



Northern Territory Auditor-General's Office Annual Report 2016-17



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 2017.

As well as reporting on the 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 www.nt.gov.au/ago/.

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AUDITOR-GENERAL'S FOREWORD

Introduction

It is my pleasure to present the Annual Report of the Northern Territory Auditor-General's Office for the year ended 30 June 2017.

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 2017 financial year, 141 new audits and reviews were commenced compared to 158 in the 2016 financial year. Of these, two tasks were undertaken across all government agencies, the first being a data analytic exercise of long service and annual leave balances owed to public sector employees and the second being a survey assessing the existence of fraud controls within Northern Territory Government agencies. The audit program resulted in 46 opinions and 187 management letters being issued.

The number of hours committed to undertaking performance management system audits doubled from the prior year and enabled the Office to produce findings intended to assist agencies to strengthen their governance frameworks and internal controls.

I acknowledge the significant 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 two reports in the Legislative Assembly this financial year, the first in November 2016 and the second in March 2017. 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.

The Office welcomed Kathryn Carbajosa as our new Manager Finance and Corporate. I would like to thank Ramkumar Konesparamoorthy for his contribution to the Office as Acting Business Manager between January 2016 and January 2017. His assistance was appreciated by all personnel within the Office.

Internally, the Office established a more effective and structured performance appraisal process improving the ability to identify learning and development opportunities for Office personnel as well as formally acknowledging the contribution and achievements of personnel. Many of our internal processes have been reviewed resulting in improved efficiencies as detailed within this report.

All agencies were asked to provide feedback on their audit experience during May and June 2017 and this feedback was shared with my Authorised Auditors. Feedback was also sought from my Authorised Auditors on their interaction with the Office. The feedback identified where action could be taken to improve audit efficiency and effectiveness such as:

- increasing the training provided to Authorised Auditors;
- including additional content pertaining to audit findings within agency briefings; and
- introducing formal methods to ensure regular communication between Authorised Auditors and agencies.

The Year Ahead

In order to continue our journey of continuous improvement, 2017/18 will see the Office:

- continue to increase stakeholder communication in accordance with our communication plan;
- embed the process for conducting individual performance appraisals;
- implement appropriate succession planning and supporting processes for all personnel;
- revisit the agency risk assessment and strategic plan of the Office and establish the strategic plan for the next three years; and
- seek feedback from Members of the Legislative Assembly in relation to the operations of the Office and the level of interaction with the Auditor-General.

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

17 October 2017

Our Organisation

2016-17 Highlights and Statistics

Deliverables to Parliament (3) <ul style="list-style-type: none"> • November 2016 report • March 2017 report • 2015-16 Audited Financial Statements 	Parliamentary Committee Appearances (7) <ul style="list-style-type: none"> • 4 formal Public Accounts Committee • 1 informal/observer • 1 appearance during Estimates • 1 Select Committee on 'Opening Parliament to the People' 	Audits Commenced in 2016-17 (141) <ul style="list-style-type: none"> • 55 Financial audits • 27 Compliance audits • 27 End of year reviews • 19 Other audits • 10 Performance management system audits • 3 <i>Public Information Act</i> referrals
Finances <ul style="list-style-type: none"> • EOFY operating surplus of \$238 thousand • 10% decrease in total expenses • 99% of invoices paid within 30 days 	People <ul style="list-style-type: none"> • 100% of our employees have a performance appraisal plan in place • 100% of our employees undertook professional development • 100% of our employees participated in flexible work life balance 	Performance <ul style="list-style-type: none"> • 100% of audit opinions and review recommendations issued within statutory or agreed timeframes • 100% of Authorised Auditor firms provided with annual evaluation feedback by the Auditor-General • 24 NTG agencies participated in the annual evaluation of Authorised Auditor firms

Our Vision and Values

Our Mission

- To contribute to the scrutiny of the performance of the NT Government by providing an independent analysis through the conduct of audits and reviews.

Our Vision

- Through our reporting, effectively, efficiently and independently inform our stakeholders so as to engender improvement in public administration practices.



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.

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 practice whereby the Office tabled 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. A report presenting the audit results for most entities with a 30 June year-end was tabled in November 2016.

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 five full time equivalent employees (FTE). This structure allowed for one Auditor-General and two Principal Auditors with the remaining positions providing administrative support to the Office. These positions are currently held by the Manager Finance and Corporate and Records Management Officer.

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 thus 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-Current NT Managed

1982-83

- NT Auditor-General G.J. Carpenter (transitory 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). 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 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 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 legislation 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* (the 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 and 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. Section 15(5) of the Act prohibits the Auditor-General from questioning the merits of policy objectives of the Government as a result of conducting a performance management system audit. 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. The next triennial review is scheduled to occur during the 2018 calendar year. 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 *Audit 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.

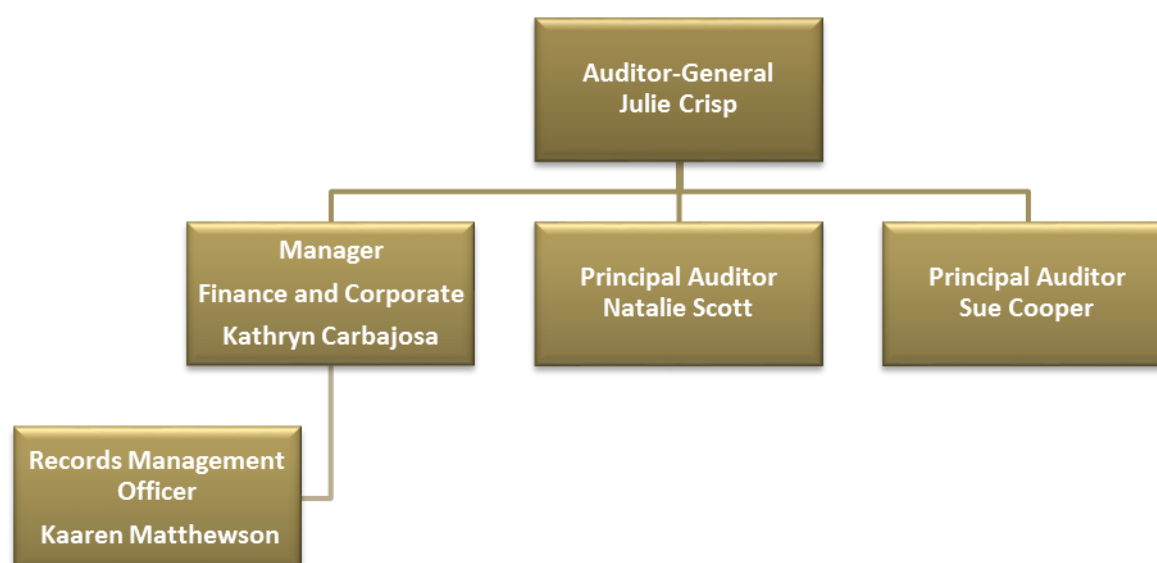
The Office has five positions, three of which are primarily concerned with the audit function and two positions that provide corporate services supporting the Office and its clients. Figure 2 below represents the organisational structure of the agency.

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 and 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 2017 were audited in August 2017 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 2017 sittings.

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



Operating Structure

The operational responsibilities attributed to each output group are presented below.

3. Office Operational Framework

Output Group: Audits and Reviews

- Financial Statements Audit
- Compliance Audit
- Performance Managements System Audit
- *Public Information Act* Referrals
- Data Analytics
- Other Reviews

Output Group: Corporate and Governance

- Financial Management
- Corporate Governance and Risk Management
- Human Resources
- Procurement
- Travel
- Information, Communications and Technology
- Records Management
- Work Health and Safety

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

These obligations are discharged through:

Planning	<ul style="list-style-type: none"> • Internal <ul style="list-style-type: none"> ○ 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 <ul style="list-style-type: none"> ○ 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	<ul style="list-style-type: none"> • Internal <ul style="list-style-type: none"> ○ 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, human resources and work health and safety. ○ 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 Manager Finance and Corporate presents weekly Corporate and Governance reports to the Auditor-General. Issues requiring attention are discussed and actions 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.
 - Monthly 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 2017. 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 was awarded and announced in October 2017. This timing enables the future audit program to be developed prior to the 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 a manual, entitled the "*Audit Handbook*" that defines the working relationship between Authorised Auditors and the Office through:

- establishing the contractual arrangement between the Office and Authorised Auditors, including qualifications and experience for appointment, and standard operating procedures; and
- outlining 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 and the deliverables required to be produced;
- 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 to audited entities of weekly updates by Authorised Auditors on the status of tasks relative to the completion of the audit and emerging issues;
- 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 was developed for the Office that addresses communication requirements for stakeholder groups. The communications framework was implemented in the 2016 financial year to become the basis for regular communication with all stakeholder groups.

4. Communication Framework



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 2016/17 year, there were three referrals to the Auditor-General within the bounds of the *Public Information Act* compared to five referrals received 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 during the reporting period.

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, the Business Manager position was re-evaluated through the Job Evaluation System and was assessed for a higher administrative position which is now the Manager Finance and Corporate position. There was no change in the number of full-time employees at the end of the 2016/17 financial year from the prior year.

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:

- continuing to review and update existing policies and procedures;
- attending to strategic review recommendations such as an adequate succession planning and providing a level of in-house back up for NTAGO staff; and
- maintaining the website for the Office.

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 results compared to budget estimates show that the number of audits commenced during the 2016/17 year was less than the planned budgeted activity. The decrease in statutory audits was due to the changes in the number of agencies subject to audit as a result of machinery of Government changes. Further detail on the audit program is included within the section of this report entitled "Output Group: Audits and Reviews".

5. Budget Papers compared to actual new audits commenced in 2016/17

	Budget (BP3) 2016/17	Actual (Newly Commenced) 2016/17	Variance
Statutory audits	122	109	-13
Other audits	27	29	2
Total	149	138	-11

This table excludes *Public Information Act* Reviews

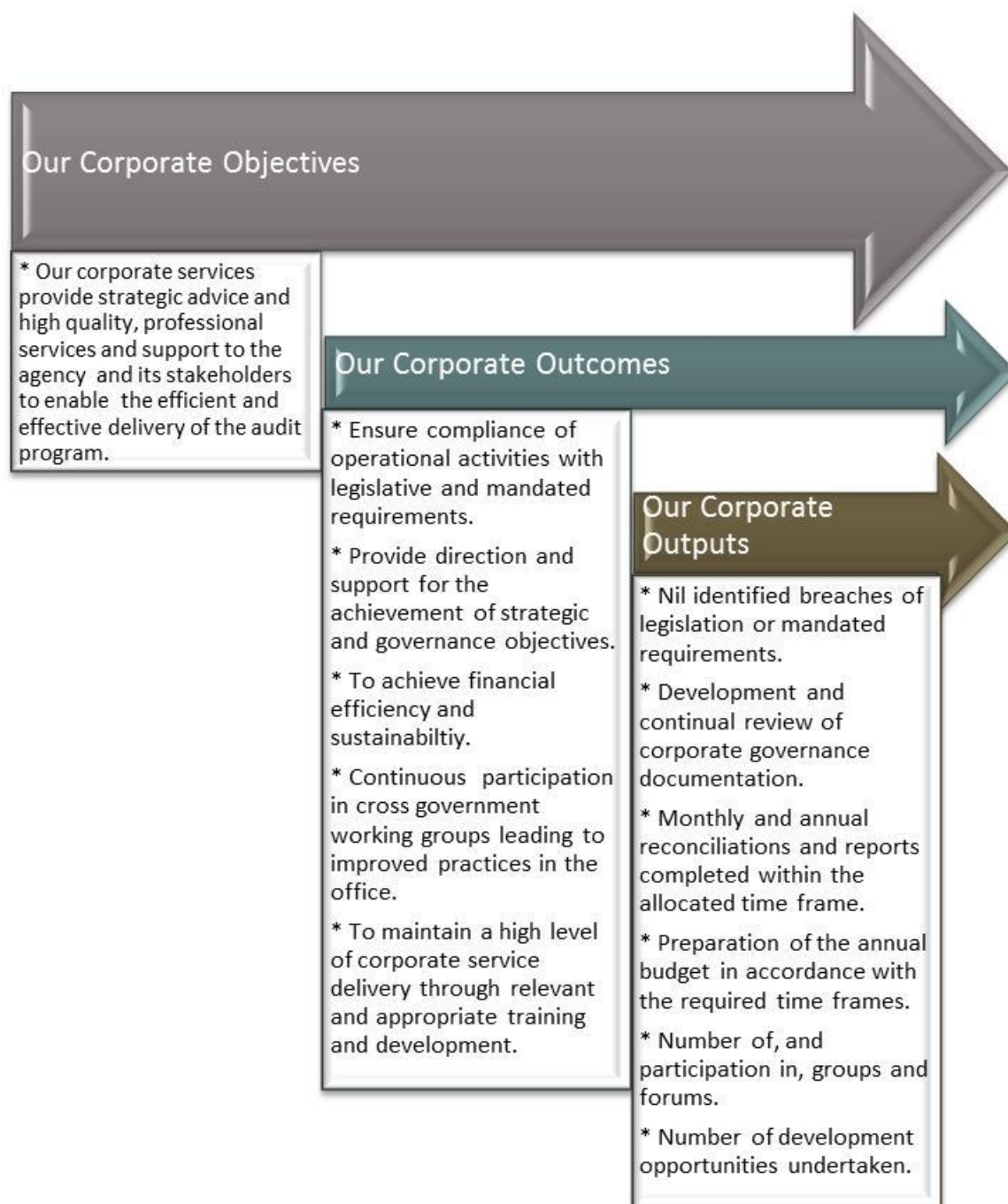
A comprehensive analysis of the Office's revenue, expenditure and financial sustainability is included in the section entitled Financial Results, immediately preceding the financial statements.

The introduction of the improved cost recovery model in the 2015/16 financial year allowed the Office to recover 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 2016/17 performance for each output group is explained in later sections of this report.

