



Northern Territory Auditor-General's Office Annual Report 2015-16



Auditing for Parliament

About This Report

The purpose of this Annual Report is to provide a range of stakeholders and interested readers with an understanding of the operations and performance of the Northern Territory Auditor-General's Office (the Office) for the year ended 30 June 2016.

The Office is exempt from the normal requirements to submit an annual report to the Legislative Assembly. However, the preparation and delivery of a document such as this offers the opportunity to highlight the operations and performance of the Office for the year to interested parties.

As well as reporting on the corporate performance for the past year, the report looks to the year ahead. The cost of preparing this report is nominal as it was prepared completely in-house with no marketing and minimal printing costs.

This report is not a report on the results of audits conducted, as this information is tabled separately in Parliament.

Annual reports, together with details of other publications, are available on the Office's website at [NT Auditor-General's Office](#).

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Auditor-General's Forward

Introduction

It is my pleasure to present the Annual Report of the Northern Territory Auditor-General's Office for the year ended 30 June 2016.

2016 saw the introduction of the recovery of audit costs from statutory entities in addition to the recovery of costs for audits outside the Public Account (such as grant acquittals). This has enabled the Office to allocate a greater proportion of annual appropriation to more comprehensively auditing the Public Account. In the 2016 financial year, 158 audits and reviews were commenced compared to 129 in the 2015 financial year. I acknowledge this achievement has resulted from increased effort by my Authorised Auditors within the contracted firms and each of the employees within the Office and I thank them for their commitment and consistent delivery throughout the year.

Due to the scheduling of Parliamentary sittings during 2016, I tabled three reports in the Legislative Assembly this financial year instead of two as has been customary for a number of years. As these reports are produced in-house, this added to the workload of the Principal Auditors and also necessitated feedback from agencies during the busy Estimates period. My thanks go to all agencies for their timely responses and to the Office personnel that enabled timely, relevant and contemporary reporting to Parliament and stakeholders to occur.

During 2016, greater content was added to our website to enable stakeholders to understand the role of the Auditor-General and the work of the Northern Territory Auditor-General's Office.

We have made some progress into addressing findings of the triennial Strategic Review tabled in the Legislative Assembly in December 2016 but have further work in regard to succession planning to undertake during the forthcoming financial year.

The Year Ahead

In order to continue our journey of continuous improvement, 2016 will see the Office:

- address remaining recommendations arising from the triennial Strategic Review conducted during October and November 2015;
- continue to increase stakeholder communication in accordance with our communications plan;
- review our capability for undertaking reviews and audits in-house;
- embed the process for conducting individual performance appraisals; and
- develop appropriate succession planning and supporting processes for all personnel.

I would like to place on record my appreciation to my small and dedicated team for their invaluable assistance during this year, and their continued commitment to service delivery within the Office.

Julie Crisp
Auditor-General

18 October 2016

Our Organisation

Highlights and Statistics

Deliverables to Parliament: 4

August 2015
Report

February
2016 Report

2014-15
Audited
Financial
Statements

June 2016
Report

Parliamentary Committee Appearances: 10

7 formal Public
Accounts
Committee

2
informal/observer

1 appearance
during Estimates

Audits Commenced: 158

60 financial
audits

63
compliance
audits

26 other
audits

4
performance
management
system audits

5 public
information
act referrals

Finances

24% increase to
revenue

99% of invoices
paid were paid
within the 30 day
payment policy.

420 accounts paid
(96% through
EIMS) at a total of
\$4.628 million.

Operating surplus
of \$30 thousand

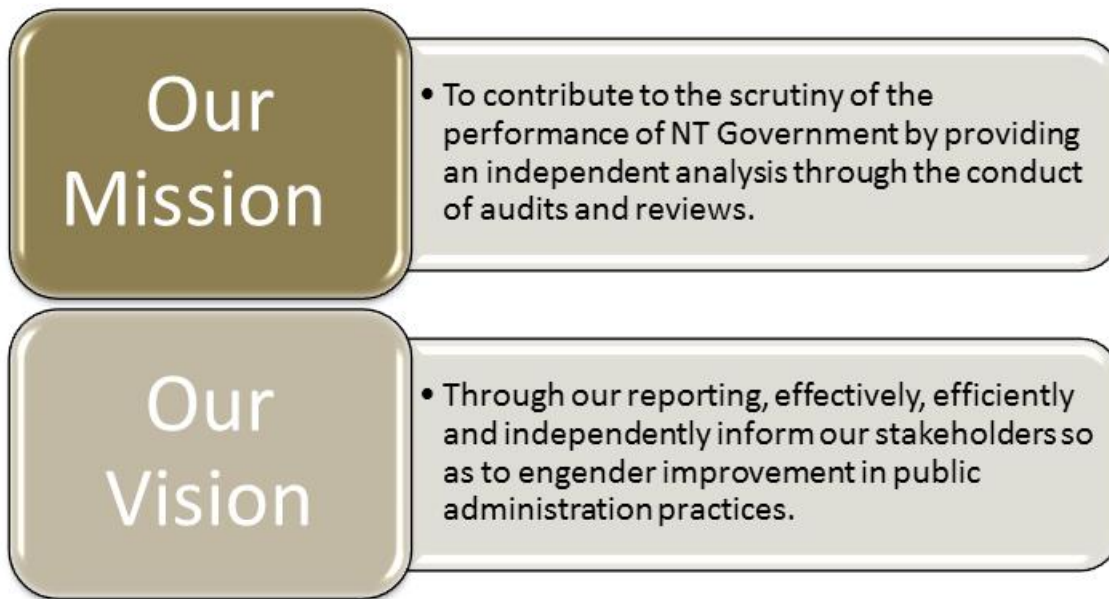
People: 5.0 FTE

80% Female employees
20% Male employees

100% of our employees
undertook professional
development

100% of our employees
participated in flexible
work life balance
arrangements

Our Vision and Values



History of the NT Auditor-General's Office

1978 - 1982

On 5 July 1978, during the first year of self-government, the Administrator for the Northern Territory (NT) appointed the Auditor-General for the Commonwealth of Australia to be the Auditor-General for the NT.

This was an interim arrangement until the appointment of the NT Auditor-General could be facilitated under section 38 of the then Financial Administration and Audit Act.

The Commonwealth maintained a branch of the Audit Office in Darwin with approximately 16 employees including 12 professional auditors providing audit services. This arrangement was in place until it was possible to hand over audit services to the NT upon the establishment of a separate Office. During this period employee numbers ranged between 16 and 22.

A report to Parliament from D.R. Steel Craik, Auditor-General, in 1979 highlighted two staffing challenges that remain unchanged today. The first is the difficulty experienced in recruiting suitably professionally skilled resources to Darwin. The second is the reference to the need to obtain short-term, specific audit skills such as computer specialist audit skills from interstate in order to ensure limited shortcomings in the delivery of the audit program.

In 1981, following a review by the Commonwealth, the NT Government was advised of the intent of the Commonwealth to facilitate the transfer of audit services from the Commonwealth to the NT and for the Commonwealth to formally withdraw services during the 1981-82 period.

1982 – Current

The first resident Auditor-General was appointed by the Administrator in 1982. Graham Carpenter was instrumental in setting up the administration and audit direction for the new audit Office and developing the model for accessing audit services in the NT which is still in use today. The outsourced model, which utilises private sector Authorised Auditors to deliver audit services to the Office, addressed both the difficulty faced by the Office in attracting and retaining suitable audit skills and the intent of the Government of the day to involve private sector audit firms with all aspects of public sector auditing.

Up to the period of 1984-85, reports to Parliament were delivered annually, as at 30 June of that reporting period. The 1986 period saw the annual report to Parliament evolve into three separate reports. The first, at the close of March, presented the results of prescribed statutory corporation audits. The second report was the Auditor-General's report for the year and the third represented the Auditor-General's report on the Treasurer's Annual Financial Statements (TAFS). This reporting model was in place for some time until it evolved to the present practice whereby the Office now tables two reports detailing audits completed in the first half and then the second half of the audit work program. These reports are generally issued around February and August. On occasion, an ad-hoc report is tabled, usually regarding a specific audit or issue across government.

During the 2016 financial year, the absence of scheduled sittings in August 2016 resulted in a third report to Parliament being issued in June 2016 rather than in August as has been customary for a number of years.

The Financial Administration and Audit Act was repealed in 1995 and replaced by the Financial Management Act and the Audit Act of that same year. The separation of the audit function assisted the Auditor-General's independence objectives. Under the terms of the Financial Administration and Audit Act 1978, the Auditor-General was appointed as an independent officer, separate from the Executive of Government on a term basis as agreed with the Administrator. These appointments were limited by the age of the Auditor-General, in that the appointment could be held until that person attained the age of 65. With the introduction of the Audit Act in 1995, the term of appointment was limited to seven years. The Audit Act was reviewed in 2011 and one of the amendments was to the term of appointment of the Auditor-General which changed from a maximum term of seven years, to two terms of five years with a maximum of ten years. A list of Auditors-General during the years of the Office's existence is shown at Figure 1 (pg. 10).

Another legislative impact on the Auditor-General was the introduction of the Public Information Act. This Act is responsible for providing the Auditor-General with additional responsibilities with regard to the regulation of public information and the ability to investigate any alleged breaches of this Act either on the initiative of the Auditor-General or referred by Members of Parliament. Referrals against this legislation are reported within the Auditor-General's reports to Parliament.

Established staffing numbers of the Office fluctuated between four and six employees with the present formal staff establishment threshold of 4.5 full time equivalent employees (FTE). This structure allowed for one Auditor-General, two Principal Auditors with the remaining positions providing administrative support to the Office. Currently the Business Manager and Records Officer are full time resulting in an actual FTE of 5.0.

Until 2006, the Office was funded through application of appropriation following which a limited cost-recovery basis was introduced, allowing the Office to supplement its output revenue with the recovery of professional fees on audits conducted on organisations that are not agencies for the purpose of the Financial Management Act. This cost recovery model was extended effective 1 July 2015 to all audits conducted on statutory entities enabling appropriation funding to be directed to conducting sufficient appropriate audit procedures in order to form an opinion on the Public Account.

Auditors-General

1. Timeline of Auditors-General in the Northern Territory, 1978 to current



1978-1982
Commonwealth Managed

1978-79

- Auditor-General D.R. Steele Craik
- Chief Auditor D. Pearson (Jul 1978 - Mar 1979)

1979-80

- Auditor-General D.R. Steele Craik
- Chief Auditor J.L. Trigg (Mar - Sep 1979)

1980-81

- Auditor-General D.R. Steele Craik
- Auditor-General K.F. Brigden
- Chief Auditor L.B. Stringer

1981-82

- Auditor-General K.F. Brigden
- Chief Auditor L.B. Stringer



1982 - NT Managed

1982-83

- NT Auditor-General - G.J. Carpenter (transitionary with K.F. Brigden)

1983-84

- NT Auditor General G.J. Carpenter

1984-94

- NT Auditor General - E. Isaacson

1994-2002

- NT Auditor-General - I. Summers

2002

- Acting NT Auditor-General - O. Alder

2002-04

- NT Auditor-General H.M. Blake

2004

- Acting NT Auditor-General - K. Simpson

2004-14

- NT Auditor-General - F.G. McGuinness

2014 to Current

- NT Auditor-General - J.C. Crisp

The Role of the NT Auditor-General

The role of the Auditor-General is established 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 requires the Auditor-General to carry out audits as may be directed by the Minister, either generally or specifically, by an instrument in writing.

The Auditor-General's focus areas reflect the mandate under the Audit Act and are summarised as:

- **Accountability** – have entities given full and accurate accounts of their activities and of their compliance with the Legislative Assembly's intent through the annual reporting cycle and are governance and management arrangements suitable to ensure accountability?
- **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 NT Auditor-General's Office, an Agency established pursuant to the provisions of the Financial Management Act. Section 17 of the Audit Act permits the Auditor-General to appoint in writing, a person to be an Authorised Auditor for the purpose of delivering audit services.

The Auditor-General also has obligations under the Public Information Act which allows Members of the Legislative Assembly to refer perceived breaches of that Act to the Auditor-General for opinion. The Auditor-General is a referral body under the Public Interest Disclosure Act which permits the Commissioner for Public Interest Disclosures to refer a public interest disclosure to a number of specified office holders. The Auditor-General also has a statutory role with the Electoral Commission in assisting with the determination of electoral boundaries.

The Auditor-General cannot investigate criminal matters. If such a matter is brought to the attention of the Auditor-General it is automatically passed to the police.

The Auditor-General does not investigate administrative malpractice by government agencies that affect an individual. Such matters are the mandate of the Ombudsman. The Auditor-General can however investigate administrative matters if they are systemic and significant in value or impact.

Unlike some jurisdictions, the NT Auditor-General does not have a mandate to audit individual school council accounts or the annual financial statements of local government entities.

Audits are conducted in accordance with the Australian Auditing Standards. These standards are 'principles based' in regard to use of judgement but are directive on some matters including the content of audit opinions. Users may, as a result, find the prescriptive format of the audit opinion restricts the usefulness of audit reporting. Where a serious matter cannot be reflected in the audit opinion, the Auditor-General may use a formal report to Parliament to highlight the concern.

The Independence of the NT Auditor-General

Section 9 of the Audit Act, provides for the independence of the Auditor-General from the Legislative Assembly, the Parliament or the Executive in the NT thus the Auditor-General is appointed by the Administrator and is deemed to be an officer of the Crown.

The Auditor-General's appointment will cease immediately if Section 9 is breached. Section 12A requires the Auditor-General to ensure independence to maintain the integrity of the work that is conducted. This ensures that this position is not actually, or perceived to be, influenced by anyone; that the work conducted is independent, impartial and conducted within the public interest.

The Act requires 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 Public 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.

By convention, the Auditor-General will not comment upon government policy as this risks politicising the position and diminishing the perceived independence. However, the Auditor-General can assess whether government policy has been effectively implemented.

The Act also provides for the strategic review of the Auditor-General's office under section 26. This provision ensures that the Office is subject to external review every three years. All reports produced for Parliament are available from the NT Auditor-General's Office website¹ and have been tabled in Parliament.

¹ [NT Auditor-General's Office](#)

About the NT Auditor-General's Office

In the discharging of functions under the Act, the Auditor-General is assisted by the NT Auditor-General's Office, an Agency established pursuant to the provisions of the Financial Management Act and the Public Sector Employment Act. The Office is subject to the same legislative requirements that apply to other NT Public Service 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 Office.

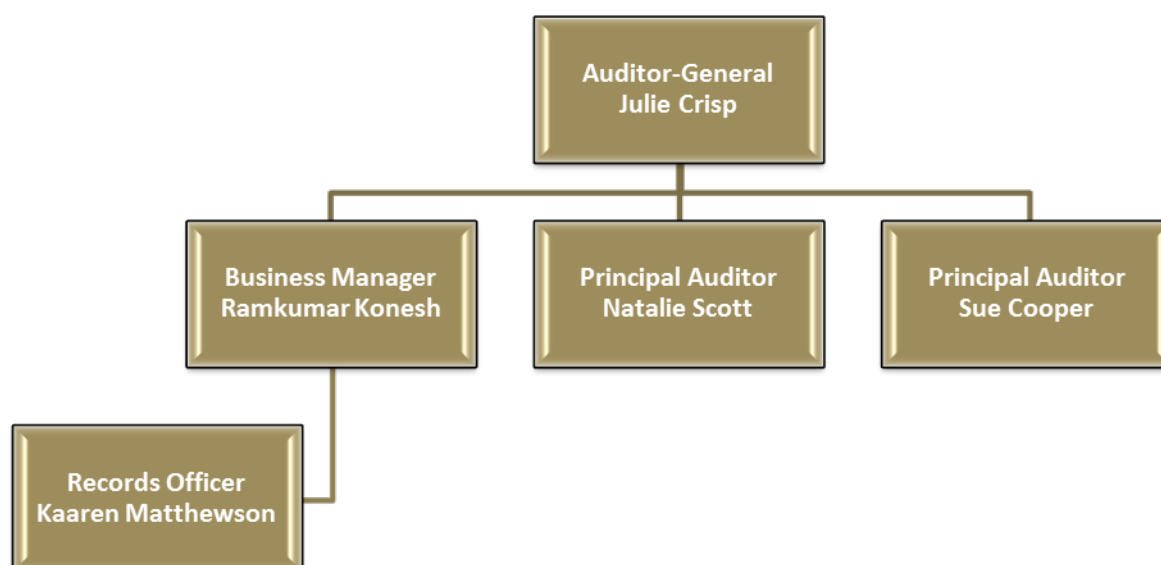
The Office has five positions, three of which are primarily concerned with the audit function and two positions that provide corporate services supporting the Office and its clients. Figure 2 below represents the organisational structure of the agency.

The majority of the Office's audit field work is conducted by its private sector Authorised Auditors, with the Auditor-General and Principal Auditors of the Office involved in planning, preparation of guidelines for audit assignments, information support, administering the contracts with private sector firms and conducting some audits in-house.

The corporate services function is responsible for managing the human resources, information technology, records management, Work Health Safety, financial and general services including fleet and travel.

