



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

*Auditing for Parliament*

# **2018/19**

# Annual

# Report

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<https://ago.nt.gov.au>

## 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 2019.

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 <https://ago.nt.gov.au>.

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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 (the Office) for the year ended 30 June 2019. This year, personnel within the Office coordinated the delivery of 136 audit related tasks, three reports to the Legislative Assembly and attendance at approximately 30 audit committee meetings held within agencies. The team also supported me in preparing for appearances before the Estimates Committee, Social Policy Scrutiny Committee, Economic Policy 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 Clet and Records Management Officer Kaaren Matthewson. I would also like to acknowledge the work performed by Siew Kim Chai who joined the Office on a temporary basis from July 2019 to assist during Kathryn's temporary transfer to another Northern Territory Government (NTG) agency. The consistent effort and dedication demonstrated by these individuals have enabled the Office to deliver upon an ambitious audit program as well as continually improve the governance and record keeping practices within the Office.

Recommendations arising from the triennial review of the Office completed in November 2018 that were not subject to legislative or budgetary constraints have been considered and implemented within the Office during the reporting year. New administrative processes and controls have been designed and implemented in response to the reporting requirements of the *Independent Commissioner Against Corruption Act 2017*.

I extend 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. Agencies have been impacted during the year by the release of new and revised Treasurer's Directions and the commencement of the legislative requirements of the *Independent Commissioner Against Corruption Act 2017* and I recognise the effort contributed by public sector employees to ensure controls and processes are designed and implemented effectively to support accountability 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 relocating during the year in response to revised leasing arrangements negotiated between the NTG's Property Management Group and the private sector.

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. The *Audit Act 1995* will be the subject of review in order to address a number of recommendations emerging from the triennial review of the Office completed in November 2018.