Strategic Plan

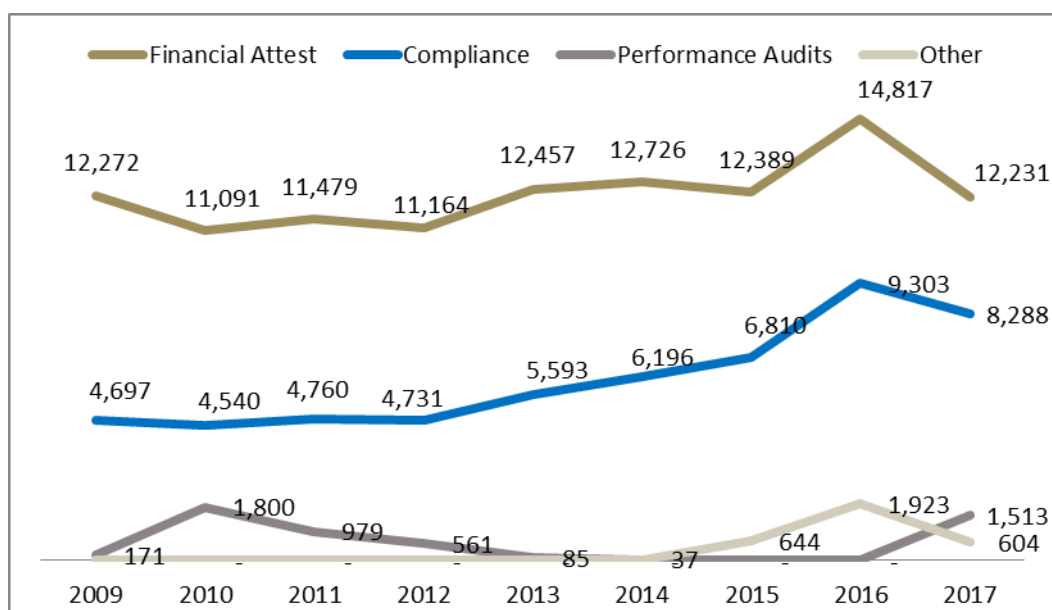




Output Group: Audits and Reviews

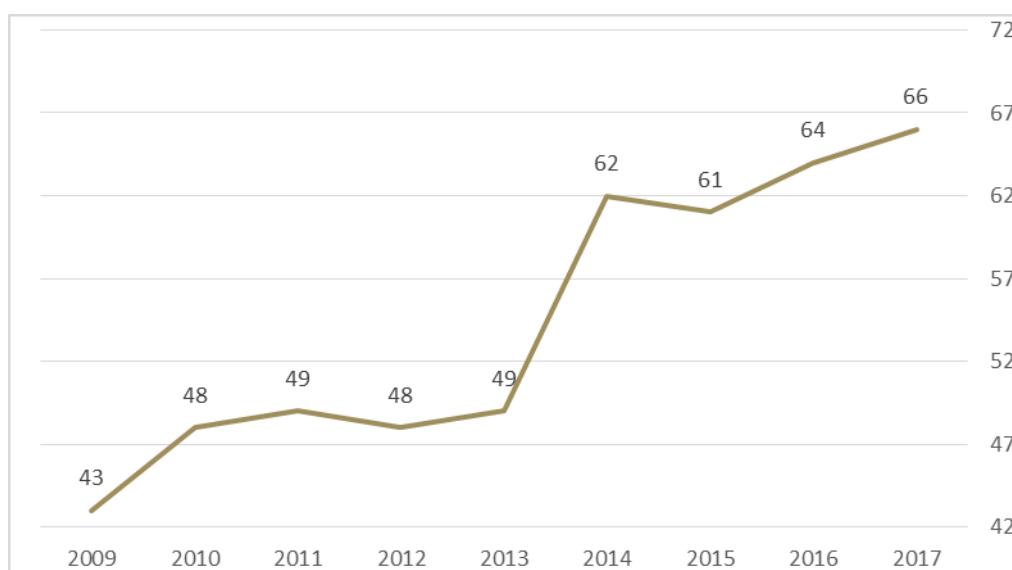
The Office conducts a range of audit and other assurance activities on behalf of the Legislative Assembly. During 2016/17, the Office finalised 16 tasks carried forward from the previous year and commenced 141 new audits and reviews for the year, bringing the total audits to 157. Of these 157 audits, 153 audits were completed in full with 4 audits being carried into the 2017/18 program. A total of 23,300 hours of audit activity was delivered of which 20,598 hours were committed to the 2016/17 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 2016/17



During the 2016/17 period, 66 entities were audited compared to 64 in the 2015/16 period.

7. Number of agencies/entities audited 2008/09 to 2016/17



Our Audited Entities

8. Table of entities that were subject to audit during 2016/17

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

8. Table of entities that were subject to audit during 2016/17 (continued)

Northern Territory Treasury Corporation
 NT Build
 NT Fleet
 NT Home Ownership
 Office of the Commissioner for Public Employment
 Office of the Public Trustee for the Northern Territory
 Ombudsman's Office
 Parks and Wildlife Commission of the Northern Territory

Power and Water Corporation
 Power Retail Corporation (trading as Jacana Energy)
 Power Generation Corporation (trading as Territory Generation)
 Surveyors Board of the Northern Territory of Australia
 Territory Families
 Territory Wildlife Parks
 Top End Health Services

Of the 157 new and carried forward audits, reviews and audit related tasks conducted through the Office during the 2016/17 financial year, 18 were scheduled to be conducted fully by employees of the Office. The costs associated with these employees are reported within "employee expenses" in the Office's audited financial statements. The nature of the tasks and the hours attributed to Office personnel are demonstrated below.

9. Tasks and hours attributed to Office personnel

Type	Hours - 2017	Hours - 2016
Compliance Audit	224.0	9.8
Performance Management System Audit	36.0	345.5
Other – Analytics	147.0	122.0
<i>Public Information Act</i> Referrals	71.5	72.9
Other – Miscellaneous	186.3	5.1
Total	664.8	555.3
Notional Cost at Equivalent Industry Outsourced Rate	\$191,111	\$152,673

If industry equivalent rates were applied to these hours, the value, if outsourced, for the 2016/17 year would have been \$191,111 (2015/16 \$152,673). To enable comparison of the Office's performance over consecutive years, only outsourced audit costs have been included within the analysis for the Output Group: Audits and Reviews within this Annual Report.

Expenses incurred in 2016/17 for Authorised Auditors as a result of the Office's outsourcing arrangements with private audit firms amounted to \$3.780 million compared to \$4.210 million for the 2015/16 year.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cost of Audits \$'000	2,646	2,737	2,911	2,915	2,994	3,085	3,216	4,210	3,780
Number of audits	103	109	107	105	101	125	127	158	141
Average \$ to # of audits	25,685	25,108	27,210	27,760	29,648	24,680	25,319	26,646	26,809

The number of audits undertaken in 2016/17 was 157 which included the completion of 16 audit tasks carried forward from the 2015/16 financial year. The change in the cost of audits from 2015/16 to 2016/17 represents a 10% decrease in total cost however the average cost per audit has increased marginally (from \$26,646 in 2015/16 to \$26,809 in 2016/17).

The reduction in total costs is primarily attributable to improved efficiencies in the audits of the utilities corporations within the Public Non Financial Corporation sector. The efficiency of any audit is directly affected by the quality of the records underlying the financial results and the operating effectiveness of controls within an audited organisation. The improvement is reflective of efforts made by the entities to produce sufficient, appropriate support for reported financial balances and results.

The audit hours and associated costs for audits of the entities in the utilities sector during 2016/17 decreased by 2,354 and \$388,675 respectively from the prior year. Whilst this represents a marked improvement on the 2015/16 financial year, there remains opportunity to further improve the efficiencies associated with these audits.

The Consumer Price Index remained largely unchanged during the period resulting in the rates applicable to Authorised Auditors remaining consistent with the prior year.

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 to the audit, as well as the increasing market rates of audit services.

With the commencement of the new triennial audit contracts from January 2018, it is not possible to estimate the impact of any financial change to hourly audit rates under that new contract. It is reasonable to expect that some efficiencies should be realised for two reasons:

- amalgamated agencies will be more easily able to produce documentary records to support reported balances once they have been operating for a full financial year; and
- the structure of associated audit files and understanding of agencies' functions and reported balances will be consistent with the prior year.

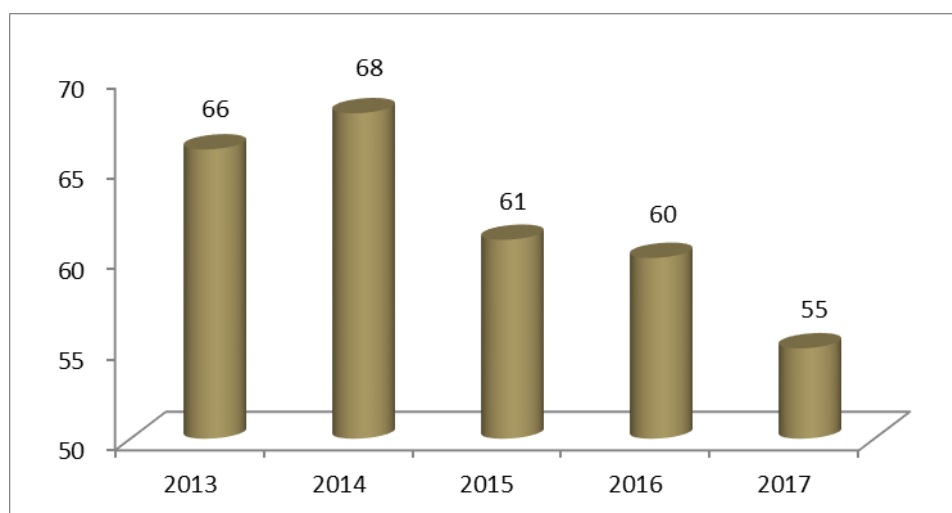
In 2016/17, 46 opinions were issued on audits and reviews and 187 management letters were issued. In 2015/16 there were 49 audit opinions issued and 144 management letters issued.

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. In 2016/17, 55 new financial statement audits were scheduled and five audits that were carried forward from 2015/16 were completed. Of the total financial statements audits, 59 were completed with one audit to be completed as at 30 June 2017 and thus carried forward to 2017/18. The 2015/16 year reported 60 new financial statements audits scheduled with two audits carried forward from 2014/15. The decrease of five audits resulted from six audits conducted in 2015/16 that were not required to be conducted during 2016/17 partially offset by the addition of one audit of information technology controls supporting the financial statements audit of the Motor Accident (Compensation) Commission during the 2016/17 year. The six audits not required to be conducted were:

- Power Retail Corporation (trading as Jacana Energy) – this was a supplementary audit undertaken during 2015/16 following receipt of revised financial statements for the year ended 30 June 2015.
- Darwin Port Corporation and Darwin Bus Service – the operations of these entities ceased during the year ended 30 June 2016.
- Darwin Port Sale and Lease – this was a supplementary audit undertaken during 2015/16 to support the audit of the Treasurer's Annual Financial Statements for the year ended 30 June 2016.
- Power and Water Corporation and Indigenous Essential Services Pty Ltd – additional interim audits undertaken in the 2015/16 year were not required in the 2016/17 year.

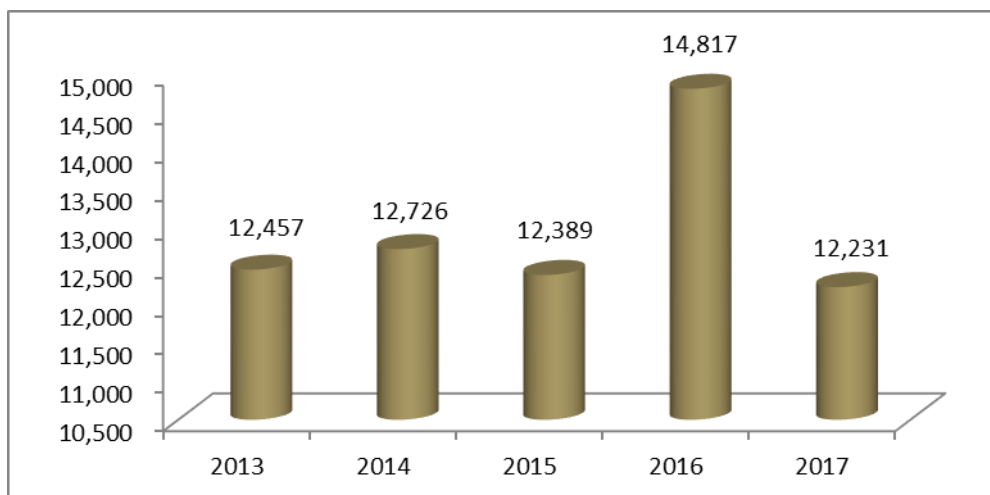
11. Number of new financial statement audit task assignments issued



The number of audit hours allocated to financial statement audits for 2016/17 was 12,231 hours compared to 14,817 hours for 2015/16; a decrease of 2,586 hours (17%) from the prior year. The decrease in hours resulted primarily from the effects in 2015/16 of restructuring the Territory's utility sector. An additional 4,519 hours were incurred in 2015/16 however these were partially offset by a reduction in audit hours in 2016 resulting from the closure of the Construction Division, Territory Discoveries, Darwin Bus Service and the Government Printing Office.

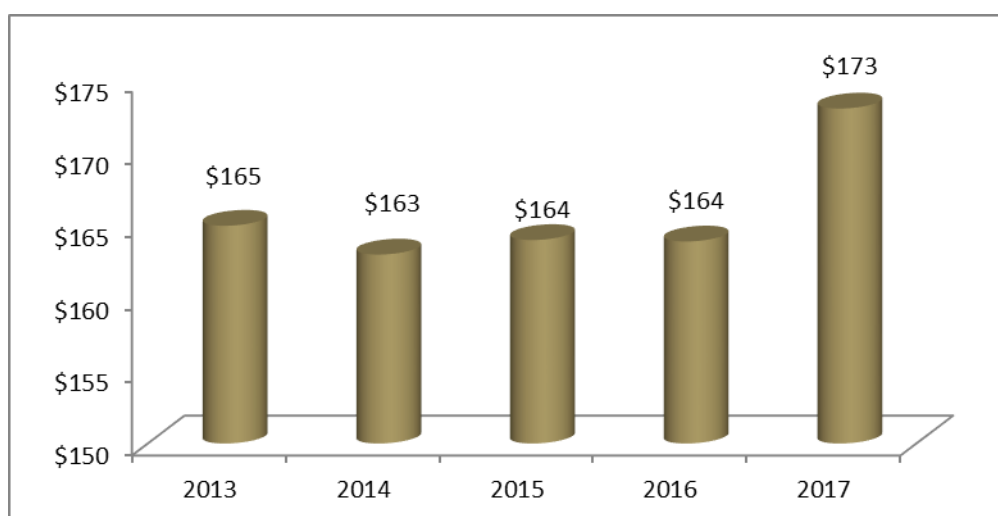
Whilst the hours and associated costs incurred in 2016/17 for the scheduled audits of entities in the utilities sector reduced by 2,354 and \$388,675 respectively, there is opportunity to gain further efficiency in these audits. Some of these efficiencies were offset by increased hours and costs associated with the audit of the education sector primarily related to the audits of the controlled entities of Charles Darwin University.

12. Audit hours allocated to new financial statement audits



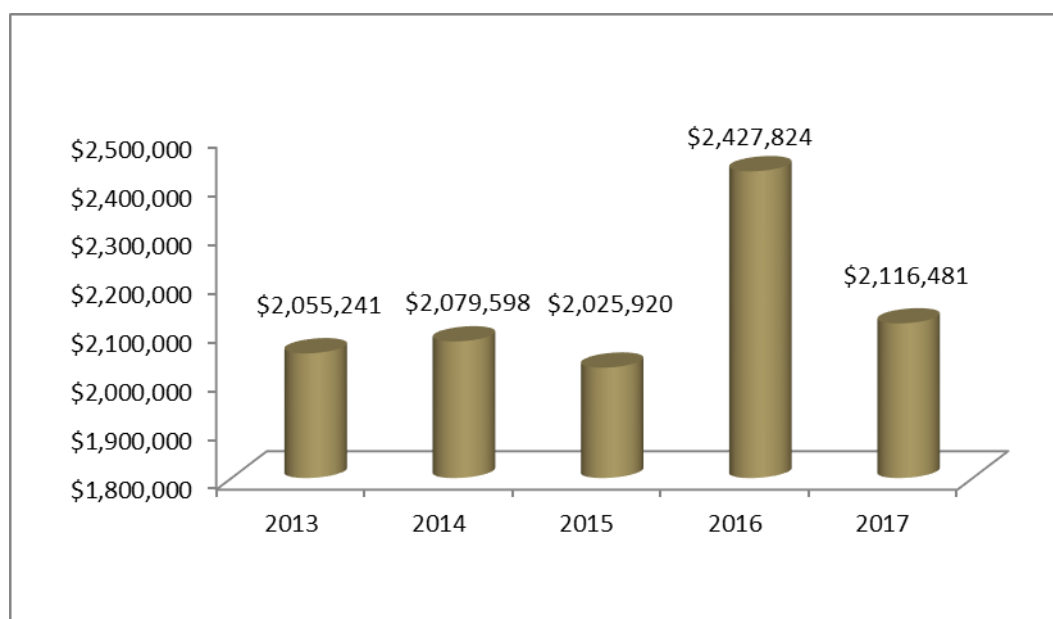
The weighted average cost of providing financial statement assurance for 2016/17 was \$173 per hour, higher than the previous three years where the weighted average cost has ranged from \$163 to \$165 per hour. Costs of audits are dependent on the allocation of hours across the audit professional levels 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. Complexity associated with auditing actuarial estimates and financial models underlying financial results was a contributing factor to the higher hourly rates for specialist auditors in the 2016/17 financial year.

