



Northern Territory Auditor-General's Office

Auditing for Parliament

2017-18 Annual Report

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

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 (NTAGO or 'the Office') for the year ended 30 June 2018.

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

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Auditor-General's Foreword

The Year in Review

It is my pleasure to present the Annual Report of the Northern Territory Auditor-General's Office for the year ended 30 June 2018. This year personnel within the Office coordinated delivery of 136 audit related tasks, three reports to the Legislative Assembly and attendance at approximately 50 audit committee meetings held within agencies. The team also supported me in preparing for appearances before the Estimates Committee, Annual Report Scrutiny Committee and the Public Accounts Committee.

I would like to acknowledge the personnel within the Office, Principal Auditors Sue Cooper and Stacey Kelly, Manager Finance and Corporate Kathryn Carbajosa and Records Management Officer Kaaren Matthewson. I would also like to acknowledge the work performed by former Principal Auditor Natalie Scott who left the Office in January 2018 to take up a career development opportunity interstate. The consistent effort and dedication demonstrated by these individuals has enabled the Office to deliver upon an ambitious audit program as well as continually improve the governance and record keeping practices within the Office.

My thanks to the Authorised Auditors within the private sector to whom the majority of audit tasks are outsourced. The hours contributed by the partners and staff of the seven firms contracted by the Office in order to deliver the audit program are significant and are largely delivered over two three-month periods throughout the financial year.

I would also like to acknowledge the efforts of the Accountable Officers and personnel within the agencies subject to audit. The focus from the broader Northern Territory Government on supporting continuous improvement has been notable this year with new and revised Treasurer's Directions and the new procurement framework becoming embedded together with supporting tools and the development and implementation of new systems such as GrantsNT representing some of the initiatives designed to improve controls and processes and transparency across-government.

The Year Ahead

The expected work program, as presented in Budget Paper No. 3, will deliver 135 audit related tasks during the forthcoming year. The Office will be seeking to determine how increased use of data analytics and emerging technologies can improve the effectiveness and efficiency of audit services.

The triennial review of the Office is scheduled to be completed in November 2018 with recommendations to be considered and implemented for the Office over the following months.

From a governance perspective, the Office will continue to update and introduce policies and guidance designed to enhance consistency across operational procedures and mitigate the risks associated with staff succession in a small agency.



Julie Crisp
Auditor-General

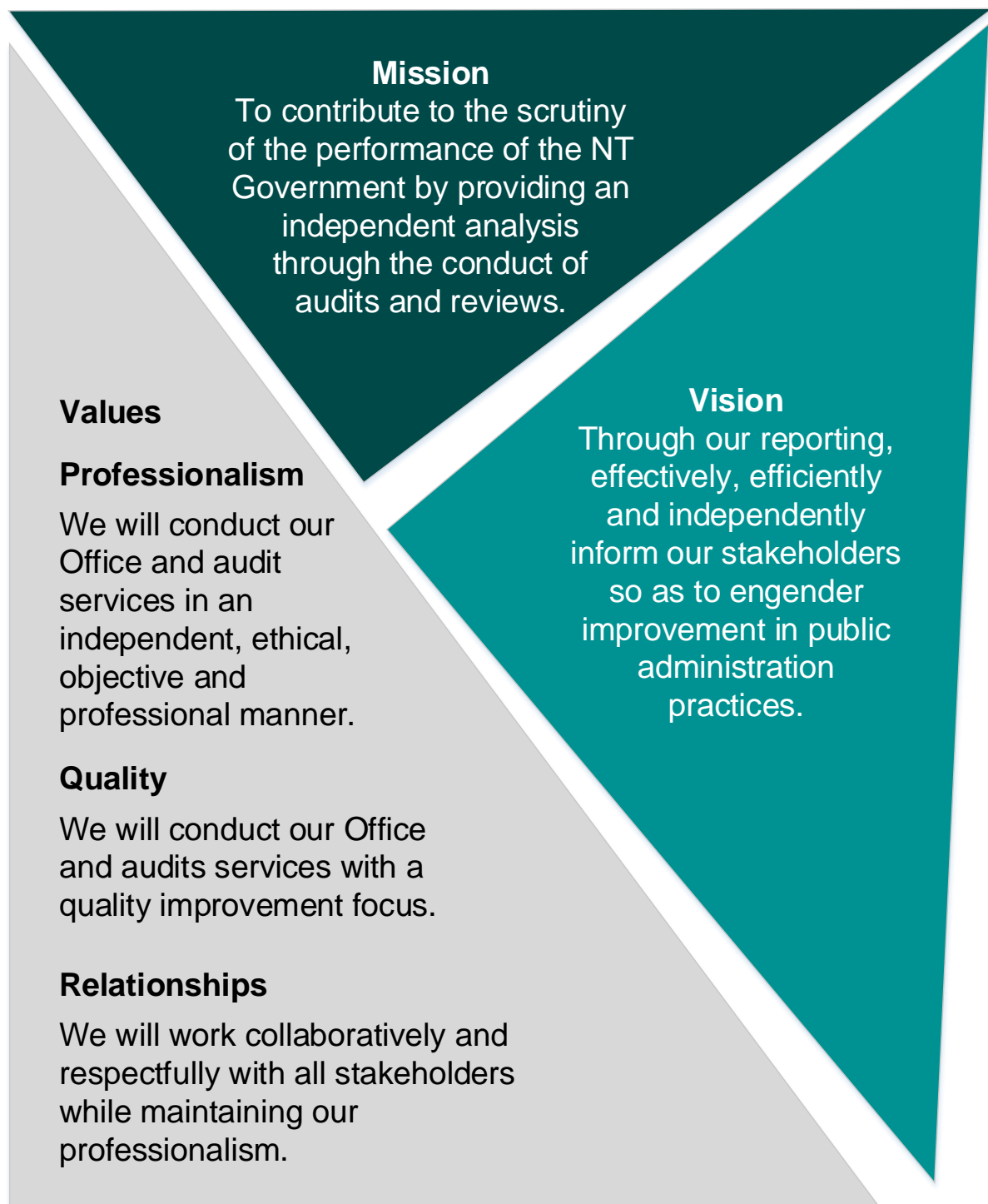
23 October 2018

Our Organisation

2017/18 Highlights and Statistics

Deliverables to Parliament				
August 2017 Legislative Assembly Report	November 2017 Legislative Assembly Report	March 2018 Legislative Assembly Report	Audited Financial Statements for 2016/17	
Audits and Reviews				
61 Financial Statement Audits	49 Compliance Audits	11 Performance Management System Audits	14 Other Audits	1 Public Information Act Review
Stakeholder Engagement				
7 Public Accounts Committee Appearances	2 Estimate Hearings Attended	46 Audit Committee Meetings Attended	Annual Evaluation Feedback with Authorised Auditor Firms	34 NTG Agencies Consulted for Feedback
Finance				
\$26,000 Operating Surplus		99.7% Invoices Paid within 30 Days	7 Local Audit Firms Procured	
People				
5 Full Time Staff		100% Employee Performance Plans Completed	Flexible Work Life Balance Policy	

NTAGO Strategic Plan 2018-2020



The Role of the NT Auditor-General

The Auditor-General's powers and responsibilities are established in section 13 of the *Audit Act* (the Act) by the Northern Territory's Parliament, the Legislative Assembly. 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 the internal control and recognised professional standards and practices”

The Auditor-General is required to report to the Legislative Assembly at least once each year on any matters arising from the exercise of the auditing powers established in that Act. Each report may contain findings from financial statement audits, agency compliance audits, information technology audits, controls and compliance audits, performance management system audits and findings from any special reviews conducted. Results of any reviews of referred information under the *Public Information Act* are included when the reviews are concluded.

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 is assisted by NTAGO Principal Auditors who plan audits and tasks conducted by private sector Authorised Auditors.

Audits are conducted in accordance with the Australian Auditing Standards. These standards are 'principles based' in regard to the 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 Auditor-General is also able to report to management of public sector entities on matters arising from the conduct of audits.

Reports provided to Parliament and public sector managers should be recognised as a useful source of independent analysis of government information, and of the systems and controls underpinning the delivery of that information.

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 within 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.

Independence of the NT Auditor-General

Section 9 of 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.

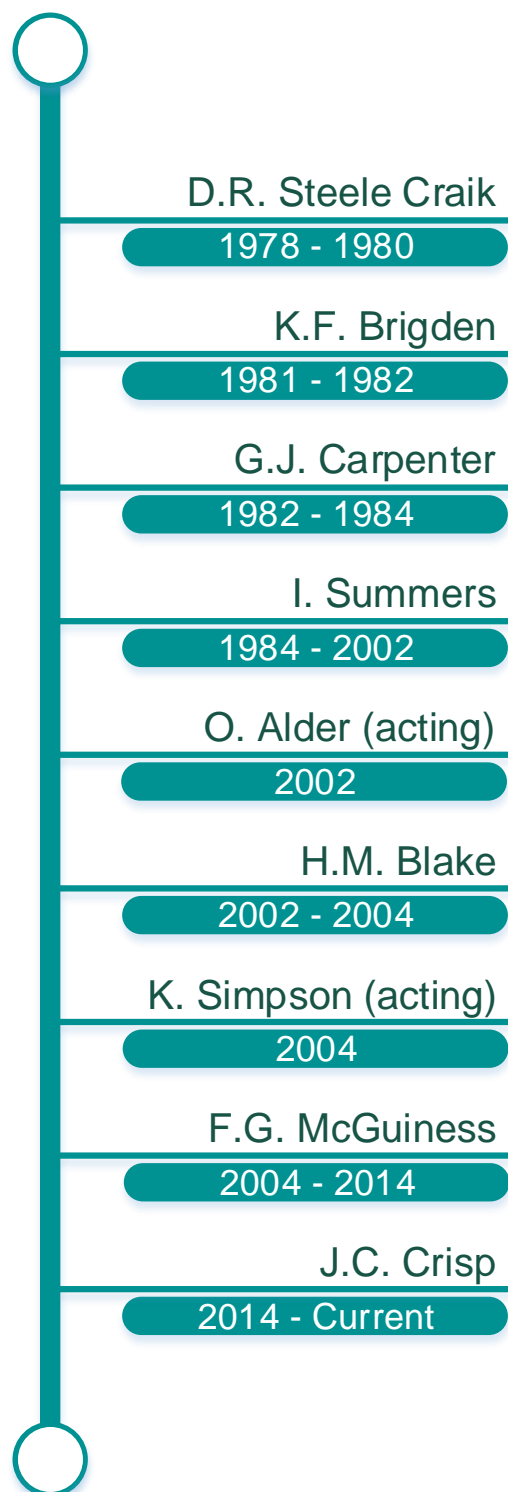
Section 12A requires the Auditor-General to ensure independence to maintain the integrity of the work that is conducted. This ensures that this position is not actually, or perceived to be, influenced by anyone and that the work conducted is independent, impartial and conducted within the public interest.

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.

Our Office

History of the NT Auditor-General's Office

Figure 1 Timeline of Auditors-General in the Northern Territory



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

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 *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.

Structure

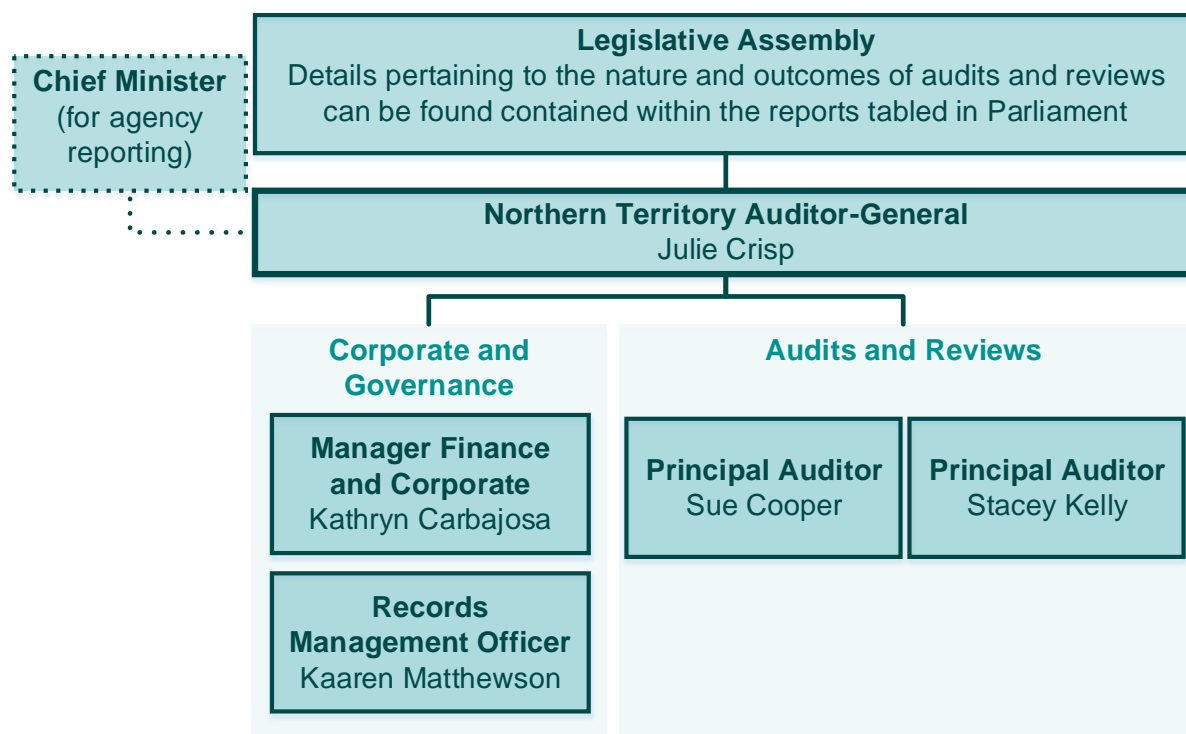
The Office's operational responsibilities attributed to each output group are presented below:

Audits and Reviews	Corporate and Governance
Financial Statement Audit	Financial Management
Compliance Audit	Corporate Governance and Risk Management
Performance Management System Audit	Human Resources
<i>Public Information Act</i> Referrals	Procurement
Data Analytics	Travel
Other Reviews	Records Management
	Information, Communications and Technology
	Work Health and Safety

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 Act, he or she is answerable to the Chief Minister for the stewardship of the public resources provided to the Office.

The 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 continue to comply with relevant legislation, accounting standards, regulations and best practice models.

Figure 2 NTAGO Reporting Structure



Our People

The Office has five positions, three of which are primarily concerned with the audit and review functions and two positions that provide corporate services supporting the Office and its stakeholders.



Julie Crisp

Northern Territory Auditor-General

Julie Crisp was appointed as Auditor-General effective 15 September 2014 by former Administrator, Her Honour, The Honourable 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 is currently a board member of the Auditing and Assurance Standards Board (AUASB), a statutory Commonwealth agency responsible for establishing auditing and assurance standards, and guidance in accordance with the *Australian Securities and Investment Act 2001*, and the *Corporations Act 2001*.

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:

- Board Member, Auditing and Assurance Standards Board (AUASB)
- Registered Company Auditor, Australian Securities and Investment Commission (ASIC)
- Fellow, Chartered Accountants Australia and New Zealand (CAANZ)
- Fellow, CPA Australia
- Fellow, Governance Institute
- Fellow, Chartered Secretaries
- Graduate, Australian Institute of Company Directors
- Professional Member, Institute of Internal Auditors (CIA, CGAP, CRMA)
- Member, Association of Certified Fraud Examiners
- Bachelor of Accountancy, University of South Australia
- Diploma of Government Investigation, College of Law, Education and Training
- Diploma of Government Fraud Control, College of Law, Education and Training



Sue Cooper

Principal Auditor

Sue Cooper was appointed on contract as a Principal Auditor in 2004. Sue is a Chartered Accountant (CAANZ) 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 the Office 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

Stacey Kelly

Principal Auditor

Stacey Kelly commenced with the office in January 2018 with a primary focus on performance management system audits. Stacey is a Chartered Accountant (CAANZ) and had worked for six years in an international professional services firm prior to joining a Northern Territory owned Corporation in October 2012.

During her time with an international professional services firm, Stacey was responsible for undertaking and managing complex financial statement audits, consultancy engagements, internal audits and performance management system audits. It is this combination of professional services experience together with experience in a commercial role which makes Stacey committed to making the audit process valuable and smooth while achieving the regulatory outcome. Stacey is currently a member of the Northern Territory Chartered Accountants' Committee, and joined the committee in 2017.

Stacey's qualifications include:

- Member, Chartered Accountants Australia and New Zealand
- Bachelor of Commerce (Major: Accounting, Minor: International Business), Flinders University Australia





Kathryn Carbajosa

Manager Finance and Corporate Services

Kathryn Carbajosa commenced with the Office in January 2017 after working as a Senior Finance Analyst with a Northern Territory Government agency. Kathryn is a Chartered Accountant (CAANZ) and had worked for an international professional services firm for four years prior to joining the public sector in 2015.

Kathryn manages the Corporate and Governance output group of the Office which involves a broad range of functions including financial management, human resources, procurement, information and communications technology, records management, governance and risk management. Kathryn is primarily responsible for the preparation of the NTAGO 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. In the 2018 financial year, Kathryn was also involved in assisting the Audits and Reviews output group in data analytic tasks on fuel card usage of selected agencies. Kathryn's qualifications include:

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

Kaaren Matthewson

Records Management Officer

Kaaren Matthewson commenced with the Northern Territory Government 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.