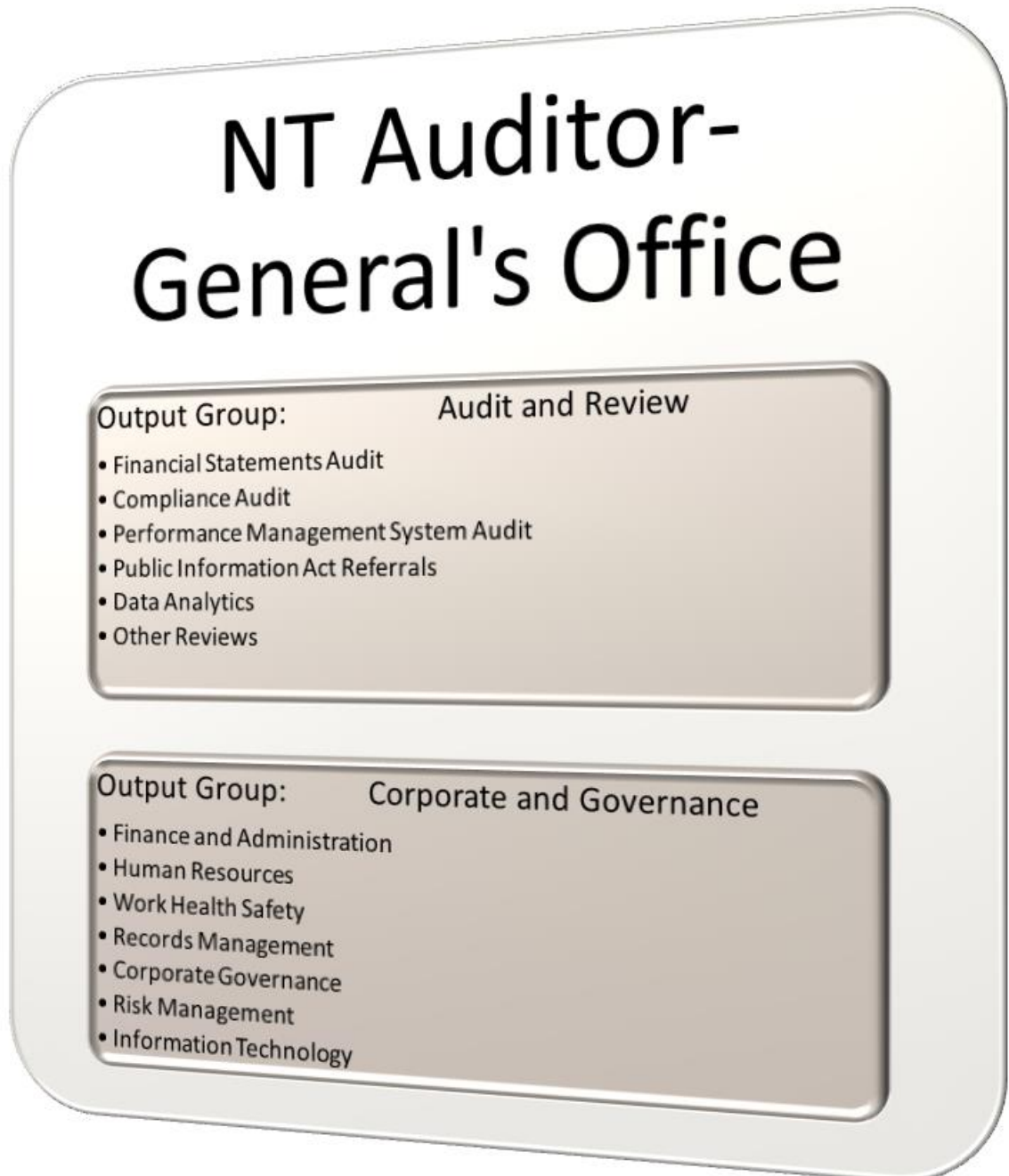
Under Section 27 of the Audit Act, the accounts of the Office are subject to annual audit. To maintain independence, an auditor is appointed that is not an Authorised Auditor contracted to provide audit services to the Office. The financial statements for the year ended 30 June 2016, were audited in August by MGI Adelaide Pty Ltd. A copy of the audited financial statements is included at Appendix A. The audited financial statements, together with this report were tabled in Parliament during the October 2016 sittings.

2. Northern Territory Auditor-General's Office Organisational Chart



Operating Structure

3. Office Operational Framework:



Corporate Governance

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
- to the Chief Minister for the stewardship of resources entrusted to the Office.

These obligations are discharged through:

Planning

- Internal
 - Development, review and maintenance of the strategic plan.
 - Identification of strategic risks and mitigating controls to support the efficient, effective and economical delivery of services from the Office.
 - Maintenance of the strategic risk register.
- Service Delivery / External
 - The audit program is established for two six monthly periods, January to June and July to December. The Auditor-General, Principal Auditors and Authorised Auditors resolve any conflicts of interest that may impact the allocation of work. The audit program is then finalised and communicated to all stakeholders.

Monitoring, Review and Evaluation

- Internal
 - Due to the small size of the Office, weekly meetings are held with all members to discuss the progression of the audit program (all audit areas) and matters relating to finance, administration, work health and safety and human resources.
 - Authorised Auditors submit a weekly progress report to the Principal Auditor to enable monitoring of progress against finance and time budgets for each engagement.
 - Principal Auditors undertaking in-house audits hold a weekly one-on-one meeting with the Auditor-General.
 - The Business Manager presents weekly financial reports to the Auditor-General. Variances are discussed and action taken where required.
 - Policies, procedures and manuals are updated in accordance with established timetables or if required as a result of legislative change.

**Monitoring,
Review and
Evaluation
(continued)**

- External
 - The annual financial statements of the Office are subject to independent audit by an auditor appointed by the Administrator.
 - Section 26 of the Audit Act requires a strategic review of the Office 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 last review was conducted in October 2015 and was tabled in Parliament in December 2015. The next strategic review is scheduled to be conducted during the 2018 calendar year.

Reporting

- Internal
 - Weekly progress reports are prepared on the status of each audit task against the estimated time and cost.
 - Weekly financial reports are prepared showing actual financial results compared to budget and variance analysis.
- External
 - Submission of reports to the Legislative Assembly each year, setting out the results of audits, together with any observations that may be relevant.
 - Annual financial reporting. The audited annual financial reports of the Office are tabled to the Legislative Assembly. An unmodified audit opinion was issued on the Office's financial statements for the year ended 30 June 2016. The financial statements are included at Appendix A to this report.

Communicating

- Internal
 - Staff meetings are held weekly.
 - Weekly progress meetings occur in relation to in-house audits.
 - There is an "open door" approach within the office which enables immediate communication when required.
- External
 - Appearances by the Auditor-General before the Public Accounts Committee during which the Committee has the opportunity to question the Auditor-General 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 Office.
 - Regular status updates and exit meetings are held with Authorised Auditors and representatives from audited entities.
 - Briefings are held with Authorised Auditors and training provided to newly Authorised Auditors.
 - Delivery of management letters and audit reports to audited entities.
 - Communication of the six monthly programs of audit tasks to Authorised Auditors and audited entities.

The Performance of Our Authorised Auditors

Audit firms are appointed under contracts for periods of three years following a competitive tender process. 2015 was the first calendar year under the current three year contract. Public tender for the three year contract applicable from January 2018 to December 2020 will commence toward the end of the 2017 financial year. This will enable contracts to be awarded and the future audit program to be developed prior to the 1 January 2018 commencement date.

A requirement of the Audit Act is that individuals are authorised to work as auditors on behalf of the Auditor-General. Therefore each staff member within a contracted audit firm must be assessed for capability and experience. If the individual meets the required criteria, they are authorised to undertake audits at a specific staffing level.

Authorised Auditors are subject to annual performance appraisals by the Auditor-General. As part of that process, the Authorised Auditors also provide an assessment of the performance of the Auditor-General and the Office.

The Office has issued two manuals that define the working relationship between Authorised Auditors and the Office. These are:

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

The process 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 Office. These documents set the scope and cost of audit tasks, together with guidelines on how the task should be conducted;
- the provision to the Office 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 Office upon review of audit working papers following the completion of each audit task; and
- a formal two-way review of performance standards achieved by the Authorised Auditors and the Office.

Communication Framework

A communication framework has been developed for the Office that addresses communication requirements for stakeholder groups. The communications framework will commence implementation in the 2016 financial year to become the basis for regular communication with all stakeholder groups.

4. Communication Frameworks



Legislative Compliance

The Office conducts its audit operations on a day-to-day basis in accordance with the principles of the Audit Act. This is discussed throughout the Annual Report.

The Office complied with the provisions of the Information Act throughout the year insofar as that Act affects 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 Office is mainly derived from the conduct of audits which is specifically exempted from this disclosure requirement of the Information Act.

During the 2015/16 year, there were five referrals to the Auditor-General within the bounds of the Public Information Act compared to two referrals in the 2015/16 year.

The administrative function operates within the bounds of the Public Sector Employment and Management Act and the Financial Management Act. There were no identifiable breaches of procedure for the reporting periods.

Under the Public Sector Employment and Management Act, Employment Instructions provide direction to agencies on human resource management matters. Agencies are required to report against each instruction in their annual report. The Office's performance against each instruction is reported in the section entitled Our People.

The Office incorporates the requirements related to the Employment Instructions within its internal policies and processes. During the reportable period, there were no changes or adjustments to positions or any action required against any of these Employment Instructions.

Induction and team meetings reinforce the principles, values and expectations of working in the public service. Employees are given the opportunity to discuss emerging issues with a view to resolving or identifying strategies on either an individual basis or within a team discussion.

Professional Memberships and External Interests

Transparency and independence are enhanced through the Office's planning processes and the management of its strategic risk register that captures the influences, interest and participatory roles internally and externally to government, including roles with internal and external professional organisations. Some employees of the Office are required as part of their role to be members of professional institutions and associations.

Future Priorities

Future priorities in relation to corporate governance include:

- Maintaining the website for the Office
- Reviewing and updating existing policies and procedures
- Reviewing and releasing the public tender for audit services 2018 – 2020
- Reviewing and updating existing registers.

Performance Reporting

Operational Performance

The application of the outsourced provider model means the Office is subject to market forces unlike a fully staffed audit office where costs of providing services are established through Government wages policy. Increasing requirements of the Australian Auditing Standards affect the costs associated with delivering audit services. As the standards increase in number and diligence, so does the time and cost required to satisfactorily meet each audit requirement. The net effect is an increase in audit hours and cost.

Actual (New) results compared to budget estimates show that the audit program met or exceeded planned budgeted statutory activity. The increased audit activity reflects both changes in the machinery of government (restructuring) and increased performance management system and other audits.

5. Budget Papers compared to actual new audits commenced in 2015/16

	Budget (BP3) 2015/16	Actual (Newly Commenced) 2015/16	Variance
Statutory audits	131	123	-8
Other audits	18	30	12
Total	149	153	4

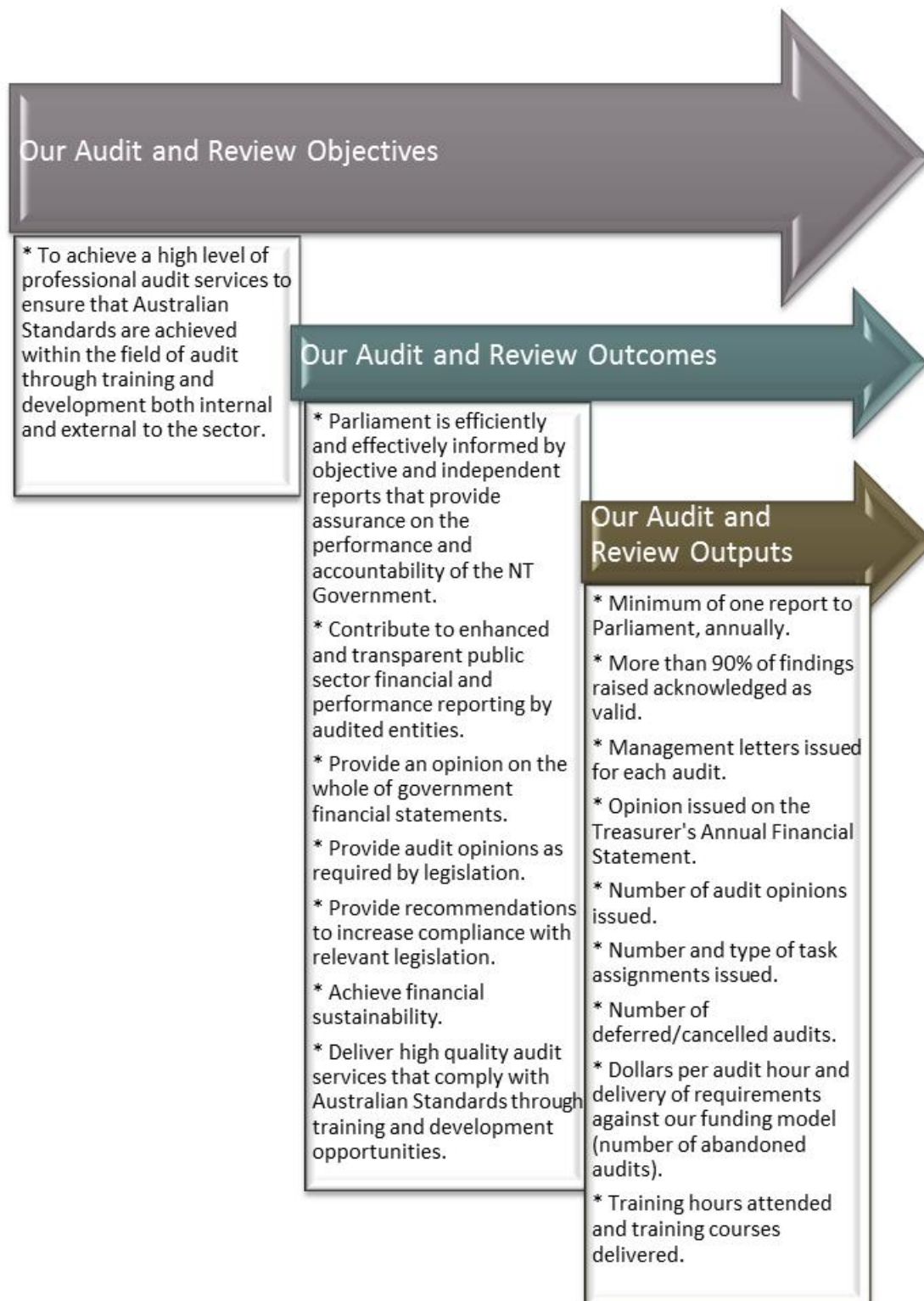
This table excludes Public Information Act Reviews

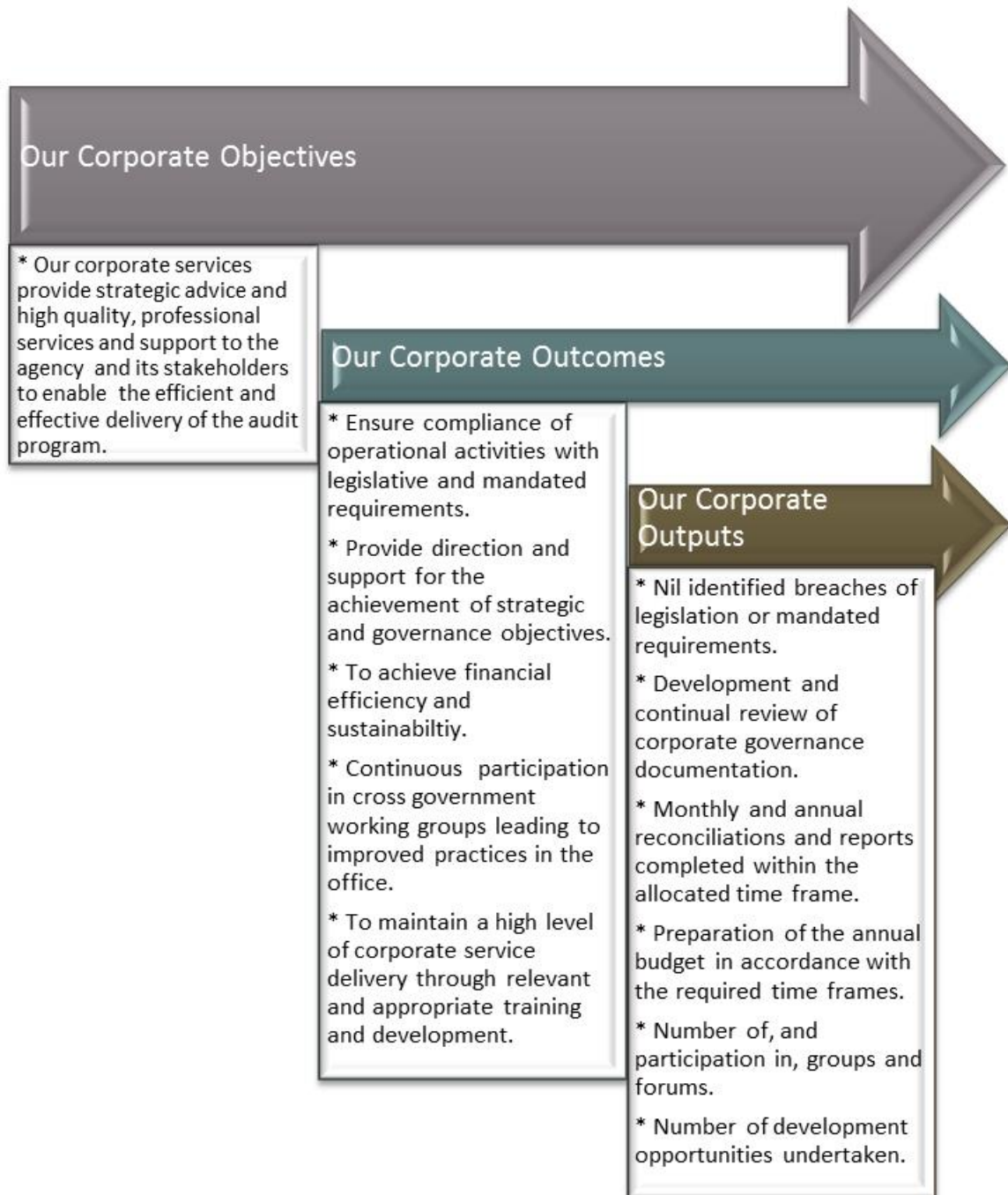
A comprehensive analysis of the Office's revenue, expenditure and financial sustainability is included in the section entitled Financial Results, immediately preceding the financial statements.

During the 2014/15 financial year, a full financial analysis was undertaken by the Office in order to review its approved funding base with a view to addressing future deficits. The availability of additional funding for the future was considered to be limited in the predicted economic climate, and resolved through the implementation of an expanded recovery program; whereby the Office recovers funds from audited statutory entities thus enabling appropriation funding to be directed to delivering the full scope of activities within the Audit Act and providing stakeholders with an appropriate level of assurance with regard to the Public Account.

The Office will continue to ensure that any future adjustments to the budget base adequately support the Office's objectives and expectations of Parliament.