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



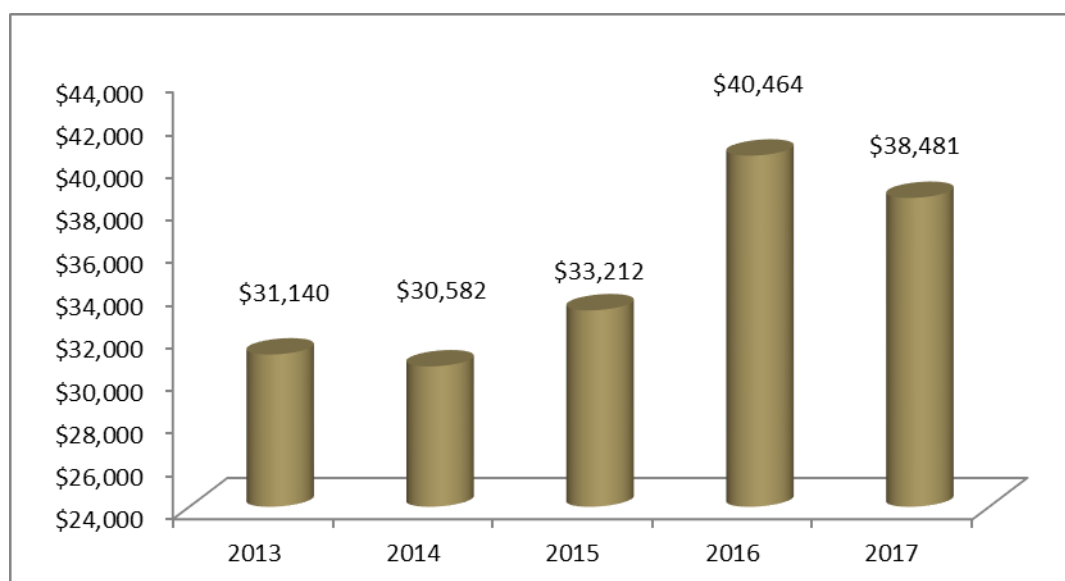
The total cost related to undertaking new financial statement audits was \$2.117 million for the 2016/17 year representing a decrease of \$0.311 million from the prior year cost of \$2.428 million. As demonstrated in the chart below, the costs of auditing financial statements in 2015/16 represented an anomaly as they were 20% higher than 2014/15 and prior years as a result of additional resources applied to auditing entities in the utilities sector. The 2016/17 costs are more closely aligned with the 2014/15 year and the two years prior to that.

14. Cost of undertaking new financial statement audits



The average cost of audits conducted decreased from an average \$40,646 per audit in 2015/16 to \$38,481 per audit in 2016/17. As previously explained, this decrease is primarily attributable to less resources being required in order to provide assurance on the financial statements of utility sector entities.

15. Average cost of new financial statement audits



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 as described below.

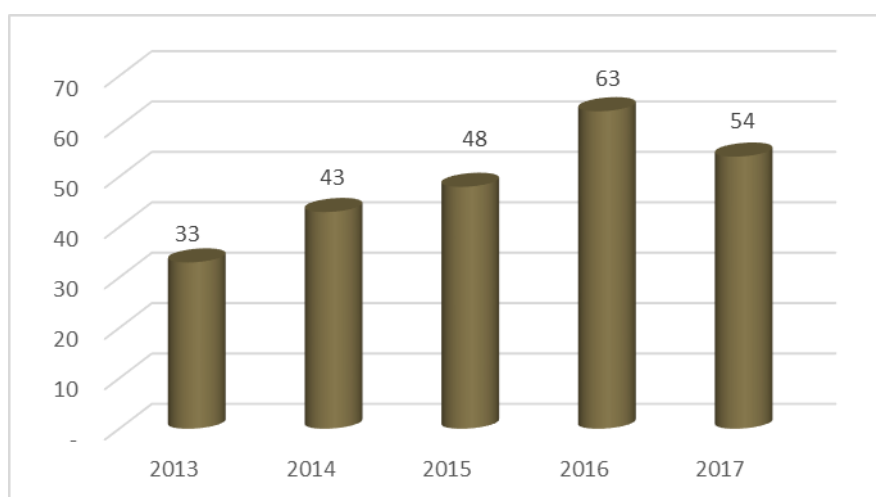
- An audit report that is addressed as required by the circumstances of the audit engagement. It provides the auditor's opinion on whether the financial statements fairly reflect the financial performance and position of the entity being audited at reporting date. In cases where the Auditor-General is satisfied that the information contained in a set of financial statements is reliable, an unmodified opinion is issued. If however, 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 the 2016/17 reporting period, 54 new compliance audits were completed together with one that had been carried forward from 2015/16. All scheduled compliance audit tasks were completed during the 2016/17 financial year. In the 2015/16 year, 63 new compliance audits were scheduled.

16. Number of new compliance audit task assignments issued



The reduction of nine new compliance audits resulted for two reasons.

Firstly, machinery of government changes resulted in the cessation of the following 13 agencies:

- Department of Arts and Museums;
- Department of Business;
- Department of Children and Families;
- Department of Correctional Services;
- Department of Environment and Natural Resources;
- Department of Housing;
- Department of Infrastructure;
- Department of Land Resource Management;
- Department of Local Government and Community Services;
- Department of Mines and Energy;
- Department of Primary Industry and Fisheries;
- Department of Sport and Recreation; and
- Department of Transport

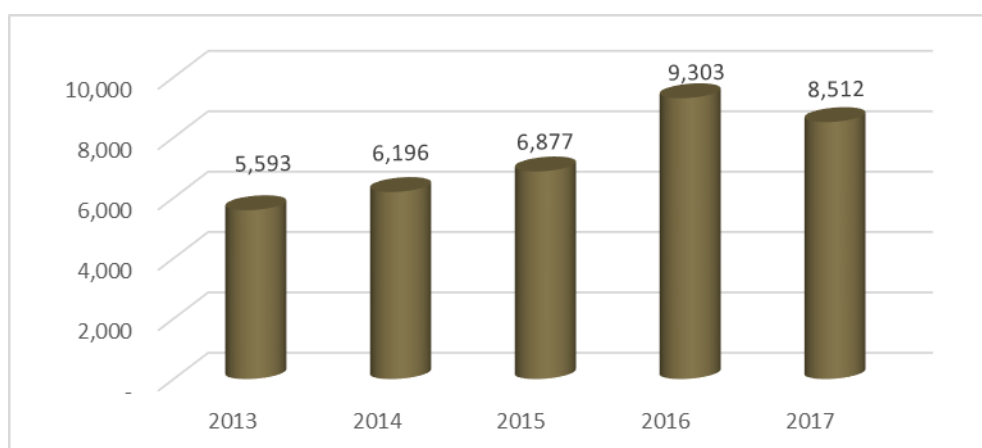
and the creation of the following five agencies:

- Department of Housing and Community Development;
- Department of Infrastructure, Planning and Logistics;
- Department of Primary Industry and Resources;
- Department of Tourism and Culture; and
- Department of Trade, Business and Innovation.

Secondly, the Auditor-General dispensed with undertaking an End of Year Review at the NT Electoral Commission during 2016/17 due to the timing of such a review conflicting with the Northern Territory election process and the assessment that the risk of not identifying material financial misstatement of the Treasurer's Annual Financial Statements as a result of not conducting that particular audit was low.

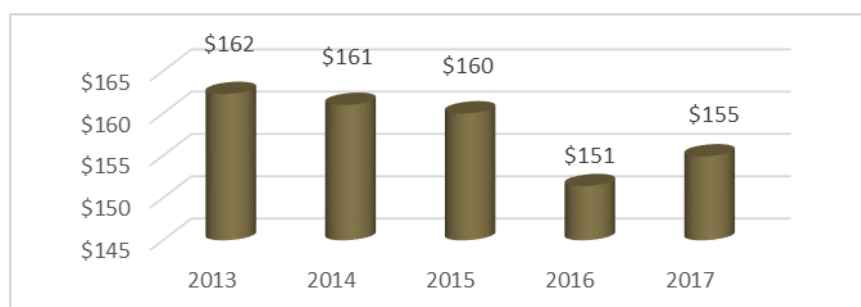
During the 2016/17 year, compliance audit activity utilised 8,512 audit hours, compared to 9,303 in the previous year. This represents a decrease of 791 hours (9%). The decrease in hours is primarily attributable to increased information technology compliance audits during 2015/16 and the inclusion in 2015/2016 of a series of audits assessing compliance with official travel requirements.

17. Audit hours allocated to new compliance audits



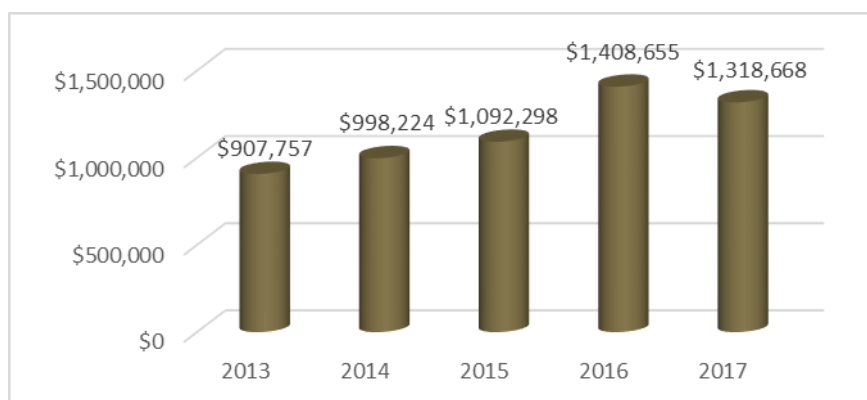
The weighted average cost per hour has increased from the 2015/16 year however remains lower than the three financial periods prior to last year. Compliance audits are generally non-complex and can largely be completed by more junior Authorised Auditors than more complex performance and financial statement audits. The fluctuation in weighted average cost per hour is largely attributable to the mix of Authorised Auditors allocated to each compliance audit.

18. Weighted average cost per hour for new compliance audits



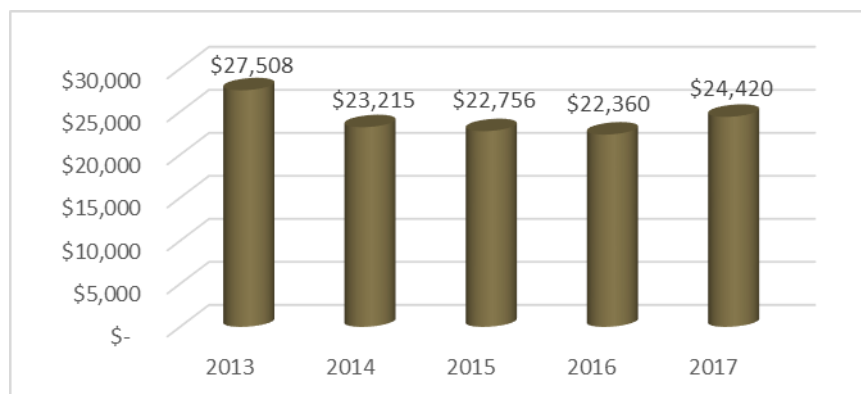
As reported above, the number of compliance audits and the costs to undertake the compliance audits decreased in the 2016/17 year due to changes to machinery of government. During 2016/17, the number of audits (54) decreased by nine (15%) from the 2015/16 year and the cost of undertaking new compliance audits decreased by \$89,987 (6%). Whilst the number of audits reduced, the cost has not reduced to the same extent (as a percentage of prior year). This is because the amount of audit work required to be performed increased due to the size of the amalgamated agencies and some inefficiencies in agencies producing documentary evidence to support reported amalgamated balances.

19. Cost of undertaking new compliance audits



Consistent with the analysis above, the average cost per new compliance audit of \$24,420 in 2016/17 was higher than the average cost per new compliance audit of \$22,360 in the 2015/16 year.

20. Average cost of new compliance audits



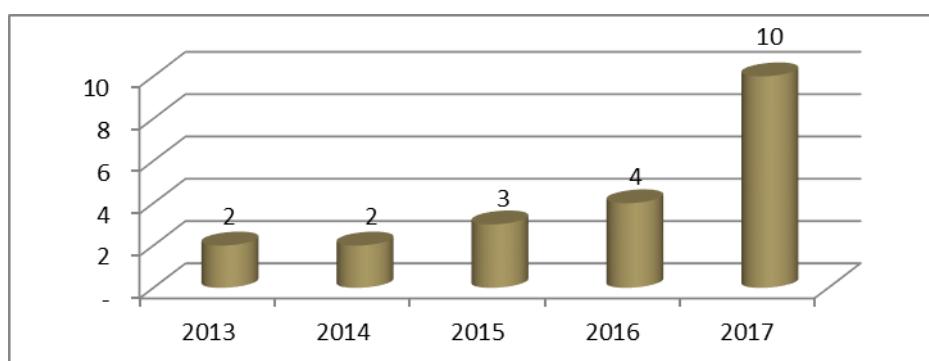
Performance Management System Audits

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 system 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. Prior to 2015/16, 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.

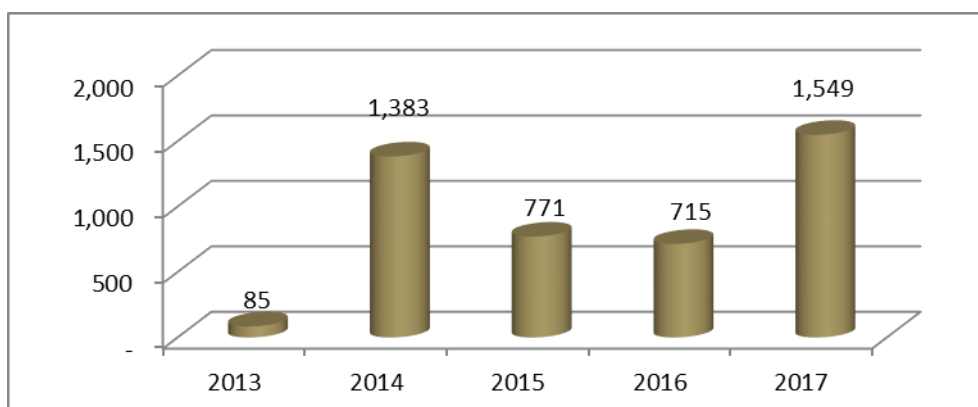
During the 2016/17 year, ten new performance management system audits were scheduled and three audits were carried forward from the previous year. Of the new performance management system audits, nine were outsourced and one was conducted in-house. In 2015/16 four new performance management system audits were allocated and two audits were carried forward from the previous year. One audit was assigned to in-house resources and three were outsourced.

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



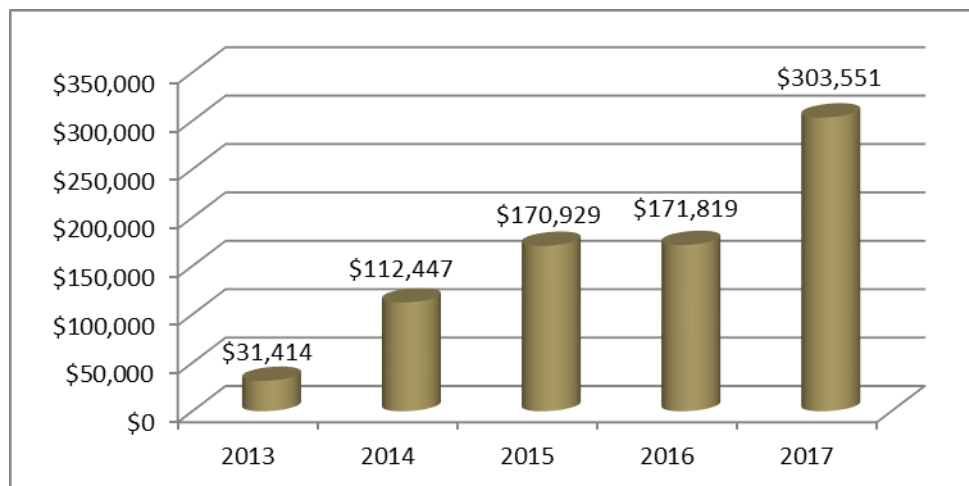
During the 2016/17 period, actual performance management system audit hours were 1,549 compared to 715 in 2015/16.