Since joining the Office, Kaaren has implemented a cyclical and systematic approach towards the records management function and has contributed towards the reduction of the Office's storage and destruction costs and archival tasks over the years. During 2018, Kaaren has been involved with the updates to the Office Manual and the Office's Records Management and TRM Manual. In addition to records management, Kaaren provides administrative support to the Manager Finance and Corporate through processing of invoices, updating the audit database, corresponding with Authorised Auditors, and other administrative tasks to support all staff within the Office. Kaaren's qualifications include:

- Certificate III in Business Studies, Charles Darwin University



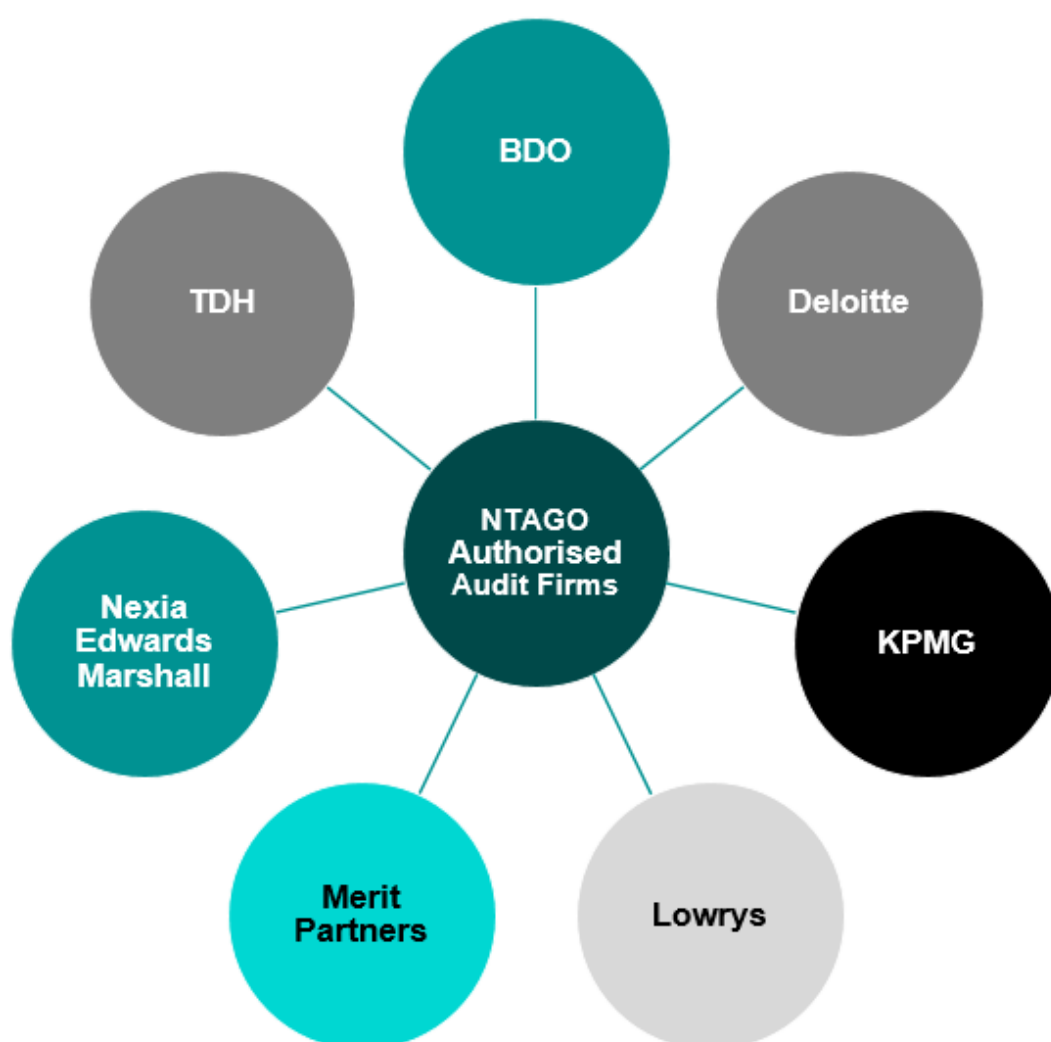
Outsourcing Model

In addition to its internal resources, the NTAGO outsources audit related tasks to seven local audit firms from which Authorised Auditors are drawn, to assist with the delivery of the Auditor-General's mandate. The outsourced model addresses both the difficulty faced by the Office in attracting and retaining appropriately qualified auditors and the intent of the Government of the day to support the presence and growth of private sector audit firms.

Authorised Auditors are appropriately qualified and experienced persons who are appointed by the Auditor-General pursuant to section 17 of the Act. 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 establishing the audit program, planning, preparation of guidelines for audit assignments, information support, managing the contracts with private sector firms and conducting some audits in-house.

Authorised Auditors were drawn from the following Northern Territory-based firms during the year:

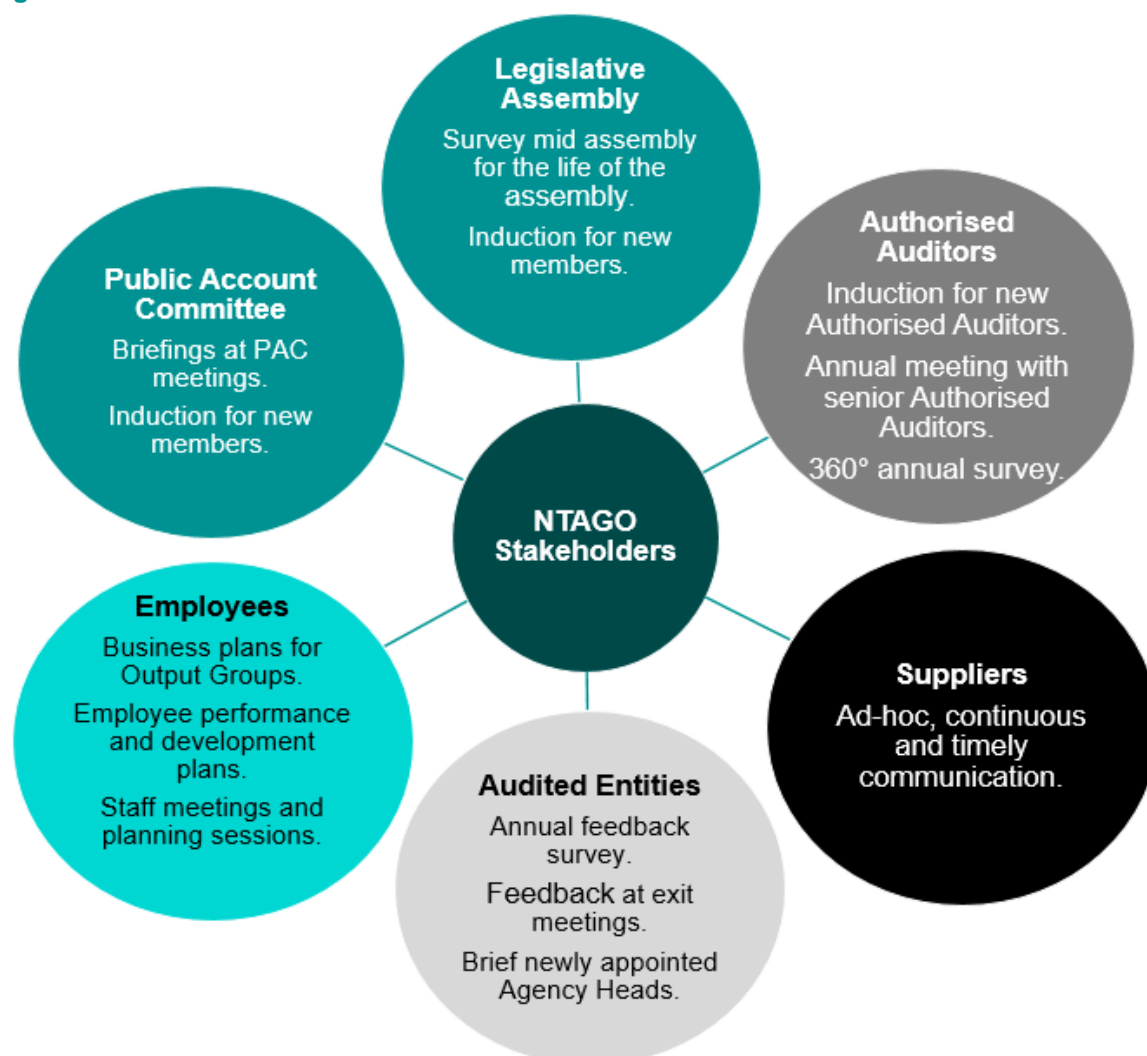
Figure 3 NTAGO Authorised Auditor firms



Communication Framework

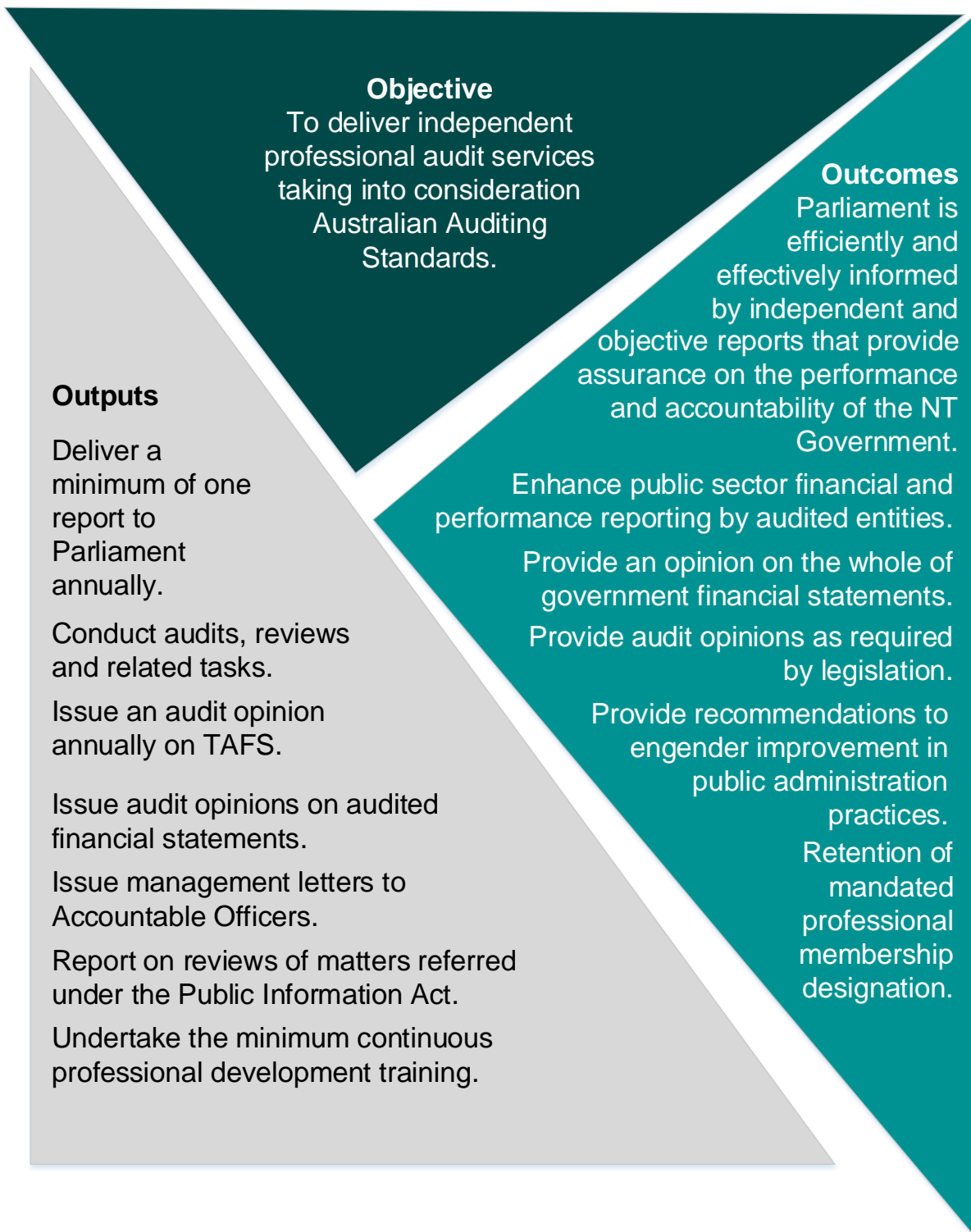
A communication framework was developed for the Office that addresses communication requirements for stakeholder groups. The communications framework was implemented in the 2016 financial year to become the basis for regular communication with all stakeholder groups.

Figure 4 Communication framework



Output Group: Audits and Reviews

Business Plan



Key Activities

The Act requires the Auditor-General to conduct the following audits:

- Audit of Public Sector entities including Whole of Government accounts (section 13);
- Audit of a specific aspect as directed by the Minister (Section 14);
- Audit of performance management systems (Section 15); and
- Audit of the Treasurer's Annual Financial Statement (TAFS) (Section 25).

The types of audits conducted through the Auditor-General's Office are described below:

Statutory Financial Statements Audits

Statutory audits of financial statements are conducted on the full financial reports of government business divisions, government owned corporations and other government controlled entities that prepare statutory financial statements.

Information Technology Audits

Information technology audits are undertaken as stand-alone audits of key agency or across-government systems. Each of the systems selected for audit plays an important role in processing data and providing information for the purposes of financial management and, more particularly, for the purposes of financial reporting and the preparation of the TAFS.

End of Year Reviews

The End of Year Review provides an audit focus on year end balances particularly within agencies. The nature of the review is determined annually whilst planning the audit of the TAFS, but includes testing of transactions occurring around year end to provide a degree of confidence about the data provided to Treasury and which will form part of the overall reporting on the Public Account.

Controls and Compliance Audits

Controls and Compliance Audits are conducted of selected systems or accounting processes to determine whether the systems and processes achieve compliance with legislated or otherwise mandated requirements. These audits contribute to the audit of the Public Account.

Performance Management System Audits

The audit process determines whether existing systems or practices, or management controls over systems, are adequate to provide relevant and reliable performance information that will assist intended users of the information to make decisions relating to accountability and achieving results. These audits are also intended to contribute to the audit of the Public Account.

Audits are conducted in accordance with Australian Auditing Standards. Those standards are issued by the Australian Auditing and Assurance Standards Board, a Commonwealth statutory body established under the *Australian Securities and Investments Commission Act 2001*. Auditing Standards issued by the Board have the force of law in respect of audits of corporations that fall within the ambit of the *Corporations Act 2001*, and is also required by the *Audit Act*.

Key Performance Indicators

The NTAGO commenced 136 audit tasks in 2017/18, of which 129 were outsourced and seven were allocated to internal resources. Overall actual results compared to budget estimates show that the number of audits commenced during the 2017/18 year was more than the planned budgeted activity. Of the five additional audit tasks, three were performed through internal resources.

Figure 5 Reporting of KPIs as presented in Budget Paper No. 3 on May 2016

Audits and Review	2017/18 Budget	2017/18 Actual	Variance
Statutory audits	106	110	4
Other audits (1)	22	25	3
Reviews (2)	3	1	-2
Total	131	136	5
Percentage of audit opinion issued within agreed timeframes	100%	100%	0%

1. Includes audits directed at agencies' performance management systems, data analytic tasks, audits of financial statements prepared to acquit third-party funding and other audit tasks.
2. Includes reviews of referred information under the *Public Information Act* and is dependent on the number of referrals from external parties.

The increase in the number of statutory audits was due to CDU Amenities Pty Ltd acquiring subsidiaries requiring separate audit opinions to be issued for the year ended 31 December 2017. Additional other audits were performed during the year through internal resources. The number of reviews of information under the *Public Information Act* (PIA) was less than budgeted and is dependent on the number of referrals from external parties.

The Office also monitors other key performance indicators not specifically included in the Budget Papers. These KPIs were as follows, including a summary of the results achieved in 2017/18.

Figure 6 Audits and Reviews KPIs as included in the NTAGO Strategic Plan 2018-2020

Key Performance Indicator	Results for 2017/18
Number of reports to the Legislative Assembly (at least one a year)	Three reports were delivered to the Legislative Assembly and tabled in August 2017, November 2017 and March 2018.
Number of presentations delivered to the Public Accounts Committee (PAC)	The Auditor-General provides a presentation to the Public Accounts Committee (PAC) on the key findings included in each of the report delivered to the Legislative Assembly. The Auditor-General appeared on seven occasions before the PAC during the year.
Conduct annual surveys from PAC, Authorised Auditors and audited entities.	Feedback was sought from 34 agencies and seven audit firms following the conclusion of the financial year. Members of the PAC provided feedback to the Auditor-General throughout the year.
Conduct annual briefings to Authorised Auditors and audited entities.	Annual briefings were provided to the five audit firms from the previous audit contract in December 2017, as well as to NTG agencies in February 2018. Two new local firms were included in the new audit contract resulting in briefings and inductions to these new firms on separate occasions conducted in March 2018.
Inductions provided to new Members of the Legislative Assembly and PAC	No new Members joined the Legislative Assembly during the year.
Inductions provided to new Accountable Officers of NTG agencies	Two introductory meetings were held between the Auditor-General and newly appointed Accountable Officers.
Number of hours of continuous professional development training attended.	The total number of professional development hours undertaken by the Auditor-General and Principal Auditors are recorded and monitored individually by each officer and exceeded the minimum number of hours required for their professional qualifications.