Julie Crisp  
Auditor-General

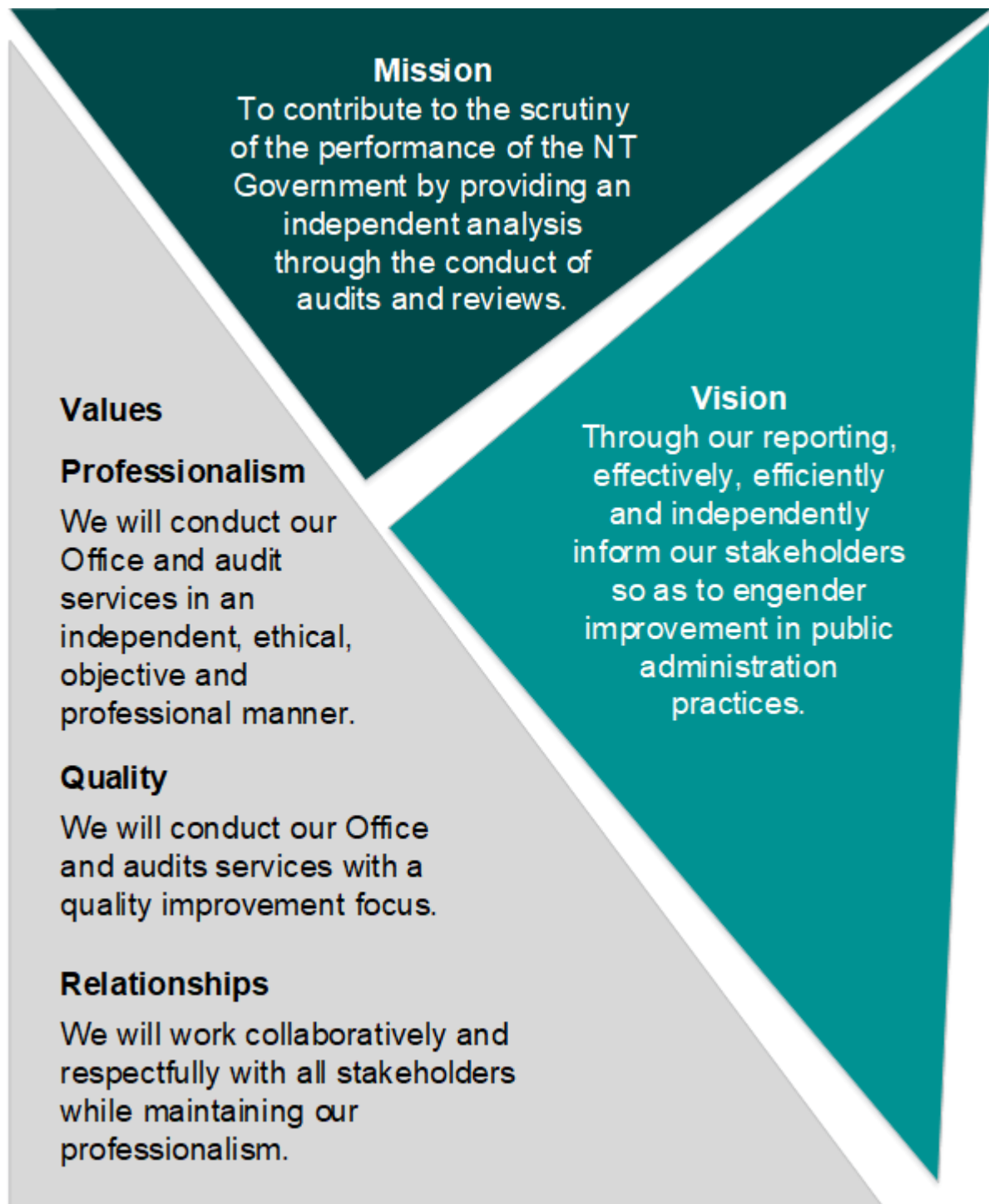
27 November 2019

## Our Organisation

### 2018/19 Highlights and Statistics

Deliverables to Parliament				
August 2018 Legislative Assembly Report	November 2018 Legislative Assembly Report	March 2019 Legislative Assembly Report	Audited Financial Statements for 2017/18	
Audits and Reviews				
61 Financial Statement Audits	47 Compliance Audits	11 Performance Management System Audits	12 Other Audits	5 Public Information Act Referrals
Stakeholder Engagement				
3 Public Accounts Committee Appearances	2 Estimate Hearings Attended	33 Audit Committee Meetings Attended	Annual Evaluation Feedback with Authorised Auditor Firms	34 NTG Agencies Consulted for Feedback
Finance				
\$138,000 Operating Surplus	99.7% Invoices Paid within 30 Days		7 Local Audit Firms Procured	
People				
5 Full Time Personnel	100% Employee Performance Plans Completed		Flexible Work Arrangements	

## NTAGO Strategic Plan 2018-2020



## The Role of the Northern Territory Auditor-General

The Auditor-General's powers and responsibilities are established in section 13 of the *Audit Act 1995* (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 the 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 2010* are included when the reviews are concluded.

In the discharging of functions under the Act, the Auditor-General is assisted by the Office, an Agency established pursuant to the provisions of the *Financial Management Act 1995*. 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 two 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. Additional explanation and communication contained within the Auditor-General's formal reports to Parliament may assist in this regard.

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 does not investigate criminal matters. If such a matter is brought to the attention of the Auditor-General it is referred 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 and/or the Independent Commissioner Against Corruption. The Auditor-General can however investigate administrative matters if they are systemic and significant in value or impact.

The 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 Auditor-General

Section 9 of the Act provides for the independence of the Auditor-General from the Legislative Assembly, the Parliament and the Executive 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.

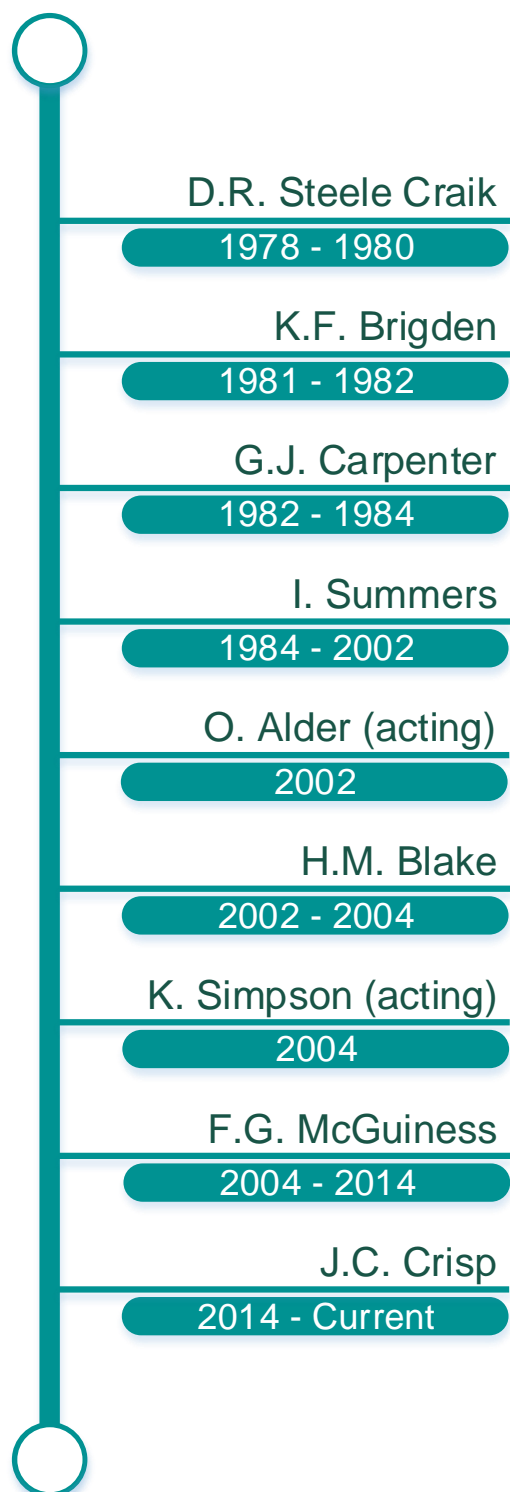
By convention, the Auditor-General will not comment upon government policy as this risks politicising the position and diminishing the perceived independence. Section 15(5) of the Act prohibits the Auditor-General from questioning the merits of policy objectives of the Government as a result of conducting 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 1978* was repealed in 1995 and replaced by the *Financial Management Act 1995* and the *Audit Act 1995*. 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 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 Act in 1995, the term of appointment was limited to seven years.