22. Audit hours allocated to new performance management system audits



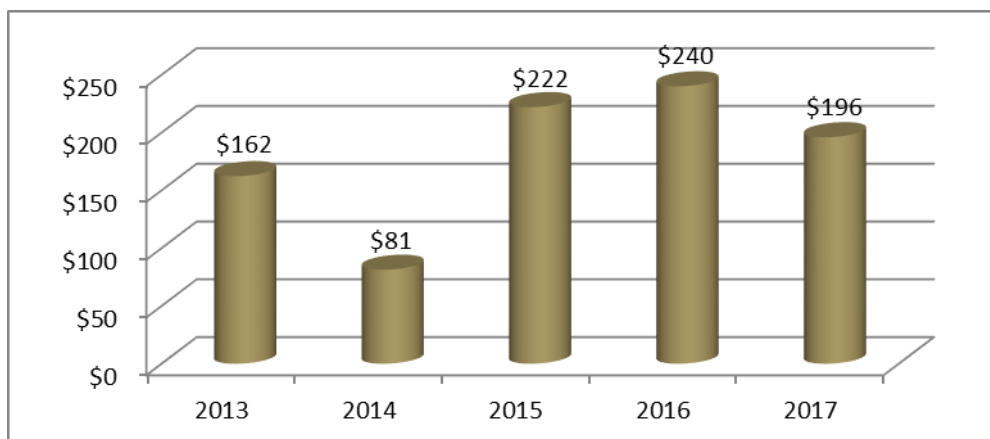
Consistent with the hours allocated to performance management system audits which more than doubled from the prior year, the cost of undertaking performance management system audits in 2016/17 was \$303,551 significantly more than the cost of \$171,819 in 2015/16.

23. Cost of undertaking new performance management system audits



The cost of delivering the performance management audit program increased by \$131,732 (76%) between 2015/16 and 2016/17. The number of audit hours increased by 117%. This has caused a reduction in weighted average cost by 18%, from \$240 in 2015/16 to \$196 in 2016/17. The decrease in weighted average cost reflects a different mix of outsourced staffing levels.

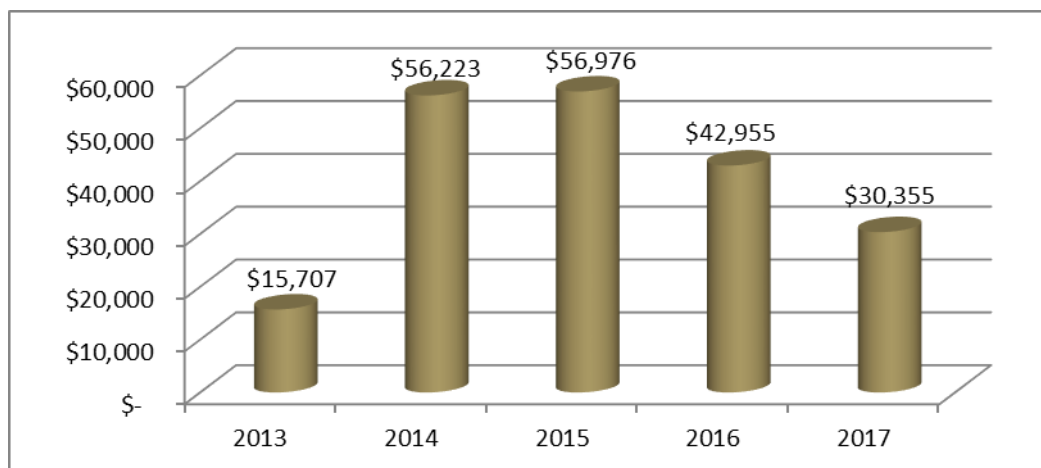
24. Weighted average cost per hour for new performance management system audits (\$)



The introduction of structured performance management system audit programs to address consistent areas of risk across agencies has resulted in some efficiencies being reflected in the 2016/17 audit program. As an example, performance management system audits were undertaken in relation to processes relating to the management of gifts and benefits across four agencies. The structured audit program was able to be undertaken by Authorised Auditors at lower levels than those who would undertake performance management system audits of areas of greater financial risk to the Northern Territory Government such as major projects.

The average cost of a performance management system audit has decreased by \$12,600 (30%), from \$42,955 in 2015/16 to \$30,355 in 2016/17. The average cost of performance management system audits would generally be higher than the average cost of financial statement audits and compliance audits as a result of the higher rates attributable to using more experienced personnel on these more complex audits.

25. Average cost of new performance management system audits



Other Audits

The Office conducts other categories of audits including acquittals and reviews. During the 2016/17 period, 19 new financial statement acquittals, analytics or special reviews were conducted (10 were outsourced and nine were conducted in-house) compared to 26 for the previous reporting period (17 outsourced and nine conducted in-house). Of the nine tasks conducted in-house during 2016/17, two were conducted across all Northern Territory Government agencies.

Public Information Act Reviews

During the reporting period, the Auditor-General was referred three matters in accordance with the *Public Information Act*. These three referred matters, along with two matters carried forward from 2015/16 were concluded during the reporting period. In 2015/16, the Office resources conducted five reviews in accordance with this legislation with two carried forward for completion during 2016/17.

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 2016/17
2015 August Report	2016 November Report
2016 February Report	2017 March Report
2016 June Report	

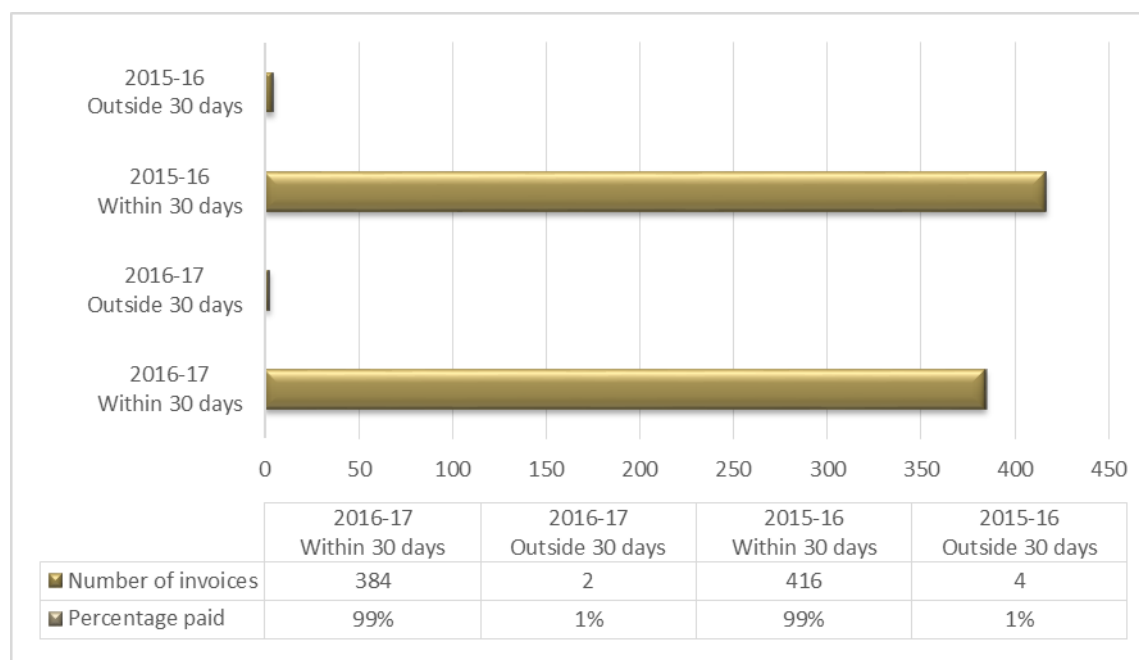
Output Group: Corporate and Governance

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 (AP)

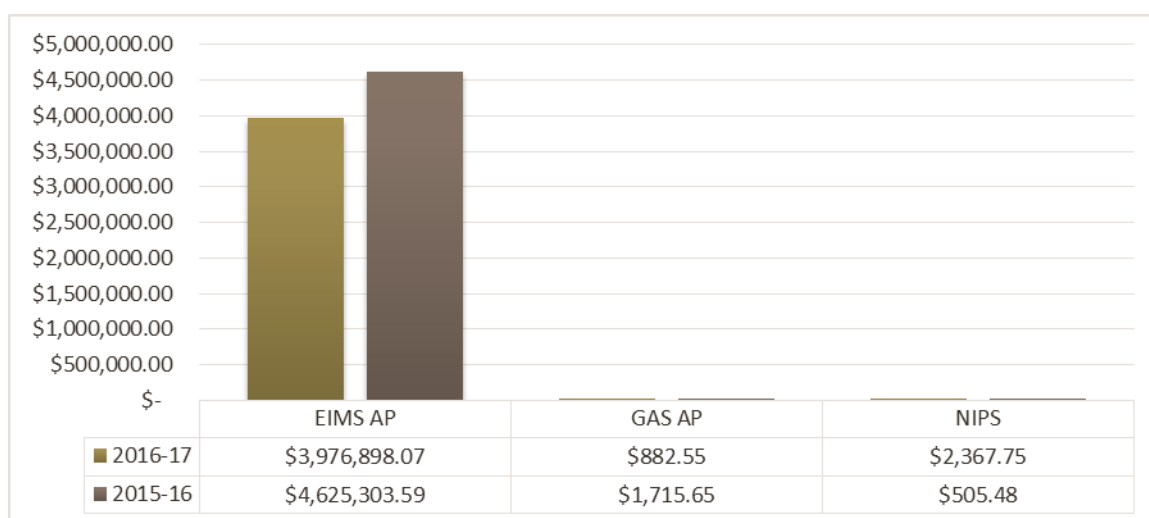
The chart below shows the number of invoices processed by the Office in accordance with the 30 day payment policy. The invoices paid outside the 30 day payment policy represented 1% of total invoices paid. The total number of invoices paid in the 2016/17 financial year reduced by 34 (the number of total invoices paid in 2016/17 was 386, compared to 420 in 2015/16). The number of invoices fluctuates from year to year and is largely influenced by the billing practices of Authorised Audit firms. The 2016/17 financial year saw a change in the Office's internal invoice processing procedures through the introduction of a more efficient and cost effective method of endorsing and approving invoices. The new method, introduced in March 2017, allows for more efficient monitoring of invoices to ensure compliance with the 30 day payment policy.

26. Comparison of Accounts Payable invoice processing for the Office for 2015/16 and 2016/17



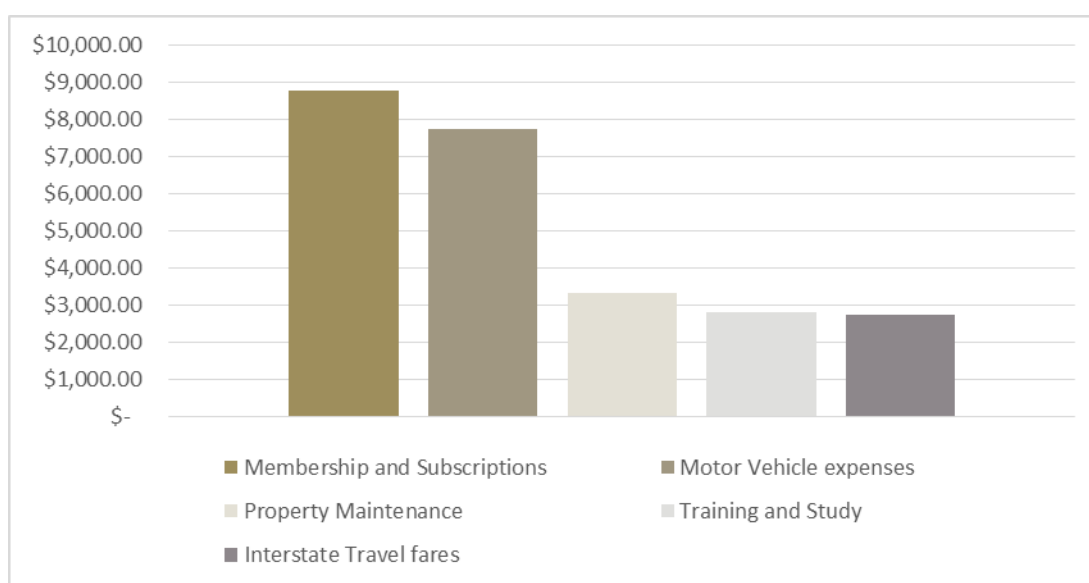
The majority of accounts payable are processed within the Office through the NT Government's Electronic Invoice Management System (EIMS) also called NTGPay. EIMS is the primary system for managing creditor (supplier) payments and involves the use of scanning technology and workflow. All invoices processed through EIMS are paid by way of electronic funds transfer to the supplier. As shown in the chart below, the total value of invoices paid in 2016/17 was \$3,980,148.37 compared to the 2015/16 financial year of \$4,627,524.72. This represents a decrease of 14% and is attributed to the decrease in Authorised Auditor fees during the 2016/17 financial year. More information regarding the Office's expenditure is discussed in this report under the section entitled *Financial Results*.

27. Accounts payable payment source for 2015/16 and 2016/17



The majority of invoices paid through EIMS were for Authorised Auditor fees and represented total payments of \$3,724,106.09 (GST exclusive) for the 2016/17 financial year (excludes accrued expenses) or 93.6% of all invoices paid in EIMS. The top five categories of expenses paid through EIMS other than Authorised Auditor fees are presented in the chart below.

28. Top five expenses (excluding Authorised Auditors fees) processed through AP in 2016/17

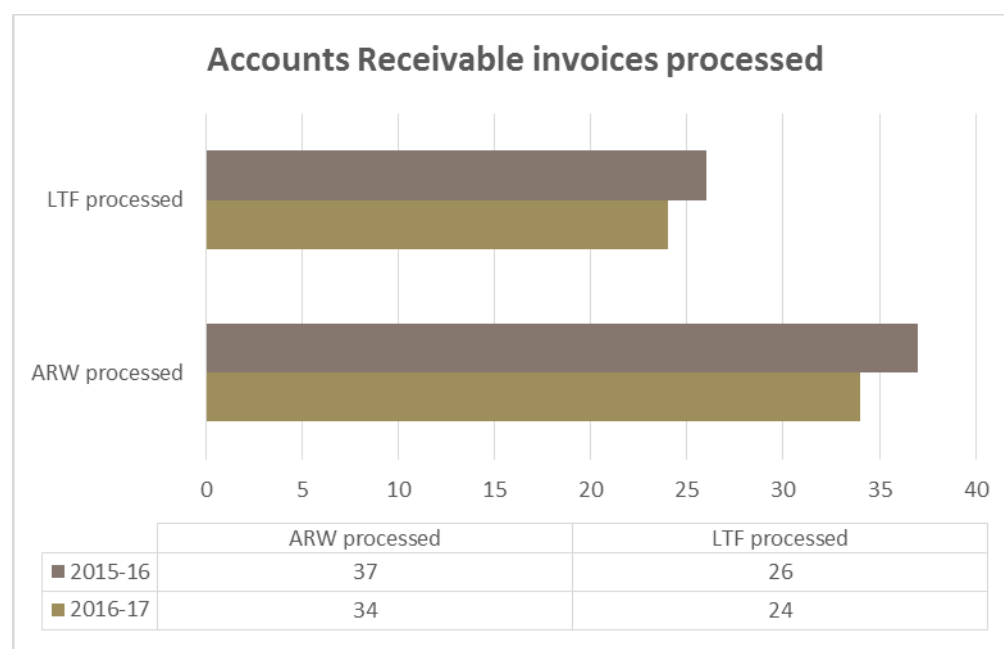


Accounts Receivable (AR)

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 2016/17 year, the Office processed 58 invoices compared to the 63 processed in 2015/16. The chart below shows the comparison of invoices processed for the current and prior year and the method of invoicing used by the Office.

