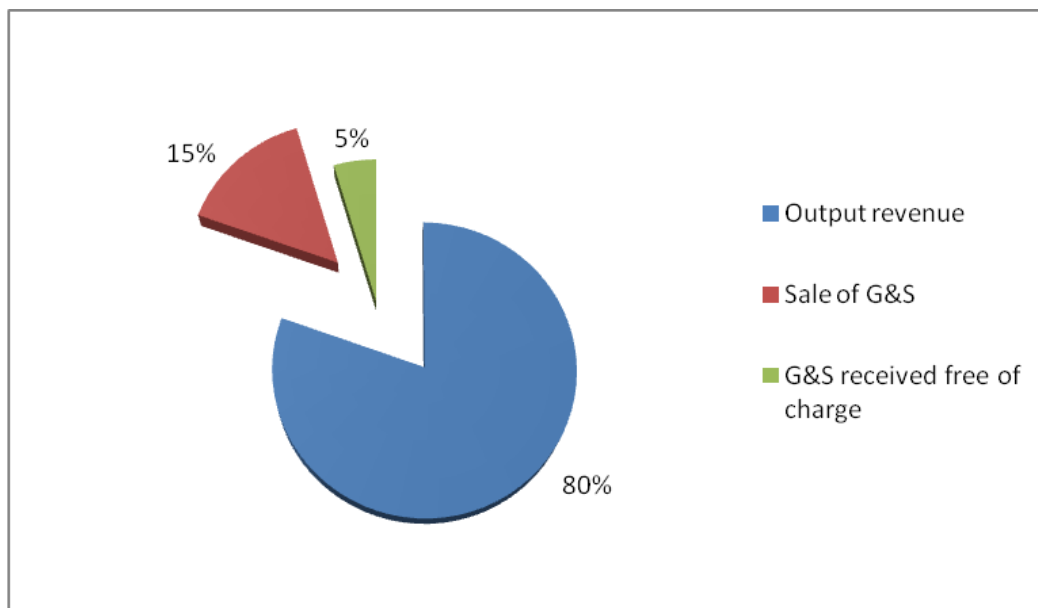
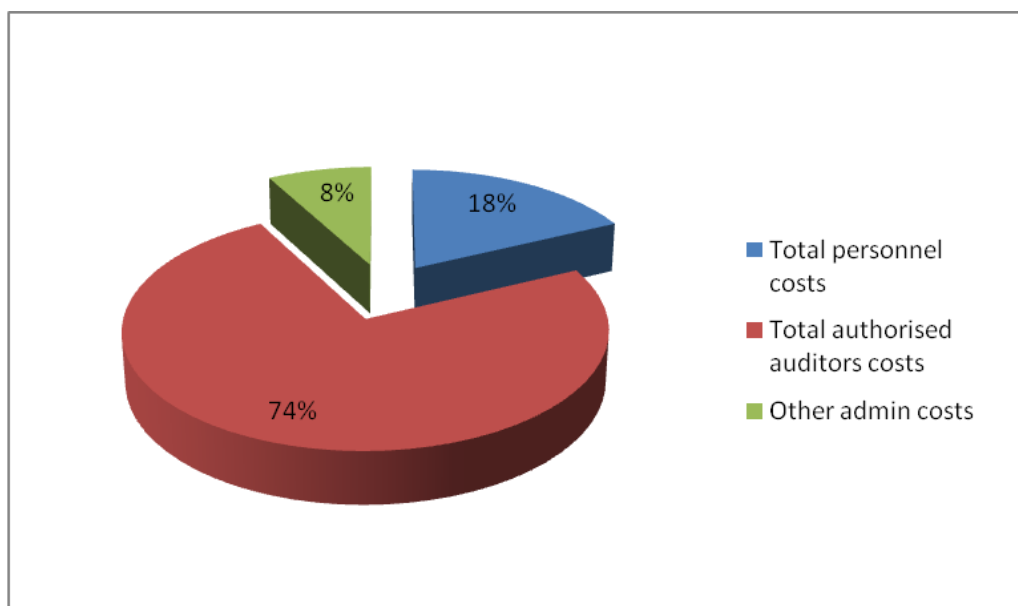


Figure 10, below, highlights the major areas of expense incurred by the NTAGO during the year and highlights the extent to which the NTAGO's total expenses are dominated by those incurred in the use of authorised auditors. Employment expenses are less than a quarter of overall Office expenditure.