Strategic Plan

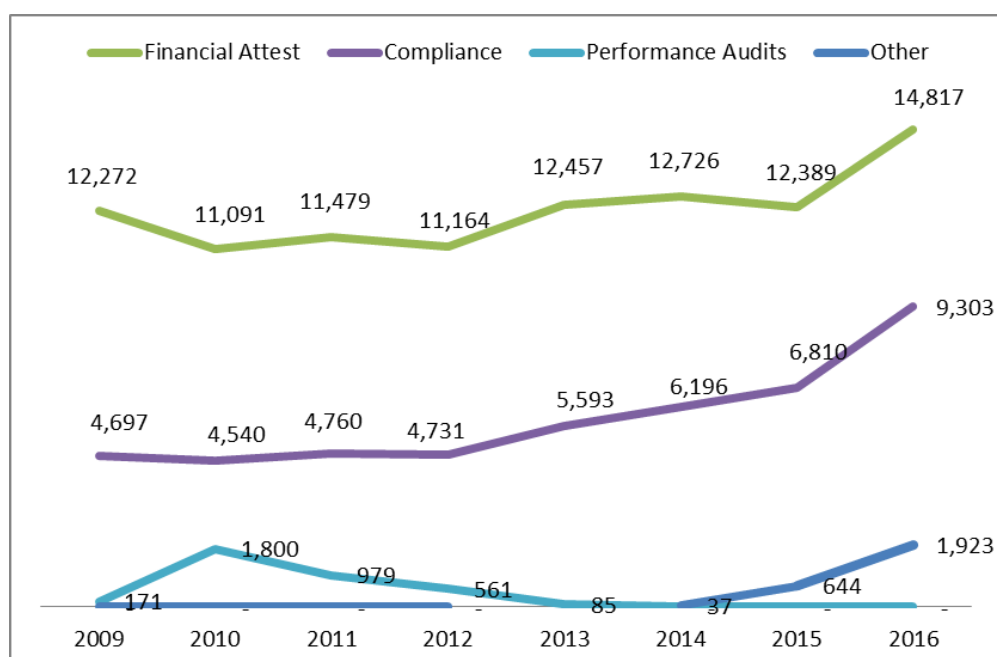




Output Group: Audit and Review

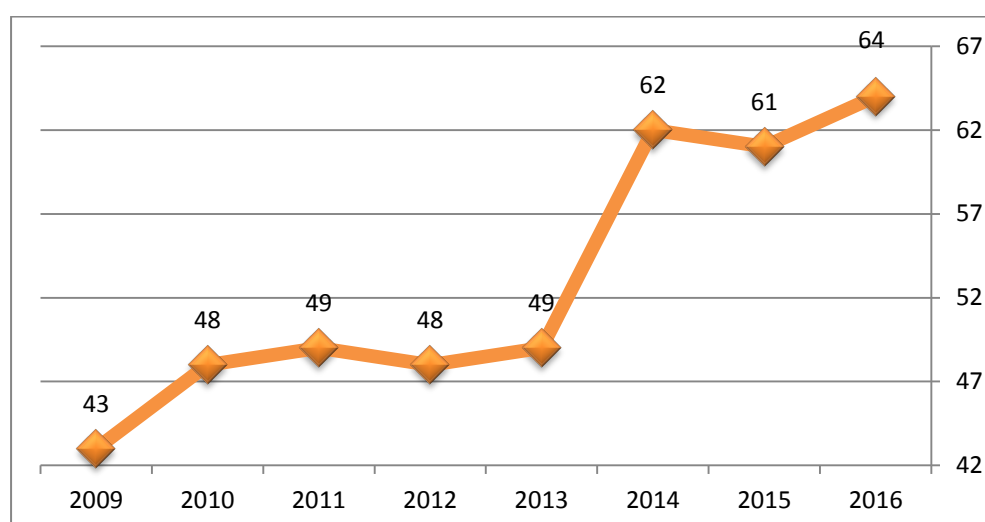
The Office conducts a range of audit and other assurance activities on behalf of the Legislative Assembly. During 2015/16, the Office finalised eight audits carried forward from the previous year and commenced 158 new audits and reviews for the year, bringing the total audits to 166. Of these 166 audits, 150 audits were completed in full with 16 audits being carried into the 2016/17 program. A total of 26,043 hours of audit activity was delivered of which 24,188 hours were committed to the 2015/16 new audit program. External and internal resources were employed across a variety of classes of audits as shown in the following graph:

6. Authorised audit hours by audit type 2008/09 to 2015/16



During the 2015/16 period, 64 entities were audited compared to 61 in the 2014/15 period.

7. No of agencies/entities audited 2008/09 to 2015/16



Our Audited Entities

8. Table of entities that were subject to audit during 2015/16

Entities subject to audit during 2015/16

Aboriginal Areas Protection Authority	Department of the Attorney-General and Justice
Batchelor Institute of Indigenous Tertiary Education	Department of the Chief Minister
Board of the Museum and Art Gallery of the Northern Territory	Department of the Legislative Assembly
CDU Amenities Limited	Department of Transport
Central Australia Health Services	Department of Treasury and Finance
Charles Darwin University	Desert Knowledge Australia
Charles Darwin University Foundation	Indigenous Essential Services Pty Ltd
Cobourg Peninsula Sanctuary and Marine Park Board	Jabiru Town Development Authority
Darwin Bus Service	Land Development Corporation
Darwin Port Corporation	Legislative Assembly Members' Superannuation Fund
Darwin Waterfront Corporation	Menzies School of Health Research
Data Centre Services	Motor Accidents (Compensation) Commission
Department of Arts and Museums	Nitmiluk (Katherine Gorge) National Park Board
Department of Business	Northern Territory Electoral Commission
Department of Children and Families	NT Government & Public Authorities Employees' Superannuation Fund
Department of Corporate and Information Services	Northern Territory Grants Commission
Department of Correctional Services	Northern Territory Legal Aid Commission
Department of Education	Northern Territory Major Events Company Pty Ltd
Department of Health	Northern Territory Police Supplementary Benefit Scheme
Department of Housing	Northern Territory Police, Fire and Emergency Services
Department of Infrastructure	Northern Territory Superannuation Office
Department of Land Resource Management	Northern Territory Treasury Corporation
Department of Lands, Planning and the Environment	NT Build
Department of Local Government and Community Services	NT Fleet
Department of Mines and Energy	NT Home Ownership
Department of Primary Industry and Fisheries	Office of the Commissioner for Public Employment
Department of Sport & Recreation	

**Entities subject to audit during 2015/16
(cont...)**

Office of the Public Trustee for the Northern Territory	Power Generation Corporation (trading as Territory Generation)
Ombudsman's Office	Surveyors Board of the Northern Territory of Australia
Parks and Wildlife Commission of the Northern Territory	Territory Wildlife Parks
Power and Water Corporation	Top End Health Services
Power Retail Corporation (trading as Jacana Energy)	Tourism NT

Expenses incurred in 2015/16 for Authorised Auditors as a result of the Office's outsourcing arrangements with private audit firms amounted to \$4.210 million compared to \$3.216 million for the 2014/15 year.

9. Authorised Audit costs (in dollars) compared to the number of new audits purchased, per financial year

	2009	2010	2011	2012	2013	2014	2015	2016
Cost of Audits \$'000	2,646	2,737	2,911	2,915	2,994	3,085	3,216	4,210
Number of audits	103	109	107	105	101	125	127	158
Average \$ to # of audits	25,685	25,108	27,210	27,760	29,648	24,680	25,319	26,646

The number of audits scheduled for the 2015/16 program was 166 – which includes eight carry forward audits from 2014/15 financial year. The change in the cost of audits from 2014/15 to 2015/16 represents a 31% increase in costs. Whilst this reflects the increased costs associated with delivery of the audit program under the 2015/16 audit contracts with Authorised Auditors, it is primarily attributed to the additional time taken to complete the audits of the utilities corporations within the Public Non-Financial Corporation sector and the composition of the audit teams on those engagements. The audit hours and associated costs for these audits during 2016 increased from the prior year by 4,519.4 and \$784,280 respectively.

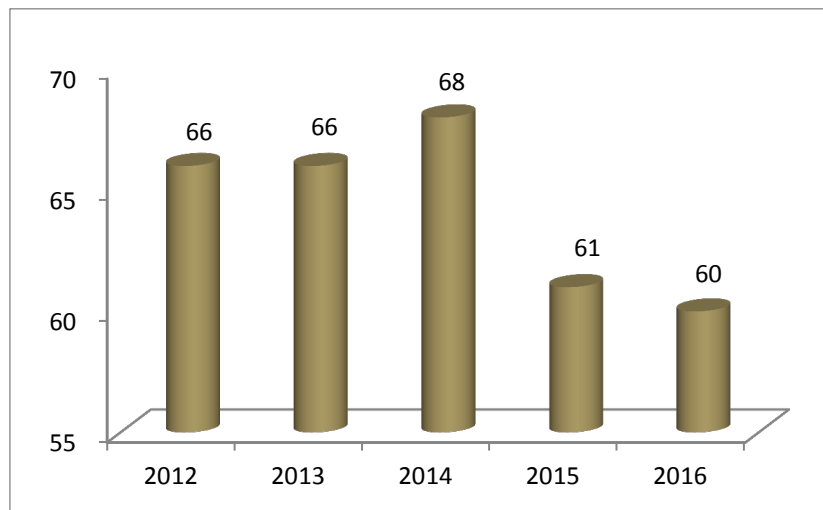
Actual audit costs are affected by the nature of the audit, the time an audit takes to complete, the composition and experience of the audit team assigned the audit, as well as the increasing market rates of audit services.

In 2015/16, 49 opinions were issued on audits and reviews and 144 management letters were issued. In 2014/15 there were 51 audit opinions issued and 116 management letters issued.

Financial Statement Audits

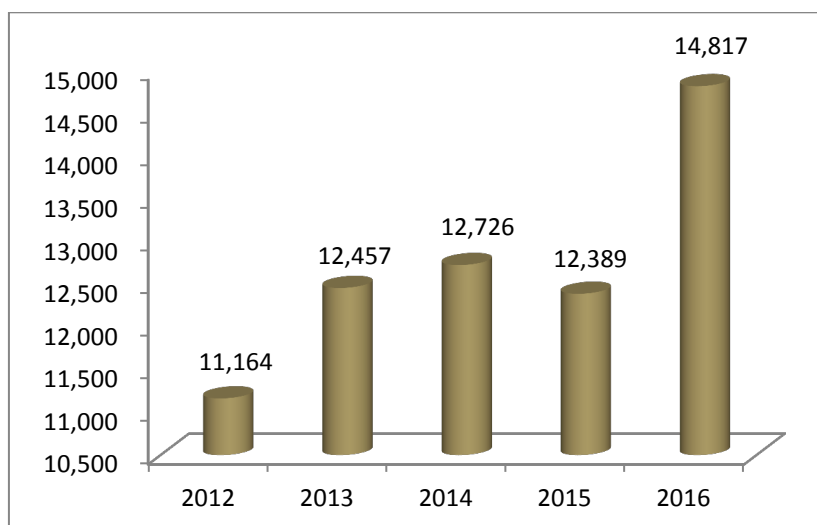
This class of activity relates to the Auditor-General's statutory duty to carry out audits of financial statements prepared by the Treasurer, statutory bodies, Government Business Divisions and Government Owned Corporations. Also included are audits of funding acquittals prepared by agencies, generally for submission to the Commonwealth. In 2015/16, 60 new financial statements audits were scheduled, five audits remaining incomplete at year-end which were carried forward into the 2016/17 program. Two task assignments remained incomplete in 2014/15 and were carried forward into the 2015/16 program. Results for financial statement audits represent a reduction of one financial statement audit compared to the previous year.

10. Number of new financial statement audit task assignments issued



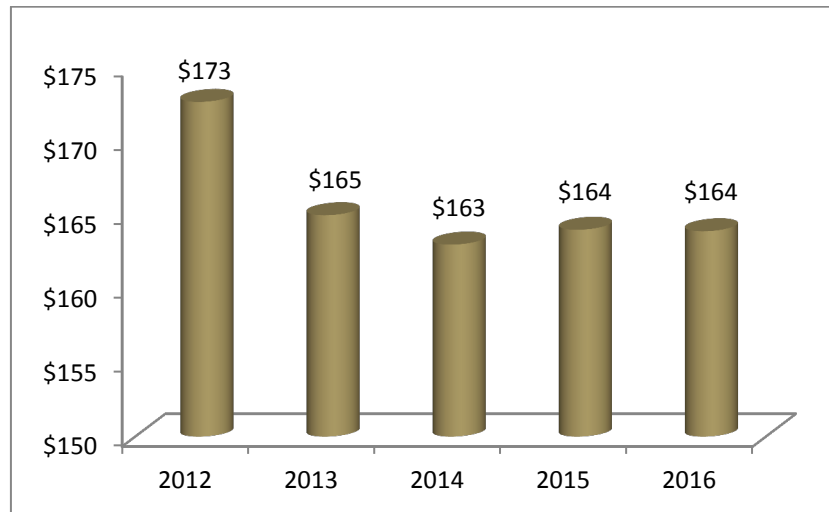
The number of audit hours allocated to financial statement audits for 2015/16 was 14,817 hours compared to 12,389 hours for 2014/15; an increase of 2,428 hours (20%) from the prior year. The increase in hours resulted primarily from the restructuring of the Territory's utility sector (an additional 4,519 hours) offset by a reduction in audit hours in 2016 resulting from the closure of the Construction Division, Territory Discoveries, Darwin Bus Service, Government Printing Office and the absence of the 2015 ad hoc direction to audit the Territory Insurance Office Completion Accounts.

11. Audit hours allocated to new financial statement audits



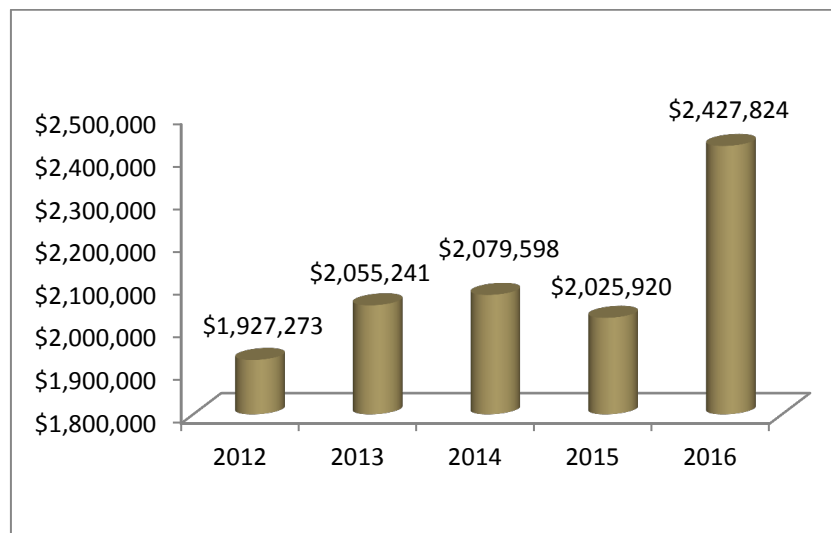
The weighted average cost of providing financial statement assurance for 2015/16 was \$164 per hour, consistent with the previous three years where the weighted average cost has ranged from \$163 to \$165 per hour. Costs of audits are dependent on the allocation of hours across the audit professional levels required for the audit, the inclusion of supplementary expenses for travel disbursements (related to visiting specialists) together with the number of audits and the hours an audit may take to complete.

12. Weighted average cost per hour for new financial statement audits (\$)



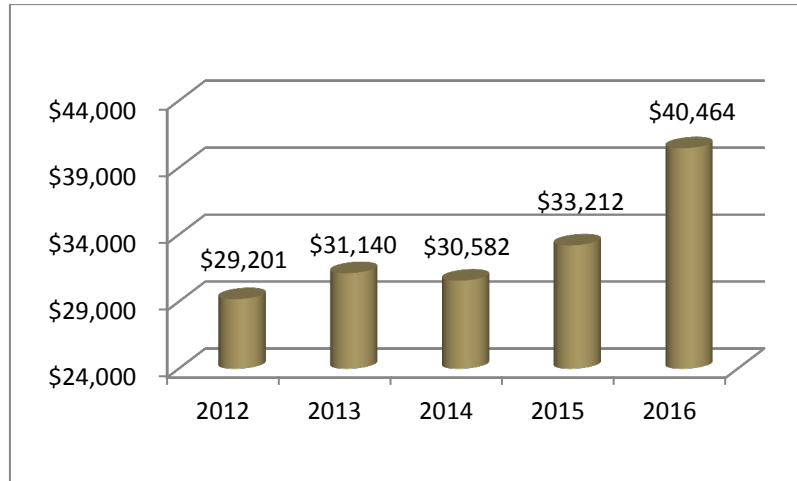
The total cost related to undertaking new financial statement audits was \$2.428 million for the 2015/16 year representing an increase of \$0.402 million from the prior year cost of \$2.026 million. This 20% increase in audit costs reflects additional resources applied to auditing entities in the utilities sector.

13. Cost of undertaking new financial statement audits



The average cost of audits conducted increased from \$33,212 in 2014/15 to \$40,646 in 2015/16. As previously explained, this increase is primarily attributable to additional resources being applied in order to provide assurance on the financial statements of utility sector entities.

14. Average cost per financial statement audit



Of the 60 financial statement audits allocated in 2015/16 to be performed, eight of them involved specialist auditor skills (eleven for 2014/15). Two audits were conducted in conjunction with insurance specialists (seven for 2014/15) and six (four for 2014/15) were conducted with specialist IT auditors. The involvement of specialist skills affects the weighted average cost of undertaking the audit as specialist auditors generally have higher charge-out rates than non-specialist auditors at a comparative level.

In addition, specialist auditors attract additional disbursement costs related to travel and accommodation as specialist skills are located interstate.

Financial statement audits lead to two main outputs:

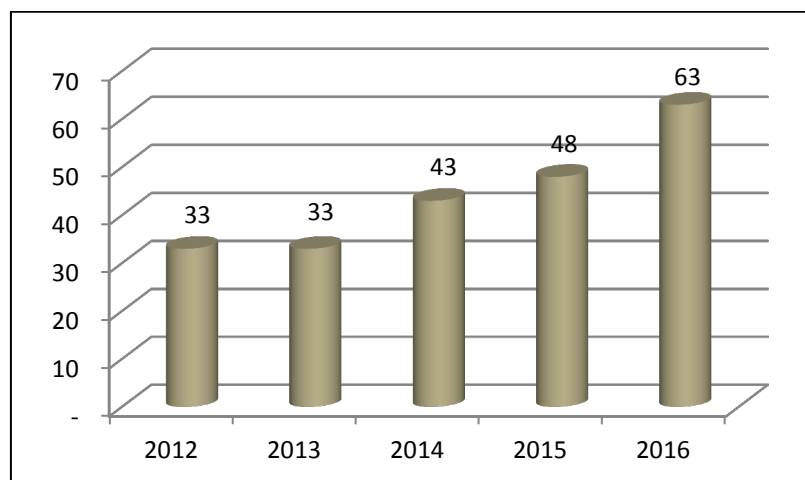
- an audit report that is addressed as required by the circumstances of the audit engagement. It provides the auditor's opinion on whether the financial statements fairly reflect the financial performance and position of the entity being audited at reporting date. In cases where the Auditor-General is satisfied that the information contained in a set of financial statements is reliable, an unmodified opinion is issued. However, if a material error or omission has been identified in the financial statements or if the financial statements depart from Australian Accounting Standards, a modified opinion is issued.
- a management report that is addressed to the Board or the Accountable Officer of the public sector entity. The management report sets out any significant issues identified during the audit and provides recommendations for improving the entity's controls, systems and processes.

Compliance Audits

The annual financial statements of agencies are not subject to individual audit and thus no audit opinion is issued on their annual financial statements. Agencies' financial results are consolidated within the Treasurer's Annual Financial Statement which is subject to audit within the Public Account. In order to form an opinion on the Treasurer's Annual Financial Statement, agency compliance audits are performed by the Auditor-General to establish the extent to which agencies have implemented systems and controls to ensure compliance with the prescribed financial management and accountability requirements.