29. Comparison of Accounts Receivable processing for the office for 2015/16 and 2016/17



Under the Office's payment policy, invoices are to be settled within 30 days. In 2016/17, \$1,602,681 (86%) of accounts processed were recovered within 30 days and \$268,064 (14%) were received outside of the 30-day policy, an improvement from 2015/16 where \$1,276,133 (61%) of accounts processed were recovered within 30 days and \$826,426 (39%) were received outside of the 30-day policy. Delays in recovery of accounts were largely attributed to the internal processing mechanisms of the client entities invoiced. The Office makes every effort to follow up invoices not settled prior to the due date through effective monitoring and management of outstanding debtors, which contributed to the higher percentage of invoices recovered within 30 days. The Office's approach of emailing invoices direct to entities was introduced in 2015/16 and was found to improve efficiency. This method resulted in reducing the delivery time to invoiced entities and aided dealing directly with entity contacts to follow up outstanding accounts thus improving collection times.

30. Comparison of invoices (ARW and LTF) processed for 2015/16 and 2016/17

Aged Invoices 2015/16	63	\$2,102,559	\$%	Aged Invoices 2016/17	58	\$ 1,870,744.53	\$%
Paid (within 30)	45	\$1,276,133	60.7%	Paid (within 30)	48	\$ 1,602,680.80	85.7%
Paid (30-60)	15	\$ 628,728	29.9%	Paid (30-60)	9	\$ 217,116.46	11.6%
Paid (60+)	3	\$ 197,698	9.4%	Paid (60+)	1	\$ 50,947.27	2.7%
ARW Paid (within 30)	20	\$834,855	39.7%	ARW Paid (within 30)	25	\$ 1,200,525.26	64.2%
Paid (30-60)	14	\$ 612,168	29.1%	Paid (30-60)	8	\$ 211,756.19	11.3%
Paid (60+)	3	\$ 197,698	9.4%	Paid (60+)	1	\$ 50,947.27	2.7%
LTF Paid (within 30)	25	\$441,278	21.0%	LTF Paid (within 30)	23	\$ 402,155.54	21.5%
Paid (30-60)	1	\$ 16,560	0.8%	Paid (30-60)	1	\$ 5,360.27	0.3%
Paid (60+)	0	\$0	0.0%	Paid (60+)	0	\$ -	0.0%

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 TRM 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. As a result, the Office is regarded as largely "paperless".

During the 2016/17 financial year, there were 3,532 new records created and 244 listed for destruction. In comparison, the 2015/16 year saw a total of 4,331 records created and 665 records were listed for destruction.

31. Comparison of new records created

New Record Types Created	2016/17	2015/16
Administration File	100	78
ATA	171	225
Audit Correspondence File	-	-
Audit File	174	197
Audit Opinion	46	50
Authorised Auditors	48	57
Authorised Auditors File	3	3
Box	31	36
Document	1,521	2,451
Email	1,031	942
Esubfolder	161	101
Management Letter	202	150
Old Box Type - No Update Permitted	-	-
Old File - No Update Permitted	-	-
Permanent File	-	1
Pictures in TRM	2	-
Transmittal Letter	42	39
Sigma. Configuration	-	1
Total New Records Created	3,532	4,331

32. Comparison of records destroyed

Record Type - Destroyed	2016/17	2015/16
Administration File	34	76
ATA	4	63
Audit Correspondence File	6	91
Audit File	57	284
Audit Opinion	-	1
Authorised Auditors	-	-
Authorised Auditors File	-	-
Box	19	52
Document	118	39
Email	4	1
Esubfolder	-	-
Management Letter	2	17
Old Box Type - No Update Permitted	-	37
Old File - No Update Permitted	-	1
Permanent File	-	3
Pictures in TRM	-	-
Transmittal Letter	-	-
Sigma. Configuration	-	-
Total Records Destroyed	244	665

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. The new NTG Business Classification Scheme and Systematic Disposal for government records project will see the Office adopt a new method of record keeping scheduled to officially commence in September 2017. Relevant training will be provided to all personnel within the Office.

33. Comparison of record security categories

Records Security Status	2016/17	2015/16	2014/15	2013/14	2012/13
Security is Blank	0	0	117	886	655
NT Government Restricted	2,794	3,605	2,061	1,124	790
In-Confidence/Highly Protected	738	729	590	652	427
	3,532	4,334	2,768	2,662	1,872

Other Activities and Achievements

Other operational activities and achievements during the reporting period included:

Human Resources

- Implementation of a formal performance appraisal system through the Employee Performance Review (EPR) policy within the Office.
- Implementation of the Internal Complaints and Grievance policy.
- Management of recruitment and probation.

Governance

- Attending to recommendations from the external strategic review undertaken in the 2015/16 year.
- Preparation for the NTAGO Strategic Plan 2018-2020 planning workshop.

Procurement

- Completion of the Agency Procurement Management Plan 2017-18.
- Completion of the Project Specific Procurement Plan for the Authorised Auditor contract 2018-2020.

Administration

- Maintenance of the Office intranet to reflect current policies and procedures.
- Maintenance and audit of key, gift, and vehicle registers.
- Maintenance of statutory registers.
- Management and audit of travel and accommodation bookings for the agency.
- Facilitating responses to written questions for the Estimates Committee.
- Facilitating responses to the independent external audit of the Office.

Future Priorities

The Office will continue to seek opportunities to increase audit coverage, further improve its efficiency and effectiveness and continue to demonstrate economic constraint. The table below presents these focus areas.

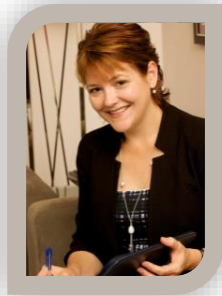
34. Table of Future Priorities

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. • 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 2017 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 professional designations and qualifications include:

- Registered Company Auditor, Australian Securities and Investment Commission
- Fellow, Chartered Accountants Australia and New Zealand
- Fellow, CPA Australia
- Fellow, Governance Institute
- Fellow, Chartered Secretaries
- Graduate, Australian Institute of Company Directors
- Certified Internal Auditor
- Certified Government Audit Professional
- Member, Institute of Internal Auditors
- 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
- Certification in Risk Management Assurance, Institute of Internal Auditors



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
- 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



Kathryn Carbajosa commenced with the public sector in April 2015 and with the Office in January 2017. Kathryn joined the Northern Territory Government as a Senior Finance Analyst with Department of the Chief Minister after working as a Senior Analyst for an international professional services firm.

Kathryn is responsible for managing the Corporate and Governance output group of the Office which involves a broad range of functions including financial management, human resources, procurement, information technology, records management, governance and risk management. Kathryn is also primarily responsible for the preparation of the annual financial statements and annual report, coordination of the independent external audit of the Office's Financial Statements and providing supervision and support to the Records Management Officer. Kathryn's qualifications include:

- Member, Chartered Accountants Australia and New Zealand
- Bachelor of Accounting, Charles Darwin University



Kaaren Matthewson commenced with the public sector in April 2012 and 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.

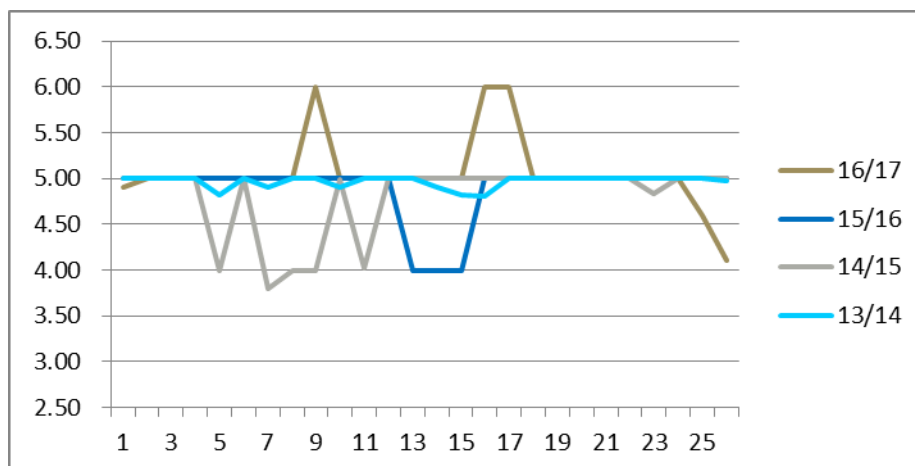
Kaaren has implemented a cyclical and systematic approach towards the records function and has contributed towards the reduction of the Office's storage and destruction costs and archival tasks. Kaaren provides administrative support to the Manager Finance and Corporate by way of financial processing 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

Employee demographics

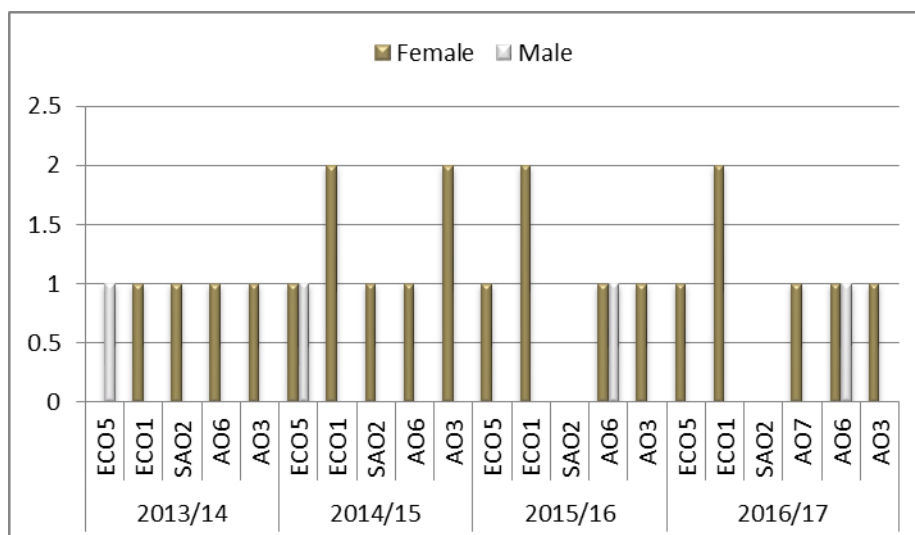
During the year ended 30 June 2017, the average FTE of the office was 5.06 compared to an average of 4.88 for the previous financial year. Our head count for staffing in 2016/17 and 2015/16 remain the same at 5.0 FTE. The following graph compares the FTE for each pay period for the 2016/17 and comparative years:

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



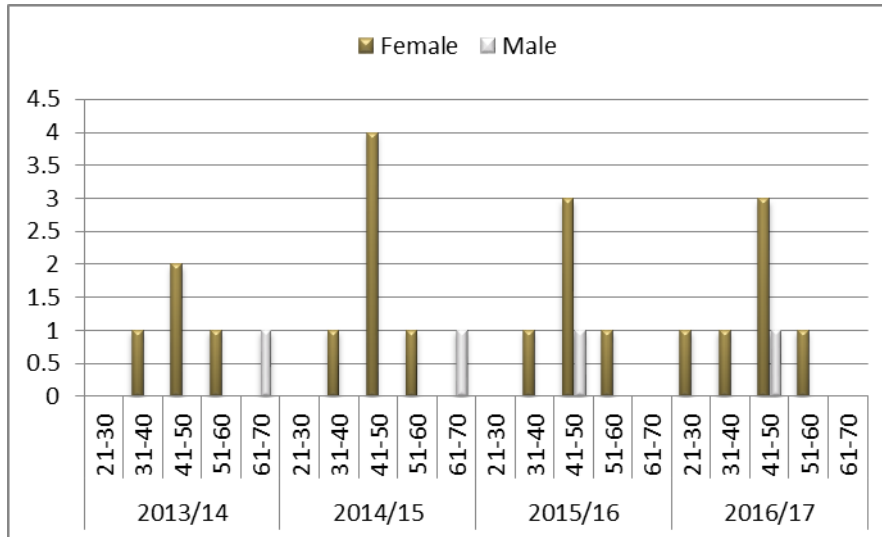
The following graph shows the variation in staff numbers by classification over the 2016/17 and prior three years.

36. Comparison of head count, gender and level categories



The following graph shows a breakdown of classifications by gender for the Office. In the 2016/17 financial year, 86% of personnel were female and 14% male compared to the prior year in 2015/16 where 83% were female and 17% male.

37. Comparison of head count for gender and age categories



Training and Development

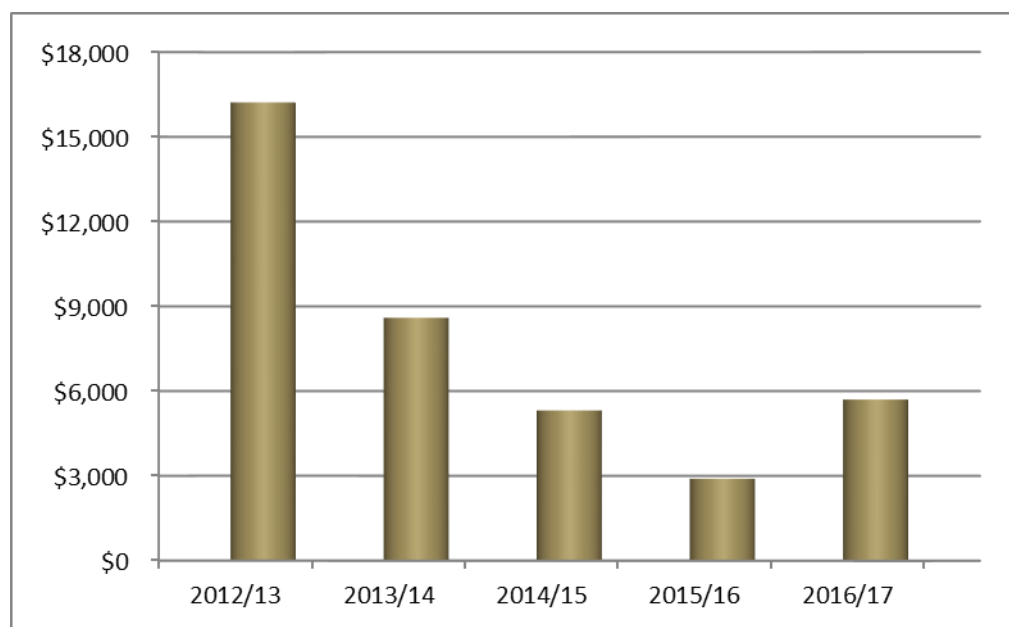
The Auditor-General and Principal Auditor positions are required to hold appropriate post-graduate qualifications and are members of professional bodies that mandate a minimum number of professional development hours per annum. In order to meet the continuous professional development requirements during the year ended 30 June 2017, 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; and
- 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 of the individual employee.

38. Training and development dollars (\$) spent to 2016/17



During the 2016/17 period, \$5,702 was spent on training and development compared to the 2015/16 period of \$2,900. The increase in training costs from 2015/16 was primarily due to the advanced training for the TRM system and other development training provided to Corporate and Governance staff. Executive personnel continue to be provided with complimentary attendance to technical forums as a result of their professional memberships and delivery of technical presentations at such seminars. During 2016/17, 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.

The Office also introduced a formal employee performance appraisal system through the implementation of the Employee Performance Review (EPR) policy in March 2017. Staff members are required to complete an EPR form with their supervisor/manager annually with a mid-year performance review to be conducted six months after the date of agreement. The policy takes into account the NTPS Capability Leadership Framework applicable to each staff members' designation level. The applicable components and behaviours are used by the supervisor to assess the employee's performance at the end of the review cycle, by providing a rating for each capability component and an overall rating for the employee. The EPR form allows for each employee to document training and development opportunities they wish to undertake in the next 12 months as well as any long term career aspirations.