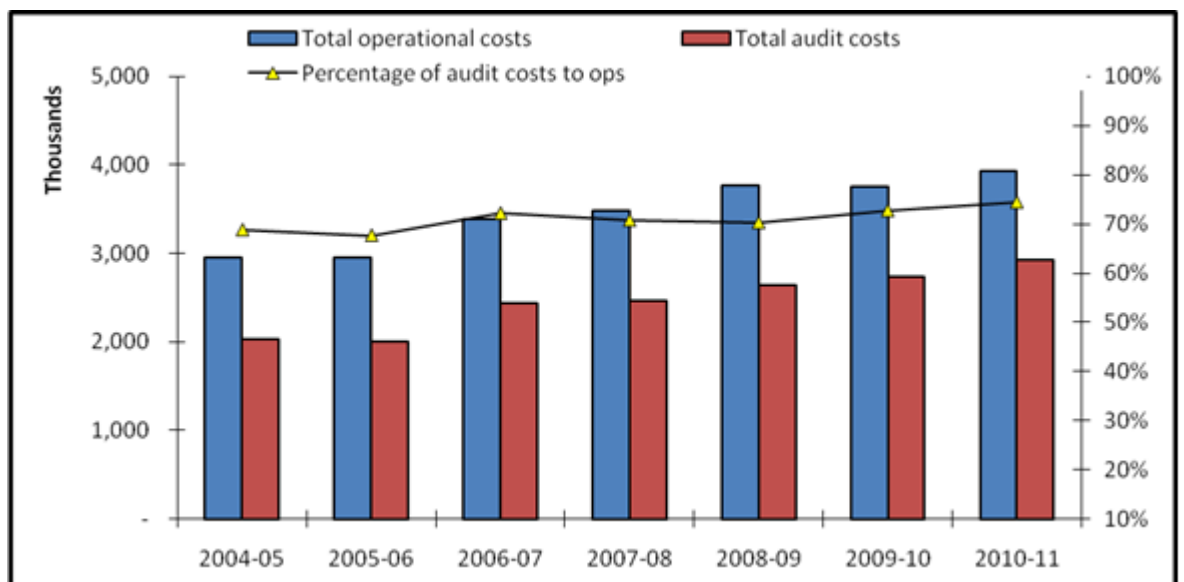
**Figure 10 – Purchases of goods and services**



## Our governance framework cont...

Figure 11, represents the percentage of audit costs to total operational costs (including personnel costs). From this, it can be seen that audit costs range between 68-75% of overall expenditure for NTAGO.

**Figure 11 – % Audit costs to total operational costs**



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

The sources of funds available to the Office and the ways in which the funds were applied for the year were as follows:

**Figure 12 – Source of funds**

Source of funds	\$'000
Output Revenue	3,099
Recoveries of audit costs	575
Goods received free of charge	179
Increase in accounts payable	9
Decrease in cash and deposits	83
<b>Total Source</b>	<b>\$3,945</b>

and those funds were applied as follows:

**Figure 13 – Application of funds**

Application of funds	\$'000
Operating expenses	3,919
Increase in accounts receivable	17
Increase in payments	4
Decrease in provisions	5
<b>Total Source</b>	<b>\$3,945</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. Also notable was the decline in the cash balances attributable to the Office and which formed part of the sources of funds. The greater part of the funds available to the Office were applied in meeting operating expenses (including salary expenses).

## 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, were received by the Office during 2010-11. 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 14 – 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 2010-11 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 2010-11 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 professional qualifications; 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 saw the use of electronic filing for audit files and correspondence with an accompanying decline in the use of paper-based records.