Reflection on 2017-18

During 2017/18, the Office finalised four audit tasks carried forward from 2016/17 and their findings were included in subsequent reports tabled to Parliament as detailed below:

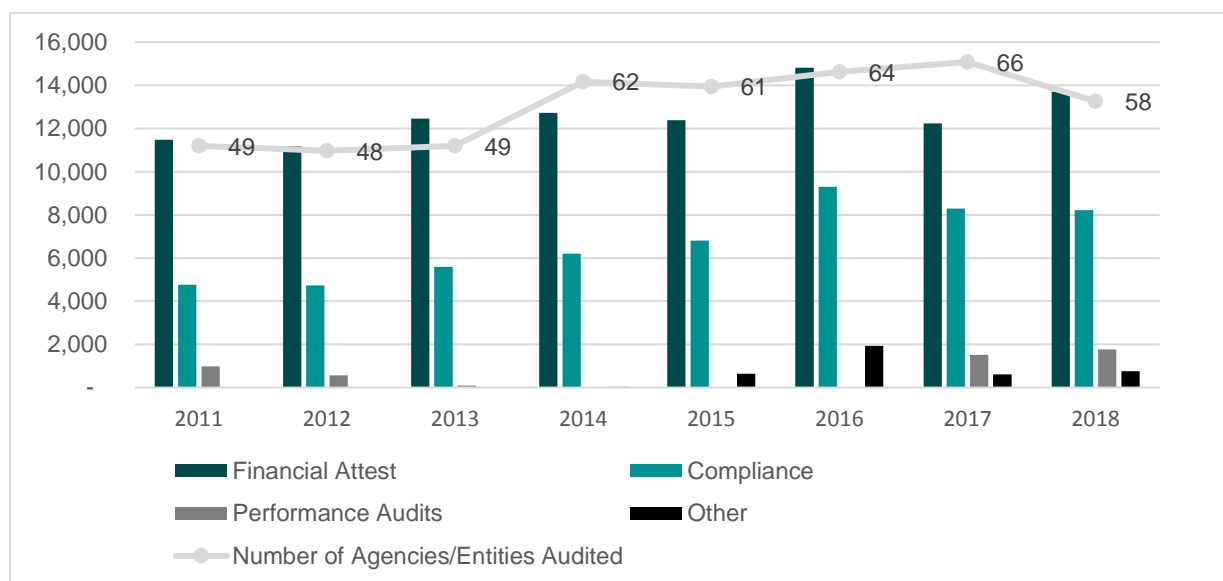
- Financial Statement Audit – IT Support – Motor Accidents (Compensation) Commission (included in the November 2017 report)
- Performance Management System Audit – Indigenous Employment Provisional Sum Scheme – Department of Infrastructure, Planning and Logistics (included in the November 2017 report)
- Performance Management System Audit – Managing the Mental Health of Police – NT Police, Fire and Emergency Services (included in the March 2018 report)
- Performance Management System Audit – Governance Framework – Lighthouse – Selected Agencies (included in the March 2018 report)

Of the 136 new audits and reviews that commenced during the 2017/18 year, 132 audit tasks were finalised by 30 June 2018. The four audit tasks remaining were finalised in 2018/19 and their findings were included in the recently tabled August 2018 report to the Legislative Assembly. Details pertaining to these four audit tasks are presented below:

- Compliance Audit – Agency Compliance Audit – Department of Infrastructure, Planning and Logistics (included in the August 2018 report)
- Performance Management System Audit – Palmerston Regional Hospital – construction progress – Department of Health (included in the August 2018 report)
- Performance Management System Audit – Darwin Ship Lift – Department of Trade, Business and Innovation (included in the August 2018 report)
- *Public Information Act* referral from the Leader of the Opposition – Email related to GST Funding (included in the August 2018 report)

The Office therefore completed a total of 136 audit tasks during the 2017/18 year, compared to last year's 138 audit tasks. A total of 24,448 hours of audit activity was delivered.

Figure 7 Authorised audit hours by audit type 2010/11 to 2017/18



During the 2017/18 period, 58 entities were audited compared to 66 in the 2016/17 period.

Our Audited Entities

- Aboriginal Areas Protection Authority
- Batchelor Institute of Indigenous Tertiary Education
- Board of the Museum and Art Gallery of the Northern Territory
- Cairns Business College Pty Ltd
- Cairns Education Australia Pty Ltd
- Cairns Language Centre Pty Ltd
- CDU Amenities Limited
- Central Australia Health Service
- Charles Darwin University
- Charles Darwin University Charitable Trust
- Charles Darwin University Foundation
- Cobourg Peninsula Sanctuary and Marine Park Board
- Darwin Waterfront Corporation
- Data Centre Services
- Department of Corporate and Information Services
- Department of Education
- Department of Environment and Natural Resources
- Department of Health
- Department of Housing and Community Development
- Department of Infrastructure, Planning and Logistics
- Department of Primary Industry and Resources
- Department of the Attorney-General and Justice
- Department of the Chief Minister
- Department of the Legislative Assembly
- Department of Tourism and Culture
- Department of Trade, Business and Innovation
- Department of Treasury and Finance
- Desert Knowledge Australia
- ICHM Pty Ltd
- Indigenous Essential Services Pty Ltd
- Jabiru Town Development Authority
- Land Development Corporation
- Legislative Assembly Members' Superannuation Fund
- Menzies School of Health Research
- Menzies School of Health Research Foundation Limited
- Motor Accidents (Compensation) Commission
- Nitmiluk (Katherine Gorge) National Park Board
- Northern Territory Electoral Commission
- Northern Territory Government and Public Authorities Employees' Superannuation Fund
- Northern Territory Grants Commission
- Northern Territory Legal Aid Commission
- Northern Territory Major Events Company Pty Ltd
- Northern Territory Police Supplementary Benefit Scheme
- Northern Territory Police, Fire and Emergency Services
- 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
- Power and Water Corporation
- Our Audited Entities

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

Of the 136 new audits, reviews and audit related tasks conducted through the Office during the 2017/18 financial year, seven were conducted 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.

Figure 8 Tasks and hours attributed to Office personnel

Type	Hours – 2016/17	Hours – 2017/18
Compliance Audit	224	0
Performance Management System Audit	36	0
Other – Analytics	147	279
<i>Public Information Act</i> Referrals	72	39
Other – Miscellaneous	186	0
Total	665	318
Notional Cost at Equivalent Industry Outsourced Rate	\$191,111	\$91,169

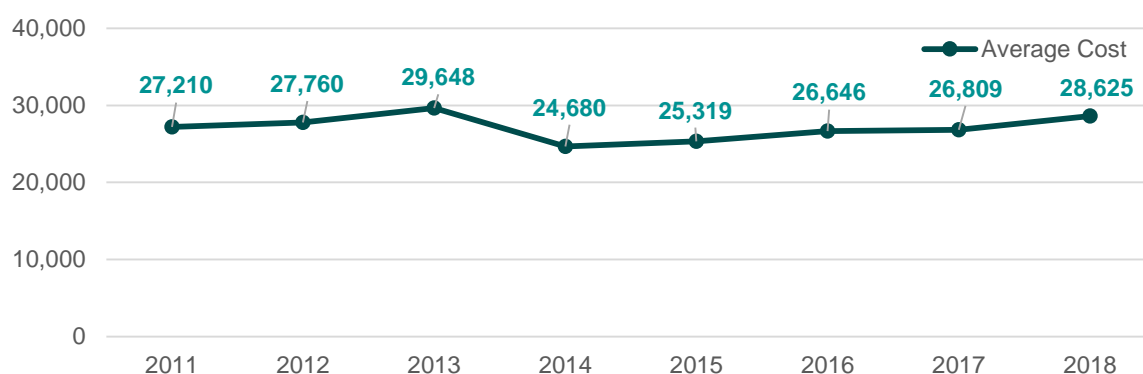
If industry equivalent rates were applied to these hours, the value, if outsourced, for the 2017/18 year would have been \$91,169 (2016/17 \$191,111). To enable comparison of the Office’s performance over consecutive years, only outsourced audit costs have been included within the analysis for the Output Group: Audits and Reviews within this Annual Report.

Expenses incurred in 2017/18 for Authorised Auditors as a result of the Office’s outsourcing arrangements with private audit firms amounted to \$3.893 million compared to \$3.780 million for the 2016/17 year.

Figure 9 Authorised audit costs (in dollars), number of audits and average cost per financial year

	2011	2012	2013	2014	2015	2016	2017	2018
Total Cost \$'000	2,911	2,915	2,994	3,085	3,216	4,210	3,780	3,893
No. of Audits	107	105	101	125	127	158	141	136
Average Cost	27,210	27,760	29,648	24,680	25,319	26,646	26,809	28,625

Figure 10 Average audit cost trend



The change in the cost of audits from 2016/17 to 2017/18 represents a 3% increase in total cost following a 10% decrease in the prior year. The average cost continues to increase marginally with a 7% increase after the 2013/14 decrease of 17%.

The increase in total cost and average cost is primary due to the increase in hourly rates charged for an audit. The Auditor-General's office conducts its audits using an outsourcing model involving local audit firms. The procurement of a panel of audit firms for the audit contract is conducted once every three years, with the current panel contract effective from 2 January 2018 to 1 January 2021. The financial year ending 30 June 2018 is the first year under the new contract.

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 seen in prior years is reflective of efforts made by the entities to produce sufficient, appropriate support for reported financial balances and results.

The increase in average cost in 2017/18 is due to an increased number of specialist information technology audits performed in 2017/18. Specialist audits, such as information technology audits, requires a specialist skill set and results in a higher average hourly rate. In 2017/18 my office contracted 13 information technology audits totalling 1,134 hours compared to 10 information technology audits performed in 2016/17 with a total of 851 hours. Whilst a number of information technology audits are conducted annually to support the financial statement audits, additional audits and the systems subject to audit vary between years and are selected based on the perceived impacts associated with the risk of breakdowns or shortcomings in information system controls. In addition to those information systems audits conducted annually, the following information systems were subjected to audit during the 2017/18 year:

- Department of Attorney-General and Justice – Licensing and Compliance System
- Department of Corporate and Information Services – Asset Management System
- Department of Corporate and Information Services – Governance over Cloud Services
- Department of Health – eBilling
- Department of Housing and Community Development – Tenancy Management System
- Department of Treasury and Finance – APEX.

Financial Statement Audits

Financial Statement audits include Statutory Financial Statements and Information Technology 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.

The TAFS provides information about the financial performance and position of the Territory Government. The Auditor General is required to audit the TAFS in accordance with Section 25 of the *Audit Act*. The TAFS consist of the consolidated figures from:

- General Government Sector;
- Public Non-Financial Corporations; and
- Public Financial Corporations.

Statutory bodies, Government Owned Corporations and Government Business Divisions are required by various Acts of Parliament to prepare annual financial statements and to submit those statements to the Auditor-General for audit. Those statements are audited and audit opinions issued accordingly. The opinions are included in the various entities' annual reports that are tabled in the Legislative Assembly.

In addition, the Northern Territory Government controls, either directly or indirectly, a small number of companies that have been incorporated pursuant to the Commonwealth *Corporations Act* 2001. These audits are performed subject to the provisions of the Commonwealth legislation, with the Auditor-General being deemed by the *Corporations Act* 2001 to be a Registered Company Auditor.

Statutory bodies audited in 2017/18 include:

Entities with their Own Legislation subject to audit during 2017/18 include:

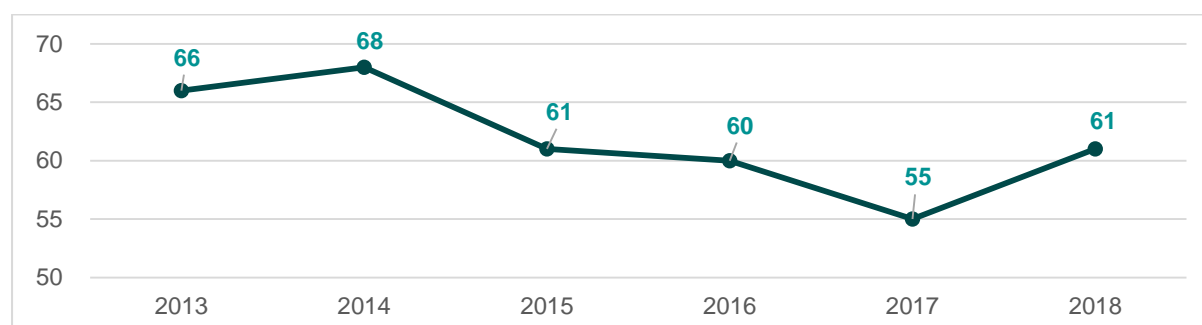
- | | |
|---|---|
| • Cairns Business College Pty Ltd | • Menzies School of Health Research |
| • Cairns Education Australia Pty Ltd | • Menzies School of Health Research Foundation Limited |
| • Cairns Language Centre Pty Ltd | • Nitmiluk (Katherine Gorge) National Park Board |
| • CDU Amenities Limited | • Northern Territory Government and Public Authorities Employees' Superannuation Fund |
| • Charles Darwin University | • Northern Territory Grants Commission |
| • Charles Darwin University Charitable Trust | • Northern Territory Police Supplementary Benefit Scheme |
| • Charles Darwin University Foundation | • Office of the Public Trustee for the Northern Territory |
| • Cobourg Peninsula Sanctuary and Marine Park Board | • Surveyors Board of the Northern Territory of Australia |
| • ICHM Pty Ltd | |
| • Jabiru Town Development Authority | |
| • Legislative Assembly Members' Superannuation Fund | |

Government Owned Corporations, Government Business Divisions and other entities audited in 2017/18 (that consolidate into TAFS and receive their own opinion) include:

- Batchelor Institute of Indigenous Tertiary Education
- Board of the Museum and Art Gallery of the Northern Territory
- Central Australia Health Service
- Darwin Waterfront Corporation
- Data Centre Services
- Desert Knowledge Australia
- Indigenous Essential Services Pty Ltd
- Land Development Corporation
- Motor Accidents (Compensation) Commission
- Northern Territory Legal Aid Commission
- Northern Territory Major Events Company Pty Ltd
- Northern Territory Treasury Corporation
- NT Build
- NT Fleet
- NT Home Ownership
- Power and Water Corporation
- Power Generation Corporation (Territory Generation)
- Power Retail Corporation (Jacana Energy)
- Territory Wildlife Parks
- Top End Health Services

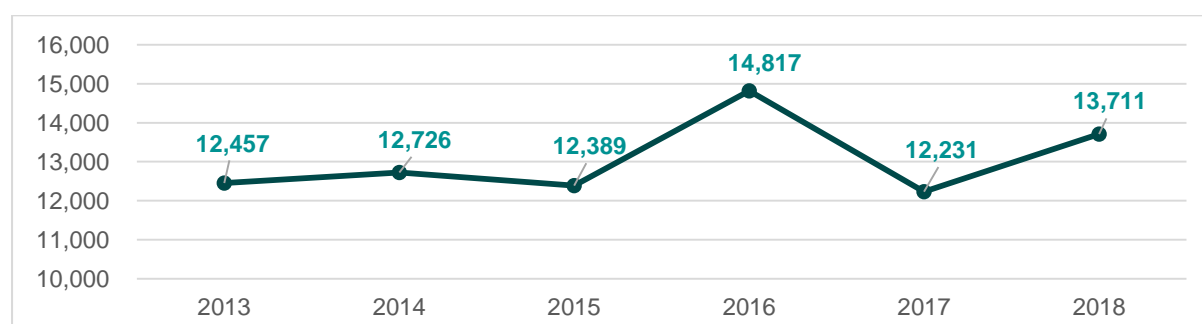
In 2017/18, 61 new financial statement audits were scheduled and one audit that was carried forward from 2016/17 was completed. The 2016/17 year reported 55 new financial statement audits scheduled with five audits carried forward from 2015/16. The increase of six new audits is due to performing audits of the additional entities purchased by CDU Amenities Pty Ltd and the Menzies School of Health Research Foundation Ltd.

Figure 11 Number of new financial statement audit task assignments issued



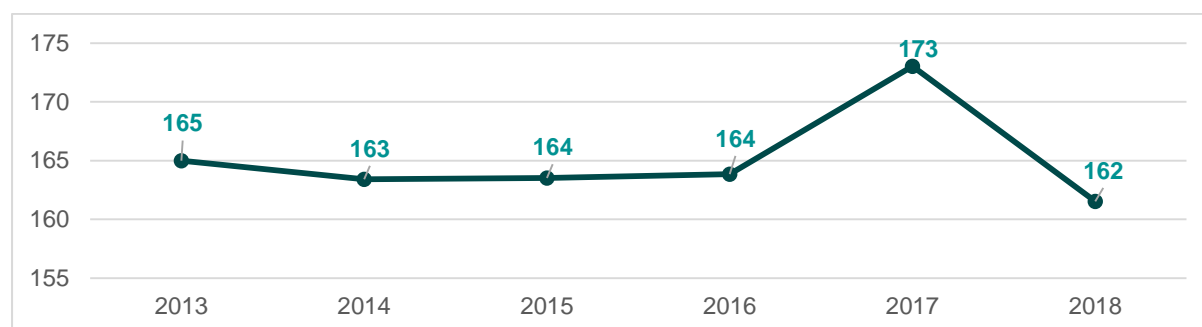
The number of audit hours allocated to financial statement audits for 2017/18 was 13,711 hours, an increase of 1,480 hours (12%) from the prior year. The increase in hours has resulted primarily from the additional six audits completed in 2017/18 compared to 2016/17.

Figure 12 Audit hours allocated to new financial statement audits



The weighted average cost of providing financial statement assurance for 2017/18 was \$167 per hour, in line with average cost seen prior to the spike in 2016/17. 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.