In addition to the EPR process, all of the Office's employees are encouraged to meet regularly with their supervisor to discuss performance, commitments and training opportunities so these can be considered in accordance with the available budget for the Office and to ensure business continuity when staff members attend training sessions.

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. The approach adopted allows the Office to take advantage of the significant pool of private sector audit experience that is available.

The majority of the audit fieldwork 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.



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

2015/16	2016/17
<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% General Auditors • 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"> • 139 Authorised Auditors <ul style="list-style-type: none"> • 85 (61%) male • 54 (39%) female • Equivalent level <ul style="list-style-type: none"> • 19% Partners • 31% Managers • 31% Seniors • 19% Assistants • Composition <ul style="list-style-type: none"> • 75% General Auditors • 19% IT Specialists • 4% Insurance Specialists • 1% Treasury Specialists • Contracted hours <ul style="list-style-type: none"> • 20,319 • Contracted dollars <ul style="list-style-type: none"> • \$3,773,324 • Weighted average cost <ul style="list-style-type: none"> • \$186 • Audits conducted by AA Firms <ul style="list-style-type: none"> • 128 new audits • 82 statutory audits • 27 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 TRM.

40. 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 TRM. Discussion at team meeting recorded in minutes.
Documentation is reviewed; risks are identified and correctly managed.	Checklist completed and recorded in TRM. 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 TRM, 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 TRM. 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.

41. WHS costs and incidents reported for 2015/16 and 2016/17

	2015/16	2016/17
Total WHS Expenditure	\$12,180	\$3,327
Total WHS Incidents Reported	0	1
Building Evacuation Drills	1	1
Emergency Evacuation	2	1
Manager Finance and Corporate Training	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 was one incident reported in the 2016/17 period relating to slips, trips and falls. In 2016/17 Work Health Safety related expenditure decreased by \$8,853, primarily due to 2015/16 involving the replacement of the office front door and the installation of a duress lock.

Staff within the Office attended two warden updates during the period and participated in one building evacuation for the period. Staff are also supported to undertake training in relation to WHS such as attendance at basic and advanced first aid courses and subsequent refresher courses.

Staff Meetings

Weekly staff meetings are conducted with all staff members present in order to discuss issues and developments for both output groups. 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. In addition to WHS, other standing agenda items include the progress of planned audits (both outsourced and in-house); finance; records management; and administration. The regular communication ensures 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, as examples, endorsement and support for internal work projects and approval of ad-hoc expenditure for training and development or office maintenance. Meetings are documented and minutes are circulated and recorded against a TRM file.

Compliance with Employment Instructions

Employment Instruction	Agency Requirement/Action
No. 1. Filling Vacancies	The Manager Finance and Corporate's position was advertised and permanently filled during the year.
No. 2. Probation	Probationary process implemented within the agency and employees notified of the outcome. One probationary process was conducted during the 2016/17 year in accordance with the employment for an ongoing employee.
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 Territory Records Manager (TRM).
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	One former employee was permanently transferred during the period in accordance with established 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 TRM 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 2017.
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 are controlled by the Territory;
- the conduct of performance management and information system audits;
- the conduct of compliance audits and data analysis;
- the conduct of reviews of public information issued by public authorities; and
- provision of corporate and governance services such as human resources, financial management, information and communication technology and records management.

Strategic issues facing the Office in 2016/17 included:

- sustaining effective and efficient audit activity to support decisions relating to the allocation of resources and investment;
- sustaining whole of government audit activity to improve the Legislative Assembly's oversight of public sector programs and financial management;
- contributing to enhanced public sector financial and performance reporting by audited entities; and
- contributing to increased compliance with relevant legislation through the provision of audit findings and recommendations.

Comparison of the 2016/17 financial results to the prior year provides the following observations.

The Office had a net operating surplus for the year of \$0.238M (compared to \$0.029M in the prior year) primarily due to a number of anticipated audits not occurring following machinery of government changes affecting the audit plan in the second half of the year combined with an overall reduction in employee and operational expenses compared to the prior year.

Actual income related to recoverable audit costs of \$1.846M is 27% higher than the budgeted amount of \$1.455M as a result of additional recoverable audit work during the year however was \$0.314M lower than the prior year's income of \$2.160M due to the increased prior year audit work conducted in relation to the restructured utilities government owned corporations.

Total expenses for the period amounted to \$4.987M compared to the previous year of \$5.537M, and are approximately 2% over the approved budget of \$4.885M. The decrease in total expenses from prior year of \$0.550M was largely attributable to the decreased audit costs and decrease in overall employee expenses.

The net assets of the Office increased from \$0.499M to \$0.738M, reflecting the surplus for the year. When compared to the prior year, cash balances increased by \$0.648M, accounts and GST receivables decreased by \$0.196M and provisions also decreased by \$0.057M. The decrease in accounts receivable is due to lower outstanding recoverable audit charges at the end of the 2016-17 financial year. The decrease in provisions is attributable to employee leave entitlements being transferred to another agency upon the return of the temporarily transferred employee.

The table below shows the comparison of actual figures against the original and revised budget for the 30 June 2017 financial year.

	Original Budget 2016/17 BP3	Revised Budget 2016/17	Actual 2016/17	Actual 2015/16
			-	-
INCOME				
Appropriation				
Output	3,152	3,152	3,152	3,178
Sales of goods and services (audit costs recovered)	1,455	1,455	1,846	2,160
Services free of charge (DCIS)	278	278	227	228
	4,885	4,885	5,225	5,566
EXPENSES				
Employee expenses	(955)	(1,000)	(903)	(992)
Administrative expenses				
Purchases of goods and services	(3,650)	(3,605)	(3,857)	(4,315)
Repairs and maintenance	(2)	(2)	-	(2)
Other administrative expenses	(278)	(278)	(227)	(228)
TOTAL EXPENSES	(4,885)	(4,885)	(4,987)	(5,537)
NET SURPLUS/(DEFICIT)	-	-	238	29
ASSETS				
Cash and deposits	356	228	876	228
Receivables	41	484	238	484
Prepayments	1	-	1	-
TOTAL ASSETS	398	712	1,115	712
LIABILITIES				
Payable	48	61	283	62
Provisions	80	151	94	151
TOTAL LIABILITIES	128	212	377	213
NET ASSETS	270	500	738	499
EQUITY				
Capital	370	570	570	570
ACCUMULATED FUNDS	(100)	(70)	168	(71)
TOTAL EQUITY	270	500	738	499

Audit Outcomes

The financial report of the Office for 2016/17 were audited by MGI Assurance (SA) Pty Ltd who also audited the Office's financial statements for 2015/16. The Office received an unmodified Independent Audit Report which stated that the financial reports of the Northern Territory Auditor-General's Office complied with the *Financial Management Act* and Treasurer's Directions including Australian Accounting Standards and gave a true and fair view of the Office's financial position as at 30 June 2017 and of its financial performance for the year ended.

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 Appropriation 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.

42. Budget Papers 2016/17 budgeted and actual income for the Office with comparative actual results for 2015/16

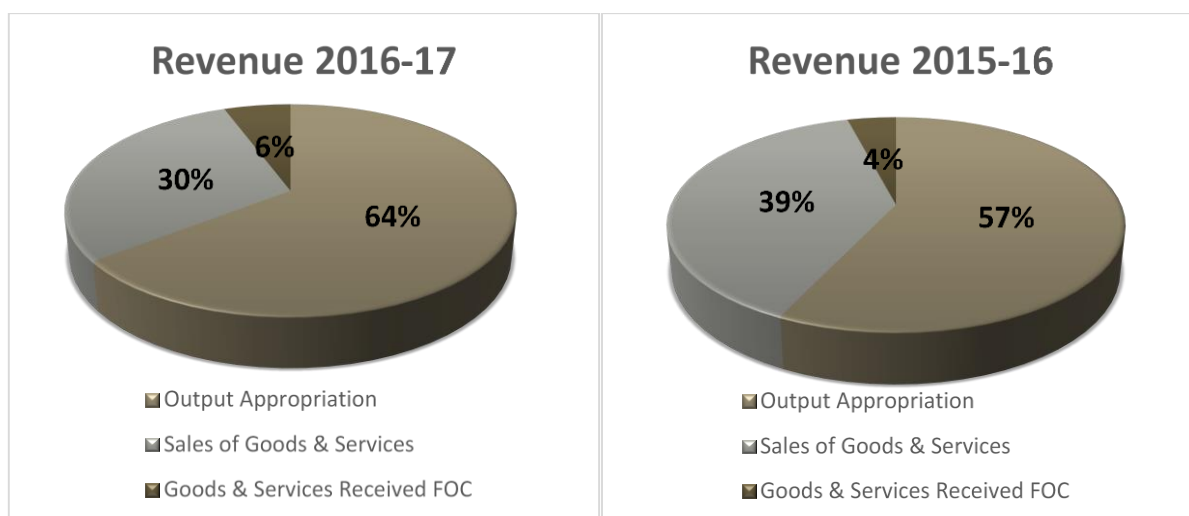
	Budget 2016-17 (\$000)	Estimate 2016-17 (\$000)	Actual 2016-17 (\$000)	Variance 2016-17 (\$000)	Actual 2015-16 (\$000)
Output Appropriation	3,152	3,152	3,152	-	3,178
Sales of Goods & Services	1,455	1,455	1,846	391	2,160
Goods & Services Received FOC	278	278	227	(51)	228
Total Income	4,885	4,885	5,225	340	5,566

As in past years, the largest source of revenue for the Office has been Output Appropriation that is appropriated by the Legislative Assembly pursuant to the annual *Appropriation Act*. In 2016/17, Output Appropriation represented 64% of the total income and is only a slight increase from 2015/16 financial year which had Output Appropriation as 57% of the Office's total revenue.

In 2016/17 audit costs recovered represented 30% of total income compared to 39% for the prior year. Audit costs recovered (as recorded within Sales of Goods and Services) by the Office decreased from that of 2015/16 as the prior year had additional hours spent on utilities sector related audits. A surplus of \$238 thousand resulted from the operations of the Office.

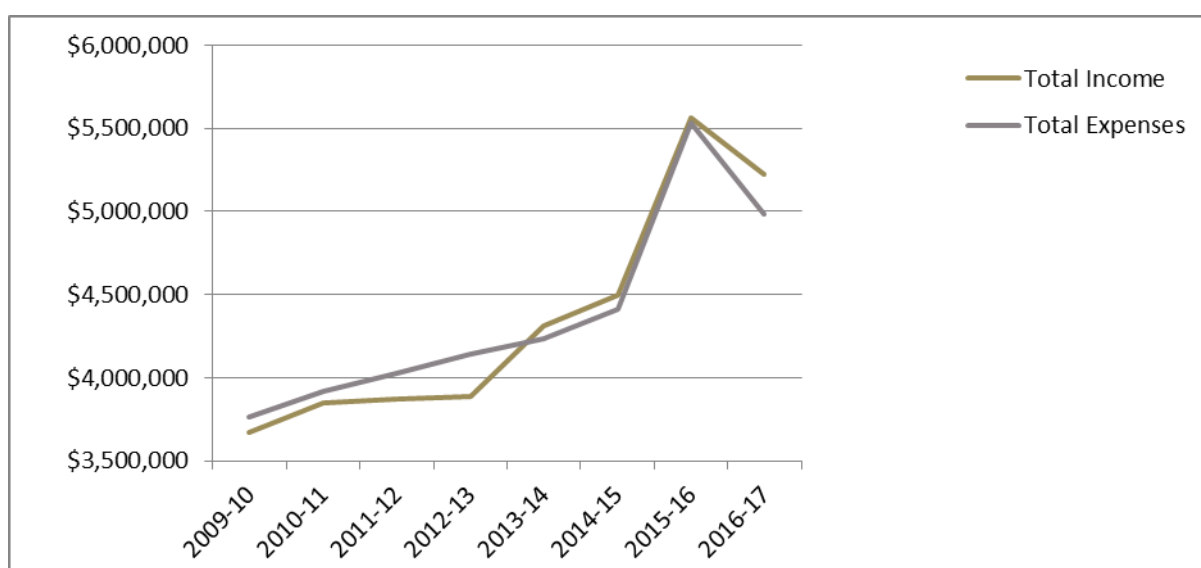
Goods and services received free of charge (G&S FOC) recognise the transactional and information technology services provided by the Department of Corporate and Information Services. An expense equal to the revenue is also recognised in the financial services. The graphs below present the composition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

43. Revenue as a percentage for 2016/17 and the comparative prior year:



The accompanying graph presents total revenue and expenditure comparatively for the last eight financial years. In 2016/17 the Office had a decrease in both total income and total expenditure from prior year due to the abovementioned additional audit hours spent on utilities sector related audits in 2015/16. Since the introduction of the cost recovery model in the 2013/14, the Office has operated in a net surplus, with the highest surplus achieved in the 2016/17 financial year.

44. Comparison of operating results over the last eight reporting years



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

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

AUDIT COSTS RECOVERED	2016/17	2015/16	variance
Batchelor Institute of Indigenous Tertiary Education	77,684	66,964	10,720
Board of the Museum and Art Gallery of the Northern Territory	15,860	19,609	(3,749)
CDU Amenities Limited	42,712	5,579	37,133
Central Australia Health Service	27,486	29,883	(2,397)
Charles Darwin University	162,556	140,066	22,490
Charles Darwin University Foundation	8,310	8,337	(27)
Cobourg Peninsula Sanctuary and Marine Park Board	14,303	13,974	329
Darwin Bus Service	-	15,214	(15,214)
Darwin Port Corporation	-	51,569	(51,569)
Darwin Waterfront Corporation	40,738	40,625	113
Data Centre Services	23,047	18,318	4,729
Department of Health	22,163	25,760	(3,597)
Department of Local Government and Community Services	9,320	9,245	75
Department of Trade, Business and Innovation	10,717	18,771	(8,054)
Department of Transport	14,660	16,014	(1,354)
Department of Treasury and Finance	9,075	9,182	(107)
Desert Knowledge Australia	31,119	21,100	10,019
Indigenous Essential Services Pty Ltd	59,289	181,138	(121,849)
Jabiru Town Development Authority	9,383	9,245	138
Land Development Corporation	50,015	49,883	132
Menzies School of Health Research	53,675	45,363	8,312
Motor Accidents (Compensation) Commission	274,780	130,613	144,167
Nitmiluk (Katherine Gorge) National Park Board	16,404	16,306	98
Northern Territory Grants Commission	3,914	3,882	32
Northern Territory Legal Aid Commission	16,434	18,299	(1,865)
Northern Territory Major Events Company Pty Ltd	35,931	27,300	8,631
Northern Territory Treasury Corporation	72,398	72,506	(108)
NT Build	22,288	18,400	3,888
NT Fleet	34,172	34,024	148
NT Home Ownership	45,006	44,842	164
Office of the Public Trustee for the Northern Territory	29,660	29,557	103
Power and Water Corporation	383,840	681,281	(297,441)
Power Generation Corporation (Territory Generation)	82,648	109,786	(27,138)
Power Retail Corporation (Jacana Energy)	87,614	118,436	(30,822)
Surveyors Board of the Northern Territory of Australia	6,367	6,712	(345)
Territory Wildlife Parks	20,544	20,281	263
Top End Health Service	32,666	32,109	557
	1,846,778	2,160,171	(313,393)

Expenses

The total expenditure of the Office for the period amounted to \$4.987M and decreased by \$.550M from the prior year primarily due to decreased audit costs and decreased overall employee expenses. Total expenditure was also only 2% over the approved budget of \$4.885M.