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

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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 balance sheet as at 30 June 2011, 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 2011 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 25<sup>th</sup> day of August 2011

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE FINANCIAL REPORT

## CERTIFICATION OF THE FINANCIAL STATEMENTS

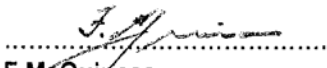
We certify that the attached financial statements for the *Northern Territory Auditor-Generals' Office (NTAGO)* have been prepared from proper accounts and records in accordance with the prescribed format, the *Financial Management Act* and Treasurer's Directions.


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 2011 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  
25 August 2011

  
MC Woodcock  
Office Administrator for the NTAGO  
25 August 2011

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**COMPREHENSIVE OPERATING STATEMENT**  
**As at 30 June 2011**

	NOTE	2011 \$'000	2010 \$'000
<b>INCOME</b>			
Appropriation			
Output		3,099	2,978
Sales of Goods and Services	5	575	519
Goods and Services Received Free of Charge	4	179	175
Other Income		0	0
<b>TOTAL INCOME</b>	3	<u>3,853</u>	<u>3,672</u>
<b>EXPENSES</b>			
Employee Expenses		706	735
<i>Administrative Expenses</i>			
Purchases of Goods and Services	3	3,034	2,851
Repairs and Maintenance		0	0
Depreciation and Amortisation		0	0
Other Administrative Expenses <sup>(1)</sup>		179	176
<b>TOTAL EXPENSES</b>	3	<u>3,919</u>	<u>3,762</u>
<b>NET SURPLUS/(DEFICIT)</b>		<u>(66)</u>	<u>(90)</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in Accounting Policies		0	0
Correction of Prior Period Errors		0	0
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<u>0</u>	<u>0</u>
<b>COMPREHENSIVE RESULT</b>		<u>(66)</u>	<u>(90)</u>

*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**  
**BALANCE SHEET**  
**As at 30 June 2011**

	NOTE	2011 \$'000	2010 \$'000
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Deposits	7	362	444
Receivables	8	223	206
Prepayments		8	5
<i>Total Current Assets</i>		593	655
<i>Non-Current Assets</i>			
Property, Plant and Equipment	9	0	0
<i>Total Non-Current Assets</i>		0	0
<b>TOTAL ASSETS</b>		593	655
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Payables	10	114	105
Provisions	11	95	95
<i>Total Current Liabilities</i>		209	200
<i>Non-Current Liabilities</i>			
Provisions	11	35	40
<i>Total Non-Current Liabilities</i>		35	40
<b>TOTAL LIABILITIES</b>		244	240
<b>NET ASSETS</b>		349	415
<b>EQUITY</b>			
Capital		200	200
Accumulated Funds		149	215
<b>TOTAL EQUITY</b>		349	415

*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 2011

	NOTE	Equity at 1 July \$'000	Compre -hensive result \$'000	Transactions with owners in their capacity as owners \$'000	Equity at 30 June \$'000
<b>2010-11</b>					
Accumulated Funds		215	(66) <sup>(1)</sup>		149
		<hr/> 215	<hr/> (66)	<hr/>	<hr/> 149
Capital - Transactions with Owners		200			200
		<hr/> 200	<hr/> (66)	<hr/>	<hr/> 200
Total Equity at End of Financial Year		<hr/> 415	<hr/> (66)	<hr/>	<hr/> 349
<b>2009-10</b>					
Accumulated Funds		305	(90) <sup>(1)</sup>		215
		<hr/> 305	<hr/> (90)	<hr/>	<hr/> 215
Capital - Transactions with Owners					
Equity Injections					
Other Equity Injections				200	200
		<hr/>	<hr/> (90)	<hr/> 200	<hr/> 200
Total Equity at End of Financial Year		<hr/> 305	<hr/> (90)	<hr/> 200	<hr/> 415