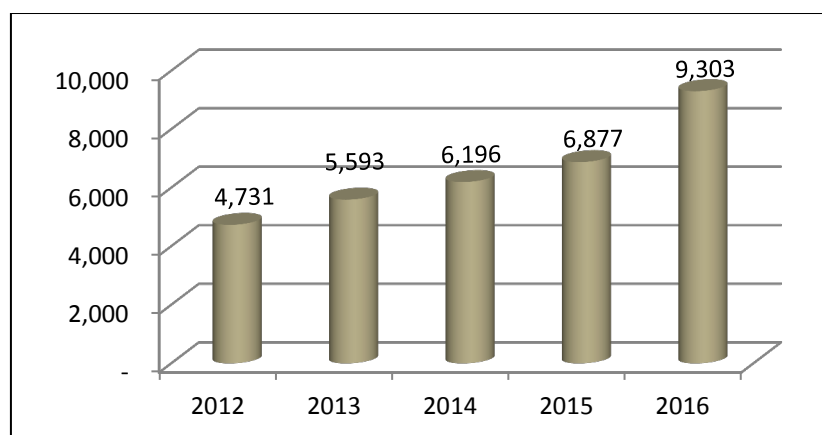
In 2015/16 period, 63 new compliance audits were recorded in the database, nine of which were carried forward to 2016/17 resulting in 54 new compliance task assignments being completed. This represents an increase of approximately 12% from the previous year. All compliance audit task assignments were completed during the 2014/15 program.

15. Number of new compliance audit task assignments issued

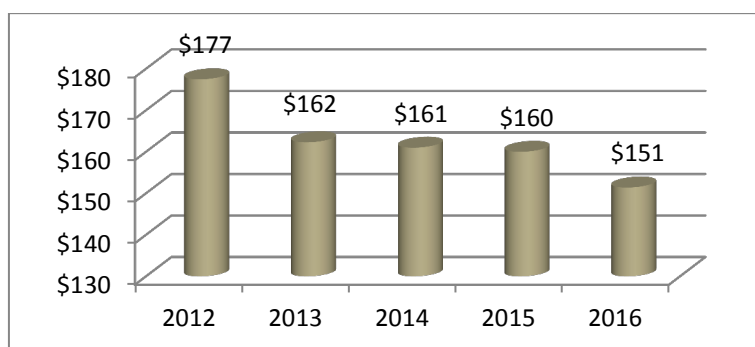


During the 2015/16 year, compliance audit activity utilised 9,303 audit hours, compared to 6,877 from the previous year. This represents an increase of 2,426 hours (35%). The compliance audit program was extended during the year in order to assess agencies' compliance with the newly released series of Treasurer's Directions addressing Information and Communications Technology governance.

16. Audit hours allocated to new compliance audits

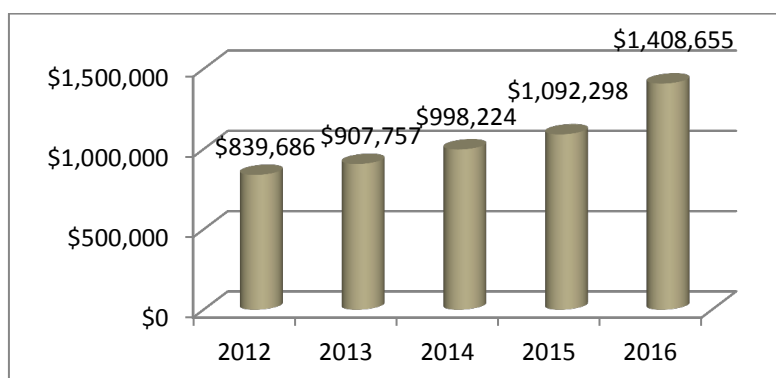


17. Weighted average cost per hour for new compliance audits (\$)



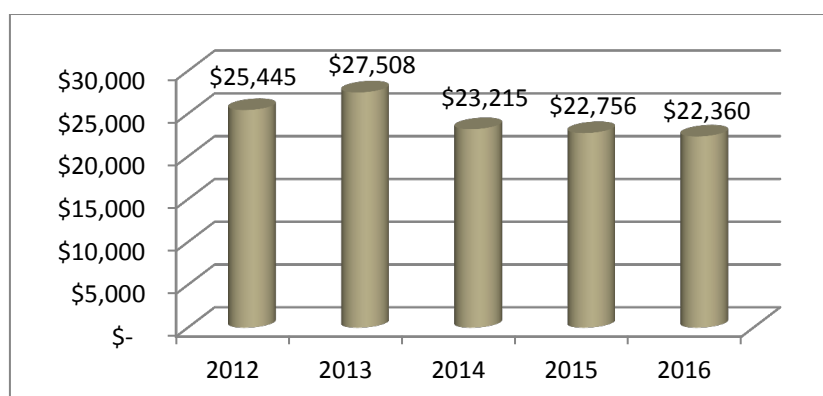
Although the cost of delivering the compliance audit program has increased, along with the number of hours and audits conducted, the weighted average cost per hour has decreased compared to previous three financial periods. This is due to the significant increase of the audit hours (35%) in 2015-16 compared to previous years. Compliance audits are generally non-complex and can largely be completed by more junior Authorised Auditors than more complex performance and financial statement audits.

18. Cost of undertaking new compliance audits



A significant increase in the number of compliance audits and the costs to complete each audit was recorded during the 2013/14 period as a result of the changes to machinery of government which saw an increased number of agencies. During 2015/16, the number of audits (63) increased by 15 (31%) from the 2014/15 year and the cost of undertaking new compliance audits increased by \$316,357 (29%). The increase in audits resulted from the audit program being extended to all agencies annually where previous years' audit programs adopted a rolling basis for smaller agencies.

19. Average cost per compliance audit

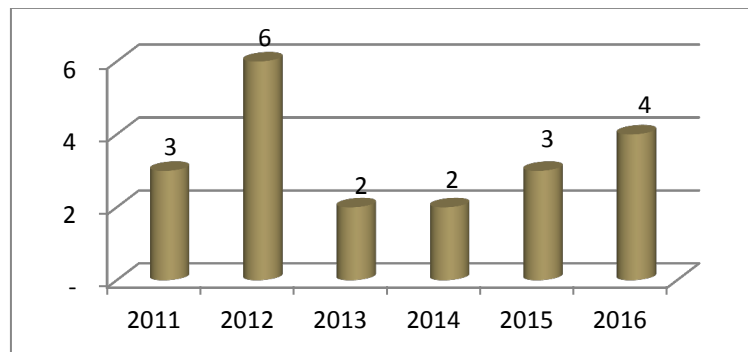


Performance Management System Audits

Performance management system audits are intended to establish whether appropriate systems exist and are effective in enabling agencies to manage their outputs.

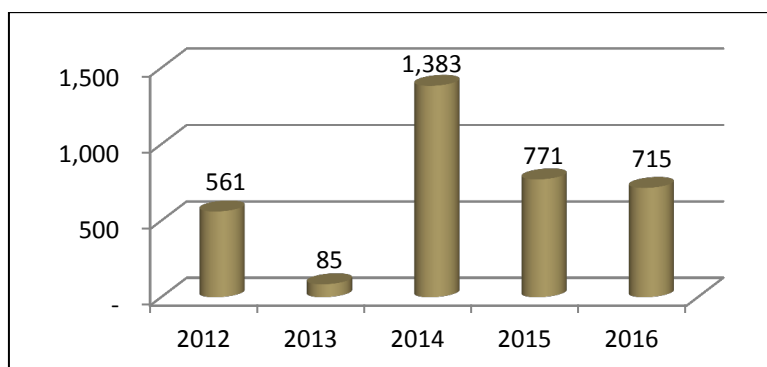
Challenges associated with undertaking the performance management systems audits in-house include overreliance on one resource to undertake the audits; limited capacity for multiple layers of quality review; reduced access to specialist skills and experience; and a necessarily reactionary approach to workflow management and scheduling where delays are caused by external factors. Comparatively, the results within this category are somewhat difficult to evaluate due to a change in the method of recording time and cost data relating to performance management system audits. Undertaking these audits in-house requires alternative time-keeping and costing approaches to the outsourcing model. The cost of undertaking such audits has previously been determined based on the salary of the resource rather than using a commercial charge-out rate comparative to the market therefore comparison between outsourced and internal cost per hour was not achievable.

20. Number of new performance management system audit task assignments issued

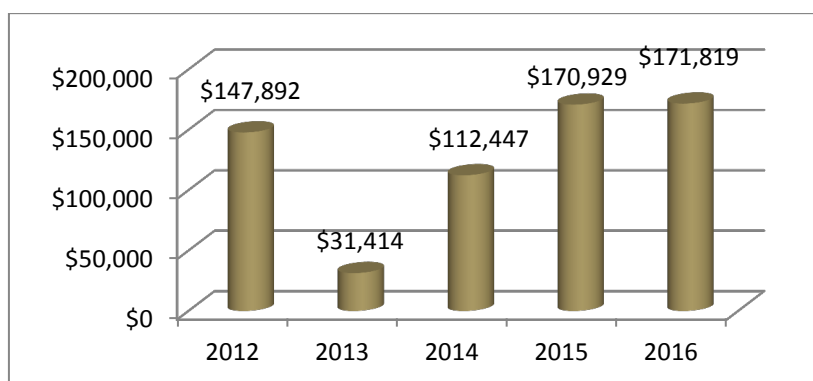


During the 2015/16 period, four new performance audits were allocated and two audits were carried forward from the previous year. One new performance audit was assigned to in-house resources and the other three were outsourced. In the 2014/15 year, there were three performance audits conducted, with two being carried forward from the previous year. All performance audits in 2014/15 were conducted in-house.

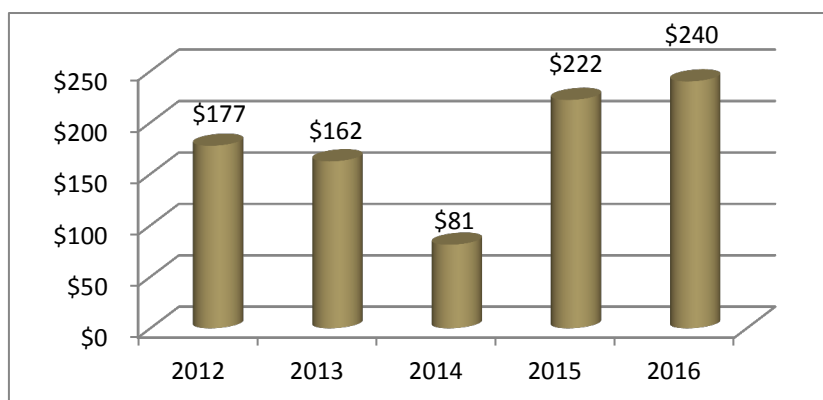
21. Audit hours allocated to new performance management system audits



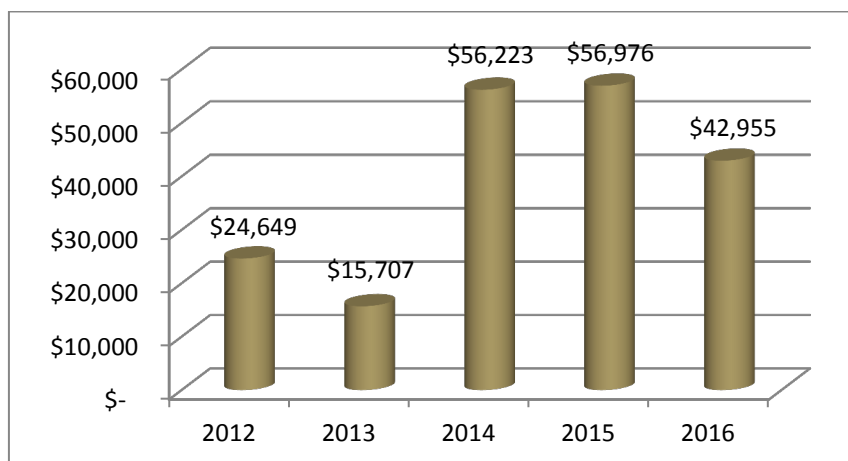
During the 2015/16 period, actual performance management audit hours were 715 compared to 771 in 2014/15.

22. Cost of undertaking new performance management system audits

The cost of undertaking performance management system audits in 2015/16 was \$171,819. This was comparable with the cost of undertaking performance management system audits in 2014/15 was \$170,929.

23. Weighted average cost per hour for new performance management system audits (\$)

The cost of delivering the performance management audit program between 2015/16 and 2014/15 remained relatively similar, but the number of audit hours has decreased by 7%. This has caused an increase in weighted average cost by 8%, from \$222 in 2014/15 to \$240 in 2015/16. The increase in weighted average cost results partially from outsourcing (where rates are higher than notional in-house rates) and the need to use more experienced Authorised Auditors due to the increased complexity of the audits.

24. Average cost of performance management system audits

Although the cost of undertaking performance management system audits in 2014/15 and 2015/16 remains relatively similar, the average cost of a performance management system audit has decreased by 25%, \$56,223 in 2014-15 and \$42,955 in 2015/16. In comparison to the 2015/16 average cost of a financial statement audit at \$40,464 and the average cost of a compliance audit at \$22,360, the higher cost of performance audits reflects the higher rates attributable to using more experienced personnel on these more complex audits.

Other Audits

The Office conducts other categories of audits including acquittals and reviews. During the 2015/16 period, 26 new financial statement acquittals, analytics or special reviews were conducted (17 were outsourced and nine were conducted in-house) compared to 14 for the previous reporting period (11 outsourced and three conducted in-house).

Public Information Act Reviews

During the reporting period, the resources of the Office conducted five reviews in accordance with the Public Information Act. In 2014/15, the Office resources conducted two reviews against this legislation.

Reports to the Legislative Assembly

Details pertaining to the nature and outcomes of audits and reviews can be found contained within the reports tabled in Parliament, at the following link:-

[NT Auditor-General's Office Publications](#)

Reports Published 2015/16	Reports Published 2014/15
2015 August Report	2014 August Report
2016 February Report	2015 February Report
2016 June Report	

Output Group: Corporate and Governance

The Auditor-General's Office operates in a manner reflecting its independent statutory functions. All employees are expected to display the highest level of professionalism, transparency and integrity to ensure that the Office stands as a "lead" agency in terms of compliance with relevant legislation, accounting standards, regulations and best practice models.

Accounts Payable

During the 2015/16 year, the Office processed 785 operational transactions through its ledger at a total value of \$4.545 million. Of these, 591 (75%) were generated and processed internally through journals, accounts payable, petty cash and corporate credit card. In comparison, during the 2014/15 year, 632 transactions were processed through accounts/ledger at a value of \$3.573 million (79% were generated internally). Total transactions generated externally and processed within the Office during 2015/16 via ledger transfer facility or OBIPS were 84 compared to 45 transactions in the previous year. Transactions generated and processed on the Office's behalf by DCIS such as bank fees, DCIS SLA payments and tax transactions totalled 110 in 2015/16 compared to 85 in 2014/15.

25. Comparison of transactions processed for 2015/16 and 2014/15

Payment Method	2015/16 %	2015/16 #	2015/16 \$	Payment Method	2014/15 %	2014/15 #	2014/15 \$
Accounts Payable	56.82%	446	\$4,208,785	Accounts Payable	57.12%	361	\$3,259,399
Corporate Credit Cards	3.82%	30	\$7,697	Corporate Credit Cards	5.85%	37	\$7,622
DCIS FOC	5.35%	42	\$227,526	DCIS FOC	6.01%	38	\$236,893
Journal Adjustments	11.59%	91	\$46,789	Journal Adjustments	11.87%	75	\$23,716
Ledger Transfer Facility	0.64%	5	\$28,574	Ledger Transfer Facility	0.95%	6	\$1,464
OBIPS	10.06%	79	\$30,290	OBIPS	6.17%	39	\$34,212
Other account / ledger transactions	8.66%	68	-\$5,956	Other account / ledger transactions	7.44%	47	\$8,574
Petty Cash	3.06%	24	\$1,560	Petty Cash	4.59%	29	\$1,723

During 2015/16, 99.70% (2014/15: 98.66%) of accounts were within the 30-day payment arrangements and only 0.3% (2014/15 1.4%) were processed outside of the 30-day policy. These accounts that exceeded the payment terms were largely accounts from audit firms that had completed work in a prior period and required additional supporting information to be provided before being able to submit the completed files through to our Office. Each outstanding account was duly processed within a three day turnaround from the receipt of the account and consequently paid via Accounts Payable within six days (three days allowed for the release of funds) of the receipt date. None of the firms that supplied our Office with pre-dated accounts were of the opinion that the delay in processing the account was attributed to processes within the Office and therefore were not in a position to claim interest on their accounts for the period outstanding outside of the 30-day policy.

Accounts Receivable

Accounts that are recovered by the Office are only recovered at the completion of the appropriate Audit Task Assignment. Recoverable accounts are processed within the Office within three days of their identification from within the Audit database. This process involves checking the file statistics, seeking approval from a Principal Auditor to prepare the invoice and the obtaining approval from the Auditor-General to process the account. Accounts generated via the Accounts Receivable Wizard (ARW) system are returned by email from DCIS in Alice Springs usually within a 24-hour period of their submission. These are then emailed to the debtor. Accounts generated by the Ledger Transfer Function (LTF) system are usually submitted, approved and forwarded to agencies within a 24 hour turn-around period.

During the 2015/16 year, the Office processed 158 revenue transactions through its ledger at a total value of \$5.508 million. Of these, 93 (\$2,102,559) were generated and processed internally through accounts receivable (LTF/AR) or journal adjustments. During the 2014/15 year, 138 transactions were processed through receivables/ledger at a value of \$4.558 million. Of the 2014/15 transactions, 61 (\$646,520) were generated internally.

26. Comparison of revenue transactional data processed for 2015/16 and 2014/15

Payment Method	2015/16 %	2015/16 #	2015/16 \$	Payment Method	2014/15 %	2014/15 #	2014/15 \$
Accounts Receivable Wizard	23.42%	37	\$1,644,721	Accounts Receivable Wizard	14.49%	20	\$511,739
CHA	15.82%	25	\$3,178,000	CHA	18.12%	25	\$3,675,000
DCIS FOC	25.32%	40	\$227,526	DCIS FOC	37.68%	52	\$236,893
Journal Adjustments	18.99%	30	\$0	Journal Adjustments	21.74%	30	\$0
Ledger Transfer Facility	16.46%	26	\$457,838	Ledger Transfer Facility	7.97%	11	\$134,781

In 2015/16, \$1.276,133 (61%) of accounts processed were recovered within 30 days and \$826,425 (39%) were received outside of the 30-day policy compared to 2014/15 where \$459,685 (71%) of accounts processed were recovered within 30 days and \$186,835 (29%) were received outside of the 30-day policy.