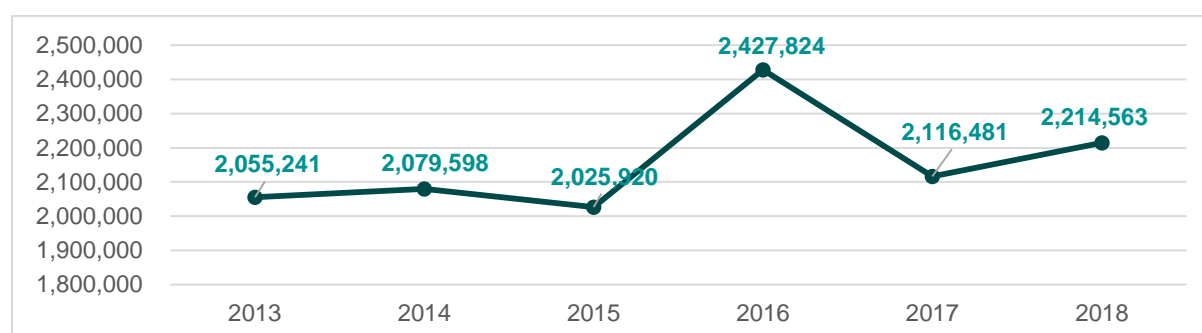
Figure 13 Weighted average cost per hour for new financial statement audits (\$)



The total cost related to undertaking new financial statement audits was \$2.214 million for the 2017/18 year representing an increase of \$0.098 million from the prior year cost of \$2.116 million. The increase is consistent with the above analysis and the additional financial statement audits for the entities acquired by CDU Amenities Pty Ltd and the Menzies School of Health Research Foundation Ltd. The cost of the additional six audits is offset by an increase in the audit costs recovered as seen in the financial statements.

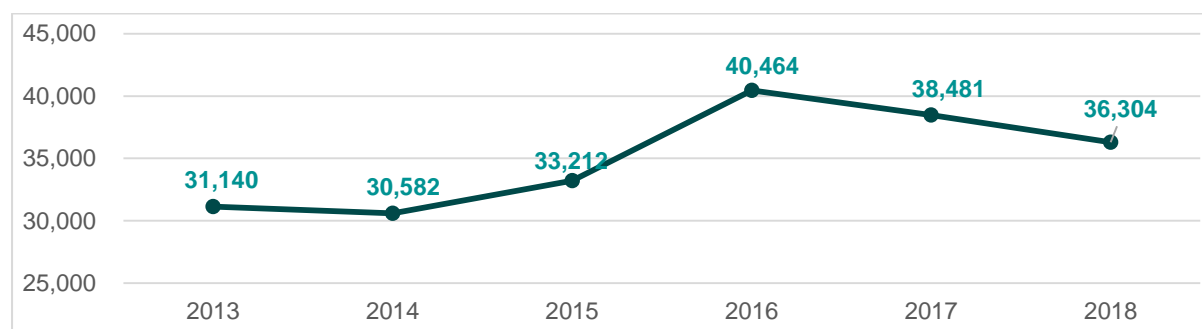
The costs of auditing financial statements in 2015/16 represented an anomaly as they were 20% higher than 2014/15 and prior years as a result of additional resources applied to auditing entities in the utilities sector following structural separation.

Figure 14 Cost of undertaking new financial statement audits



The average cost of audits conducted continues to decrease since the spike in 2015/16 attributable to additional resources required to audit the utility sector entities following structural separation. The average cost has decreased by 10% over the past two years.

Figure 15 Average cost of new financial statement audits



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 Government Sector is divided into separate agencies providing services to the public. 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 TAFS which is subject to audit within the Public Account.

In order to form an opinion on the TAFS, agency compliance audits and end of year reviews 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.

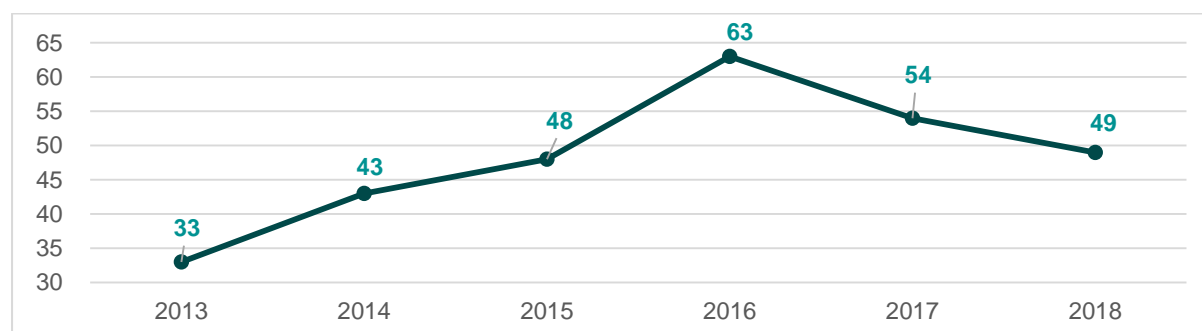
The annual financial statements of agencies are not subject to individual audit and thus no audit opinion is issued on their annual financial statements.

Agencies subject to audits in 2017/18 (as part of TAFS Audit) include:

- Aboriginal Areas Protection Authority
- Department of Corporate and Information Services
- Department of Education
- Department of Environment and Natural Resources
- Department of Health
- Department of Housing and Community Development
- Department of Infrastructure, Planning and Logistics
- Department of Primary Industry and Resources
- Department of the Attorney-General and Justice
- Department of the Chief Minister
- Department of the Legislative Assembly
- Department of Tourism and Culture
- Department of Trade, Business and Innovation
- Department of Treasury and Finance
- Northern Territory Electoral Commission
- Northern Territory Police, Fire and Emergency Services
- Office of the Commissioner for Public Employment
- Ombudsman's Office
- Territory Families

In the 2017/18 reporting period 49 new compliance audits were scheduled, one compliance audit was not completed in 2017/18. The carried over audit was subsequently completed in 2018/19 and the results were included in the August 2018 Legislative Assembly report.

Figure 16 Number of new compliance audit task assignments issued



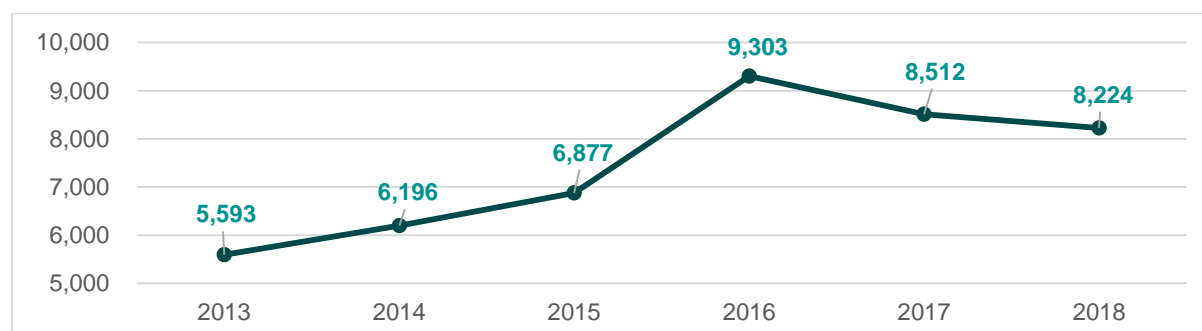
The amount of compliance audits undertaken are directly affected by the number of agencies that are consolidated into the TAFS. In 2017/18 we continued to see the effects of the Machinery of Government (MOG) reductions in agencies with 39 audits undertaken compared to 46 audits in 2016/17 as agency amalgamations took effect from September 2016.

In addition to the agency compliance audits, the Auditor-General undertakes audits of key systems on a rotational basis. In 2017/18, six compliance focused information technology systems audits were undertaken compared to eight in 2016/17. The compliance information technology system audits performed in 2017/18 were:

- Asset Management System
- eBilling System
- Tenancy Management System
- Licensing and Compliance System
- Revenue Systems
- Governance over Cloud Services

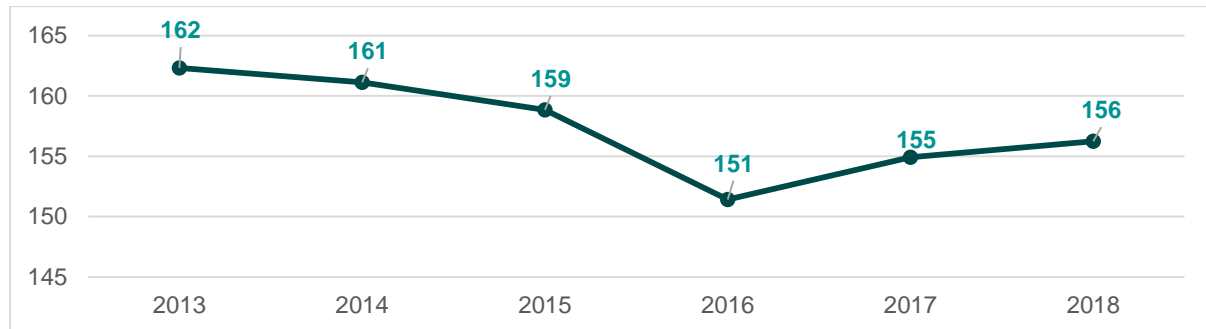
During the 2017/18 year, compliance audit activity utilised 8,224 audit hours, compared to 8,512 in the previous year. This represents a less than 1% decrease however average hours taken to complete an audit in 2017/18 required 168 hours compared to 153 in 2016/17. Hours required to complete an audit are affected by the nature of the audit and the size of the entity. The MOG changes initially result in an increase in complexity and size of agencies requiring additional hours per audit. The additional hours per audit are largely offset by the need to audit a fewer number of agencies.

Figure 17 Audit hours allocated to new compliance audits



The weighted average cost per hour has decreased from the 2016/17 year however remains slightly higher than that the initial decrease seen in 2015/16. The average cost is consistently less than the cost of a financial statement audit. Compliance audits are generally non-complex and can largely be completed by more junior Authorised Auditors. The fluctuation in weighted average cost per hour is largely attributable to the mix of Authorised Auditors allocated to each compliance audit.

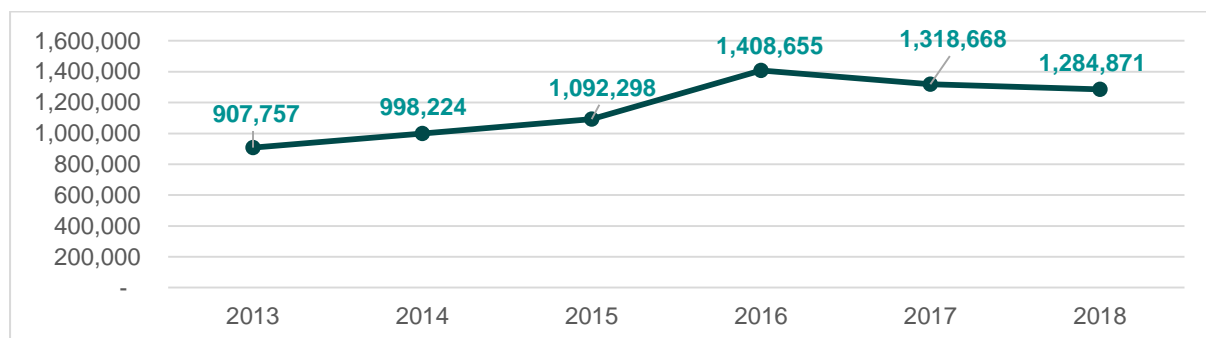
Figure 18 Weighted average cost per hour for new compliance audits



As reported above, the number of compliance audits and the costs to undertake the compliance audits continued to decrease in the 2017/18 year due to MOG changes reducing the number of agencies and hence the number of audits required.

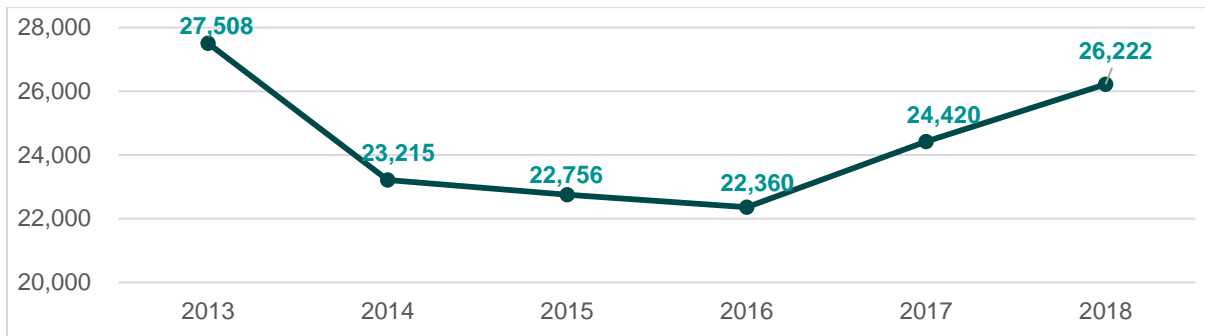
The number of compliance audits performed decreased from 63 in 2015/16, to 54 in 2016/17 and to 49 in 2017/18. This represents a 22% decrease in the number of audits performed over the two year period compared to a 9% drop in cost over the same period. Whilst the number of audits reduced, the cost has 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.

Figure 19 Cost of undertaking new compliance audits



Consistent with the analysis above, the average cost per new compliance audit of \$26,222 in 2017/18 was higher than the average cost per new compliance audit of \$24,420 in the 2016/17 year.

Figure 20 Average cost of new compliance audits



At the conclusion of each compliance audit, the Auditor-General provides a management report that is addressed to the Chief Executive Officer. The management report sets out any significant issues identified during the audit and provides recommendations for improving the entity's controls, systems and processes.

Performance Management System Audits

A Chief Executive Officer, as an Accountable Officer, is responsible to the appropriate Minister under section 23 of the *Public Sector Employment and Management Act* for the proper, efficient and economic administration of his or her agency. Performance management system audits are intended to establish whether appropriate systems exist and are effective in enabling agencies to manage their outputs.

The Northern Territory Auditor-General's Office has developed a framework for its approach to the conduct of performance management system audits, which is based on the premise that an effective performance management system would contain the following elements:

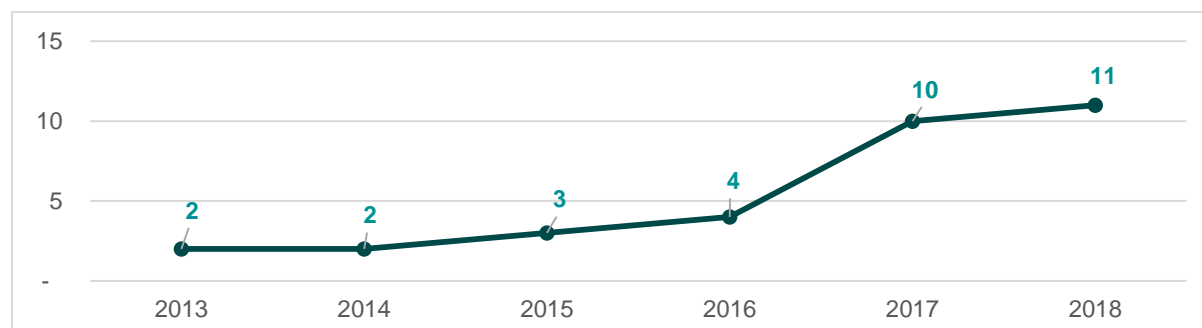
- identification of the policy and corporate objectives of the entity;
- incorporation of those objectives in the entity's corporate or strategic planning process and allocation of these to programs of the entity;
- identification of what successful achievement of those corporate objectives would look like, and recording of these as performance targets;
- development of strategies for achievement of the desired performance outcomes;
- monitoring of the progress toward that achievement;
- evaluation of the effectiveness of the final outcome against the intended objectives; and
- reporting on the outcomes, together with recommendations for subsequent improvement.

During the 2017/18 year, 11 new performance management system audits were scheduled and two audits were carried forward from the previous year. The following audits were scheduled in 2017/18:

- Evaluation of performance management systems at the Department of Health
- Evaluation of performance management systems at Territory Families
- Evaluation of performance management systems at the Department of Primary Industry and Resources
- Alice Springs Town Camp Tenancy Management Contract at the Department of Housing and Community Development
- Berrimah Farm Redevelopment at the Department of Infrastructure, Planning and Logistics
- Grants Management System - progress of whole of government system at the Department of Corporate and Information Services
- Grants Management System - agency system at the Department of Tourism and Culture
- Grants Management System - agency system at the Department of the Chief Minister
- Palmerston Regional Hospital - implementation of recommendations from PAC hearing at the Department of Trade, Business and Innovation
- Palmerston Regional Hospital - construction progress at the Department of Health
- Darwin Ship Lift at the Department of Trade, Business and Innovation

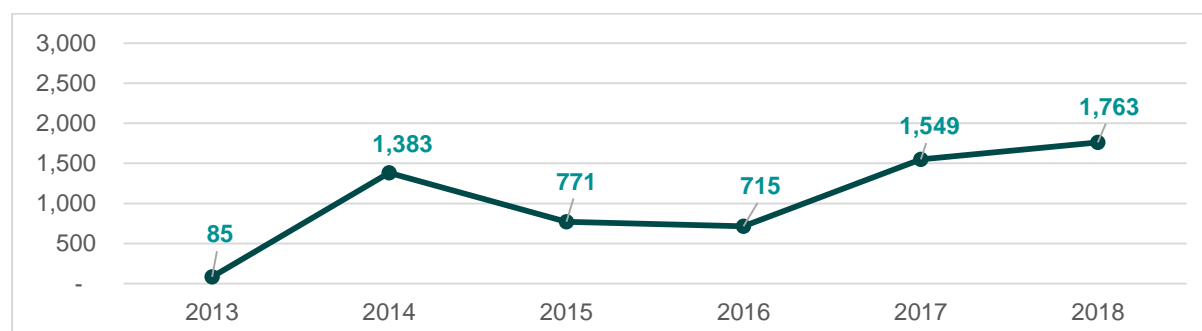
Of the 13 performance management system audits, 11 were completed and two were carried over and completed in the 2017/18 financial year. The results of the two audits carried over were included in the August 2018 Legislative Assembly report. Of the new performance management system audits, ten were outsourced and one was conducted in-house.