46. Budget Papers Output budgeted and actual expenditure for the Office for 2016/17 with comparative actual results for 2015/16

Output Group	Budget 2016-17 (\$'000)	Estimate 2016-17 (\$'000)	Actual 2016-17 (\$'000)	Variance 2016-17 (\$'000)	Actual 2015-16 (\$'000)
Audits and Reviews	4,250	4,205	4,425	220	4,937
Corporate and Governance	635	680	562	(118)	600
Total	4,885	4,885	4,987	102	5,537

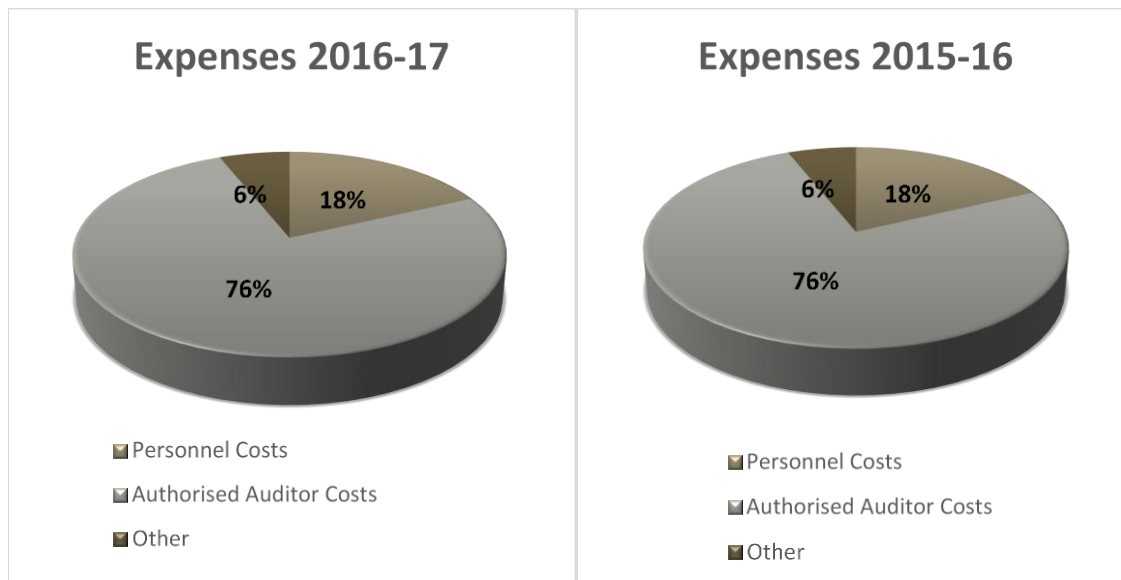
Actual expenditure for 2016-17 exceeded the estimate by \$102,000 which was largely due to additional recoverable audit costs. The Office continues to strive for administrative efficiencies through effective management of fleet, printing and travel. Consistent with the Office's future priorities of promoting and maintaining a paperless office environment, the Office continues to implement operational improvements to continually demonstrate economic constraint and efficiencies.

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

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Personnel Costs	784,064	811,361	847,354	861,450	991,507	903,063
Authorised Auditor Costs	2,961,741	2,994,411	3,084,973	3,215,564	4,209,664	3,779,634
DCIS Services FOC	190,833	220,027	223,289	236,893	227,526	227,074
Administration Costs	92,166	112,754	88,890	96,886	107,461	77,724
Total Expenses	4,028,805	4,138,555	4,244,508	4,410,793	5,536,158	4,987,495
As a % of Total Expenses:						
Administration Costs	2.29%	2.72%	2.09%	2.20%	1.93%	1.56%
DCIS Services FOC	4.74%	5.32%	5.26%	5.37%	4.11%	4.55%
Personnel Costs	19.46%	19.60%	19.96%	19.53%	17.91%	18.11%
Authorised Auditor Costs	73.51%	72.35%	72.68%	72.90%	76.05%	75.78%

For 2016/17, Authorised Auditor costs comprised 75.78 % of total operational costs compared to an average of 73.50% over the last five years. Personnel costs were 18.11% against a five-year average of 19.29%. Administration costs were 1.56% for the year compared to a five-year average rate of 2.25%. The 2016-17 percentages of the major expense categories compared to total expenditure were similar to 2015/16.

48. Comparison of expense categories for 2016/17 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 2017 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 agency are kept and that employees under our control observe the provisions of the *Financial Management Act*, the *Financial Management Regulations* and Treasurer's Directions;
- b) procedures within the agency 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 agency 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 Treasurer's Directions;
- f) all employment instructions issued by the Commissioner for Public Employment have been satisfied; and
- g) the Office has implemented processes to achieve compliance with the archives and records management provisions as prescribed in Part 9 of the *Information Act*.



Signed:

Julie Crisp

Auditor-General for the Northern Territory

30 August 2017



Signed:

Kathryn Carbajosa

Manager Finance and Corporate

30 August 2017

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
Comprehensive Operating Statement
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		\$000	\$000
INCOME			
Appropriation			
Output	3	3,152	3,178
Sales of goods and services (audit costs recovered)	4	1,846	2,160
Goods and services received free of charge	5	227	228
TOTAL INCOME	3	5,225	5,566
EXPENSES			
Employee expenses	6	(903)	(992)
Administrative expenses			
Purchases of goods and services	7	(3,857)	(4,315)
Repairs and maintenance		-	(2)
Other administrative expenses	5	(227)	(228)
TOTAL EXPENSES	3	(4,987)	(5,537)
NET SURPLUS		238	29
COMPREHENSIVE RESULT		238	29

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 2017

	Note	2017 \$000	2016 \$000
ASSETS			
Current Assets			
Cash and deposits	9	876	228
Receivables	10	238	484
Prepayments		1	-
Total Current Assets		1,115	712
TOTAL ASSETS		1,115	712
LIABILITIES			
Current Liabilities			
Payables	11	283	62
Provisions	12	94	103
Total Current Liabilities		377	165
Non-Current Liabilities			
Provisions	12	-	48
Total Non-Current Liabilities		-	48
TOTAL LIABILITIES		377	213
NET ASSETS		738	499
EQUITY			
Capital		570	570
Accumulated funds		168	(71)
TOTAL EQUITY		738	499

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 2017

	Note	Equity at 1 July	Comprehensive result	Transactions with owners in their capacity as owners	Equity at 30 June
		\$000	\$000	\$000	\$000
2016-17					
Accumulated Funds		(71)	238	-	168
		(71)	238	-	168
Capital – Transactions with Owners					
Equity injections					
Capital appropriation		26	-	-	26
Equity transfers in		53	-	-	53
Other equity injections		801	-	-	801
Equity withdrawals					
Capital withdrawal		(310)	-	-	(310)
Equity transfers out		-	-	-	-
		570	-	-	570
Total Equity at End of Financial Year		499	238	-	738
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	14	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

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 2017

	Note	2017	2016
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Receipts			
Appropriation			
Output		3,152	3,178
Receipts from sales of goods and services		2,479	2,140
Total Operating Receipts		5,631	5,318
Operating Payments			
Payments to employees		(958)	(943)
Payments for goods and services		(4,025)	(4,704)
Total Operating Payments		(4,983)	(5,647)
Net Cash From/(Used in) Operating Activities	15	648	(329)
CASH FLOWS FROM FINANCING ACTIVITIES			
Financing Receipts			
Equity injections			
Other equity injections		-	200
Total Financing Receipts		-	200
Net Cash From Financing Activities		-	200
Net increase/(decrease) in cash held		648	(129)
Cash at beginning of financial year		228	357
CASH AT END OF FINANCIAL YEAR	9	876	228

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

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NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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.

The Office was not affected by Machinery of Government Changes during the year.

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 2017

The following new and revised accounting standards and interpretations were effective for the first time in 2016-17:

AASB 124 Related Party Disclosures

This standard applies to not-for-profit sector for the first time in 2016-17. The accounting standard requires disclosures about the remuneration of key management personnel, transactions with related parties, and relationships between parent and controlled entities. For any such transactions, disclosures will include the nature of the related party relationship, as well as information about those transactions' terms/conditions and amounts, any guarantees given/received, outstanding receivables/payables, commitments, and any receivables where collection has been assessed as being doubtful.

Several other amending standards and AASB interpretations have been issued that apply to the current reporting periods, but are considered to have no impact on public sector reporting.

At the date of authorisation of the financial statements, the following standards and interpretations were in issue but are not yet effective and are expected to have a potential impact on future reporting periods:

AASB 16 Leases

AASB 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019 and will be reported in these financial statements for the first time in 2019-20. When the standard is effective it will supersede AASB 117 Leases and require the majority of leases to be recognised on the balance sheet.

For lessees with operating leases, a right-of-use asset will now come onto the balance sheet together with a lease liability for all leases with a term of more than 12 months, unless the underlying assets are of low value. The Comprehensive Operating Statement will no longer report operating lease rental payments, instead a depreciation expense will be recognised relating to the right-to-use asset and interest expense relating to the lease liability.

For lessors, the finance and operating lease distinction remains largely unchanged. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

Operating lease commitments will be required to be recognised in the balance sheet through a lease liability and corresponding right to use asset from 2019-20 in accordance with AASB 16 Leases. In the Comprehensive Operating Statement, the operating lease expense will be replaced with a depreciation expense relating to the right to use asset and interest expense relating to the lease liability. These cannot be quantified at this time.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

AASB 1058 Income for not-for-profit entities and AASB 15 Revenue from contracts with customers

AASB 1058 Income for Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers are effective for annual reporting periods beginning on or after 1 January 2019 and will be reported in these financial statements for the first time in 2019-20.

Under the new AASB 1058 Income for Not-for-Profit Entities, revenue from grants and donations will be recognised when any associated performance obligation to provide goods or services is satisfied, and not immediately upon receipt as currently occurs. Consequently, more liabilities will be recognised in the balance sheet after adoption of this standard.

AASB 1058 clarifies and simplifies income-recognition requirements that apply to not-for-profit entities in conjunction with AASB 15 Revenue from Contracts with Customers.

While the full impacts are yet to be determined, potential impacts identified include:

- Grants received to construct or acquire a non-financial asset will be recognised as a liability, and subsequently recognised as revenue as the performance obligations under the grant are satisfied. At present, such grants are recognised as revenue on receipt.
- Grants with an enforceable agreement and sufficiently specific performance obligations will be recognised as revenue progressively as the associated performance obligations are satisfied. At present, such grants are recognised as revenue on receipt.
- Grants that have an enforceable agreement but no specific performance obligations but have restrictions on the timing of expenditure will also continue to be recognised on receipt as time restriction on the use of funds is not sufficiently specific to create a performance obligation.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on future financial reporting.

c) Reporting Entity

The financial statements also serve to meet the Office's reporting requirement 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 2017

Central Holding Authority

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

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

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

The Central Holding Authority recognises and records all Territory items, and as such, these items are not included in the agency's financial statements. The Office is not accountable for any Territory items managed on behalf of Government, as disclosed in Note 21 – Schedule of Administered Territory Items.

e) Comparatives

Where necessary, comparative information for the 2015-16 financial year has been reclassified to provide consistency with current year disclosures.

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 2016-17 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.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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) 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 Office 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.

k) Revaluations and Impairment

The Office held only financial assets during the period of consideration and did not purchase or own any non-financial assets during this period or the prior comparative period.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

3. COMPREHENSIVE OPERATING STATEMENT BY OUTPUT GROUP

		Audits and Reviews		Corporate and Governance		Total	
	Note	2017	2016	2017	2016	2017	2016
		\$000	\$000	\$000	\$000	\$000	\$000
INCOME⁽ⁱ⁾							
Appropriation							
Output ⁽ⁱⁱ⁾		2,817	2,806	335	372	3,152	3,178
Sales of goods and services ⁽ⁱⁱⁱ⁾	4	1,846	2,160	-	-	1,846	2,160
Goods and services received free of charge	5	-	-	227	228	227	228
TOTAL INCOME		4,663	4,966	562	600	5,225	5,566
EXPENSES							
Employee expenses	6	(619)	(675)	(284)	(317)	(903)	(992)
Administrative expenses							
Purchases of goods and services	7	(3,806)	(4,262)	(51)	(53)	(3,857)	(4,315)
Repairs and maintenance		-	-	-	(2)	-	(2)
Other administrative expenses	5	-	-	(227)	(228)	(227)	(228)
TOTAL EXPENSES		(4,425)	(4,937)	(562)	(600)	(4,987)	(5,537)
NET SURPLUS		238	29	-	-	238	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		238	29	-	-	238	29

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

i. Income

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

ii. 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 appropriation is recognised in the period in which the Office gains control of the funds.

iii. Sales of goods and services

Sales from goods and services constitute recoveries of audit costs in relation to the audits of statutory entities. Revenue from rendering services is recognised by reference to the state 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 2017

4. SALES OF GOODS AND SERVICES

	2017	2016
	\$000	\$000
AUDIT COSTS RECOVERED		
Batchelor Institute of Indigenous Tertiary Education	78	67
Board of the Museum and Art Gallery of the Northern Territory	16	20
CDU Amenities Limited	43	6
Central Australia Health Service	27	30
Charles Darwin University	163	140
Charles Darwin University Foundation	8	8
Cobourg Peninsula Sanctuary and Marine Park Board	14	14
Darwin Bus Service	-	15
Darwin Port Corporation	-	52
Darwin Waterfront Corporation	41	41
Data Centre Services	23	18
Department of Health	22	26
Department of Local Government and Community Services (<i>former</i>)	9	9
Department of Trade, Business and Innovation	11	19
Department of Transport (<i>former</i>)	15	16
Department of Treasury and Finance	9	9
Desert Knowledge Australia	31	21
Indigenous Essential Services Pty Ltd	59	181
Jabiru Town Development Authority	9	9
Jacana Energy	88	118
Land Development Corporation	50	50
Menzies School of Health Research	54	45
Motor Accidents (Compensation) Commission	274	131
Nitmiluk (Katherine Gorge) National Park Board	16	16
Northern Territory Grants Commission	4	4
Northern Territory Legal Aid Commission	16	18
Northern Territory Major Events Company Pty Ltd	36	27
Northern Territory Treasury Corporation	72	73
NT Build	22	18
NT Fleet	34	34
NT Home Ownership	45	45
Office of the Public Trustee for the Northern Territory	30	30
Power and Water Corporation	384	681
Surveyors Board of the Northern Territory of Australia	6	7
Territory Generation	83	110
Territory Wildlife Parks	21	20
Top End Health Service	33	32
	1,846	2,160

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

5. GOODS AND SERVICES RECEIVED FREE OF CHARGE

	2017	2016
	\$000	\$000
Corporate and information services	227	228
	227	228

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

6. EMPLOYEE EXPENSES

The net surplus has been derived after charging the following expenses:

Salaries	713	711
Recreation Leave	55	116
Superannuation	69	90
Payroll Tax ¹	40	58
Other Benefits ²	13	6
Fringe Benefit Tax	8	9
Allowances	2	-
Recreation Leave Loading	3	2
	903	992

1. Includes on-costs expense

2. Includes salary sacrifice and vehicle contributions

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

7. PURCHASES OF GOODS AND SERVICES

	2017	2016
	\$000	\$000
The net surplus has been arrived at after charging the following expenses:		
Goods and services expenses:		
Authorised Auditors' fees	3,780	4,210
Audit expense	11	10
Information technology and communication expenses	23	23
Property expenses	5	14
Motor vehicle expenses	11	11
Consultants ⁽¹⁾	-	27
Advertising ⁽²⁾	-	-
Marketing and promotion ⁽³⁾	-	-
Document production	1	-
Legal expenses ⁽⁴⁾	-	-
Recruitment ⁽⁵⁾	-	-
Training and study	6	3
Official duty fares	2	2
Travelling allowance	-	-
Other expenses	18	15
	3,857	4,315

⁽¹⁾ Strategic review for the Office in 2016. Also Includes (if any) marketing, promotion and IT consultants.

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

⁽³⁾ Includes advertising for marketing and promotion but excludes marketing and promotion consultants' expenses, which are incorporated in the consultants' category.

⁽⁴⁾ Includes legal fees, claim and settlement costs.