27. Comparison of invoices (ARW and LTF) processed and paid for 2015/16 and 2014/15

Aged Invoices 2015/16	63	\$2,102,559	\$%	Aged Invoices 2014/15	31	\$646,520	\$%
Invoiced (within 30)	45	\$1,276,133	60.7%	Invoiced (within 30)	23	\$459,685	71.10%
Invoiced (31-60)	15	\$ 628,728	29.9%	Invoiced (31-60)	8	\$186,835	28.90%
Invoiced (61+)	3	\$ 197,698	9.4%	Invoiced (61+)	0	\$0	0.00%
ARW Invoiced (within 30)	20	\$834,855	39.7%	ARW Invoiced (within 30)	15	\$364,909	56.44%
ARW Invoiced (31-60)	14	\$ 612,168	29.1%	ARW Invoiced (31-60)	5	\$146,830	22.71%
ARW Invoiced (61+)	3	\$ 197,698	9.4%	ARW Invoiced (61+)	0	\$0	0.00%
LTF Invoiced (within 30)	25	\$441,278	21.0%	LTF Invoiced (within 30)	8	\$94,776	14.66%
LTF Invoiced (31-60)	1	\$16,560	0.8%	LTF Invoiced (31-60)	3	\$40,005	6.19%
LTF Invoiced (61+)	0	\$0	0.0%	LTF Invoiced (61+)	0	\$0	0.00%

Under the Office's payment policy, invoices are to be settled within 30 days. In comparison to 2014/15, the number of invoices issued to client agencies and payment received by the Office in 2015/16 has doubled with the level of income increasing threefold. This trend can be largely attributable to fee recovery policy.

In 2015/16 a total of 63 invoices were settled by client agencies during the year. Of this, 18 invoices (29%) were settled outside the 30 day payment policy comprising 17 accounts generated through ARW (totalling \$826,425) and one invoice generated via LTF (totalling \$16,560). Delays in recovery of accounts were largely attributed to the manual processing of accounts through the ARW system and the internal processing mechanisms of the client agencies invoiced.

In 2015/16, the Office's approach of emailing ARW accounts direct to entities, rather than mailing via post was found to improve efficiency. This method of delivery resulted in a reduction in physical delivery time and greatly assisted in dealing directly with client agency contacts to assist with the follow-up actions on outstanding accounts. In comparison to the 2014/15 year, both the number of invoices processed in 2015/16 and accounts settled within 30 day policy have doubled.

Other Activities

Other operational activities during the reporting period included:

- Maintenance and audit of key, gift, minor assets and vehicle registers;
- Management and audit of travel and accommodation bookings for the agency;
- Management of recruitment; and
- Facilitating responses to the independent external audit of the Office.

Records Management

The Office has a Records Management Officer to provide support and administrative assistance with the management of the Office's records. All audit tasks are recorded within a TRIM file and accordingly, there are a range of record types that are associated with audit activities. There are also requirements for retaining assorted administrative records. Records management and storage costs have changed over time for the Office with the implementation of our own efficiency measures reducing overall storage costs and destruction costs.

During the 2015/16 financial year, there were 4,331 new records created and 665 listed for destruction. In comparison, the 2014/15 year saw a total of 2,768 records created and 796 records were listed for destruction.

28. Comparison of new records created

New Record Types Created	2015/16	2014/15
Administration File	78	75
ATA	225	165
Audit Correspondence File	-	-
Audit File	197	175
Audit Opinion	50	56
Authorised Auditors	57	36
Authorised Auditors File	3	2
Box	36	71
Document	2,451	1,796
Email	942	181
Identification Card	-	-
Iron Mountain Service Order	-	-
Esubfolder	101	57
Management Letter	150	114
Old Box Type - No Update Permitted	-	-
Old File - No Update Permitted	-	-
Permanent File	1	2
Transmittal Letter	39	38
Sigma.Configuration	1	-
Total New Records Created	4,331	2,768

29. Comparison of records destroyed

Record Type - Destroyed	2015/16	2014/15
Administration File	76	84
ATA	63	44
Audit Correspondence File	91	33
Audit File	284	281
Audit Opinion	1	3
Authorised Auditors	-	-
Authorised Auditors File	-	-
Box	52	10
Document	39	118
Email	1	121
Identification Card	-	-
Iron Mountain Service Order	-	-
Esubfolder	-	-
Management Letter	17	33
Old Box Type - No Update Permitted	37	58
Old File - No Update Permitted	1	5
Permanent File	3	4
Transmittal Letter	-	2
Sigma.Configuration	-	-
Total Records Destroyed	665	796

The change in contracted records storage provider and the move to primarily electronic record-keeping has resulted in the total records and associated costs progressively reducing over time. An archival and destruction plan has been implemented resulting in a consistent approach to reviewing records and ensuring that the Office is systematically evaluating and destroying aged records in accordance with the NT Government Records Management – Archival and Destruction policies. Records security status is monitored to ensure that the Office's records are recorded accurately and reflect the requirements of the Office. There is presently a project called Business Classification underway to reclassify records in accordance with the new archival policy.

30. Comparison of record security categories

Records Security Status	2015/16	2014/15	2013/14	2012/13
Security is Blank	0	117	886	655
NT Government Restricted	3,605	2,061	1,124	790
In-Confidence/Highly Protected	729	590	652	427
	4,334	2,768	2,662	1,872

Future Priorities

2015/16 will continue to see the Office focused on opportunities to increase audit coverage, further improve its efficiency and effectiveness and continue to demonstrate economic constraint. The table below presents these focus areas:

31. Table of Future Priorities:

Our Focus	Our Actions
More Economical	<ul style="list-style-type: none"> Continue monitoring costs, mix of resources and staff assigned to audit tasks. Work with Authorised Audit firms to ensure audits are focused on areas of greatest risk. Engage with agencies' internal audit functions through attendance at audit committee meetings in order to minimise duplication of audit tasks. Continue the paperless office objective.
More Efficient	<ul style="list-style-type: none"> Standardise our communication with stakeholders by embedding communication processes. Building agency engagement through regular communication with Chief Executives and stakeholders including attendance at audit committee meetings. Explore opportunities to further utilise technology in audit communication.
More Effective	<ul style="list-style-type: none"> Explore opportunities to access and audit whole of government data maintained in key financial systems. Seek feedback and take action in relation to opportunities to improve the clarity of reporting. Increase selected performance management system audits that support monitoring and reporting against policies and initiatives. Increase involvement in cross-jurisdictional audits. Improve focus on outcomes through aligning strategic plan and performance accountability.

Our People

Staff in Profile

This section introduces you to the Auditor-General and staff of the Auditor-General's office and presents demographic information as at 30 June 2016 and comparative financial periods.



Julie Crisp was appointed as Auditor-General effective 15 September 2014 by the former Administrator, Her Honour Sally Thomas. Julie was previously a Partner of an international professional services firm with whom she had 16 years of service following employment within various industry sectors.

Julie has extensive prior experience in auditing financial, compliance and performance information within the public sector and corporate sectors, not for profit organisations and other entities. Julie was an Authorised Auditor of the Northern Territory Auditor-General's Office from 1998 to 2014. Julie's qualifications include:

- Registered Company Auditor, Australian Securities and Investment Commission (RCA)
- Fellow, Chartered Accountants Australia and New Zealand (FCAANZ)
- Fellow, CPA Australia
- Fellow, Governance Institute
- Fellow, Chartered Secretaries
- Graduate, Australian Institute of Company Directors (GAICD)
- Certified Internal Auditor (CIA); Certified Government Audit Professional (CGAP); and Certification in Risk Management Assurance (CRMA), Institute of Internal Auditors (IIA)
- Member, Association of Certified Fraud Examiners
- Bachelor of Accountancy, University of South Australia
- Diploma of Government Investigation, College of Law, Education and Training
- Diploma of Government Fraud Control, College of Law, Education and Training



Sue Cooper was appointed on a contract as a Principal Auditor in 2004. Sue is a member of Chartered Accountants Australia and New Zealand and was previously a senior audit manager for an international professional services firm.

During her time with the Office, Sue has been responsible for audits across the agencies of the public sector and has been instrumental in developing and implementing the Office's core audit monitoring and reporting system "AudTas". This application has been developed in-house by Sue who is responsible for its maintenance and upkeep. Sue is also the administrator of our website. Sue is instrumental in developing the three-year audit plan and has implemented extensive reporting and communication tools to increase efficiencies associated with the systems within the Office that support audit activity. Sue's qualifications include:

- Member, Chartered Accountants Australia and New Zealand (CAANZ)
- Bachelor of Commerce (With Distinction), University of Southern Queensland



Natalie Scott commenced with the Office in 2012 with a primary focus on performance management system audits. Prior to joining the Office, Natalie held a number of senior roles with the Northern Territory Government, including Finance Manager and Assistant Director Financial Management.

Natalie's auditing experience comes from her time with an international professional services firm, working with a wide range of clients. Natalie is Deputy President of the Northern Territory Branch Council of CPA Australia and represents the Northern Territory on CPA Australia's Public Sector Network. Natalie's qualifications include:

- Graduate Certificate in Public Sector Management, Flinders University
- Fellow, CPA Australia
- Bachelor of Business (Accounting), Avondale College



Ramkumar Konesh commenced with the public sector in February 1996 and with the Office in January 2016. Ramkumar has worked in Business Manager or Financial Analyst roles with the Department of Health and Department of Treasury and Finance. Ramkumar also has work experience in private sector accounting firms.

Ramkumar is responsible for managing and delivering the corporate support functions for the Office. He has successfully delivered his first set of audited financial statements to the Auditor-General with an unmodified opinion. Ramkumar is responsible for general management of the office well as the preparation, completion and reporting of the Office's budgets, annual reports and other agency reporting requirements. Ramkumar's qualifications include:

- Bachelor of Business (Accounting), Northern Territory University



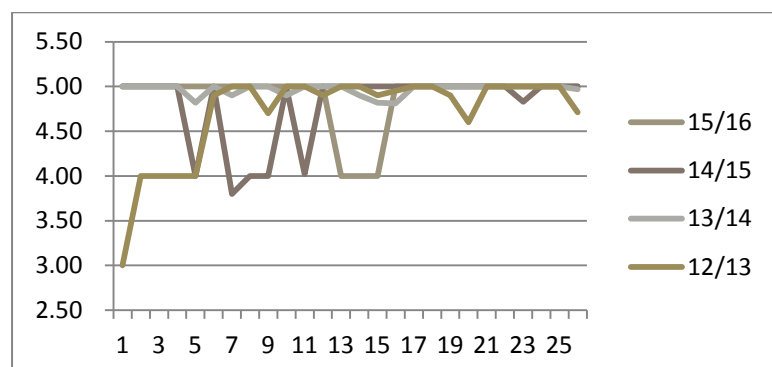
Kaaren Matthewson joined the Office in September 2012. Prior to joining the public sector, Kaaren worked in a variety of private sector, administrative and retail roles. Kaaren holds the position of Records Management Officer for the Office.

Kaaren has implemented a cyclical and systematic approach towards the records function and has contributed towards the reduction of the Office's storage and destruction costs and archival tasks. Kaaren provides administrative support to the Business Manager by way of financial processing support and database input, along with secretariat support to all staff within the Office. Kaaren's qualifications include:

- Certificate III in Business Studies, Charles Darwin University.

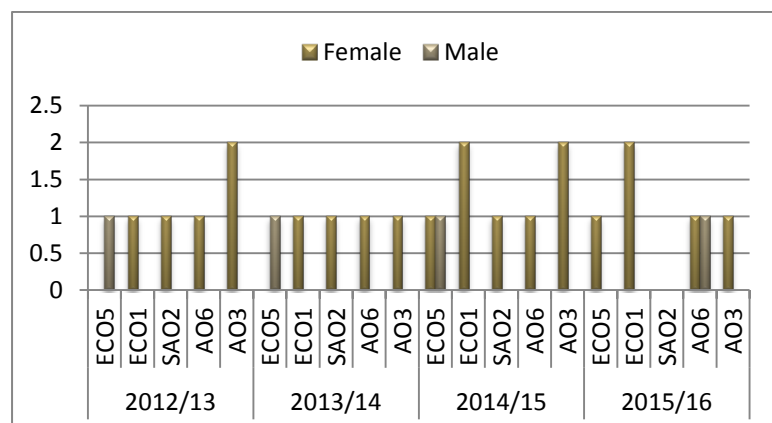
During the year ended 30 June 2016, the average FTE of the office was 4.88 compared to an average of 4.79 for the previous financial year. Our head count for staffing in 2015/16 and 2014/15 remain the same at 5.0 FTE. The following graph compares the FTE for each pay period for the 2015/16 and comparative years:

32. Comparison of FTE to pay periods for four reporting years



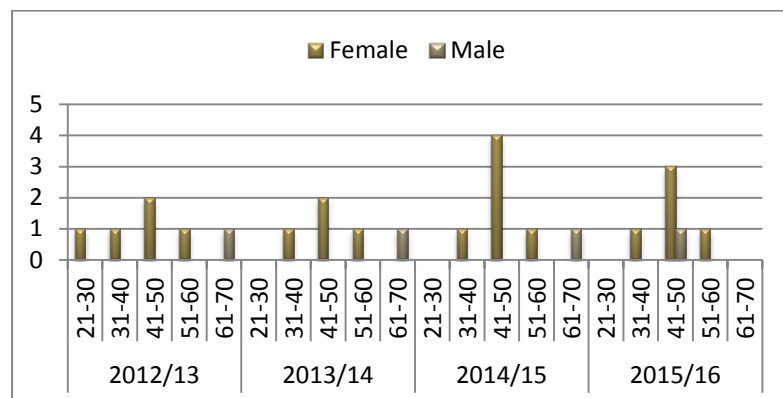
The following graph shows the variation in staff numbers by classification over the 2015/16 and prior three years.

33. Comparison of head count, gender and level categories



The following graph shows a breakdown of classifications by gender for the Office. In 2014/15, 88% of personnel were female and 13% male compared to 83% female and 17% male in 2015/16:

34. Comparison of head count for gender and age categories



Training and Development

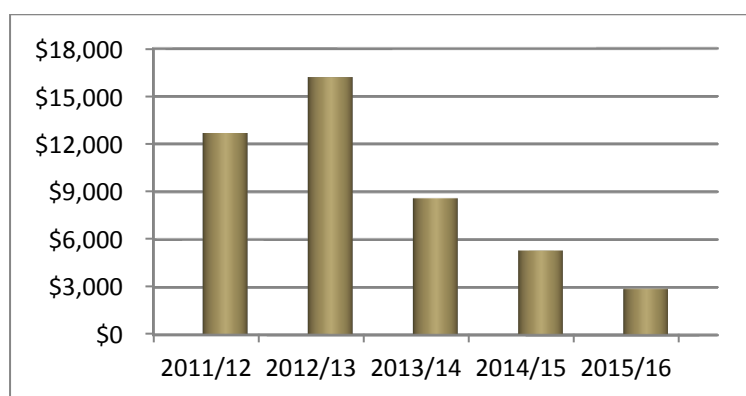
The Auditor-General and Principal Auditor positions are required to hold appropriate post-graduate qualifications and are members of professional bodies that mandate a minimum number of professional development hours per annum. In order to meet the continuous professional development requirements during the year ended 30 June 2016, professional staff undertook the following training and development activities:

- attendance at seminars relevant to the accounting and auditing profession
- online sessions informing changes to accounting and auditing standards
- presentation / facilitation at training and development sessions provided to others.

The small size of the Office and the breadth of skills that are required to maintain a small, specialised agency present a challenge to simultaneously completing training requirements and maintaining enough resources to ensure continuity of business in the absence of those attending training. To this end, the Office has directed its attention towards online training modules wherever possible, in order to meet the training needs and requirements of its personnel. This mode of training provides greater value for money as costs associated with travel are not incurred.

All personnel within the office undertake induction, WHS awareness and workplace refresher courses, or courses identified through gap analysis that have direct relevance to the Office and the role the Officer is required to perform.

35. Training and development dollars (\$) spent to 2015/16.



During the 2015/16 period, \$2,900 was spent on training and development compared to the 2014/15 period of \$5,316. The cost of training has reduced over the last four years for a number of reasons. Partway through 2015/16, one staff member completed a partially funded Master's program, bringing to an end a financial commitment entered into in 2013. Executive personnel within the Office regularly present at technical forums and deliver papers at seminars. In a number of instances this has resulted in complimentary attendance being made available to a staff member of the Office. Attendance is based on relevance to the individual's position within the Office. During 2015/16, some staff chose to undertake professional development at their own expense where the training could not be demonstrated as readily transferable to their immediate duties.

Employees meet regularly with the Auditor-General to discuss performance, commitments and training opportunities. Individual performance plans will be aligned during the year ending 30 June 2017 to the recently revised strategic plan.

Our Authorised Auditors

There is a close working relationship between personnel of the Office and the private sector Authorised Auditors. Authorised Auditors are appropriately qualified and experienced persons who are appointed by the Auditor-General pursuant to section 17 of the Audit Act. Currently, the Office holds contracts to work with five firms; BDO, Deloitte, KPMG, Merit Partners and TDH Chartered Accountants.



The reliance upon firms within the private sector results from 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.

The majority of field audit work is undertaken by the Authorised Auditors in accordance with their methodology and they prepare the necessary working papers, draft reports, opinions and management letters for review by the Auditor-General and staff of the Office. The responsibility for the content of correspondence to agencies and for reports submitted to the Legislative Assembly rests solely with the Auditor-General.



The relationship between the number of hours acquired from Authorised Auditors and the cost incurred by the Office 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 each audit. 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 which then affects the average hourly cost of any particular audit.

The following table highlights some staffing statistics and operational results relating to Authorised Auditors during the reporting period.



36. Summary of end of year results for the contracted Authorised Auditors

2015/16	2014/15
<ul style="list-style-type: none"> • 129 Authorised Auditors <ul style="list-style-type: none"> • 81 (63%) male • 48 (37%) female • Equivalent level <ul style="list-style-type: none"> • 19% Partners • 29% Managers • 33% Seniors • 19% Assistants • Composition <ul style="list-style-type: none"> • 77% Authorised Auditors <ul style="list-style-type: none"> • 19% IT Specialists • 2% Insurance Specialists • 2% Treasury Specialists • Contracted hours <ul style="list-style-type: none"> • 26,042 • Contracted dollars <ul style="list-style-type: none"> • \$4,217,403 • Weighted average cost <ul style="list-style-type: none"> • \$179 • Audits conducted by AA firms <ul style="list-style-type: none"> • 158 new audits • 60 statutory audits • 63 compliance audits • 35 other audits 	<ul style="list-style-type: none"> • 103 Authorised Auditors <ul style="list-style-type: none"> • 73 (60%) male • 48(40%) female • Equivalent level <ul style="list-style-type: none"> • 17% Partners • 22% Managers • 42% Seniors • 19% Assistants • Composition <ul style="list-style-type: none"> • 75% Authorised Auditors <ul style="list-style-type: none"> • 21% IT Specialists • 2% Insurance Specialists • 2% Treasury Specialists • Contracted hours <ul style="list-style-type: none"> • 19,844 • Contracted dollars <ul style="list-style-type: none"> • \$3,215,564 • Weighted average cost <ul style="list-style-type: none"> • \$189 • Audits conducted by AA Firms <ul style="list-style-type: none"> • 129 new audits • 61 statutory audits • 49 compliance audits • 19 other audits

Work Health and Safety

Federal legislation effective from 1 July 2012 required all employers to achieve compliance with the national uniform legislation relating to Work Health and Safety (WHS). To this end, the Office has implemented a comprehensive framework, including relevant policy, procedures, and supporting registers and documents within all levels and functions of the agency.