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



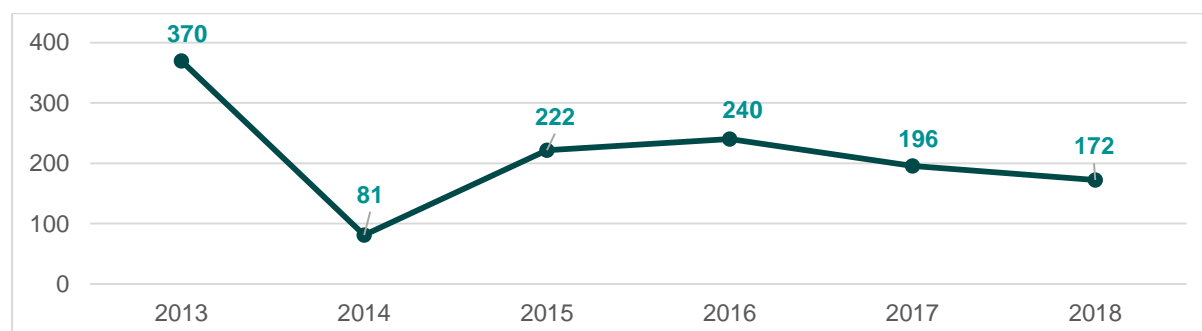
During the 2017/18 period, actual performance management system audit hours were 1,763, an increase of 214 hours (14%). This is a direct result of conducting 11 audits in 2017/18 compared to ten in 2016/17.

Figure 22 Audit hours allocated to new performance management system audits



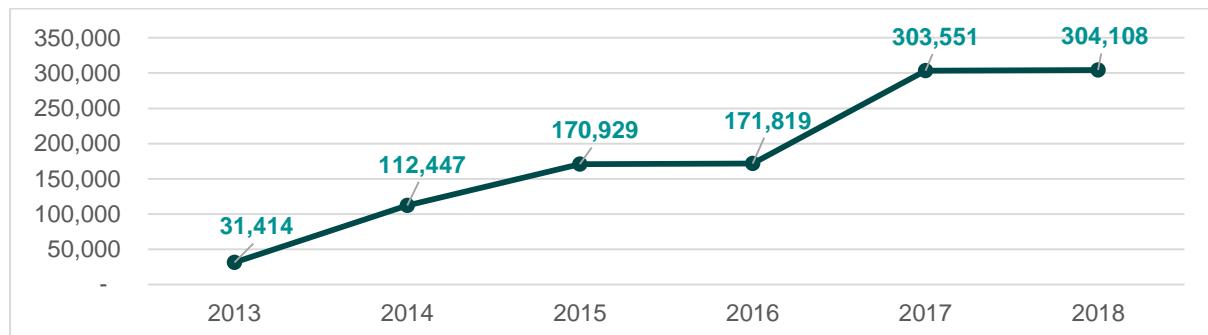
Performance management system audits are more complex and require more experienced staff, as a result the weighted average cost is consistently higher than other audits.

Figure 23 Weighted average cost per hour for new performance management system audits



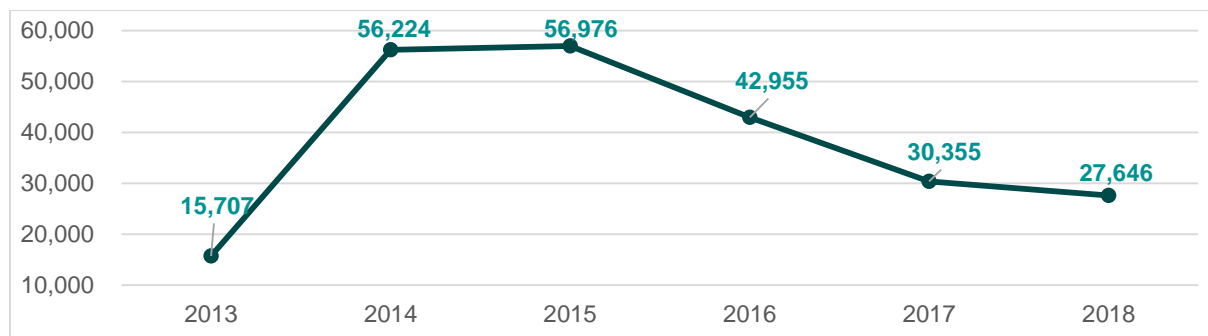
The cost of delivering the performance management audit program remained consistent with the prior year. The total cost is driven by the number of audits and the proportion of audits performed in-house or by Authorised Auditors.

Figure 24 Cost of undertaking new performance management system audits



The average cost of a performance management system audit decreased from the prior year by \$2,709 (9%).

Figure 25 Average cost of new performance management system audits



Performance management system audits result in the Auditor-General providing a management report that is addressed to the Chief Executive Officer. The management report forms a conclusion regarding the existence and effectiveness of systems in place within agencies to determine whether outcomes are being delivered effectively, economically and with efficiency. In addition, the management report sets out any significant issues identified during the audit and provides recommendations for improving the entity's controls, systems and processes.

Other Audits

The Office conducts other categories of audits including acquittals and reviews. During the 2017/18 period, 14 new financial statement acquittals, analytics or special reviews were conducted. Of the 14, nine were outsourced and five were conducted in-house. All 14 were completed within 2017/18 and one acquittal was carried over and completed in 2018/19.

Public Information Act Reviews

In addition to the *Audit Act* the Auditor-General has obligations to carry out reviews in accordance with the *Public Information Act*.

The *Public Information Act* requires the Auditor-General, upon receipt of a written request of an Assembly member, or on the Auditor-General's initiative, to conduct a review of particular public information to determine whether the Act is contravened in relation to the information. If review of the information suggests a contravention, the Auditor-General issues a preliminary opinion to the public authority that gave the relevant public information. When preparing the resultant opinion and report, any comments provided by the public authority following the preliminary opinion are taken into account. The associated reports are included in my reports to the Legislative Assembly.

In 2017/18 one matter was referred, this review was completed in 2018/19 and included in the August 2018 Report to the Legislative Assembly.

Reports to the Legislative Assembly

The *Audit Act* requires the Auditor-General to report to the Legislative Assembly at least once each year. Each report (available online on the publications page) may contain findings from financial statement audits, agency compliance audits, information technology audits, controls and compliance audits, performance management system audits and findings from any special reviews conducted. Results of any reviews of referred information under the *Public Information Act* are included when the reviews are concluded. The approximate timing and the contents of these reports are:

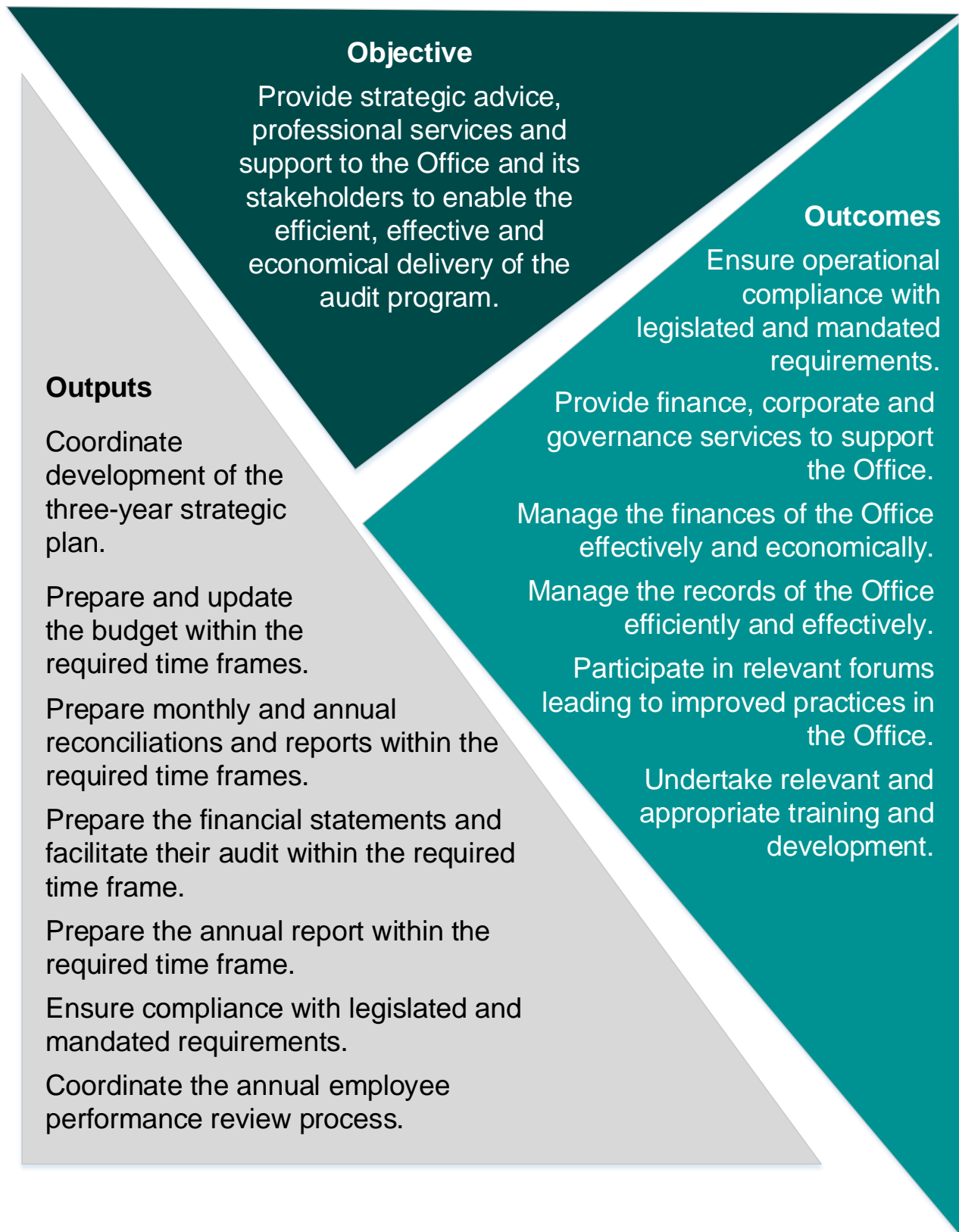
- First half of the calendar year – contains commentary on Agencies and Entities with a 30 June financial year-end being 30 June of the previous calendar year. Material is included depending on when each audit is completed. The report also contains commentary on the Auditor-General's audit of the TAFS.
- Second half of the calendar year – contains commentary on Agencies and Entities with a 31 December year-end being 31 December of the previous calendar year together with the results of information technology audits, compliance audits and audits of performance management systems. Material is included depending on when each audit is completed.

In 2017/18 the following reports were submitted to the legislative Assembly:

- August 2017 – This report outlines the results of 40 separate audits and other tasks completed during the period 1 January 2017 to 30 June 2017.
- November 2017 – This report outlines the results of 42 separate audits and other tasks completed during the period 1 July 2017 to 31 October 2017.
- March 2018 – This report outlines the results of 14 separate audits and other tasks completed during the period 1 November 2017 to 31 January 2018.

Output Group: Corporate and Governance

Business Plan



Key Performance Indicators

As a result of the strategic planning workshop undertaken with all staff members of the Office in November 2017, the following key performance indicators were agreed to for the Corporate and Governance output group, accompanied by the results for the 2017/18 financial year:

Figure 26 Corporate and Governance KPIs as included in the NTAGO Strategic Plan 2018-2020

Key Performance Indicator	Results for 2017/18
100% of invoices paid within 30 days	99.7% or 387 of the 388 invoices were paid within 30 days; 1 outside of 30 days due to the email from the supplier inadvertently being missed. (Source: Boxi AP06 – Invoice Processing Report)
Annual Report delivered within the required timeframe (relates to the previous year's Annual Report)	The 2016-17 Annual Report was tabled to Parliament in the October 2017 sittings.
Financial Statements prepared and audited within the required timeframe	The NTAGO 2017-18 Financial Statements were prepared by the required due date with an unmodified audit opinion issued on 28 August 2018 received from the Office's external auditors. (Refer to the Independent Auditor's Report section of this Annual Report)
Budget deliverables are completed within the required timeframe	All budget related returns for the Office have been completed and provided to the Department of Treasury and Finance by the due dates.
Employee performance plans are in place and reviews are conducted for each employee.	All employees in the Office with employee performance plans commenced during the financial year were provided with final reviews and feedback were provided in June 2018.
Percentage of records with a retention schedule	100% of new records created have an appropriate retention schedule attached.
Percentage of records destroyed in accordance with the retention schedule	100% of records due for destruction have been destroyed in accordance with their retention schedule
Annual agency procurement management plan delivered within the required timeframe	The NTAGO Procurement Management Plan for 2018-19 has been prepared following recent changes to the Procurement Rules and submitted to Procurement NT by the due date.
Annual internal audit of compliance with the NTG Travel Policy undertaken within the required timeframe	An internal review of the Office's travel transactions was conducted for the 2017-18 financial year, and results have been reported. As a result of the review, the NTAGO Travel Policy was also created to formalise the internal process of requesting official travel and ensure compliance with the NTG Travel Policy.

The following table presents a comparison of the Office's output groups against the 2017-18 budget and estimate as published in Budget Paper No.3.

Figure 27 Output Group comparison of budget, estimate and actual results

Output Group	Actual 2016-17 \$'000	Budget 2017-18 \$'000	Estimate 2017-18 \$'000	Actual 2017-18 \$'000	Variance 2017-18 \$'000
Audits and Reviews	4,425	4,178	4,530	4,616	86
Corporate and Governance	562	632	655	602	(53)
Total	4,987	4,810	5,185	5,218	33

Reflection on 2017-18

In 2017-18, the Corporate and Governance output group undertook the following activities in addition to its key financial and administrative responsibilities:

Figure 28 Key achievements for the Corporate and Governance output group



Key Achievements during the year	
1	Facilitated and completed the Tier-5 procurement activity for the new Authorised Auditor panel contract effective from 2 January 2018 to 1 January 2021, in which seven local audit firms were selected. This procurement activity was also reviewed by the Buy Local Advocate with no recommendations for improvement found.
2	Completed updates to its Financial and Procurement Delegations to align with the new Procurement Rules.
3	Finalised the NTAGO Strategic Plan for 2018-2020 through a workshop conducted with all staff.
4	Undertook a major revision and update of the Office Manual.
5	Completed the Agency Procurement Management Plan 2018-19.
6	Completed the NTAGO Travel Policy.

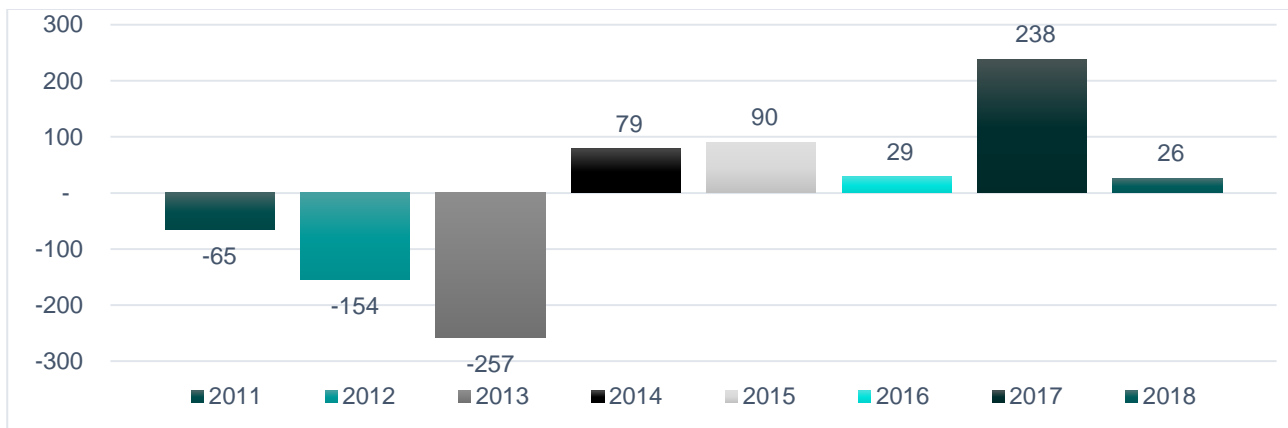
Financial Management

The Office's financial statement overview for the year ended 30 June 2018 is discussed within the NTAGO Audited Financial Statements section on page 56 of this report. The following section provides a summary of key financial results compared to previous financial years and the Office's approved budget.

Key Financial Results

The following graph presents the net operating surplus or deficit comparatively for the last eight financial years. In 2017/18, the Office continued to operate at a surplus with a net surplus at the end of the year of \$26,000, following a significantly high surplus in the prior year of \$238,000. The significant surplus achieved in the prior year was primarily due to the decrease in the number of auditees subject to be audited resulting from machinery of government changes in September 2016 and a number of audits yet to be completed and paid for as at 30 June 2017.