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

<sup>(1)</sup> Net Surplus/(Deficit) from the Comprehensive Operating Statement

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**CASH FLOW STATEMENT**  
For the year ended 30 June 2011

	NOTE	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Operating Receipts</i>			
Appropriation			
Output		3,099	2,978
Receipts From Sales of Goods And Services		859	789
<i>Total Operating Receipts</i>		3,958	3,767
<i>Operating Payments</i>			
Payments to Employees		707	726
Payments for Goods and Services		3,334	3159
<i>Total Operating Payments</i>		4,041	3,885
Net Cash From/(Used In) Operating Activities	12	(83)	(118)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Financing Receipts</i>			
<i>Equity Injections</i>			
Other Equity Injections		0	200
<i>Total Financing Receipts</i>		0	200
Net Cash From/(Used In) Financing Activities		0	200
Net Increase/(Decrease) in Cash Held		(83)	82
Cash at Beginning of Financial Year		444	362
<b>CASH AT END OF FINANCIAL YEAR</b>	7	362	444

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 2011**

**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

**OTHER DISCLOSURES**

12. Notes to the Cash Flow Statement
13. Financial Instruments
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**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

**1. OBJECTIVES AND FUNDING**

The Northern Territory Auditor-General's Office (NTAGO) 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 Australian Accounting Standards. The effects of all relevant new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period have been evaluated. The Standards and Interpretations and their impacts are:

*AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]*

A number of amendments are largely technical, clarifying particular terms or eliminating unintended consequences. Other changes include current/non-current classification of convertible instruments, the classification of expenditure on unrecognised assets in the cash flow statement and the classification of leases of land and buildings. The Standard does not impact the Financial Statements.

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

*AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions*

The Standard amends AASB 2 *Share-based Payment* to clarify the accounting for group cash-settled share-based payment transactions. An entity receiving goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The Standard does not impact the Financial Statements.

*AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues*

The Standard amends AASB 132 *Financial Instruments: Presentation* to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument, if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Standard does not impact the Financial Statements.

*AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 & 139]*

The amending Standard clarifies certain matters, including the measurement of non-controlling interests in a business combination, transition requirements for contingent consideration from a business combination and transition requirements for amendments arising as a result of AASB 127 *Consolidated and Separate Financial Statements*. The Standard does not impact the Financial Statements.

*Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments*

The Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Interpretation does not impact the Financial Statements.

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

**b) Australian Accounting Standards and Interpretations Issued but not yet Effective**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Summary	Effective for annual reporting periods beginning on or after	Impact on financial statements
AASB 124 Related Party Disclosures (Dec 2009)	Government-related entities are granted partial exemption from related party disclosure requirements	1 Jan 2011	Nil
AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	Amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This Standard also makes numerous editorial amendments to other Standards.	1 Jan 2011	Nil
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Interpretation 13]	Key amendments include clarification of content of statement of changes in equity (AASB 101) and financial instrument disclosures (AASB 7)	1 Jan 2011	Nil
AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	Makes numerous editorial amendments to a range of Standards and Interpretations	1 Jan 2011	Nil
Standard/Interpretation	Summary	Effective for annual reporting periods	Impact on financial statements

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

		beginning on or after	
Interpretation 4 Determining whether an Arrangement contains a Lease	Provides guidance on identifying lease arrangements	1 Jan 2011	Nil
Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	Clarifies when refunds or reductions in future contributions should be regarded as available, particularly when a minimum funding requirement exists	1 Jan 2011	Nil
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	Amends AASB 7 <i>Financial Instruments: Disclosures</i> , introducing additional disclosures designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets	1 July 2011	Nil
AASB 9 Financial instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2010)	AASB 9 simplifies requirements for the classification and measurement of financial assets and liabilities resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial instruments: recognition and measurement</i> (AASB 139 <i>Financial Instruments: recognition and measurement</i> ).	1 Jan 2013	Nil
Interpretation 12 Service Concession Arrangements	Provides guidance on the accounting by operators for public-to-private service concession arrangements	1 Jan 2013	Nil

**c) Agency and Territory Items**

The financial statements of NTAGO include income, expenses, assets, liabilities and equity over which the NTAGO has control (Agency items). Certain items, while managed by the Agency, are controlled and recorded by the Territory rather than the Agency (Territory items). Territory items are recognised and recorded in the Central Holding Authority as discussed below.