⁽⁵⁾ Includes recruitment-related advertising costs.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

	Agency 2017 \$000	No. of Trans.	Agency 2016 \$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>				
	-	-	-	-

9. CASH AND DEPOSITS

	2017 \$000	2016 \$000
Cash on hand	-	-
Cash at bank	876	228
	876	228

10. RECEIVABLES

Current		
Accounts receivable	176	386
Less: Allowance for impairment losses	-	-
Accrued revenue	34	84
GST receivables	28	14
Total Receivables	238	484

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

11. PAYABLES

	2017	2016
	\$000	\$000
Accounts payable	255	2
Accrued expenses	28	60
Total Payables	283	62

12. PROVISIONS

Current

Employee benefits

Recreation leave	75	69
Leave loading	4	4
Other employee benefits ¹	15	30
	94	103

Non-Current

Employee benefits

Recreation leave	-	48
	-	48

Total Provisions

94	151
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The Office employed 5 employees as at 30 June 2017 (5 employees as at 30 June 2016).

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

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. The Office has assessed that all employee provisions are classified as current liabilities as at 30 June 2017.

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 the Office and as such no long service leave liability is recognised in agency financial statements.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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.

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.

13. 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

Later than one year and not later than five years

Later than five years

2017		2016	
Internal	External	Internal	External
\$000	\$000	\$000	\$000
-	1,168	-	2,334
-	-	-	1,168
-	-	-	-
-	1,168	-	3,502

Note: Contract from 1/01/15 to 31/12/17 - with rate increases based on CPI 1 January each year.

1. The Office determines its contract commitment with the Audit firms based upon the terms of the contract (ex CPI). As the CPI is not known, an escalation value is not applied. The calculation is based therefore on the actual split of the costs/hours of the audit contract across the 3 year period. The costs/hours of the contract reflect the minimum agreed commitment with the firms. The actual practice of the Office is to allocate in each period, more than the minimum required against the contract.

(ii) Operating Lease Commitments

The Office currently does not have any operating lease commitments for the reporting period.

Within one year

Later than one year and not later than five years

Later than five years

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

Restated 2016 comparatives to reflect nil operating lease commitments. This is because the multifunction device was purchased and owned by DCIS. The Office pays monthly subscription costs to use this multifunction device and does not have a lease agreement in place.

Internal commitments are to entities controlled by the NTG, whereas 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 2017

14. EQUITY INJECTION

	2017	2016
	\$000	\$000
Equity injection	-	200
	-	200

On 30 June 2016, the Office received an equity injection of \$200,000 from the Northern Territory Government to ensure sufficient funds were available to meet cash payments. The Northern Territory Government has advised that this amount is not required to be returned as an equity withdrawal during the 30 June 2017 financial year to ensure that the Office will continue to meet cash payments and have sufficient cash balance.

15. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of Cash

The total of agency 'Cash and deposits' of **\$876,677.96** recorded in the Balance Sheet is consistent with that recorded as 'Cash' in the Cash Flow Statement.

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

Net Surplus	238	29
<i>Changes in assets and liabilities:</i>		
Decrease/(Increase) in receivables	246	(443)
Decrease/(Increase) in prepayments	-	-
Increase in payables	221	14
(Decrease)/Increase in provision for employee benefits	(41)	56
(Decrease)/Increase in other provisions	(16)	15
Net Cash from/(used in) Operating Activities	648	(329)

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

16. 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, and payables. The Office has limited exposure to financial risks as discussed below.

Financial assets and liabilities are recognised on the Balance Sheet when the agency becomes a party to the contractual provisions of the financial instrument.

Due to the nature of operating activities, certain financial assets and financial liabilities arise under statutory obligations rather than a contract. Such financial assets and liabilities do not meet the definition of financial instruments within AASB 132 Financial Instruments Presentation. These include statutory receivables arising from taxes including GST and penalties.

a) Categorisation of Financial Instruments

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

2016-17 Categorisation of Financial Instruments

	Financial assets - Other	Financial assets - Loans and receivables	Financial liabilities - amortised cost	Total
	\$000	\$000	\$000	\$000
Cash and deposits	877	-	-	877
Receivables ¹	-	160	-	160
Total Financial Assets	877	160	-	1,037
Payables ¹	-	-	232	232
Total Financial Liabilities	-	-	232	232

1. Total amounts disclosed here exclude statutory amounts (GST)

2015-16 Categorisation of Financial Instruments

	Financial assets - Other	Financial assets - Loans and receivables	Financial liabilities - amortised cost	Total
	\$000	\$000	\$000	\$000
Cash and deposits	228	-	-	228
Receivables ¹	-	351	-	351
Total Financial Assets	228	351		579
Payables ¹	-	-	2	2
Total Financial Liabilities	-	-	2	2

1. Total amounts disclosed here exclude statutory amounts (GST)

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

16. FINANCIAL INSTRUMENTS (continued)

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.

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.

An instrument is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term with an intention of making a profit; or
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

A financial instrument may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the instrument forms part of a group of financial instruments, which is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 Financial Instruments: Recognition and Measurement permits the contract to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss include deposits held excluding statutory deposits, accounts payable and accrued expenses. Financial assets at fair value through profit or loss include short-term securities and bonds. The Office holds no financial instruments classified as at FVTPL.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

16. FINANCIAL INSTRUMENTS (continued)

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those held for trading and available for sale. Loans and receivables exclude statutory receivables.

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 2017 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.

b) 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 Office'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 2017

16. FINANCIAL INSTRUMENTS (continued)

Receivables

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

Internal Receivables	Aging of Receivables \$000	Aging of Impaired Receivables \$000	Net Receivables \$000
2016-17			
Not overdue	166	-	166
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
Total	166	-	166

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	-

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	-

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

16. FINANCIAL INSTRUMENTS (continued)

Receivables (continued)

External Receivables	Aging of Receivables \$000	Aging of Impaired Receivables \$000	Net Receivables \$000
2016-17			
Not overdue	10	-	10
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
Total	10	-	10

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	-

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	-

c) Liquidity Risk

Liquidity risk is the risk that the agency will not be able to meet its financial obligations as they fall due. The Office's approach to managing liquidity is to ensure that it will always have 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 2017

16. FINANCIAL INSTRUMENTS (continued)

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

2017 Maturity analysis for financial assets and liabilities

	Interest Bearing			Non-Interest Bearing	Total	Weighted Average
	Less than a Year	1 to 5 Years	More than 5 Years			
	\$000	\$000	\$000	\$000	\$000	%
Assets						
Cash and deposits	-	-	-	877	877	-
Receivables ¹	-	-	-	160	160	-
Total Financial Assets	-	-	-	1,037	1,037	-
Liabilities						
Payables ¹	-	-	-	232	232	-
Total Financial Liabilities	-	-	-	232	232	-

2016 Maturity analysis for financial assets and liabilities

	Interest Bearing			Non-Interest Bearing	Total	Weighted Average
	Less than a Year	1 to 5 Years	More than 5 Years			
	\$000	\$000	\$000	\$000	\$000	%
Assets						
Cash and deposits	-	-	-	228	228	-
Receivables ¹	-	-	-	351	351	-
Total Financial Assets	-	-	-	579	579	-
Liabilities						
Payables ¹	-	-	-	2	2	-
Total Financial Liabilities	-	-	-	2	2	-

1. Total amounts disclosed here exclude statutory amounts (GST)

d) Market Risk

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

(i) Interest Rate Risk

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

16. FINANCIAL INSTRUMENTS (continued)

(ii) Price Risk

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

(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.

e) Net Fair Value

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 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 fair value of financial instruments is determined on the following basis:

- the fair value of cash, deposits, advances, receivables and payables approximates their carrying amount, which is also their amortised cost;
- the fair value of derivative financial instruments are derived using current market yields and exchange rates appropriate to the instrument; and

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

16. FINANCIAL INSTRUMENTS (continued)

- the fair value of other monetary financial assets and liabilities is based on discounting to present value the expected future cash flows by applying current market interest rates for assets and liabilities with similar risk profiles.

The Office had no non-financial assets as at 30 June 2017 or at any time during the periods reported.

17. RELATED PARTIES

i) Related Parties

The Northern Territory Auditor-General's Office exists to provide support to the Auditor-General (an independent statutory officer) in the delivery of services mandated primarily by the *Audit Act*. Related parties of the Office include:

- spouses, children and dependants who are close family members of the key management personnel (KMP); and
- all public sector entities that are controlled and consolidated into the whole of government financial statements; and
- any entities controlled or jointly controlled by KMP or controlled or jointly controlled by their close family members.

Whilst for Administrative Arrangements purposes the Office is included as an agency within the portfolio of the Chief Minister, in practice, the Portfolio Minister does not have authority and responsibility for planning, directing and controlling the activities of the Agency beyond the authority established within the *Audit Act*.

ii) Key Management Personnel (KMP)

Key management personnel of the Office are those persons having authority and responsibility for planning, directing and controlling the activities of the Office.

As the individual ultimately responsible for planning, directing and controlling the activities of the Office, the Auditor-General who is also the Chief Executive Officer represents the key management personnel of the Office.

iii) Remuneration of Key Management Personnel

The aggregate compensation of key management personnel of the Office is set out below:

	2016-17
	\$000
Short-term benefits	297
Post-employment benefits	26
Other long-term employee benefits	-
Termination benefits	-
Total	323

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

17. RELATED PARTIES (continued)

iv) Related party transactions

Transactions with Northern Territory Government controlled entities

The Office's primary ongoing source of funding is received from the Central Holding Authority in the form of output appropriation.

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

Related Party	Revenue from related parties	Payments to related parties	Amounts owed by related parties	Amounts owed to related parties
	2017	2017	2017	2017
	\$000	\$000	\$000	\$000
<i>All NTG Government departments</i>	1,593	307	209	5

The Office's transactions with other government entities are not individually significant. More information regarding revenue from related parties is disclosed in Note 4 – Sales of Goods and Services.

Other related party transactions

Given the breadth and depth of Territory Government activities, related parties will transact with the Territory Public sector in a manner consistent with other members of the public including paying stamp duty and other government fees and charges and therefore these transactions have not been disclosed. The Office had no other related party transactions in excess of \$10,000 or on non-standard terms and conditions that may be reported.

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Office had no contingent liabilities or contingent assets as at 30 June 2017 or 30 June 2016.

19. 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.

20. ACCOUNTABLE OFFICER'S TRUST ACCOUNT

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

21. 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 2017

22. BUDGETARY INFORMATION

Comprehensive Operating Statement	2016-17 Actual	2016-17 Original Budget ^(a)	Variance	Note
	\$000	\$000	\$000	
INCOME				
Appropriation				
Output	3,152	3,152	-	
Sales of goods and services	1,846	1,455	391	1
Goods and services received free of charge	227	278	(51)	2
TOTAL INCOME	5,225	4,885	340	
EXPENSES				
Employee expenses	(903)	(955)	(52)	3
Administrative expenses			-	
Purchases of goods and services	(3,857)	(3,650)	207	4
Repairs and maintenance	-	(2)	(2)	
Other administrative expenses	(227)	(278)	(51)	2
TOTAL EXPENSES	(4,987)	(4,885)	102	
NET SURPLUS	238	-	238	
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	238	-	238	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2016-17 BP3 Agency Budget Statements (May 2016), 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. The increase from budgeted amount was due to additional recovered costs associated with audits of the Motor Accidents (Compensation) Commission and the Charles Darwin University group of 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 expenses were lower than budgeted primarily due to staff movements resulting in provision for employee leave entitlements being transferred to another agency upon the return of the transferred employee with a corresponding reduction in employee provisions and one employee taking leave without pay (at no cost to the Office) during the period.

4. Additional audit costs were incurred as a result of increased audit work required in order to issue audit opinions on the 2016 financial statements of the Motor Accidents (Compensation) Commission and the Charles Darwin University group of entities.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

22. BUDGETARY INFORMATION (continued)

Balance Sheet	2016-17 Actual	2016-17 Original Budget ^(a)	Variance	Note
	\$000	\$000	\$000	
ASSETS				
Cash and deposits	876	356	520	1
Receivables	238	41	197	2
Prepayments	1	1	-	
	1,115	398	717	
TOTAL ASSETS	1,115	398	717	
LIABILITIES				
Payables	283	48	235	3
Provisions	94	80	14	
	377	128	249	
TOTAL LIABILITIES	377	128	249	
NET ASSETS	738	270	468	
EQUITY				
Capital	570	370	200	4
Accumulated funds	168	(100)	268	
TOTAL EQUITY	738	270	468	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2016-17 BP3 Agency Budget Statements (May 2016), 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 \$520,000 more than budgeted as a result of increased revenue from recovered audit costs and decreased operational expenses, combined with the \$200,000 (refer to Note 4 below) which was not requested to be returned to Treasury as anticipated.
2. Represents six invoices outstanding as at 30 June 2017 primarily for recoverable audit costs.
3. The increase in payables reflects increased costs of outsourced audit services for which invoices were not paid prior to 30 June 2017.
4. The Government provided a \$200,000 cash injection on 30 June 2016 to ensure the cash balance during the end of the financial year was sufficient to meet outstanding invoices.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

22. BUDGETARY INFORMATION (continued)

	2016-17 Actual	2016-17 Original Budget ^(a)	Variance	Note
Cash Flow Statement	\$000	\$000	\$000	
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating receipts				
Appropriation				
Output	3,152	3,152	-	
Receipts from sales of goods and services	2,479	1,455	1,024	1
Total operating receipts	5,631	4,607	1,024	
Operating payments				
Payments to employees	(958)	(955)	3	
Payments for goods and services	(4,025)	(3,652)	373	2
Total operating payments	(4,983)	(4,607)	376	
Net cash from operating activities	648	-	648	
Net increase in cash held	648	-	648	
Cash at beginning of financial year	228	356	(128)	
CASH AT END OF FINANCIAL YEAR	876	356	520	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2016-17 BP3 Agency Budget Statements (May 2016), 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 receipts of recoverable audit fees (GST inclusive) attributable to audits where actual costs were greater than budgeted. Additional receipts were also due to recoverable audit fees from the 2016 FY audit work.
2. The increase in payments of goods and services reflected the additional recoverable audit costs during the year.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of the Northern Territory Auditor-General's Office which comprises the balance sheet as at 30 June 2017, the comprehensive operating statement, statement of changes in equity, cash flow statement for the year then ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the certification of the financial statements.

In our opinion, the financial report of the Northern Territory Auditor-General's Office has been prepared in accordance with the Financial Management Act and Treasurer's Directions, including:

- (a) Giving a true and fair view of the entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the entity in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Accountable Officer's Responsibility for the Financial Report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations), the Financial Management Act and Treasurer's Directions. The Accountable Officer's responsibility also includes such internal control as the Accountable Officer determines is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Accountable Officer is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Accountable Officer either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORT TO THE CHIEF MINISTER OF THE NORTHERN TERRITORY AND THE AUDITOR-GENERAL FOR THE NORTHERN TERRITORY (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by entity.
- Conclude on the appropriateness of Accountable Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

MGI Assurance (SA)

MGI Assurance (SA) Pty Ltd
Chartered Accountants

Eastwood, South Australia
5 September 2017

Clayton Lawrence
Director

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Glossary and Acronyms

AP	Accounts Payable
AR	Accounts Receivable
ARW	Accounts Receivable Wizard
ATO	Australian Taxation Office
Authorised Auditor	A person authorised or appointed under the <i>Audit Act</i> to perform an audit.
Controlled entity	Treasurer's Direction 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 and Information Services
DCIS FOC	Department of Corporate and Information Services, services rendered Free of Charge.
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
GAS	Government Accounting System
LTF	Ledger Transfer Facility
NIPS	Non-Invoice Payment System
NTPS	Northern Territory Public Sector
NTTC	Northern Territory Treasury Corporation
Principal Auditor	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 <i>Audit Act</i> and other Acts of Parliament.
SLA	Service Level Agreement
TRM	Territory Records Manager. Recognised NTG electronic document and records management system.
WHS	Work Health and Safety

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