Following the revision of the WHS policy, procedures, processes and systems, the policy was forwarded to the firms contracted to provide audit services. At the time of confirming the six-monthly allocation of audits, the firms are required to return a written acknowledgement that they will embody the principles of the policy in accordance with the legislation and that they have adequate systems in place to support the WHS legislation.

A full inventory of WHS risks was completed with no priority risks identified. Tagging and testing has been completed annually since it was first conducted in January 2013. All Office signage was updated to clearly reflect locations and contacts of wardens, exits and fire extinguishers. Both the administrative positions have participated in the warden training and the Records Management Officer is the Office's nominated First Aid Officer. WHS is a standing agenda item at weekly staff meetings. As part of our communication framework for WHS, all minutes recording WHS discussions are recorded in TRIM.

37. WHS objectives

Compliance practices will be maintained for all relevant Australian Standards and codes of practice		100% compliance achieved as demonstrated by:
Communication strategies exist for all workers of the Office.		Checklist completed and recorded in TRIM. Discussion at team meeting recorded in minutes.
Documentation is reviewed; risks are identified and correctly managed.		Checklist completed and recorded in TRIM. Discussion at team meeting recorded in minutes.
Training is identified and completed to assist in the minimisation of risk within the agency.		Training identified through staff meetings or ad-hoc discussions. Recorded in minutes of team meetings.
All workers are inducted to the agency.		Signed induction record, recorded on File.
WHS risks are identified and reported.		Checklist completed and recorded in TRIM, the On-Line Incident Reporting system. Discussion at team meeting recorded in minutes.
Integration of WHS within all appropriate systems.		Checklist completed and recorded in TRIM. Discussion at team meeting recorded in minutes.

With the introduction of the WHS framework, the Office identifies all WHS related expenditure. A comparison of WHS related expenditure and incidents since the introduction of the new legislated requirements is represented below.

38. WHS costs and incidents reported for 2015/16 and 2014/15

	2015/16	2014/15
Total WHS Expenditure	\$12,180	\$4,622
Total WHS Incidents Reported	0	0
Building Evacuation Drills	1	1
Emergency Evacuation	2	0
Business Manager Training/Updates	2	2
Records Officer Training/Updates	1	0

Incidents are reported using the mandated whole of government reporting system. Incidents are investigated internally and action taken where possible by the Office. Incidents are closed accordingly once appropriately addressed. There were no incidences reported in the 2015/16 period. In 2015/16 Work Health Safety expenditure increased by \$7,558 due to replacement of the office front door and a safety kill switch.

Staff within the Office attended two warden updates during the period and participated in one building evacuation for the period.

Staff Meetings

Staff meetings are conducted with all staff members to discuss issues and developments for both the audit and corporate and governance outputs. All employees have a role within the meetings in terms of contributing towards the sharing of information relating to their own work tasks or on behalf of the agency or professional commitments that arise. Aside from Work Health and Safety being a standard item, audit, finance, records and administration are also standing items. In this way, all employees have the benefit of sharing and maintaining knowledge of all matters relevant to each section and the Office.

Outcomes of these meetings include endorsement and support for internal work projects, ad-hoc expenditure for training and development or office maintenance, for example. Meetings are documented and minutes are circulated and recorded against a TRIM file.

Compliance with Employment Instructions

Employment Instruction	Agency Requirement/Action
No. 1. Filling Vacancies	The Business Manager's position was temporarily filled due to staff transfer.
No. 2. Probation	Probationary process implemented within the agency and employees notified. There were no probationary actions during 2015/16.
No. 3. Natural Justice	The principles of natural justice are promoted within the Office. The induction process informs new employees about the principles of natural justice.
No. 4. Employee Performance Management and Development Systems	The Office reports annually to the Office of the Commissioner for Public Employment on performance management and training and development. The Office, in accordance with its professional conduct rules, has implemented a performance management system for its employees and contracted services. Auditors are required to complete annual training requirements against their professional standing.
No. 5. Medical Examinations	There were no requirements during the reporting period for the Auditor-General to engage a health practitioner for the purpose of conducting an examination of an employee.
No. 6. Performance and Inability	The Office reports annually to the Office of the Commissioner for Public Employment on performance and inability. There were no performance or inability issues during the reporting period.
No. 7. Discipline	The Office reports annually to the Office of the Commissioner for Public Employment on disciplinary matters. There were no breaches of conduct or disciplinary matters for the reporting period.
No. 8. Internal Agency Complaints and Section 59 Grievance Reviews	The Office reports annually to the Office of the Commissioner for Public Employment on disciplinary matters. There were no complaints or section 59 grievance matters for the reporting periods.
No. 9. Employment Records	The Office has implemented procedures for maintaining and accessing appropriate employee records. The Office strives to improve procedures and mechanisms for all employees with regard of the use of the Tower Records Information Management System (TRIM).
No. 10. Equality of Employment Opportunity Programs	The Office strives to continually review and implement equal opportunities programs. The Office reports annually to the Office of the Commissioner for Public Employment on equal opportunity matters. Diversity and inclusivity are supported and promoted throughout the Office activities and within the audit contract.
No. 11. Occupational Health and Safety Standards Program	The Office has developed and implemented its Work Health and Safety (WHS) framework over the last three reporting periods. The framework has been incorporated within all aspects of the Office's operations.
No. 12. Code of Conduct	The Office has included its expectations and information regarding the guidelines and values associated with behaviour in the workplace, within its induction process. Regular team meetings are used to reinforce and communicate information relating to gifts, benefits, independence, conflict of interest and other agency, public sector or politically specific principles.
No. 13. Appropriate Workplace Behaviour	Appropriate workplace behaviour for new employees is covered in the induction process. Supporting information is available through the website. Discussion and communication is provided through either team meetings or a case-by-case basis.
No. 14. Redeployment and Redundancy Procedures	There were no requirements during the reporting period for the Auditor-General to utilise the redeployment and redundancy procedures.

Corporate Social Responsibility

Environment

The Office has long been conscious of minimising waste and creating efficiency. Since the 2012 financial year, the following measures have been implemented to reduce the Office's environmental footprint:

Paperless Office	<ul style="list-style-type: none"> • Internal <ul style="list-style-type: none"> ○ All information received physically or electronically is immediately recorded in TRIM enabling staff to access relevant documentation efficiently. • External <ul style="list-style-type: none"> ○ Predominantly all elements of the audit files received from Authorised Auditors are received electronically. ○ The Auditor-General and Principal Auditors review audit files electronically. ○ Progress reports are received electronically.
Our Emissions	<ul style="list-style-type: none"> • The fleet was maintained at one motor vehicle during the year ended 30 June 2016.
Power Saving	<ul style="list-style-type: none"> • Most electronic devices are powered down completely when not in use. • The Office has implemented a "lights off" policy for parts of its tenancy that are temporarily not in use.

Our Contribution

The personnel of the Office contribute to society by:

Fund Raising	<ul style="list-style-type: none"> • Gifts received in return for public speaking engagements are included in a staff raffle with the funds being donated to a charity nominated by the staff or re-gifted to external parties as appropriate.
Professional	<ul style="list-style-type: none"> • Staff members are encouraged and supported for their involvement in contributing to their professions through involvement with professional and community associations.
Community	<ul style="list-style-type: none"> • Individual members of the office volunteer for a range of community events and activities.

Financial Results

Financial Analysis

The Northern Territory Auditor-General's Office (the Office) provides support to the Auditor-General in the discharge of statutory obligations under the *Audit Act* and the *Public Information Act*.

That support includes:

- the conduct of field work as part of examining financial information prepared by the Treasurer, agencies, statutory bodies and other public sector entities that report to the Legislative Assembly;
- the conduct of performance management and information system audits;
- operational support in areas such as financial, information technology and records management; and
- the conduct of reviews of public information issued by Public Authorities.

Strategic issues facing the Office in 2015/16 included:

- balancing the expectations of the Legislative Assembly and requirements imposed by legislation; and
- extending the scope of audit activity to include a greater emphasis on performance management system audits.
- undertaking reviews as required in accordance with the *Public Information Act*.

Comparison of the 2015/16 financial results to the prior year provides the following observations.

- The net assets of the Office increased by \$0.23 million from \$0.27 million in the prior year to \$0.50 million for the year, reflecting the surplus shown on the Comprehensive Operating Statement, and the equity injection shown on Statement of Changes in Equity.
- Cash balances decreased by \$0.13 million.
- Receivables increased by \$0.44 million due to outstanding recoverable audit charges at the end of financial year.
- Provisions increased by \$0.07 million from the prior year attributable to recognition of entitlements of staff transferred to the Office together with unused leave entitlements in this financial year.
- The operating surplus for the year of \$0.03 million resulted from additional recoverable revenue received.

Actual income was \$0.66 million higher than the original budget as a result of additional recoverable revenue collected through audit charges for the 2015/16 financial year and changes to the audit program after the commencement of the audit program during the financial period.

Total expenses for the period amounted to \$5.54 million compared to the original budget of \$4.90 million. The increase of \$0.64 million was largely attributable to the changes to the audit program after the establishment of the audit timetable, and increased costs associated with auditing the restructured utilities sector entities.

	Original Budget 2015/16 BP3	Revised Budget 2015/16	Actual 2015/16	Actual 2014/15
		\$000	\$000	
INCOME				
Appropriation				
Output	3,178	3,178	3,178	3,675
Sales of goods and services (audit costs recovered)	1,450	2,037	2,160	589
	278	278	228	237
	4,906	5,493	5,566	4,501
EXPENSES				
Employee expenses	(896)	(896)	(992)	(861)
Administrative expenses				
Purchases of goods and services	(3,730)	(4,317)	(4,315)	(3,313)
Repairs and maintenance	(2)	(2)	(2)	-
Other administrative expenses	(278)	(278)	(228)	(237)
TOTAL EXPENSES	(4,906)	(5,493)	(5,537)	(4,411)
NET SURPLUS/(DEFICIT)	-	-	29	90
ASSETS				
Cash and deposits	291	356	228	357
Receivables	89	41	484	41
Prepayments	1	1	-	1
TOTAL ASSETS	381	398	712	399
LIABILITIES				
Payable	40	48	62	48
Provisions	150	80	151	81
TOTAL LIABILITIES	190	128	213	129
NET ASSETS	191	270	499	270
EQUITY				
Capital	370	370	570	370
ACCUMULATED FUNDS	(179)	(100)	(71)	(100)
TOTAL EQUITY	191	270	499	270

Audit Outcomes

The financial statements of the Office for 2015/16 were audited by MGI Adelaide Pty Ltd, and for 2014/15 by Bentleys Adelaide. The Office received an unmodified Independent Audit Report reporting that the financial reports of the Auditor-General's Office complied with the Australian Accounting Standards and gave a true and fair view of the Office's financial position.

No weaknesses in controls were identified during the audit. No direct action was required as a result of the completion of the audit. All matters raised in previous audits were found to have been satisfactorily addressed.

Revenue

Total revenue comprises Output Revenue as well as a limited cost recovery initiative whereby costs of audits are recovered from statutory entities and those entities that require additional audit services unrelated to the Public Account such as grant acquittals.

39. Budget Papers 2015/16 budgeted and actual income for the Office with comparative actual results for 2014/15

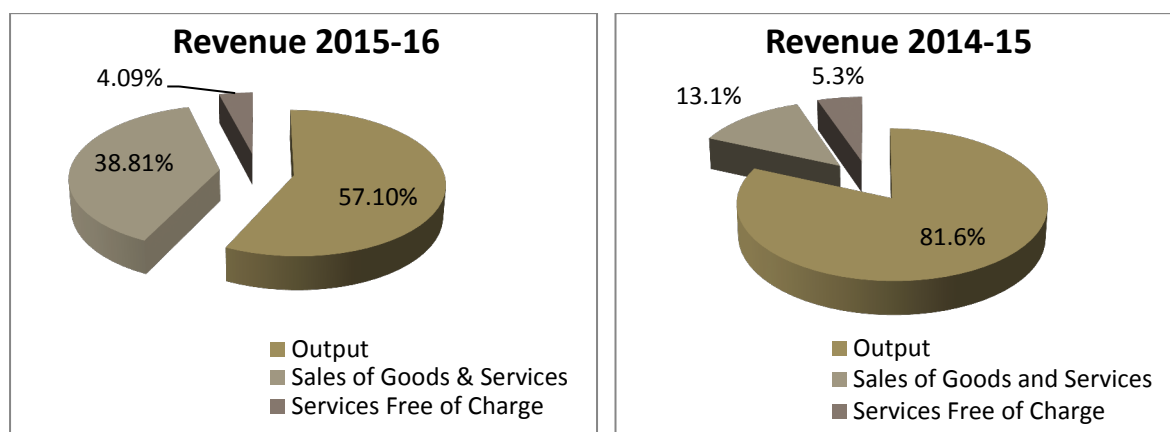
(\$000)	Budget 2015-16	Actual 2015-16	Variance 2015-16	Actual 2014-15
Output	3,178	3,178	-	3,675
Sales of Goods & Services	1,450	2,160	710	589
Goods & Services Received FOC	278	228	(50)	237
Total Income	4,906	5,566	660	4,501

As in past years, the largest source of revenue for the Office has been Output Revenue that is appropriated by the Legislative Assembly pursuant to the annual Appropriation Act. Prior to the 2015/16 financial year, Output Revenue represented 80 - 82% of the total income of the Office. In 2015/16, Output Revenue represented 56% of the total income due to additional audit cost recoverable revenue received.

In 2015/16 audit costs recovered represented 39% compared to 13% for the prior year. Audit costs recovered (as recorded within Sales of Goods and Services) by the Office increased significantly due to additional hours spent on utilities sector related audits. A small surplus resulted from the operations of the Office.

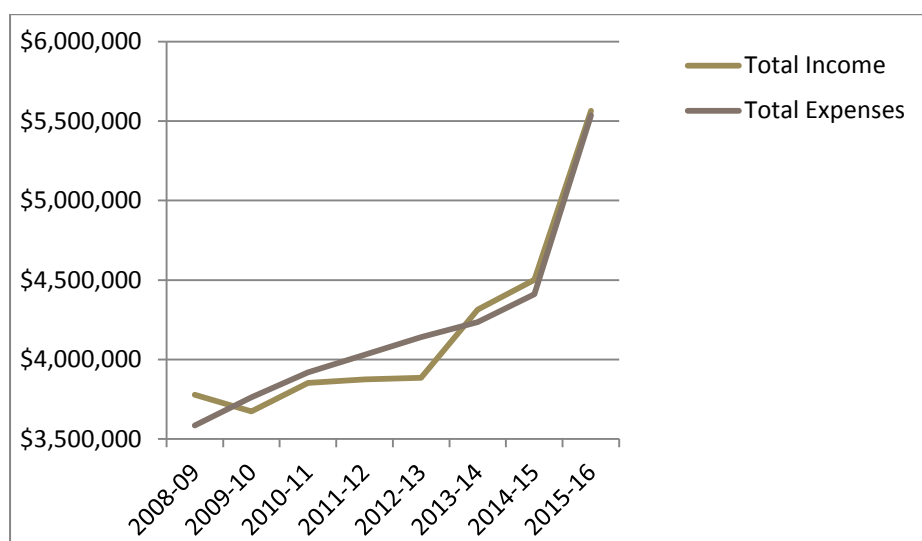
Goods and services received free of charge (G&S FOC) recognise the transactional and information technology services provided by the Department of Corporate Services. An expense equal to the revenue is also recognised in the financial services. The graphs below present the composition of revenue received by the Office.

40. Revenue as a percentage for 2015/16 and the comparative prior year:



The accompanying graph presents total revenue and expenditure comparatively for the last eight years. Expenditure has steadily increased whereas revenue remained largely unchanged for three of the eight years. The noticeable increase for 2013/14 resulted from the receipt of additional funding leading to the first reported surplus in five years.

41. Comparison of operating results



Agencies that are subject to recovery of costs are listed below. Costs recovered include work completed or accrued at 30 June.

42. Comparison of audit costs recovered at year end (includes year-end accruals) (\$)

AUDIT COSTS RECOVERED	2015/16	2014/15
Batchelor Institute of Indigenous Tertiary Education	66,964	66,935
Board of the Museum and Art Gallery of the Northern Territory	19,609	-
CDU Amenities Limited	5,579	-
Central Australia Health Service	29,883	-
Charles Darwin University	140,066	170,972
Charles Darwin University Foundation	8,337	-
Cobourg Peninsula Sanctuary and Marine Park Board	13,974	-
Darwin Bus Service	15,214	-

AUDIT COSTS RECOVERED	2015/16	2014/15
Darwin Port Corporation	51,569	-
Darwin Waterfront Corporation	40,625	39,230
Data Centre Services	18,318	-
Department of Business	18,771	16,968
Department of Health	25,760	24,301
Department of Local Government and Community Services	9,245	7,518
Department of Transport	16,014	37,518
Department of Treasury and Finance	9,182	9,245
Desert Knowledge Australia	21,100	3,719
Indigenous Essential Services Pty Ltd	181,138	-
Jabiru Town Development Authority	9,245	-
Jacana Energy (Power Retail Corporation)	118,436	-
Land Development Corporation	49,883	-
Menzies School of Health Research	45,363	48,094
Motor Accidents (Compensation) Commission	130,613	-
Nitmiluk (Katherine Gorge) National Park Board	16,306	-
Northern Territory Grants Commission	3,882	-
Northern Territory Legal Aid Commission	18,299	17,198
Northern Territory Major Events Company Pty Ltd	27,300	25,554
Northern Territory Treasury Corporation	72,506	-
Northern Territory Build Statutory Corporation	18,400	17,358
NT Fleet	34,024	-
NT Home Ownership	44,842	-
Office of the Public Trustee for the Northern Territory	29,557	-
Power and Water Corporation	681,281	37,170
Surveyors Board of the Northern Territory of Australia	6,712	-
Territory Generation (Power Generation Corporation)	109,786	-
Territory Wildlife Parks	20,281	-
Top End Health Service	32,109	-
Territory Insurance Office	-	67,425
	2,160,171	589,205

Expenses

The total expenditure of the Office increased by \$1,126,000 from the prior year primarily due to additional hours taken to audit the restructured utilities sector entities. A notable difference is the budget allocation between Output Groups following a detailed review of the cost allocation methodology within the office, an exercise which had not occurred for some years.