*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.



**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

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.

**d) Comparatives**

Where necessary, comparative information for the 2010-11 financial year has been reclassified to provide consistency with current year disclosures.

**e) 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.

**f) Changes in Accounting Policies**

There have been no changes to accounting policies adopted in 2010-11 as a result of management decisions.

**g) 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 for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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(v) 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.
- Allowance for Impairment Losses – Note 2(o), 8: Receivables & 13: Financial Instruments
- Depreciation and Amortisation – Note 2(k), Note 10: Property, Plant and Equipment.
- Commitments – Note 14

**h) 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.

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

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.

**i) 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.

Commonwealth appropriation follows from the Intergovernmental Agreement on Federal Financial Relations, resulting in Special Purpose Payments and National Partnership payments being made by the Commonwealth Treasury to state treasuries, in a manner similar to arrangements for GST payments. These payments are received by Treasury on behalf of the Central Holding Authority and then on-passed to the relevant agencies as Commonwealth Appropriation.

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

**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.
- 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***

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

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.

**j) 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.

**k) Depreciation and Amortisation Expense**

All depreciable assets controlled by the Office were fully depreciated at the commencement of the 2010/11 financial year. The Office did not record any depreciation or amortisation during the year as a result.

**l) Cash and Deposits**

- i) For the purposes of the Balance Sheet and the Cash Flow Statement, cash includes cash on hand, cash at bank and cash equivalents. Cash equivalents are highly liquid short-term investments that are readily convertible to cash.

**m) 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 13 Financial Instruments. Reconciliation of changes in the allowance accounts is also presented.

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

**n) Property, Plant and Equipment**

**Acquisitions**

All items of property, plant and equipment with a cost, or other value, equal to or greater than \$10,000 are recognised in the year of acquisition and depreciated as outlined below. Items of property, plant and equipment below the \$10,000 threshold are expensed in the year of acquisition.

The construction cost of property, plant and equipment includes the cost of materials and direct labour, and an appropriate proportion of fixed and variable overheads.

Appropriation for *all* Agency capital works is provided directly to the Department of Construction and Infrastructure and the cost of construction work in progress is recognised as an asset of that Department. Once completed, capital works assets are transferred to the Agency.

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

**o) Revaluations and Impairment**

Revaluation of Assets

Subsequent to initial recognition, assets belonging to the following classes of non-current assets are revalued with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from their fair value at reporting date:

- Land;
- Buildings;
- Infrastructure Assets;
- Heritage and Cultural Assets;
- Biological Assets; and
- Intangibles.

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arms length transaction.

Plant and equipment are stated at historical cost less depreciation, which is deemed to equate to fair value.

The unique nature of some of the heritage and cultural assets may preclude reliable measurement. Such assets have not been recognised in the financial statements.

**Impairment of Assets**

An asset is said to be impaired when the asset's carrying amount exceeds its recoverable amount.

Non-current physical and intangible Agency assets are assessed for indicators of impairment on an annual basis. If an indicator of impairment exists, the Agency determines the asset's recoverable amount. The asset's recoverable amount is determined as the higher of the asset's depreciated replacement cost and fair value less costs to sell. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Impairment losses are recognised in the Comprehensive Operating Statement. They are disclosed as an expense unless the asset is carried at a revalued amount. Where the asset is measured at a revalued amount, the impairment loss is offset against the Asset Revaluation Surplus for that class of asset to the extent that an available balance exists in the Asset Revaluation Surplus.