Figure 29 Office net operating results in the last eight financial years



Revenue

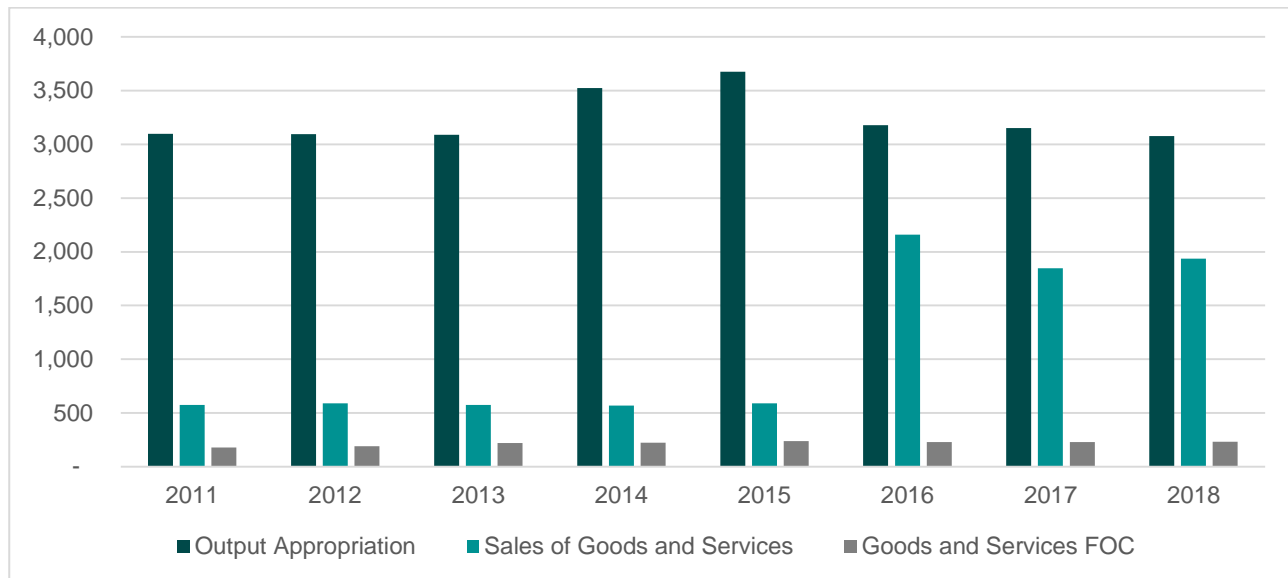
Revenue for the Office comprises Output Appropriation and Sales of Goods and Services from the recovery of audit costs from statutory entities not included in the Public Account. The Office also receives shared services support from the Department of Corporate and Information Services (DCIS) and records notional charges for these services which are also reflected in its expenses.

As in previous years, revenue from Output Appropriation continues to be the largest source of income for the Office, and represents 59% of its total revenue in 2017/18. Output appropriation declined by \$75,000 during the year which required continuous financial prudence to return a surplus at year end, whilst ensuring the planned audit program was effectively delivered.

Figure 30 Office source of revenue summary for the last eight financial years (in dollars)

Source of Revenue	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000
Output Appropriation	3,099	3,094	3,090	3,523	3,675	3,178	3,152	3,077
Sales of Goods and Services	575	590	574	568	589	2,160	1,847	1,935
Goods and Services (Free of charge)	179	191	220	223	237	227	227	232
Total	3,853	3,875	3,884	4,314	4,501	5,565	5,226	5,244

Figure 31 Sources of revenue for the last eight financial years



A total of 41 entities were subject to recovery of audit costs as listed below. Costs recovered include work completed or accrued as at 30 June. Entities marked with an asterisk (*) are entities subjected to audit for the first time in the 2017/18 financial year. Costs associated with the audits of these entities totalled \$118,307.

Agencies subject to recovery of audit costs	2018	2017	Movement
Batchelor Institute of Indigenous Tertiary Education	89,010	77,684	11,326
Board of the Museum and Art Gallery of the Northern Territory	15,479	15,860	(381)
Cairns Business College Pty Ltd*	20,168	-	20,168
Cairns Education Australia Pty Ltd*	12,528	-	12,528
Cairns Language Centre Pty Ltd*	41,347	-	41,347
CDU Amenities Limited	31,279	42,712	(11,433)
Central Australia Health Service	27,391	27,486	(95)
Charles Darwin University	145,299	162,556	(17,257)
Charles Darwin University Charitable Trust*	5,981	-	5,981
Charles Darwin University Foundation	8,980	8,310	671
Cobourg Peninsula Sanctuary and Marine Park Board	16,901	14,303	2,598
Darwin Waterfront Corporation	47,334	40,738	6,596
Data Centre Services	24,765	23,047	1,718
Department of Health	21,980	22,163	(182)
Department of Housing and Community Development	9,287	9,320	(33)
Department of Infrastructure, Planning and Logistics	17,851	14,660	3,192
Department of Trade, Business and Innovation	15,510	10,717	4,793
Department of Treasury and Finance	9,227	9,075	152

Agencies subject to recovery of audit costs	2018	2017	Movement
Desert Knowledge Australia	19,813	31,119	(11,306)
ICHM Pty Ltd*	32,302	-	32,302
Indigenous Essential Services Pty Ltd	79,509	59,289	20,220
Jabiru Town Development Authority	13,552	9,383	4,169
Land Development Corporation	52,197	50,015	2,182
Menzies School of Health Research	54,050	53,675	375
Menzies School of Health Research Foundation Limited*	5,981	-	5,981
Motor Accidents (Compensation) Commission	256,694	274,780	(18,086)
Nitmiluk (Katherine Gorge) National Park Board	18,802	16,404	2,398
Northern Territory Grants Commission	3,899	3,914	(14)
Northern Territory Legal Aid Commission	15,046	16,434	(1,389)
Northern Territory Major Events Company Pty Ltd	27,742	35,931	(8,189)
Northern Territory Treasury Corporation	71,542	72,398	(856)
NT Build	21,521	22,288	(767)
NT Fleet	34,914	34,172	742
NT Home Ownership	44,037	45,006	(968)
Office of the Public Trustee for the Northern Territory	28,297	29,660	(1,363)
Power and Water Corporation	346,459	383,840	(37,381)
Power Generation Corporation (Territory Generation)	98,214	82,648	15,566
Power Retail Corporation (Jacana Energy)	95,330	87,614	7,716
Surveyors Board of the Northern Territory of Australia	6,862	6,367	495
Territory Wildlife Parks	20,179	20,544	(364)
Top End Health Service	27,391	32,666	(5,275)
Total	1,934,654	1,846,778	87,876

Expenses

Expenses for the Office are classified into the following categories: employee expenses, Authorised Auditor costs, shared services received from DCIS free of charge and the Office's other administrative costs.

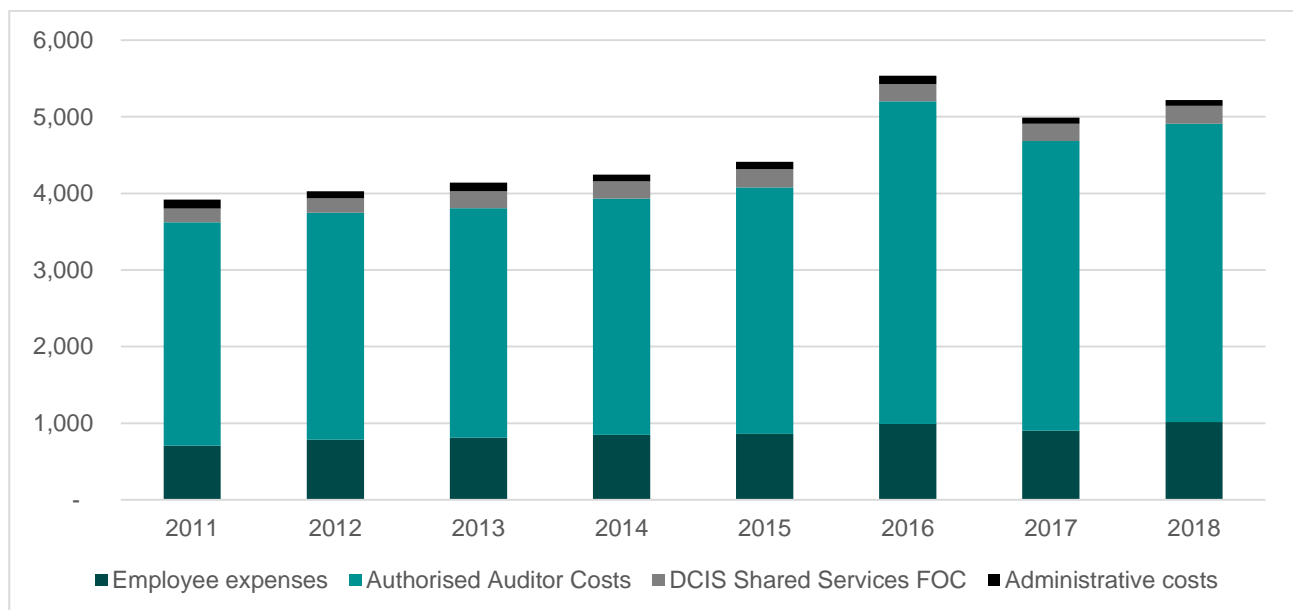
Figure 32 Comparison of major categories of expenses for the last eight financial years (in dollars)

Expenses	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000
Employee expenses	706	784	811	847	861	992	903	1,017
Authorised Auditor Costs ⁽¹⁾	2,916	2,962	2,994	3,085	3,216	4,210	3,780	3,893
DCIS Shared Services FOC	179	191	220	223	237	228	227	232
Other Admin Costs ⁽²⁾	118	92	113	89	97	107	78	76
Total	3,919	4,029	4,139	4,245	4,411	5,536	4,987	5,217

(1) Refer to page 22 for details of Authorised Auditor costs

(2) Other administrative costs include expenses such as professional memberships and subscriptions, motor vehicle expenses for Executive Contract Officers, property maintenance, training and travel related expenses.

Figure 33 Major categories of expenses for the last eight financial years



Comparison of Results to 2017/18 Budget and Estimates

The following table compares the actual operating results for the Office's 2017/18 financial year to its 2017/18 budgets as presented in Budget Paper No. 3 in May 2017 and the revised budget as presented to the Estimates Committee hearing held in May 2018.

Figure 34 Comparison of 2017/18 Original Budget, Revised Budget and Actuals

	Actual 2016/17	Original Budget 2017/18	Revised Budget 2017/18	Actual 2017/18
INCOME				
Appropriation				
Output	3,152	3,077	3,077	3,077
Sales of goods and services (audit costs recovered)	1,846	1,455	1,830	1,935
Services free of charge (DCIS)	227	278	278	232
TOTAL INCOME	5,225	4,810	5,185	5,244
EXPENSES				
Employee expenses	(903)	(952)	(1,000)	(1,017)
Administrative expenses				
Purchases of goods and services	(3,857)	(3,578)	(3,905)	(3,969)
Repairs and maintenance	-	(2)	(2)	-
Other administrative expenses	(227)	(278)	(278)	(232)
TOTAL EXPENSES	(4,987)	(4,810)	(5,185)	(5,218)
NET SURPLUS/(DEFICIT)	238	-	-	26
ASSETS				
Cash and deposits	876	228	876	638
Receivables	238	484	237	680
Prepayments	1		1	1
TOTAL ASSETS	1,115	712	1,114	1,319
LIABILITIES				
Payable	283	61	282	431
Provisions	94	151	94	124
TOTAL LIABILITIES	377	212	376	555
NET ASSETS	738	500	738	764
EQUITY				
Capital	570	570	570	570
ACCUMULATED FUNDS	168	(70)	168	194
TOTAL EQUITY	738	500	738	764

Corporate Governance and Risk Management

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 the NTAGO Governance framework presented below.

Figure 35 NTAGO Corporate Governance Framework

	Internal	External
Planning	<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. 	<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"> • 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. 	<ul style="list-style-type: none"> • The annual financial statements of the Office are subject to independent audit by an auditor appointed by the Administrator. • Section 26 of the <i>Audit Act</i> 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.

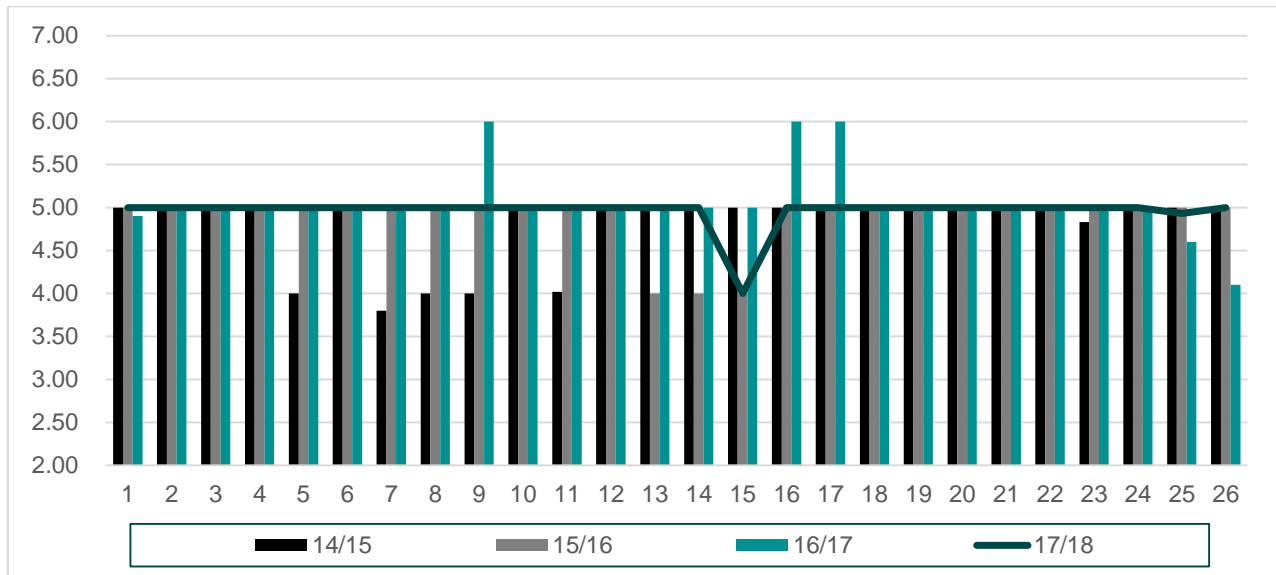
	Internal	External
Reporting	<ul style="list-style-type: none"> Weekly progress reports are prepared on the status of each audit task against the estimated time and cost. Monthly financial reports are prepared showing actual financial results compared to budget and explanations provided for material variances. 	<ul style="list-style-type: none"> 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 2018. The financial statements are included at Appendix A to this report.
Communicating	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.

Human Resources

Employee Demographics

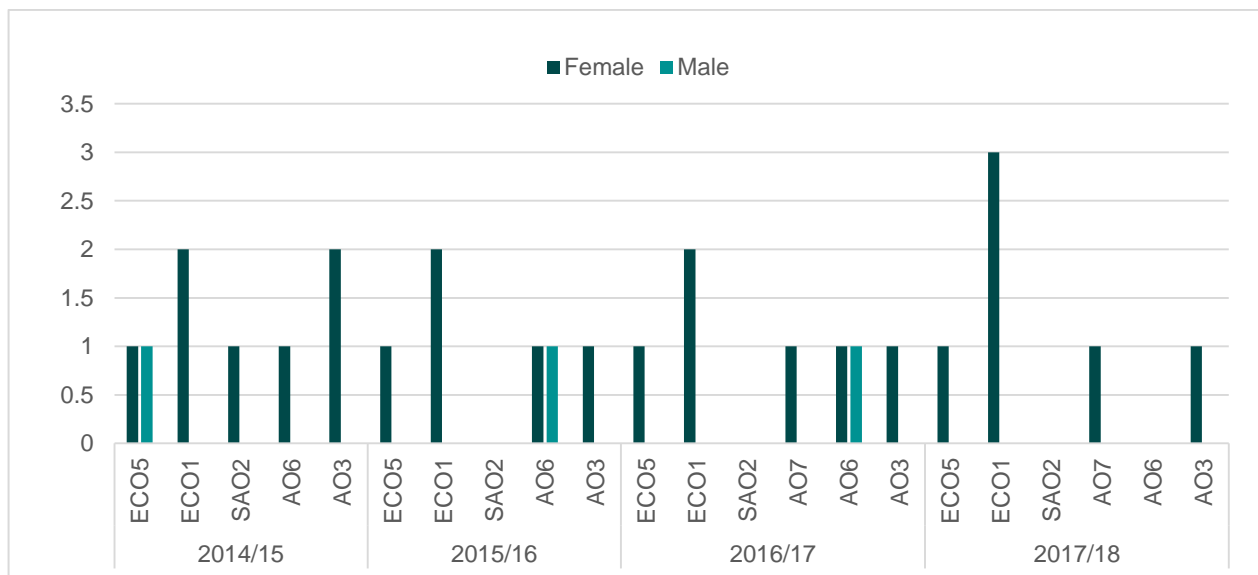
During the year ended 30 June 2018, the average FTE of the Office was 4.96 compared to an average of 5.06 for the previous financial year. The head count for staffing in 2017/18 and 2016/17 remains the same at 5.0 FTE.