43. Budget Papers Output budgeted and actual expenditure for the Office for 2015-16 with comparative actual results for 2014/15

(\$000)	Budget 2015-16	Estimate 2015-16	Actual 2015-16	Variance 2015-16	Actual 2014-15
Audits and reviews output	4,565	4,856	4,937	81	3,608
Corporate & Governance output	341	637	600	(37)	803
Total	4,906	5,493	5,537	44	4,411

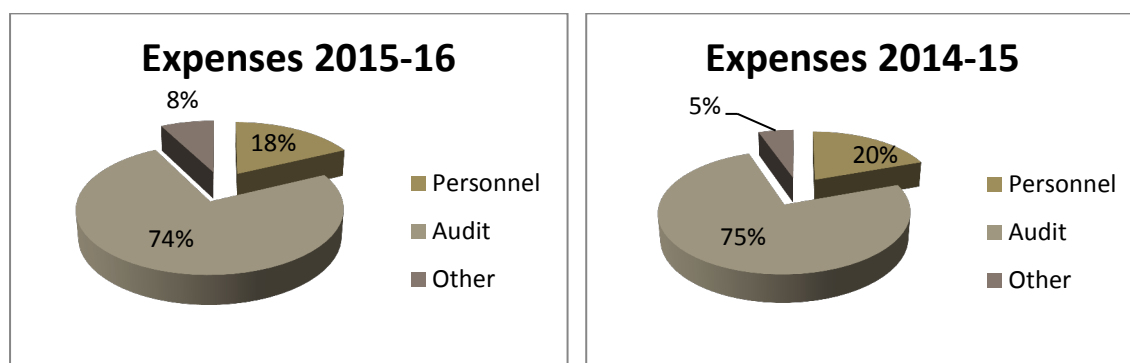
Actual expenditure for 2015-16 exceeded the May estimate by \$44,000. The Office continues to strive for administrative efficiencies through effective management of fleet, printing, and travel and also is realising the economic benefits of moving to an electronic environment and the installation of energy saving facilities.

44. Breakdown and comparison of major categories of costs (in actual dollars) & percentage comparisons

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Personnel Costs	705,835	784,064	811,361	847,354	861,450	991,507
Audit Fees	2,916,224	2,961,741	2,994,411	3,084,973	3,215,564	4,209,664
DCOS Services FOC	178,583	190,833	220,027	223,289	236,893	227,526
Administration Costs	117,866	92,166	112,754	88,890	96,886	107,461
Total Expenses	3,918,509	4,028,805	4,138,555	4,244,508	4,410,793	5,536,158
% Admin to Total Costs	3.01%	2.29%	2.72%	2.09%	2.20%	1.93%
% DCIS to Total Costs	4.56%	4.74%	5.32%	5.26%	5.37%	4.11%
% Personnel to Total Costs	18.01%	19.46%	19.60%	19.96%	19.53%	17.91%
% Audit to Total Costs	74.42%	73.51%	72.35%	72.68%	72.90%	76.05%

For 2015/16, Authorised Audit costs comprise 76.05% of total operational costs compared to an average of 73.17% over the last five years. Personnel costs were 17.91% against a five-year average of 19.31%. Administrative costs amount were 1.93% for the year compared to a six-year average rate of 2.46%.

45. Comparison of expense categories for 2015/16 and the comparative prior year



Appendix A - Financial Statements

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-General's Office 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 2016 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 the requirements of section 15 of the *Financial Management Act*, the internal audit capacity available to the Office is adequate and the results of internal audits have been reported to the Auditor-General;
- e) the financial statements included in the annual report have been prepared from proper accounts and records and are in accordance with the Treasurer's Directions;
- f) all Employment Instructions issued by the Commissioner for Public Employment have been satisfied in all material respects, and in particular, the Code of Conduct; and
- g) the Office is working in compliance with section 131 of the Information Act.



Signed:

Julie Crisp

Auditor-General for the Northern Territory

6 September 2016



Signed:

Ramkumar Konesparamoorthy

A/Business Manager

6 September 2016

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
COMPREHENSIVE OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		\$000	\$000
INCOME			
Appropriation			
Output		3,178	3,675
Sales of goods and services (audit costs recovered)	4	2,160	589
Goods and services received free of charge	5	228	237
TOTAL INCOME	3	5,566	4,501
EXPENSES			
Employee expenses	6	(992)	(861)
Administrative expenses			
Purchases of goods and services	7	(4,315)	(3,313)
Repairs and maintenance		(2)	-
Other administrative expenses	5	(228)	(237)
TOTAL EXPENSES	3	(5,537)	(4,411)
NET SURPLUS/(DEFICIT)		29	90
COMPREHENSIVE RESULT		29	90

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
BALANCE SHEET
AS AT 30 JUNE 2016

	Note	2016 \$000	2015 \$000
ASSETS			
Current Assets			
Cash and deposits	8	228	357
Receivables	9	484	41
Prepayments		-	1
Other assets		-	-
Total Current Assets		712	399
TOTAL ASSETS		712	399
LIABILITIES			
Current Liabilities			
Payables	10	62	48
Provisions	11	103	73
Total Current Liabilities		165	121
Non-Current Liabilities			
Provisions	11	48	8
Total Non-Current Liabilities		48	8
TOTAL LIABILITIES		213	129
NET ASSETS		499	270
EQUITY			
Capital		570	370
Accumulated funds		(71)	(100)
TOTAL EQUITY		499	270

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 2016

	Note	Equity at 1 July \$000	Comprehensive result \$000	Transactions with owners in their capacity as owners \$000	Equity at 30 June \$000
2015-16					
Accumulated Funds		(100)	29	-	(71)
		(100)	29		(71)
Capital – Transactions with Owners					
Equity injections					
Capital appropriation		26	-	-	26
Equity transfers in		53	-	-	53
Other equity injections	12	601	-	200	801
Equity withdrawals					
Capital withdrawal		(310)	-	-	(310)
Equity transfers out		-	-	-	-
		370	-	200	570
Total Equity at End of Financial Year		270	29	200	499
2014-15					
Accumulated Funds		(190)	90	-	(100)
Capital – Transactions with Owners					
Equity injections					
Capital appropriation		26	-	-	26
Equity transfers in		53	-	-	53
Other equity injections		601	-	-	601
Equity withdrawals					
Capital withdrawal		(310)	-	-	(310)
		370	-	-	370
Total Equity at End of Financial Year		180	90	-	270

The 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 2016

	Note	2016 \$000	2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Receipts			
Appropriation			
Output		3,178	3,675
Receipts from sales of goods and services		2,140	966
Total Operating Receipts		5,318	4,641
Operating Payments			
Payments to employees		(943)	(927)
Payments for goods and services		(4,704)	(3,648)
Total Operating Payments		(5,647)	(4,575)
Net Cash From/(Used in) Operating Activities	13	(329)	66
CASH FLOWS FROM FINANCING ACTIVITIES			
Financing Receipts			
Equity injections			
Capital appropriation		-	-
Other equity injections		200	-
Total Financing Receipts		200	-
Net Cash From/(Used in) Financing Activities		200	-
Net increase/(decrease) in cash held		(129)	66
Cash at beginning of financial year		357	291
CASH AT END OF FINANCIAL YEAR	8	228	357

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 2016

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NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1.OBJECTIVES AND FUNDING

The Northern Territory Auditor-General's Office (the 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 predominantly funded by, and is dependent upon, the receipt of Parliamentary appropriations in accordance with the provisions of the *Appropriation Act*.

These financial statements report on all funds 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.

For reporting purposes, outputs delivered by the Office are summarised into two output groups: Audits and Reviews; and Corporate and Governance.

2.STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

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 Office 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.

b) Basis of Accounting

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.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

The following new and revised accounting standards and interpretations were effective for the first time in 2015-16:

AASB 1048 Interpretation of Standards This reflects amended versions of Interpretations arising in relation to amendments to AASB 9 Financial Instruments and consequential amendments arising from the issuance of AASB 15 Revenue from Contracts with Customers. The standard does not impact the financial statements.

AASB 2013-9 Amendments to Australian Accounting Standards [Part C Financial Instruments] Part C of this Standard amends AASB 9 Financial Instruments to add Chapter 6 Hedge accounting and makes consequential amendments to AASB 9 and numerous other Standards. The standard does not impact the financial statements.

AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 This Standard makes amendments to AASB 9 Financial Instruments (December 2009) and AASB 9 Financial Instruments (December 2010). These amendments arise from the issuance of AASB 9 Financial Instruments in December 2014. The standard does not impact the financial statements.

AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality The standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing the standard to effectively be withdrawn. The standard does not impact the financial statements.

AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent Amendments are made to AASB 128 Investments in Associates and Joint ventures to require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities. The standard does not impact the financial statements.

AASB 2014-1 Amendments to Australian Accounting Standards (Part E - Financial Instruments) Part E of this Standard defers the application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. The standard does not impact the financial statements.

The following standards and interpretations are likely to have an insignificant impact on the financial statements for future reporting periods, but the exact impact is yet to be determined:

Standard/Interpretation	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments (December 2014), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 January 2018
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018
AASB 1056 Superannuation Entities	1 July 2016

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

Standard/Interpretation	Effective for annual reporting periods beginning on or after
AASB 14 Regulatory Deferral Accounts	1 January 2016
AASB 1057 Application of Accounting Standards	1 January 2016
AASB 2014-1 Amendments to Australian Accounting Standards [Part D Consequential arising from AASB 14 Regulatory Deferral Accounts]	1 January 2016
AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]	1 January 2016
AASB 2014-16 Amendments to Australian Accounting Standards - Agriculture: Bearer Plants [AASB 101, 116, 117, 123, 136, 140 and 141]	1 January 2016
AASB 2015-5 Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception [AASB 10, 12 and 128]	1 January 2016
AASB 2015-9 Amendments to Australian Accounting Standards - Scope and Application Paragraphs [AASB 8, 133 and 1057]	1 January 2016
AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128	1 January 2016
AASB 2016-1 Amendments to Australian Accounting Standards- Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	1 January 2017
2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017
AASB 9 Financial Instruments	1 January 2018
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	1 January 2018
AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 and AASB 138]	1 January 2016
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 2014-9 Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements [AASB 1, 127 and 128]	1 January 2016

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

The following standards and interpretations are expected to have a potential impact on the financial statements for future reporting periods:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Impact
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 and 1049]	1 July 2016	New note disclosure to include remuneration of Key Management Personnel (KMP) and related party transactions.
AASB 16 Leases	1 January 2019	Reclassification of operating leases greater than 12 months to finance lease reporting requirements
AASB 15 Revenue from Contracts with Customers	1 January 2018	Requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017	Amends the measurement of trade receivables and the recognition of dividends.
AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-14 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 and 140]	1 January 2016	The amendments include AASB 5 change in methods of disposal; AASB 7 Servicing contracts and applicability of the amendments to AASB 7 to condensed interim financial statements; AASB 119 Discount rate: regional market issue and AASB 134 Disclosure of information 'elsewhere in the interim financial.

c) Reporting Entity

The financial statements also serve to meet the Office's reporting requirements to prepare financial statements in accordance with section 27 of the Audit Act and present the financial statements for audit. The principal place of business of the Office is Level 12, 22 Mitchell Street, Darwin NT 0800.

d) Agency and Territory Items

The financial statements of the Office include income, expenses, assets, liabilities and equity over which the Office has control. Certain items, while managed by the Office, 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.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

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

The Central Holding Authority 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 Office is not accountable for any Territory items managed on behalf of Government, as disclosed in Note 20 – Schedule of Administered Territory Items.

e) Comparatives

Where necessary to provide consistency with current year disclosures, comparative information for the 2014-15 financial year has been reclassified.

f) 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. Figures in the financial statements and notes may not equate due to rounding.

g) Changes in Accounting Policies

There have been no changes to accounting policies adopted in 2015-16 as a result of management decisions.

h) Accounting Judgments and Estimates

The preparation of the financial report requires the making of judgments 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 judgments 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.

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

- Employee Benefits – Note 2(t) 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(q), Note 9: Receivables and Note 14: Financial Instruments. Where applicable, the allowance represents debts that are likely to be uncollectible and are considered doubtful. Debtors are grouped according to their aging profile and history of previous financial difficulties.

i) 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.

j) Income Recognition

Income encompasses both revenue and gains. Income is recognised at the fair value of the consideration received, exclusive of the amount of GST.

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. The Office does not receive Commonwealth appropriation.

Revenue in respect of appropriations is recognised in the period in which the Office gains control of the funds.

Rendering of Services

Revenue from rendering services constitutes recoveries of audit costs in relation to the audits of statutory entities. 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 Office.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

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 provided free of charge. Use of the resource is recognised as an expense equal to the value of the recorded revenue.

k) Repairs and Maintenance Expense

Funding is received for repairs and maintenance works associated with agency assets as part of output appropriation. Costs associated with repairs and maintenance works on agency assets are expensed as incurred.

l) Depreciation and Amortisation Expense

All depreciable assets controlled by the Office were fully depreciated at the commencement of the 2011 financial year and the assets were subsequently written off. The Office does not currently hold depreciable or amortisable assets and therefore did not record any depreciation or amortisation during the reporting period.

m) 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. Cash equivalents are highly liquid short-term investments that are readily convertible to cash. Cash at bank includes monies held in the Accountable Officer's Trust Account (AOTA) that are ultimately payable to the beneficial owner to the extent such monies are held. The Office has no monies held in the Accountable Officer's Trust Account, refer also to Note 18.

n) 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. Analysis of the age of the receivables that are past due as at the reporting date is 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 and other receivables are generally settled within 30 days.

o) Prepayments

Prepayments represent payments in advance of receipt of goods and services or that part of expenditure made in one accounting period covering a term extending beyond that period. Prepayments, as they relate to the Office, are limited to subscriptions and travel expenses where payment is made in advance.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

p) 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 Office had no property, plant and equipment acquisitions during the reporting period.

q) Revaluations and Impairment

Revaluation of Assets

The Office held only financial assets during the period of consideration; it did not purchase or own any non-financial assets during this time and was not required to revalue assets.

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.

The Office held only financial assets during the period of consideration, none of which were assessed as impaired. It did not purchase or own any non-financial assets during this time and was therefore not required to impair any non-financial assets in accordance with this note.

r) 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 2016

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, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

The Office has one operating lease that requires monthly payments over a period of five years. Payments commenced in December 2015 and will conclude in December 2020 (refer Note 15).

s) 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.

t) 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, 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 those of the Office and consequently no long service leave liability is recognised in agency financial statements.

u) Superannuation

Employees' superannuation entitlements are provided through the:

- Northern Territory 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.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

The Office 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.

v) Contributions by and Distributions to Government

The Office 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.

w) Commitments

Disclosures in relation to capital and other commitments, including lease commitments are shown at Note 15.

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

x) 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 assets and liabilities are recognised on the Balance Sheet when the agency becomes a party to the contractual provisions of the financial instrument. The Office's financial instruments constituted only cash and deposits; receivables; payables; and advances received during the periods to which this report relates.

Exposure to interest rate risk, credit risk, price risk and liquidity risk arise in the normal course of activities.

Classification of Financial Instruments

AASB 7 Financial Instruments: Disclosures requires financial instruments to be classified and disclosed within specific categories depending on their nature and purpose.

Financial assets are classified into the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables; and
- available-for-sale financial assets.

Financial liabilities are classified into the following categories:

- financial liabilities at fair value through profit or loss (FVTPL); and
- financial liabilities at amortised cost.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

Financial Assets or Financial Liabilities at Fair Value through Profit or Loss

Financial instruments are classified as at FVTPL when the instrument is either held for trading or is designated as at FVTPL. The Office holds no financial instruments classified as at FVTPL.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the entity has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

For details refer to Note 2 (n).

Available-for-Sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not classified as any of the three preceding categories. The Office had no available-for-sale financial assets at 30 June 2016 or at any time during the periods reported.

Financial Liabilities at Amortised Cost

Financial instrument liabilities measured at amortised cost include all advances received, finance lease liabilities and borrowings. Amortised cost is calculated using the effective interest method. The Office had no financial instrument liabilities at 30 June 2016 or at any time during the periods reported.

Note 14 provides additional information on financial instruments.

y) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

When measuring fair value, the valuation techniques used maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the agency include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgments that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Such inputs include internal agency adjustments to observable data to take account of particular and potentially

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

unique characteristics/functionality of assets/liabilities and assessments of physical condition and remaining useful life.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy based on the inputs used:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs are unobservable.

The Office had no non-financial assets at 30 June 2016 or at any time during the periods reported.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

3.COMPREHENSIVE OPERATING STATEMENT BY OUTPUT GROUP

	Note	Audits and Reviews ⁽¹⁾		Corporate and Governance ⁽¹⁾		Total	
		2016	2015 ⁽¹⁾	2016	2015 ⁽¹⁾	2016	2015
		\$000	\$000	\$000	\$000	\$000	\$000
INCOME							
Appropriation							
Output		2,806	3,346	372	329	3,178	3,675
Sales of goods and services		2,160	589	-	-	2,160	589
Goods and services received free of charge	5	-	-	228	237	228	237
TOTAL INCOME		4,966	3,935	600	566	5,566	4,501
EXPENSES							
Employee expenses		(675)	(600)	(317)	(261)	(992)	(861)
Administrative expenses							
Purchases of goods and services	7	(4,262)	(3,245)	(53)	(68)	(4,315)	(3,313)
Repairs and maintenance		-	-	(2)	-	(2)	-
Other administrative expenses		-	-	(228)	(237)	(228)	(237)
TOTAL EXPENSES		(4,937)	(3,845)	(600)	(566)	(5,537)	(4,411)
NET SURPLUS/(DEFICIT)		29	90	-	-	29	90
OTHER COMPREHENSIVE INCOME							
Items that will not be reclassified to net surplus/deficit							
Changes in accounting policies		-	-	-	-	-	-
Correction of prior period errors		-	-	-	-	-	-
Changes in asset revaluation surplus		-	-	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME		-	-	-	-	-	-
COMPREHENSIVE RESULT		29	90	-	-	29	90

(1) Prior year allocation between output groups has been restated to reflect accurate allocation of cost. Net results remain the same.