In certain situations, an impairment loss may subsequently be reversed. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised in the Comprehensive Operating Statement as income, unless the asset is carried at a revalued amount, in which case the impairment reversal results in an increase in the Asset Revaluation Surplus. Note 16 provides additional information in relation to the Asset Revaluation Surplus.

**p) Leased Assets**

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

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

**q) 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 four years. Those payments commenced in December 2010 and will conclude in December 2014. Refer Note 14(v)

**r) 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.

**s) 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.

**t) Superannuation**

Employees' superannuation entitlements are provided through the:

- NT Government and Public Authorities Superannuation Scheme (NTGPASS);
- 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.

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

**u) 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.

**v) Commitments**

Disclosures in relation to capital and other commitments, including lease commitments are shown at note 14 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 2011**

**3. COMPREHENSIVE OPERATING STATEMENT BY OUTPUT GROUP**

	Note	Audits and Reviews	
		2011 \$'000	2010 \$'000
<b>INCOME</b>			
Appropriation			
Output		3,099	2,978
Sales of Goods and Services <sup>(b)</sup>		575	519
Goods and Services Received Free of Charge	4	179	176
<b>TOTAL INCOME</b>		<b>3,853</b>	<b>3,672</b>
<b>EXPENSES</b>			
Employee Expenses		706	735
<i>Administrative Expenses</i>			
Purchases of Goods and Services	6	3,034	2,851
Repairs and Maintenance		0	0
Depreciation and Amortisation	10, 11	0	0
Other Administrative Expenses <sup>(1)</sup>		179	175
<b>TOTAL EXPENSES</b>		<b>3,919</b>	<b>3,762</b>
<b>NET SURPLUS/(DEFICIT)</b>		<b>(66)</b>	<b>(90)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in Accounting Policies <sup>(d)</sup>		0	0
Correction of Prior Period Errors <sup>(d)</sup>		0	0
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>0</b>	<b>0</b>
<b>COMPREHENSIVE RESULT</b>		<b>(66)</b>	<b>(90)</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**  
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	2011 \$'000	2010 \$'000
<b>4. GOODS AND SERVICES RECEIVED FREE OF CHARGE</b>		
Corporate and Information Services	179	175
	<u>179</u>	<u>175</u>
<b>5. AUDIT COSTS RECOVERED</b>		
<b>Goods and Services Expenses:</b>		
Batchelor Institute of Indigenous Tertiary Education	48	48
Charles Darwin University	159	129
Darnor Pty Ltd	10	9
Darwin Waterfront Corporation	29	28
Department of Construction and Infrastructure	0	22
Department of Employment, Education and Training	42	22
Department of Lands Planning	24	0
Department of Local Government, Housing and Sport	10	10
Gasgo Pty Ltd	11	11
Indigenous Essential Services Pty Ltd	25	24
Menzies School of Health Research	26	26
Northern Territory Treasury	20	19
NT Build Statutory Corporation	10	12
NT Legal Aid Commission	31	30
NT Major Events Company Pty Ltd	20	19
Territory Insurance Office	110	110
	<u>575</u>	<u>519</u>
<b>6. PURCHASES OF GOODS AND SERVICES</b>		
The net surplus/(deficit) has been arrived at after charging the following expenses:		
<b>Goods and Services Expenses:</b>		
Consultants – Authorised Auditors	2,913	2,737
Consultants – Information Technology	1	6
Document Production	6	8
Training and Study	13	4
Official Duty Fares	1	8



**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2011

**7. CASH AND DEPOSITS**

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

**8. RECEIVABLES**

**Current**

Accounts Receivable	66	91
GST Receivables	43	25
Other Receivables	114	90
	<u>223</u>	<u>206</u>

<b>Total Receivables</b>	<u>223</u>	<u>206</u>
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**9. PROPERTY, PLANT AND EQUIPMENT**

**Computer Software**

At Cost	10	10
Less: Accumulated Amortization	<u>(10)</u>	<u>(10)</u>

<b>Total Property, Plant and Equipment</b>	<u>0</u>	<u>0</u>
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**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