Figure 36 Comparison of FTE to pay period for the last four financial years



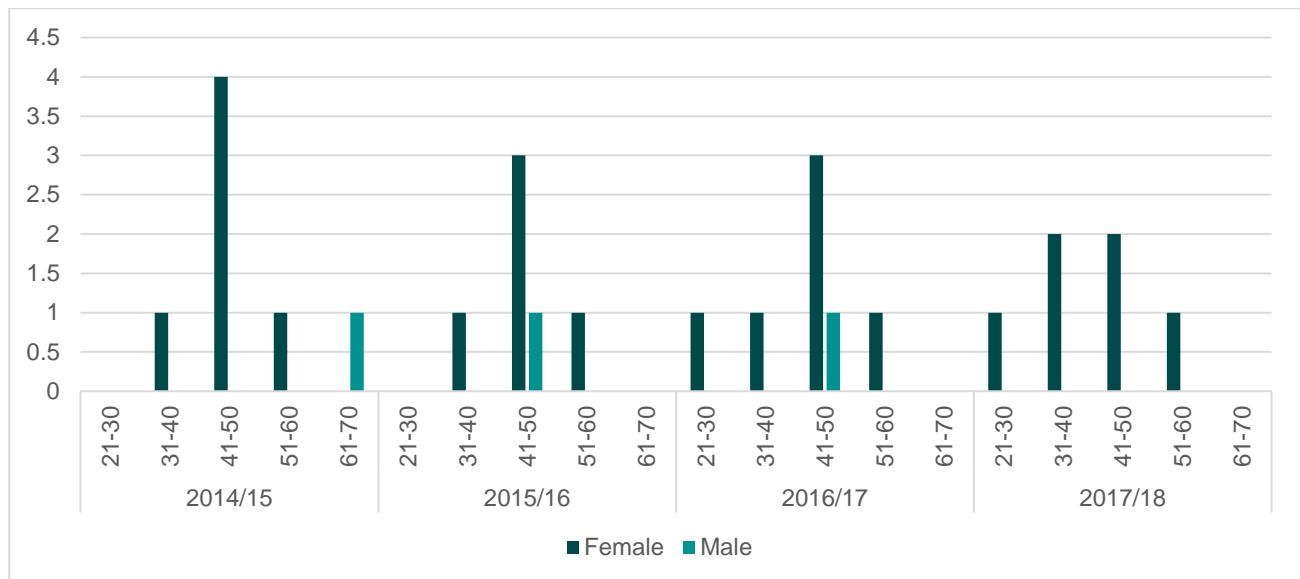
The following graph shows the variation in staff numbers by classification over the 2017/18 and prior three reporting years. In 2017/18, one of the two Principal Auditor positions was filled after a resignation from the previous Executive Contract Officer 1 (ECO1) in January 2018. This explains why there were three employees listed in the graph below under the level 'ECO1' as a handover process was conducted between the outgoing and incoming Principal Auditor during the year.

Figure 37 Comparison of head count, gender and level categories for the last four financial years



The following graph shows the breakdown of classifications by gender and age for the Office. In the 2017/18 financial year, 100% of the Office's staff were female compared to the prior year where 86% were female and 14% were male.

Figure 38 Breakdown of classifications by gender and age for the last four financial years



Training and Professional 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 2018, staff with professional memberships 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 and 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 time and cost 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.

Compliance with Employment Instructions

In accordance with the *Public Sector Employment and Management Act* (PSEMA) section 16, Employment Instructions provide directions to NTG agencies on how public sector employees are to be managed and how public sector employees are required to behave. The following table reports on employment instructions issued by the Commissioner for Public Employment (CPE).

Figure 39 NTAGO reporting on Employment Instructions

Employment Instruction	NTAGO Performance 2017/18
No. 1. Filling Vacancies	The Principal Auditor 2 position was advertised and permanently filled during the year.
No. 2. Probation	No probationary process was conducted during the 2017/18 as the only recruitment activity completed was for an Executive Contract Officer position.
No. 3. Natural Justice	The principles of natural justice are promoted within the Office and are included as part of the recruitment process. Employees can also access the Office of the Commissioner for Public Employment (OCPE) website for more information on natural justice.
No. 4. Employee Performance Management and Development Systems	The Office reports annually to OCPE on performance management and training and development matters. 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 OCPE on performance and inability. There were no performance or inability issues during the reporting period.
No. 7. Discipline	The Office reports annually to OCPE 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 OCPE on internal agency complaints and grievance matters. There were no complaints or section 59 grievance matters for the reporting periods.
No. 9. Employment Records	Personnel records for Office staff are maintained by DCIS, however all other human resources documents are maintained within the Office. The Office has implemented procedures for maintaining and accessing appropriate employee records in accordance with records management standards.
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 inclusion are supported and promoted throughout the Office activities and within the audit contract.

Employment Instruction	NTAGO Performance 2017/18
No. 11. Occupational Health and Safety Standards Program	The Office has developed and implemented its Work Health and Safety (WHS) framework which 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 as part of the induction process. Guidance documents and references are also available through the OCPE website. Discussion and communication is provided either through team meetings or on a case-by-case basis.
No. 14. Redeployment and Redundancy Procedures	There were no redeployment or redundancy activities undertaken for the Office during the year.
No. 15 Special Measures	Due to the small size of the Office and with only two administrative positions established to support the Auditor-General and Principal Auditors, Special Measures were not applied during the year. The Office continues to support an inclusive and diverse workplace.
PSEMA – Reports by the CPE	In accordance with section 18 of the PSEMA, the Office participated in the completion of the OCPE's State of Service Report through completion of the agency reporting survey by the required due date.

Records Management

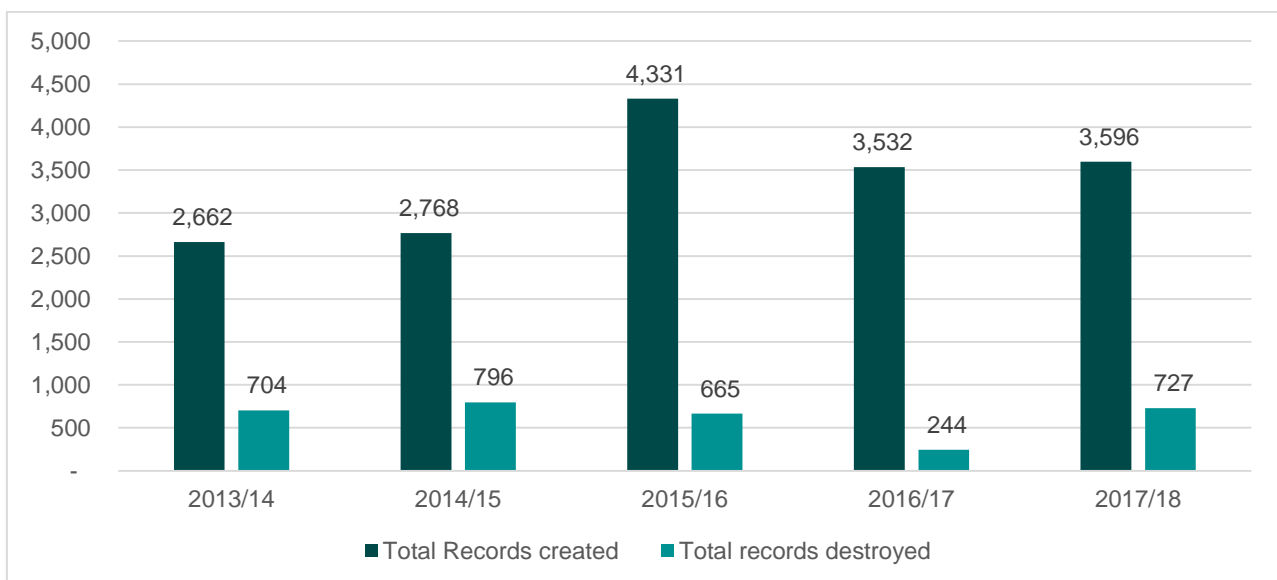
The Office endeavours to comply with mandated requirements for records management within the NTG. Recent standards and guidelines issued by DCIS have been complied with to the extent possible having regard to the resources available within the Office and the broad corporate services responsibilities of the two administrative officers.

Proper record keeping is essential in the delivery of the audit program, and all staff members are provided with support and training in terms of appropriate record keeping and the use of the NTG mandated system - Territory Records Manager (TRM). All audit tasks are recorded within a TRM file and appropriate retention schedules are applied with each file to ensure compliance with legislation and policies. All other administrative files within the Office are managed in accordance with the NTG retention schedule for administrative functions. In September 2017, the Office adopted the NTG Business Classification Scheme and Systematic Disposal for government records to promote standardisation across the public sector.

Staff of the Office continuously participate in records management forums and support frameworks for improving the capability of records management in the NTG.

During the 2017/18 financial year, there were 3,596 new records created and 727 listed for destruction. In comparison, the 2016/17 year saw a total of 3,532 records created and 244 records were listed for destruction. The chart below shows the total number of records created and destroyed over the last five financial years.

Figure 40 Number of records created and destroyed in the last five financial years



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 contact details 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 the Office's communication framework for WHS, all minutes recording WHS discussions are recorded in TRM.

Figure 41 Work Health and Safety compliance

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 Online 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.

Corporate Social Responsibility

Environmental Reporting

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. Since 2016, internal processes have improved to reduce the need of creating physical files.• 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.○ Weekly progress reports from Authorised Auditors are received electronically.○ Financial reporting, including the audit of the Office's financial statements for the last two financial years have been completed predominantly in electronic format.
Our Emissions	<ul style="list-style-type: none">• The Office leased two motor vehicles from NT Fleet during the year ended 30 June 2018 for the Principal Auditor positions.
Power Saving	<ul style="list-style-type: none">• Most electronic devices are powered down completely when not in use.• The Office has been implementing a "lights off" policy for parts of its tenancy that are temporarily not in use.

Contributions to Society

The personnel of the Office contribute to society by:

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.• The Auditor-General regularly provides presentations at forums and professional development sessions facilitated by professional associations such as CPA Australia, CAANZ and the Governance Institute.• The Auditor-General participates in the annual evaluation of applications for educational scholarships from the General Sir John Monash Foundation.• The Auditor-General participates in the evaluation of submissions for the Telstra Northern Territory Business Woman of the Year.
Community	<ul style="list-style-type: none">• Individual members of the office volunteer for a range of community events and activities.

Future Priorities

The Auditor General's Office is committed to:



The Audit and Review output group has committed to the following outputs in 2018/19:

Figure 42 2018/19 KPIs as presented in Budget Paper No.3

Audits and Review	2017/18 Budget	2017/18 Estimate	2018/19 Budget
Statutory audits	106	110	109
Other audits (1)	22	25	23
Reviews (2)	3	0	3
Total	131	135	135
Percentage of audit opinions issued	100%	100%	100%

1. Audits of the Northern Territory's Public Account and other accounts (including government owned corporations, companies and statutory bodies) are pursuant to section 13 of the *Audit Act*.
2. Includes performance management system audits undertaken pursuant to section 15 of the Audit Act, data analytic tasks and audits of acquittals required by external funding bodies.
3. Includes reviews of referred information under the *Public Information Act* and is principally dependent on the number of referrals received from members of the Legislative Assembly.

The Corporate and Governance output group will be focusing on the following in the next 12 months:

- Facilitation of the triennial Strategic Review for the Office by an external reviewer before November 2018
- Finalisation of the Office's Gifts and Benefits policy
- Creation of a formal Fraud Control Policy in conjunction with the new Treasurer's Direction on Fraud Control
- Updates to the Accounting and Property Manual
- Updates to the Office Records Management and TRM Manual
- Review of the Office staff structure

Independent Auditor's Report



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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 2018, 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 2018 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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Chartered Accountants

Independent Auditor's Report (continued)



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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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

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

Clayton Lawrence
Director

Eastwood, South Australia
28 August 2018

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Chartered Accountants

NTAGO Audited Financial Statements

FINANCIAL STATEMENT OVERVIEW FOR THE YEAR ENDED 30 JUNE 2018

The Northern Territory Auditor-General's Office (the Office) is a statutory office, established by the Legislative Assembly under the *Audit Act*, which provides the following support to the Auditor-General to enable the effective and efficient delivery of the audit program:

- conduct 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;
- conduct performance management and information system audits;
- conduct compliance audits and data analysis;
- conduct of reviews of public information issued by public authorities; and
- provide corporate and governance services such as human resources, financial management, information and communication technology and records management.

Strategic issues facing the Office in 2017/18 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.

Analysis of financial results:

- The Office had a net operating surplus for the year of \$0.026 million compared to \$0.238 million in the prior year.
- Output appropriation decreased by \$0.075 million from the prior year. Recoverable audit fees increased by \$0.089 million from \$1.846 million in 2017 to \$1.935 million in 2018 (33% higher than budgeted) as a result of an increased number of financial statement audits required by Charles Darwin University and its related entities.
- Purchases of goods represent Authorised Auditors' fees of \$3.893 million of which \$1.935 million is recoverable (see above) and operational expenditure of \$76,000. Operational expenditure was consistent with the prior year. Non-recoverable Authorised Auditors' fees were \$1.958 million, an increase of \$0.053 million from the prior year. The increase in non-recoverable Authorised Auditors' fees was attributable to additional audit work performed within agencies.
- Employee expenses increased by \$0.114 million due to changes in employees across both years and consequential movements in provisions for leave.
- When compared to the prior year, cash balances decreased by \$0.238 million, receivables (being recoverable audit fees) increased by \$0.442 million with a related increase in payables by \$0.148 million due to a greater value of invoices being received from Authorised Auditors and charged out immediately prior to year-end.

CERTIFICATION OF THE 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 based on 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 2018 and the financial position on that date.

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

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

- a) proper records of all transactions affecting the Office are kept and 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 Office afford proper internal control and a current description of such procedures is recorded in the *Accounting and Property Manual* which has been prepared in accordance with the requirements of the *Financial Management Act*;
- c) no indication of fraud, malpractice, major breach of legislation or delegation, major error in or omission from the accounts and records exists;
- d) in accordance with the requirements of section 15 of the *Financial Management Act*, the internal audit capacity available to the Office is adequate and the results of internal audits have been reported to the Auditor-General;
- e) the financial statements included in the annual report have been prepared from proper accounts and records and are in accordance with 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*.



Julie Crisp
Auditor-General for the Northern Territory
28 August 2018



Kathryn Carbajosa
Manager Finance and Corporate
28 August 2018

COMPREHENSIVE OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$000	2017 \$000
INCOME			
Appropriation			
Output	3	3,077	3,152
Sales of goods and services (audit costs recovered)	4	1,935	1,846
Goods and services received free of charge	5	232	227
TOTAL INCOME	3	5,244	5,225
EXPENSES			
Employee expenses	6	(1,017)	(903)
Administrative expenses			
Purchases of goods and services	7	(3,969)	(3,857)
Repairs and maintenance		-	-
Other administrative expenses	5	(232)	(227)
TOTAL EXPENSES	3	(5,218)	(4,987)
NET SURPLUS		26	238
COMPREHENSIVE RESULT		26	238

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

BALANCE SHEET

AS AT 30 JUNE 2018

	Note	2018	2017
		\$000	\$000
ASSETS			
Current Assets			
Cash and deposits	9	638	876
Receivables	10	680	238
Prepayments		1	1
Total Current Assets		1,319	1,115
TOTAL ASSETS		1,319	1,115
LIABILITIES			
Current Liabilities			
Payables	11	431	283
Provisions	12	124	94
Total Current Liabilities		555	377
TOTAL LIABILITIES		555	377
NET ASSETS		764	738
EQUITY			
Capital		570	570
Accumulated funds		194	168
TOTAL EQUITY		764	738

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Equity at 1 July	Comprehensive result	Transactions with owners in their capacity as owners	Equity at 30 June
		\$000	\$000	\$000	\$000
2017-18					
Accumulated Funds		168	26	-	194
		168	26	-	194
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		738	26	-	764
2016-17					
Accumulated Funds		(70)	238	-	168
		(70)	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		500	238	-	738

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Receipts			
Appropriation			
Output		3,077	3,152
Receipts from sales of goods and services		1,886	2,479
Total Operating Receipts		4,963	5,631
Operating Payments			
Payments to employees		(986)	(958)
Payments for goods and services		(4,215)	(4,025)
Total Operating Payments		(5,201)	(4,983)
Net Cash (Used in)/From Operating Activities	14	(238)	648
Net (decrease)/increase in cash held		(238)	648
Cash at beginning of financial year		876	228
CASH AT END OF FINANCIAL YEAR	9	638	876

The cash flow statement is to be read in conjunction with the notes to the financial statements.

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1. OBJECTIVES AND FUNDING

The Northern Territory Auditor-General's Office (the Office) is an Agency established under the *Audit Act* 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 should 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.

Standards and interpretations effective from 2017-18

The following new and revised accounting standards and interpretations were effective for the first time in 2017-18:

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative:

Amendments to AASB 107 Statement of Cash Flows

This standard applies to the not-for-profit sector for the first time in 2017-18. The accounting amendment AASB 2016-2 requires the disclosure of information that enables users of financial statements to evaluate changes in liabilities arising from financing activities.

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.

Standards and Interpretations issued but not yet effective

On 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 requires the majority of leases to be recognised on the balance sheet.

For lessees with operating leases, a right-of-use asset will now be included in the balance sheet together with a lease liability for all leases with a term of 12 months or more, 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.

The Office currently does not have and is not expecting to have any operating lease commitments to be recognised in the balance sheet and reported in its financial statements for 2019-20.

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.

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 Service Concession Arrangements: Grantors 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.

AASB 1059 addresses the accounting for arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services.

Where a transaction meets the definition of a service concession arrangement, a service concession asset and liability will be recognised on the balance sheet and valued in accordance with the new standard.

The Territory's public-private partnership arrangements are currently under review to determine the applicability of AASB 1059 and the full impact of the new standard.

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 cover the Office as an individual reporting entity. The Office is a Northern Territory department established under the *Interpretation Act Administrative Arrangements Order*.

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 (Agency items). Certain items, while managed by the agency,

are controlled and recorded by the Territory rather than the agency (Territory items). Territory items are recognised and recorded in the Central Holding Authority as discussed below.

Central holding authority

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

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

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. However, as the agency is accountable for certain Territory items managed on behalf of Government, these items have been separately disclosed in Note 20 Schedule of Administered Territory Items.

e) Comparatives

Where necessary, comparative information for the 2017-18 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 2017-18 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.