This Comprehensive Operating Statement by output group 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 2016

	2016	2015
	\$000	\$000
4.SALES OF GOODS AND SERVICES		
AUDIT COSTS RECOVERED		
Batchelor Institute of Indigenous Tertiary Education	67	67
Board of the Museum and Art Gallery of the Northern Territory	20	-
CDU Amenities Limited	6	-
Central Australia Health Service	30	-
Charles Darwin University	140	171
Charles Darwin University Foundation	8	-
Cobourg Peninsula Sanctuary and Marine Park Board	14	-
Darwin Bus Service	15	-
Darwin Port Corporation	52	-
Darwin Waterfront Corporation	41	-
Data Centre Services	18	-
Department of Business	19	17
Department of Health	26	24
Department of Local Government and Community Services	9	8
Department of Transport	16	38
Department of Treasury and Finance	9	9
Desert Knowledge Australia	21	4
Indigenous Essential Services Pty Ltd	181	-
Jabiru Town Development Authority	9	-
Jacana Energy	118	-
Land Development Corporation	50	-
Menzies School of Health Research	45	48
Motor Accidents (Compensation) Commission	131	-
Nitmiluk (Katherine Gorge) National Park Board	16	-
Northern Territory Grants Commission	4	-
Northern Territory Build Statutory Corporation	-	17
Northern Territory Legal Aid Commission	18	17
Northern Territory Major Events Company Pty Ltd	27	26
Northern Territory Treasury Corporation	73	-
NT Build	18	-
NT Fleet	34	-
NT Home Ownership	45	-
Office of the Public Trustee for the Northern Territory	30	-
Power and Water Corporation	681	37
Surveyors Board of the Northern Territory of Australia	7	-
Territory Generation	110	-
Territory Wildlife Parks	20	-
Top End Health Service	32	-
Territory Insurance Office	-	67
WaterFront Statutory Corporation	-	39
	2,160	589

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

5. GOODS AND SERVICES RECEIVED FREE OF CHARGE

Corporate and information services	228	237
	228	237

Services provided by the Department of Corporate and Information Services. The service charges are recognised within 'Other administrative expenses'.

6. EMPLOYEE EXPENSES

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

Personnel expenses:

Salaries	711	635
Recreation Leave	116	87
Superannuation ⁽¹⁾	90	73
Payroll Tax ⁽²⁾	58	45
Higher Duties Allowance	-	9
Other Benefits ⁽³⁾	6	8
Fringe Benefit Tax	9	3
Allowances	-	1
Recreation Leave Loading	2	-
	992	861

1. Includes voluntary salary sacrifice and compulsory superannuation contributions

2. Includes on-costs expense

3. Includes salary sacrifice fees and vehicle contributions.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016	2015
	\$000	\$000

7. PURCHASES OF GOODS AND SERVICES

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

Goods and services expenses:

Authorised Auditors' fees	4210	3,216
Audit expense	10	14
Training and study	3	5
Official duty fares	2	3
Consultants ⁽¹⁾	27	1
Advertising ⁽²⁾	-	1
Recruitment ⁽³⁾	-	-
Relocation expenses	-	10
Motor vehicle expenses	11	14
Property expenses	14	9
Information technology and communication expenses	23	24
Other expenses	15	16
	4,315	3,313

⁽¹⁾ Includes marketing, promotion and IT consultants.

⁽²⁾ Does not include recruitment, advertising or marketing and promotion advertising.

⁽³⁾ Includes recruitment-related advertising costs.

8. CASH AND DEPOSITS

Cash on hand	-	-
Cash at bank	228	357
	228	357

9. RECEIVABLES

Current

Accounts receivable	386	14
Less: Allowance for impairment losses	-	-
Accrued Revenue	84	-
GST receivables	14	27
Total Receivables	484	41

10. PAYABLES

Accounts payable	2	1
Accrued expenses	60	47
Total Payables	62	48

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
11. PROVISIONS		
Current		
<i>Employee benefits</i>		
Recreation leave	69	54
Leave loading	4	4
Other employee benefits ⁽¹⁾	30	15
Total current Provisions	103	73
Non-Current		
<i>Employee benefits</i>		
Recreation Leave	48	8
Total Non- Provisions	48	8
Total Provisions	151	81

The Agency employed 5 employees as at 30 June 2016 (5 employees as at 30 June 2015).

⁽¹⁾ Provisions for other employee benefits include provisions for employer superannuation contributions, fringe benefits tax and payroll tax on-costs.

12. EQUITY INJECTION

Equity Injection	200	-
Equity Injection	200	-

On 30 June 2016, the Northern Territory Government injected \$200,000 into the Office to ensure sufficient funds were available to meet cash payments in the event that anticipated cash receipts were not received prior to year-end.

These funds are due to be returned to the Northern Territory Government via an equity withdrawal during the financial year ending 30 June 2017.

13. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of Cash

The total of agency 'Cash and deposits' of \$228,000 recorded in the Balance Sheet is consistent with that recorded as 'Cash' in the Cash Flow Statement.	228	357
---	-----	-----

Reconciliation of Net Surplus/(Deficit) to Net Cash from Operating Activities

Net Surplus/(Deficit)	29	90
<i>Changes in assets and liabilities:</i>		
Decrease/(Increase) in receivables	(443)	48
Decrease/(Increase) in prepayments	-	(1)
(Decrease)/Increase in payables	14	(1)
(Decrease)/Increase in other provisions	72	(70)
Net Cash from Operating Activities	(328)	66

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 Office include cash and deposits, receivables, payables and finance leases. The Office has limited exposure to financial risks as discussed below.

a) Categorisation of Financial Instruments

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

2015-16 Categorisation of Financial Instruments

	Designated at fair value	Financial assets - Loans and receivables	Financial Liabilities - amortised cost	Total
	\$000	\$000	\$000	\$000
Cash and deposits	228	-	-	228
Receivables	-	386	-	386
Total Financial Assets	228	386	-	614
Payables	-	-	2	2
Total Financial Liabilities	-	-	2	2

2014-15 Categorisation of Financial Instruments

	Designated at fair value	Financial assets - Loans and receivables	Financial Liabilities - amortised cost	Total
	\$000	\$000	\$000	\$000
Cash and deposits	357	-	-	357
Receivables	-	14	-	14
Total Financial Assets	357	14	-	371
Payables	-	-	1	1
Total Financial Liabilities	-	-	1	1

a) Credit Risk

The Office has limited credit risk exposure (risk of default). In respect of any dealings with organisations external to Government, the Office 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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Receivables

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

Internal Receivables	Ageing of Receivables \$000	Ageing of Impaired Receivables \$000	Net Receivables \$000
2015-16			
Not overdue	386	-	386
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
Total	386	-	386

Reconciliation of the Allowance for Impairment Losses

Opening	-
Written off during the year	-
Recovered during the year	-
Increase/(Decrease) in allowance recognised in profit or loss	-
Total	-

2014-15

Not overdue	-	-	-
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
Total	-	-	-

Reconciliation of the Allowance for Impairment Losses

Opening	-
Written off during the year	-
Recovered during the year	-
Increase/(Decrease) in allowance recognised in profit or loss	-
Total	-

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

External Receivables	Aging of Receivables \$000	Aging of Impaired Receivables \$000	Net Receivables \$000
2015-16			
Not overdue	-	-	-
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
Total	-	-	-

Reconciliation of the Allowance for Impairment Losses

Opening	-
Written off during the year	-
Recovered during the year	-
Increase/(Decrease) in allowance recognised in profit or loss	-
Total	-

2014-15

Not overdue	14	-	14
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
Total	14	-	14

Reconciliation of the Allowance for Impairment Losses

Opening	-
Written off during the year	-
Recovered during the year	-
Increase/(Decrease) in allowance recognised in profit or loss	-
Total	-

b) Liquidity Risk

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

The following tables detail the agency's remaining contractual maturity for the Office's financial assets and liabilities.

2016 Maturity analysis for financial assets and liabilities

	Variable Interest Rate			Fixed Interest Rate			Non-Interest Bearing	Total	Weighted Average
	Less than a Year	1 to 5 Years	More than 5 Years	Less than a Year	1 to 5 Years	More than 5 Years			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	%
Assets									
Cash and deposits	-	-	-	-	-	-	228	228	
Receivables	-	-	-	-	-	-	400	400	
Total Financial Assets	-	-	-	-	-	-	628	628	
Liabilities									
Payables	-	-	-	-	-	-	2	2	
Total Financial Liabilities	-	-	-	-	-	-	2	2	

2015 Maturity analysis for financial assets and liabilities

	Variable Interest Rate			Fixed Interest Rate			Non-Interest Bearing	Total	Weighted Average
	Less than a Year	1 to 5 Years	More than 5 Years	Less than a Year	1 to 5 Years	More than 5 Years			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	%
Assets									
Cash and deposits	-	-	-	-	-	-	357	357	0%
Receivables	-	-	-	-	-	-	41	41	0%
Total Financial Assets	-	-	-	-	-	-	398	398	-
Liabilities									
Payables	-	-	-	-	-	-	1	1	0%
Total Financial Liabilities	-	-	-	-	-	-	1	1	-

c) 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 Office is not exposed to interest rate risk as the Office's financial assets and financial liabilities are non-interest bearing.

(ii) Price Risk

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

(iii) Currency Risk

The Office 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.

d) Net Fair Value

The fair value of cash, deposits, advances, receivables and payables approximates their carrying amount, which is also their amortised cost

2016		2015	
Internal	External	Internal	External
\$000	\$000	\$000	\$000

15. COMMITMENTS

(i) Authorised Auditor Commitments

The model under which the NTAGO operates relies upon the use of auditors who are drawn from private accounting firms and appointed by the Auditor-General pursuant to section 17 of the Audit Act. A number of firms are appointed against the contract, which is executed every three years. The current contract will expire on 31 December 2017. The minimum legal commitment to accounting firms for the remaining term of the current contract, is as follows:

Within one year	-	2,334	-	2,334
Later than one year and not later than five years	-	1,168	-	3,502
Later than five years	-	-	-	-
	-	3,502	-	5,836

Note: - Contract from 1/01/15 to 31/12/17 - with rate increases based on CPI 1st January each year. 1. At the conclusion of the 2015 Financial Period, the Office re-valued its contract commitment with the Audit firms to reflect the terms of the contract ex CPI). As CPI is not known, escalation value is not applied. The calculation is based therefore on the actual split of the costs/hours of the audit contract across the three year period. The hours/costs of the contract are considered the minimum commitment, regardless of what the actual structure of the audit program becomes. The actual practice of the Office is to allocate in each period, more than the minimum required against the contract. Accordingly, the revised commitment figures reflect the minimum contractual agreement with the firms.

(ii) Operating Lease Commitments

The Office previously held a lease for a photocopier with Darwin Office Technology. This lease expired on 15 December 2015. From January 2016 the office has held a lease for a multifunction device. Payments are made to the Department of Corporate Information Services for application across government contracts. Future operating lease commitments not recognised as liabilities are payable as follows:

Within one year	-	2	-	1
Later than one year and not later than five years	-	7	-	-
Later than five years	-	-	-	-
	-	9	-	1

(a) External commitments are to third parties external to the NTG.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Office had no contingent liabilities or contingent assets as at 30 June 2016 or 30 June 2015.

17. EVENTS SUBSEQUENT TO BALANCE DATE

No events have arisen between the end of the financial year and the date of this report that require adjustment to, or disclosure in these financial statements.

18. ACCOUNTABLE OFFICER'S TRUST ACCOUNT

The Office does not maintain an Accountable Officer's Trust Account.

19. WRITE-OFFS, POSTPONEMENTS, WAIVERS, GIFTS AND EX GRATIA PAYMENTS

	Agency 2016		Agency 2015	
	\$000	No. of Trans	\$000	No. of Trans
Write-offs, Postponements and Waivers Under the <i>Financial Management Act</i>	-	-	-	-
Represented by:				
<i>Amounts written off, postponed and waived by Delegates</i>	-	-	-	-
Total Written Off, Postponed and Waived by Delegates	-	-	-	-
<i>Amounts written off, postponed and waived by the Treasurer</i>	-	-	-	-
Total Written Off, Postponed and Waived by the Treasurer	-	-	-	-
Write-offs, Postponements and Waivers Authorised Under Other Legislation	-	-	-	-
Gifts Under the <i>Financial Management Act</i>	-	-	-	-
Gifts Authorised Under Other Legislation	-	-	-	-
Ex Gratia Payments Under the <i>Financial Management Act</i>	-	-	-	-

20. SCHEDULE OF ADMINISTERED TERRITORY ITEMS

The Office managed no Territory items on behalf of the Government during the current or prior year (refer Note 2(d)).

Northern Territory Auditor General's Office
Notes to the Financial Statements
For the year ended 30 June 2016

21. BUDGETARY INFORMATION

Comprehensive Operating Statement	2015-16 Actual	2015-16 Original Budget ^(a)	Variance	Note
	\$000	\$000	\$000	
INCOME				
Appropriation				
Output	3,178	3,178	-	
Sales of goods and services	2,160	1,450	710	1
Goods and services received free of charge	228	278	(50)	2
TOTAL INCOME	5,566	4,906	660	
EXPENSES				
Employee expenses	(992)	(896)	(96)	3
Administrative expenses				
Purchases of goods and services	(4,315)	(3,730)	(585)	4
Repairs and maintenance	(2)	(2)	-	
Other administrative expenses	(228)	(278)	50	2
TOTAL EXPENSES	(5,537)	(4,906)	(631)	
NET SURPLUS/(DEFICIT)	29	-	29	
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to net surplus/deficit				
Changes in accounting policies	-	-	-	
Correction of prior period errors	-	-	-	
Changes in asset revaluation surplus	-	-	-	
TOTAL OTHER COMPREHENSIVE INCOME	-	-	-	
COMPREHENSIVE RESULT	29	-	29	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2015-16 BP3 Agency Budget Statements (April 2015), classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statement.

Notes:

The following note descriptions relate to variances greater than 10 per cent or where multiple significant variances have occurred.

1. Costs associated with statutory entities are permitted to be recovered. This resulted in the recovery of \$710,000 more than budgeted and represented the recovery of the additional audit costs resulting from restructured statutory entities.
2. The value of goods and services received free of charge was lower than originally determined and advised by the Office's shared service provider, DCIS.
3. Employee expense were higher than budgeted as a result of the Office assuming accrued leave entitlements for an employee transferred into the Office.
4. Additional audit costs of \$585,000 were incurred as a result of machinery of government restructures.

Northern Territory Auditor General's Office
Notes to the Financial Statements
For the year ended 30 June 2016

Balance Sheet	2015-16 Actual	2015-16 Original Budget ^(a)	Variance	Note
	\$000	\$000	\$000	
ASSETS				
Cash and deposits	228	291	(63)	1
Receivables	484	89	395	2
Prepayments		1	(1)	
	712	381	331	
TOTAL ASSETS	712	381	331	
LIABILITIES				
Payables	62	40	22	3
Provisions	151	150	1	
	213	190	23	
NET ASSETS	499	191	308	
EQUITY				
Capital	570	370	200	4
Accumulated funds	(71)	(179)	108	
TOTAL EQUITY	499	191	308	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2015-16 BP3 Agency Budget Statements (April 2015), classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statement.

Notes:

The following note descriptions relate to variances greater than 10 per cent or where multiple significant variances have occurred.

1. Cash balances were \$63,000 less than budgeted as a result of increased payments to employees of \$47,000 and increased unrecoverable audit cost of \$281,000 offset by a \$200,000 injection of funds from the Government, unbudgeted surplus of \$29,000 and the impact of outstanding payables and receivables at year end.
2. Represents two invoices outstanding as at 30 June 2016 for recoverable audit fees.
3. The increase in payables reflects costs of outsourced audit services for which invoices were not settled prior to June 2016.
4. The Government provided a \$200,000 cash injection immediately prior to 30 June 2016.

Northern Territory Auditor General's Office
Notes to the Financial Statements
For the year ended 30 June 2016

	2015-16 Actual	2015-16 Original Budget ^(a)	Variance	Note
Cash Flow Statement	\$000	\$000	\$000	
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating receipts				
Appropriation				
Output	3,178	3,178	-	
Receipts from sales of goods and services	2,140	1,450	690	1
Total operating receipts	5,318	4,628	690	
Operating payments				
Payments to employees	(943)	(896)	(47)	
Payments for goods and services	(4,704)	(3,732)	(972)	2
Total operating payments	(5,647)	(4,628)	(1,019)	3
Net cash from/(used in) operating activities	(329)	-	(329)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Financing receipts				
Equity injections				
Other equity injections	200	-	200	4
Total financing receipts	200	-	200	
Net cash from/(used in) financing activities	200	-	200	
Net increase/(decrease) in cash held	(129)		(129)	
Cash at beginning of financial year	357	291	66	
CASH AT END OF FINANCIAL YEAR	228	291	(63)	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2015-16 BP3 Agency Budget Statements (April 2015), classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statement.

Notes:

The following note descriptions relate to variances greater than 10 per cent or where multiple significant variances have occurred.

1. Represents receipt of recoverable audit fees attributable to audits where actual costs were greater than budgeted as a result of government restructures.
2. Payments to employees were greater than budgeted as a result of salary increments.
3. The increase in payments for goods and services reflects both an increased audit program \$281,000 and unanticipated additional recoverable audit costs of \$690,000 as referred to in note 1 above.
4. The Government provided a \$200,000 cash injection immediately prior to 30 June 2016.

**Northern Territory Auditor General's Office
Audit Opinion**



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial report of the Northern Territory Auditor-General's Office, which comprised the balance sheet as at 30 June 2016, the comprehensive operating statement, statement of changes in equity and cash flow statement for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the certification of the financial statements.

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

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Accounting Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

We 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 control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate to the circumstances, but not for the purposes 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.

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Chartered Accountants

Northern Territory Auditor General's Office
Audit Opinion



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our 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:

- (i) Giving a true and fair view of the Entity's financial position as at 30 June 2016 and of its performance and its cash flows for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

MGI ASSURANCE (SA) PTY LTD

Clayton Lawrence
Director

Eastwood, South Australia

Dated this 13th September 2016

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Chartered Accountants

Glossary and Acronyms

ATO	Australian Taxation Office
Authorised Auditor (AA)	A person authorised or appointed under the Audit Act to perform an audit.
CCC	Corporate credit card
Controlled entity	TD 2.4.9 “A controlling interest of the Territory or and Agency, being the capacity of the Territory to influence the activities of an entity” This may be through influence of governing bodies, voting rights, equity share or virtue of statute.
DCIS	Department of Corporate Information Services
DCIS FOC	Department of Corporate Information Services, services rendered Free of Charge.
DoI	Department of Infrastructure
EIMS	Electronic Invoice Management System
FTE	Full time equivalent employee. Recognised method of unit that indicates the value of workload of an employee comparable to that of others in various work contexts.
FVTPL	Fair Value Through Profit and Loss
LTF	Ledger Transfer Facility
NTPS	Northern Territory Public Sector
NTTC	Northern Territory Treasury Corporation
PRINCIPAL AUDITOR (PA)	Principal Auditors are responsible to the Auditor-General for managing the delivery of the in-house and external audit services to meet the requirements of the Audit Act and other Acts of Parliament.
SLA	Service Level Agreement
TIO	Territory Insurance Office
TRIM	Tower Records Information Management. Recognised NTPS system for storing records.

Table of Exhibits

1. Timeline of Auditor-General's in the Northern Territory, 1978 to current
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11. Audit hours allocated to new financial statement audits
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13. Cost of undertaking new financial statement audits
14. Average cost of new financial statements audits
15. Number of new compliance audit task assignments issued
16. Audit hours allocated to new compliance audits
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