**9. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**2011 Property, Plant and Equipment Reconciliations**

A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of 2010-11 is set out below:

	Computer Software	Total
	\$'000	\$'000
Carrying Amount as at 1 July 2010	10	10
	(10)	(10)
Carrying Amount as at 30 June 2011	0	0

**2010 Property, Plant and Equipment Reconciliations**

A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of 2009-10 is set out below:

	Computer Software	Total
	\$'000	\$'000
Carrying Amount as at 1 July 2009	10	10
	(10)	(10)
Carrying Amount as at 30 June 2010	0	0

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2011 \$'000	2010 \$'000
<b>10. PAYABLES</b>		
Accrued Expenses - Wages	14	11
Accrued Expenses – Authorised Auditors	87	81
Accrued Expenses – Audit Fees	12	11
Credit Card Control	1	2
<b>Total Payables</b>	<b>114</b>	<b>105</b>
<b>11. PROVISIONS</b>		
<b>Current</b>		
<i>Employee Benefits</i>		
Recreation Leave	73	73
Leave Loading	2	2
<b>Other Current Provisions <sup>(a)</sup></b>		
<b>FBT</b>	5	4
<b>Payroll Tax On Costs</b>	7	7
<b>Employer Superannuation Contribution</b>	8	9
	<b>95</b>	<b>95</b>
<b>Non-Current</b>		
<i>Employee Benefits</i>		
Recreation Leave	35	40
	<b>35</b>	<b>40</b>
<b>Total Provisions</b>	<b>130</b>	<b>135</b>
<b>Reconciliations of Provisions <sup>(a)</sup></b>		
<b>Balance as at 1 July 2010</b>	20	21
Additional Provisions Recognised	(0)	1
Reductions Arising from Payments	0	(2)
<b>Balance as at 30 June 2011</b>	<b>20</b>	<b>20</b>

The Agency employed 5 employees as at 30 June 2011 (5 employees as at 30 June 2010).

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

	2011 \$'000	2010 \$'000
<b>12. NOTES TO THE CASH FLOW STATEMENT</b>		
<b>Reconciliation of Cash</b>		
The total of Agency Cash and Deposits of \$362 recorded in the Balance Sheet is consistent with that recorded as 'cash' in the Cash Flow Statement.		
<b>Reconciliation of Net Surplus/(Deficit) to Net Cash From Operating Activities</b>		
<b>Net Surplus/(Deficit)</b>	(66)	(90)
<i>Non-Cash Items:</i>		
Depreciation and Amortisation	(0)	(0)
<i>Changes in Assets and Liabilities:</i>		
Decrease/(Increase) in Receivables	(17)	(17)
Decrease/(Increase) in Prepayments	(4)	(1)
(Decrease)/Increase in Payables	8	(14)
(Decrease)/Increase in Provision for Employee Benefits	(4)	5
(Decrease)/Increase in Other Provisions	(1)	(1)
<b>Net Cash From Operating Activities</b>	<u>(83)</u>	<u>(118)</u>

**13. 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.

	2011 \$000	2010 \$000
<b>Financial Assets</b>		
Cash and deposits	362	444
Accounts Receivable	66	91
	<u>2011</u>	<u>2010</u>
	\$000	\$000
<b>Financial Assets</b>		
Payables	114	105

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. FINANCIAL INSTRUMENTS (continued)**

**(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.

	Aging of Receivables	Aging of Impaired Receivables	Net Receivables
	\$000	\$000	\$000
<b>2010-11</b>			
Not Overdue	66		66
Overdue for less than 30 Days			
Overdue for 30 to 60 Days			
Overdue for more than 60 Days			
<b>Total</b>	<u>66</u>	<u></u>	<u>66</u>
Not Overdue	66		66
<b>2009-10</b>			
Not Overdue	91		91
Overdue for less than 30 Days			
Overdue for 30 to 60 Days			
Overdue for more than 60 Days			
<b>Total</b>	<u>91</u>	<u></u>	<u>91</u>

- *Identify the extent of credit risk exposure and how they arise*
- *What are the processes or procedures in place for managing the risk and the methods used to measure the risk*

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. FINANCIAL INSTRUMENTS (continued)**

*(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.