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 agency may make distributions to Government. In accordance with the *Financial Management Act* and Treasurer's Directions, certain types of contributions and distributions, including those relating to administrative restructures, have been designated as contributions by, and distributions to, Government. These designated contributions and distributions are treated by the agency as adjustments to equity.

The statement of changes in equity provides additional information in relation to contributions by, and distributions to, Government.

3. COMPREHENSIVE OPERATING STATEMENT BY OUTPUT GROUP

		Audits and Reviews		Corporate and Governance		Total	
	Note	2018	2017	2018	2017	2018	2017
		\$000	\$000	\$000	\$000	\$000	\$000
INCOME⁽ⁱ⁾							
Appropriation ⁽ⁱⁱ⁾							
Output		2,707	2,817	370	335	3,077	3,152
Sales of goods and service ⁽ⁱⁱⁱ⁾	4	1,935	1,846	-	-	1,935	1,846
Goods and services received free of charge	5	-	-	232	227	232	227
TOTAL INCOME		4,642	4,663	602	562	5,244	5,225
EXPENSES							
Employee expenses	6	(692)	(619)	(325)	(284)	(1,017)	(903)
Administrative expenses							
Purchases of goods and services	7	(3,924)	(3,806)	(45)	(51)	(3,969)	(3,857)
Repairs and maintenance		-	-	-	-	-	-
Other administrative expenses	5	-	-	(232)	(227)	(232)	(227)
TOTAL EXPENSES		(4,616)	(4,425)	(602)	(562)	(5,218)	(4,987)
NET SURPLUS		26	238	-	-	26	238
OTHER COMPREHENSIVE INCOME							
Items that will not be reclassified to net surplus							
Changes in accounting policies		-	-	-	-	-	-
Correction of prior period errors		-	-	-	-	-	-
Changes in asset revaluation surplus		-	-	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME		-	-	-	-	-	-
COMPREHENSIVE RESULT		26	238	-	-	26	238

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 it provides 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.

4. SALES OF GOODS AND SERVICES (AUDIT COSTS RECOVERED)

	2018	2017
	\$000	\$000
Batchelor Institute of Indigenous Tertiary Education	89	78
Board of the Museum and Art Gallery of the Northern Territory	15	16
Cairns Business College Pty Ltd	20	-
Cairns Education Australia Pty Ltd	13	-
Cairns Language Centre Pty Ltd	41	-
CDU Amenities Limited	31	43
Central Australia Health Service	27	27
Charles Darwin University	145	163
Charles Darwin University Charitable Trust	6	-
Charles Darwin University Foundation	9	8
Cobourgh Peninsula Sanctuary and Marine Park Board	17	14
Darwin Waterfront Corporation	47	41
Data Centre Services	25	23
Department of Health	22	22
Department of Housing and Community Development	9	9
Department of Infrastructure, Planning and Logistics	18	15
Department of Trade, Business and Innovation	16	11
Department of Treasury and Finance	9	9
Desert Knowledge Australia	20	31
ICHM Pty Ltd	32	-
Indigenous Essential Services Pty Ltd	80	59
Jabiru Town Development Authority	14	9
Jacana Energy	95	88
Land Development Corporation	52	50
Menzies School of Health Research	54	54
Menzies School of Health Research Foundation Limited	6	-
Motor Accidents (Compensation) Commission	257	274
Nitmiluk (Katherine Gorge) National Park Board	19	16
Northern Territory Grants Commission	4	4
Northern Territory Legal Aid Commission	15	16
Northern Territory Major Events Company Pty Ltd	28	36
Northern Territory Treasury Corporation	72	72
NT Build	22	22
NT Fleet	35	34
NT Home Ownership	44	45
Office of the Public Trustee for the Northern Territory	29	30
Power and Water Corporation	346	384
Surveyors Board of the Northern Territory of Australia	7	6
Territory Generation	98	83
Territory Wildlife Parks	20	21
Top End Health Service	27	33
	1,935	1,846

5. GOODS AND SERVICES RECEIVED FREE OF CHARGE

	2018	2017
	\$000	\$000
Corporate and information services	232	227
	232	227
Services are provided by the Department of Corporate and Information Services (DCIS). The service charges are recognised within 'Other administrative expenses'.		

6. EMPLOYEE EXPENSES

The net surplus has been arrived at after charging the following employee expenses:

Salaries	750	713
Recreation Leave ¹	106	55
Superannuation ²	80	69
Payroll Tax ²	52	40
Other Benefits ³	19	13
Fringe Benefits Tax	8	8
Allowances	1	2
Recreation Leave Loading	1	3
Total	1,017	903

1. Increase due to transfer of employee entitlements for staff movements during the year, and last year's expense being lower than usual.

2. Includes on-costs expenses.

3. Includes salary sacrifice and vehicle contributions.

7. PURCHASES OF GOODS AND SERVICES

	2018	2017
	\$000	\$000
The net surplus has been arrived at after charging the following expenses:		
Goods and services expenses:		
Consultants ⁽¹⁾		
Authorised Auditors' fees (Non-recoverable audit costs)	1,958	1,905
Authorised Auditors' fees (Recoverable audit costs)	1,935	1,875
Total Consultants	3,893	3,780
<i>plus:</i>		
Audit expense (NTAGO Financial Statements Audit)	13	11
Information technology and communication expenses	22	23
Property management expenses	5	5
Motor vehicle expenses	10	11
Advertising ⁽²⁾	-	-
Marketing and promotion ⁽³⁾	-	-
Document production	-	1
Legal expenses ⁽⁴⁾	-	-
Recruitment ⁽⁵⁾	-	-
Training and study	4	6
Official duty fares	4	2
Travelling allowance	-	-
Other expenses	18	18
Total Goods and services expenses	3,969	3,857

⁽¹⁾ Consultants expenses were only for Authorised Auditors' fees during the current and prior year.

⁽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.

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

The Office had no write-offs, postponements, waivers, gifts or ex gratia payments in 2017-18 and 2016-17.

9. CASH AND DEPOSITS

	2018	2017
	\$000	\$000
Cash on hand	-	-
Cash at bank	638	876
	638	876

10. RECEIVABLES

Current

Accounts receivable	683	176
Less: Allowance for impairment losses	-	-
	-	-
Accrued Revenue	-	34
GST receivable (payable)	(3)	28
Total Receivables	680	238

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

The allowance for impairment losses represents the amount of receivables the agency estimates are likely to be uncollectible and are considered doubtful. Analyses of the age of the receivables that are past due as at the reporting date are disclosed in an aging schedule under credit risk in Note 15 Financial Instruments. Reconciliation of changes in the allowance accounts is also presented.

Accounts receivable are generally settled within 30 days.

11. PAYABLES

Accounts payable	401	255
Accrued expenses	30	28
Total Payables	431	283

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

12. PROVISIONS

	2018	2017
	\$000	\$000
Current		
<i>Employee benefits</i>		
Recreation leave	100	75
Leave loading	5	4
Other employee benefits ⁽¹⁾	19	15
Total Provisions	124	94

The Office employed 5 employees as at 30 June 2018 (*5 employees as at 30 June 2017*).

⁽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.

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.

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

Disclosures in relation to capital and other commitments, including lease commitments are those contracted as at 30 June where the amount of the future commitment can be reliably measured. The Office had no capital commitments for the reporting period.

	2018		2017	
	Internal ^(a)	External ^(a)	Internal	External
	\$000	\$000	\$000	\$000
(i) Authorised Auditor Commitments				
The model under which the Office 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 <i>Audit Act</i> . A number of firms are appointed against the panel contract, which is executed every three years. The current contract was awarded in October 2017 following a Tier-5 procurement activity and is effective from 2 January 2018 to 1 January 2021. The minimum legal commitment to audit firms for the remaining term of the current contract, is as follows:				
Within one year	-	2,585	-	1,168
Later than one year and not later than five years	-	3,878	-	-
Later than five years	-	-	-	-
	-	6,463	-	1,168
(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	-	-	-	-
	-	-	-	-

^(a) Internal commitments include entities controlled by the NTG (entities listed in TAFR 16-17 Note 43: details of controlled entities at reporting date), whereas external commitments include third parties external to the NTG.

14. NOTES TO THE CASH FLOW STATEMENT

	2018	2017
	\$000	\$000

a) Reconciliation of Cash

The total of agency 'Cash and deposits' of \$637,996 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 Operating Activities

Net Surplus	26	238
<i>Changes in assets and liabilities:</i>		
(Increase)/Decrease in receivables	(442)	246
Increase in payables	148	221
Increase/(Decrease) in provision for employee benefits	26	(41)
Increase/(Decrease) in other provisions	4	(16)
Net Cash from/(used in) Operating Activities	(238)	648

15. 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 as per AASB 132 Financial Instruments Presentation. These include statutory receivables arising from taxes including GST and penalties.

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

15. FINANCIAL INSTRUMENTS (continued)

a) Categorisation of financial instruments

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

2017-18 Categorisation of Financial Instruments

	Financial assets - Other	Financial assets - Loans and receivables	Financial Liabilities - amortised cost	Total
	\$000	\$000	\$000	\$000
Cash and deposits	638	-	-	638
Receivables ¹	-	621	-	621
Total Financial Assets	638	621	-	1,259
Payables ¹	-	-	365	365
Total Financial Liabilities	-	-	365	365

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

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	876	-	-	876
Receivables ¹	-	160	-	160
Total Financial Assets	876	160	-	1,036
Payables ¹	-	-	232	232
Total Financial Liabilities	-	-	232	232

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

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.

15. FINANCIAL INSTRUMENTS (continued)

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;
- 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;
- 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 and accounts payable excluding statutory deposits and accrued expenses. Financial assets at fair value through profit or loss include short-term securities and bonds.

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 holds no available-for-sale securities.

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.

Derivatives

The Office does not speculate on trading of derivatives.

15. FINANCIAL INSTRUMENTS (continued)

Netting of swap transactions

The Office does not enter into swap transactions being structured finance arrangements where a legally recognised right to set-off financial assets and liabilities exists.

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. 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.

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	Aging of Impaired Receivables	Net Receivables
	\$000	\$000	\$000
2017-18			
Not overdue	416	-	416
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
Total	416	-	416

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	-

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	-

15. FINANCIAL INSTRUMENTS (continued)

External Receivables	Aging of Receivables \$000	Aging of Impaired Receivables \$000	Net Receivables \$000
2017-18			
Not overdue	267	-	267
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
Total	267	-	267

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	-

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	-

Internal receivables are from entities controlled by the NTG (entities listed in TAFR 2016-17 Note 43 Details of Controlled Entities at Reporting Date), whereas external receivables are from third parties external to the NTG.

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.

15. FINANCIAL INSTRUMENTS (continued)

The following tables detail the Office's remaining contractual maturity.

2018 Maturity analysis for financial assets and liabilities

	Interest Bearing Less than a Year	1 to 5 Years	More than 5 Years	Non- Interest Bearing	Total	Weighted Average
	\$000	\$000	\$000	\$000	\$000	
Assets						
Cash and deposits	-	-	-	638	638	
Receivables 1	-	-	-	621	621	
Total Financial Assets	-	-	-	1,259	1,259	

Liabilities

Payables	-	-	-	365	365	
Total Financial Liabilities	-	-	-	365	365	

Liabilities

1 Total amounts disclosed here exclude statutory amounts (GST)

2017 Maturity analysis for financial assets and liabilities

	Interest Bearing Less than a Year	1 to 5 Years	More than 5 Years	Non- Interest Bearing	Total	Weighted Average
	\$000	\$000	\$000	\$000	\$000	
Assets						
Cash and deposits	-	-	-	876	876	
Receivables 1	-	-	-	160	160	
Total Financial Assets	-	-	-	1,036	1,036	

Liabilities

Payables	-	-	-	232	232	
Total Financial Liabilities	-	-	-	232	232	

Liabilities

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.

(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.

15. FINANCIAL INSTRUMENTS (continued)

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 and/or 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
- 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 2018 or at any time during the periods reported.

16. 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 Office 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:

	2017-18	2016-17
	\$000	\$000
Short-term benefits	288	278
Post-employment benefits	25	26
Other long-term employee benefits	-	-
Termination benefits	-	-
Total	313	304

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.

16. RELATED PARTIES (continued)

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

2018

Related Party	Revenue from related parties \$000	Payments to related parties \$000	Amounts owed by related parties \$000	Amounts owed to related parties \$000
All NTG Government departments	1,647	353	429	12

2017

Related Party	Revenue from related parties \$000	Payments to related parties \$000	Amounts owed by related parties \$000	Amounts owed to related parties \$000
All NTG Government departments	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 are as follows:

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.

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Office had no contingent liabilities or contingent assets as at 30 June 2018 or 30 June 2017.

18. 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.

19. ACCOUNTABLE OFFICER'S TRUST ACCOUNT

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

20. SCHEDULE OF ADMINISTERED TERRITORY ITEMS

The Office did not manage any Territory items on behalf of the Government during the current or prior year (refer Note 2(d)).

21. BUDGETARY INFORMATION

	2017-18 Actual	2017-18 Original Budget ^(a)	Variance	Note
Comprehensive Operating Statement	\$000	\$000	\$000	
INCOME				
Appropriation				
Output	3,077	3,077	-	
Sales of goods and services (audit costs recovered)	1,935	1,455	480	1
Goods and services received free of charge	232	278	(46)	2
TOTAL INCOME	5,244	4,810	434	
EXPENSES				
Employee expenses	1,017	952	65	3
Administrative expenses				
Purchases of goods and services	3,969	3,578	391	4
Repairs and maintenance	-	2	(2)	
Other administrative expenses	232	278	(46)	2
TOTAL EXPENSES	5,218	4,810	408	
NET SURPLUS	26	-	26	
COMPREHENSIVE RESULT	26	-	26	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2017-18 BP3 Agency Budget Statements (May 2017), 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 the budgeted amount was due to additional recovered costs associated with the audits of six new entities and a slight increase in other recoverable audit costs in the 2017-18 year. The budget for sales of goods and services has since been adjusted and reflected in the 2018-19 budget to account for a more accurate reflection of current costs associated with the audit of statutory entities outside of the Public Account.

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 is higher than the budgeted amount due to staff movements resulting in provision for employee entitlements being transferred to the Office upon commencement of the transferred employee. The budget for employee expenses has since been adjusted and reflected in the 2018-19 budget to account for the current staff structure in the Office.

4. Additional audit costs were incurred as a result of the above increase in sales of goods and services relating to the audits of six new entities and the increase in other recoverable audit costs.

21. BUDGETARY INFORMATION (continued)

Balance Sheet	2017-18 Actual	2017-18 Original Budget ^(a)	Variance	Note
	\$000	\$000	\$000	
ASSETS				
Cash and deposits	638	228	410	1
Receivables	680	484	196	2
Prepayment	1	-	1	
	1,319	712	607	
TOTAL ASSETS	1,319	712	607	
LIABILITIES				
Payables	431	61	370	3
Provisions	124	151	(27)	
	555	212	343	
TOTAL LIABILITIES	555	212	343	
NET ASSETS	764	500	264	
EQUITY				
Capital	570	570	-	
Accumulated funds	194	(70)	264	
TOTAL EQUITY	764	500	264	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2017-18 BP3 Agency Budget Statements (May 2017), 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 \$410,000 more than budgeted as a result of the increase in cash receipts from recovered audit costs of statutory entities during the year.
2. Represents 15 invoices outstanding for recoverable audit costs as at 30 June 2018.
3. The increase in payables reflects audit fee invoices outstanding to be paid as at 30 June 2018 due to the audit program not being completed as early in the 2017-18 financial year compared to the prior year.

21. BUDGETARY INFORMATION (continued)

Cash Flow Statement	2017-18 Actual	2017-18 Original Budget ^(a)	Variance	Note
	\$000	\$000	\$000	
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating receipts				
Appropriation				
Output	3,077	3,077	-	
Receipts from sales of goods and services	1,886	1,455	431	1
Total operating receipts	4,963	4,532	431	
Operating payments				
Payments to employees	986	952	34	
Payments for goods and services	4,215	3,580	635	2
Total operating payments	5,201	4,532	669	
Net cash used in operating activities	(238)	-	(238)	
Net decrease in cash held	(238)	-	(238)	
Cash at beginning of financial year	876	228	648	
CASH AT END OF FINANCIAL YEAR	638	228	410	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2017-18 BP3 Agency Budget Statements (May 2017), 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. Receipts from sales of goods and services were \$431,000 higher than the original budget due to the increase in recoverable audit costs (GST inclusive) for the year and associated cash receipts when compared to the 2016-2017 financial year and also due to a small amount of audit work carried forward from the prior financial year to the current financial year.
2. The increase in payments for goods and services reflects the additional recoverable audit costs paid (GST inclusive) during the year.

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Abbreviations list

AASB	Australian Accounting Standards Board
ACAG	Australian Council of Auditors-General
AP	Accounts Payable
AR	Accounts Receivable
ARW	Accounts Receivable Wizard
ATO	Australian Taxation Office
AUASB	Auditing and Assurance Standards Board
CEO	Chief Executive Officer
CPE	Commissioner for Public Employment
DCIS	Department of Corporate and Information Services
DCIS FOC	Department of Corporate and Information Services, services received free of charge
EIMS	Electronic Invoice Management System
FTE	Full time equivalent employee
FVTPL	Fair Value Through Profit and Loss
GAS	Government Accounting System
KPI	Key Performance Indicator
LTF	Ledger Transfer Facility
MOG	Machinery of Government
NIPS	Non-Invoice Payment System
NTG	Northern Territory Government
NTPS	Northern Territory Public Sector
NTTC	Northern Territory Treasury Corporation
PAC	Public Accounts Committee
SLA	Service Level Agreement
TAFS	Treasury Annual Financial Statements
TRM	Territory Records Manager
WHS	Work Health and Safety