**2011 Maturity analysis for financial assets & liabilities**

	Fixed Interest Rate			Non Interest Bearing	Total	Weighted Average
	Fixed or Variable	Less than a Year	1 to 5 Years			
		\$'000	\$'000	\$'000	\$'000	%
<b>Assets</b>						
Cash and deposits				362	362	0
Receivables				223	223	0
<b>Total Financial Assets:</b>				585	585	0
<b>Liabilities</b>						
Payables	1			113	114	0
<b>Total Financial Liabilities:</b>	1			113	114	0

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

	Fixed Interest Rate			Non Interest Bearing	Total	Weighted Average
	Fixed or Variable	Less than a Year	1 to 5 Years			
		\$'000	\$'000	\$'000	\$'000	%
<b>Assets</b>						
Cash and deposits				444	444	0
Receivables				206	206	0
<b>Total Financial Assets:</b>				650	650	0
<b>Liabilities</b>						
Payables	2			103	105	0
<b>Total Financial Liabilities:</b>	2			103	105	0

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2011

**13. FINANCIAL INSTRUMENTS (continued)**

**(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.

**(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 – derived from quoted prices in active markets for identical assets or liabilities.

Level 2 – derived from inputs other than quoted prices that are observable directly or indirectly.

Level 3 – derived from inputs not based on observable market data.

<u>2011</u>	Total Carrying Amount \$'000	Net Fair Value Level 1 \$'000	Net Fair Value Level 2 \$'000	Net Fair Value Level 3 \$'000	Net Fair Value Total \$'000
<b>Financial Assets</b>					
Cash and Deposits	362		362		362
Receivables	223		223		223
<b>Total Financial Assets:</b>	<b>585</b>		<b>585</b>		<b>585</b>
<b>Financial Liabilities</b>					
Payables	114		114		114
<b>Total Financial Liabilities:</b>	<b>114</b>		<b>114</b>		<b>114</b>
 <u>2010</u>					
<b>Financial Assets</b>					
Cash and Deposits	444		444		444
Receivables	206		206		206
<b>Total Financial Assets:</b>	<b>651</b>		<b>651</b>		<b>651</b>
<b>Financial Liabilities</b>					
Payables	105		105		105
<b>Total Financial Liabilities:</b>	<b>105</b>		<b>105</b>		<b>105</b>

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

	2011 \$'000	2010 \$'000
<b>14. COMMITMENTS</b>		
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		
<b>(i) Authorised Auditor Commitments</b>		
The minimum legal commitment to accounting firms for the remaining term of the current contracts are as follows:-		
Within one year	1,097	2,080
Later than one year and not later than five years	0	1,148
Later than five years	0	0
	<b>1,097</b>	<b>3,228</b>
<b>(ii) Authorised Auditor Commitments</b>		
The actual number of hours acquired from accounting firms in each year has historically exceeded the number of hours specified by contract. The value of services that are expected to be acquired from accounting firms for the period covered by forward estimates is as follows:-		
Within one year	2,591	2,599
Later than one year and not later than five years	10,661	10,513
Later than five years	0	0
	<b>13,252</b>	<b>13,112</b>
<b>(iii) Authorised Auditor Commitments - Commitments Arising From Work In Progress</b>		
At 30 June in any year not all audits 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.		
WIP	61	71
	<b>61</b>	<b>71</b>
<b>(iv) Authorised Auditor Commitments – Audit Contract</b>		
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	13	13
Later than one year and not later than five years	14	27
Later than five years	0	0
	<b>27</b>	<b>39</b>
<b>(ii) Operating Lease Commitments</b>		
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	2	2
Later than one year and not later than five years	5	0
Later than five years	0	0
	<b>7</b>	<b>2</b>





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