The *Audit Act 1995* 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. Further amendments in 2019 addressed the process by which appointment of the Auditor-General is to occur.

## Structure

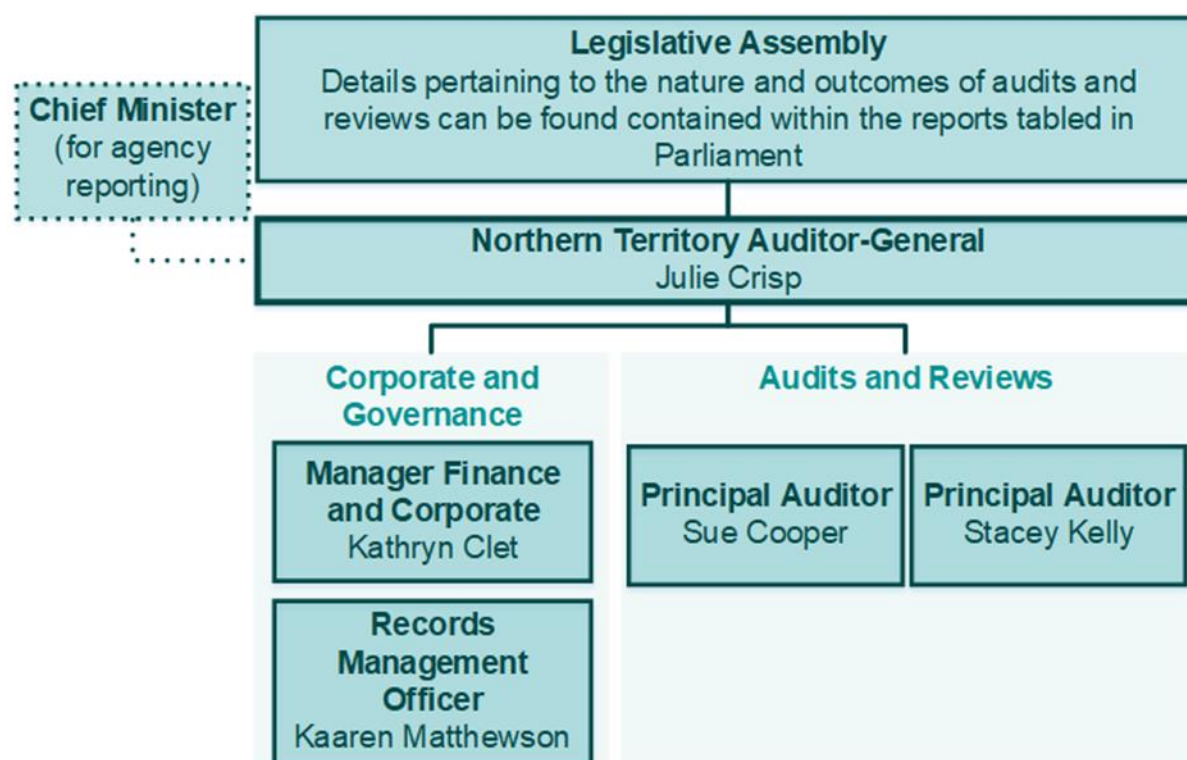
The Office's operational responsibilities attributed to each output group are presented below:

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 2010</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 established 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 the 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*. Following a competitive recruitment process, which commenced in April 2019, Julie was reappointed to the

role of Auditor-General in September 2019 having been sworn in by the Administrator, Her Honour, The Honourable Vicki O'Halloran AO on 21 August 2019.

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

Julie's professional designations and qualifications include:

- Registered Company Auditor, Australian Securities and Investment Commission (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 the delivery of financial statement and compliance 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's website. Sue has primary responsibility for developing the three-year audit plan in conjunction with the Auditor-General and Principal Auditor Stacey Kelly and has implemented extensive reporting and communication tools to increase efficiencies associated with the systems within the Office that support audit activity. Sue's focus on innovation and technology have enabled the Office to undertake a range of data analytic tasks to support the audit mandate. 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 worked for six years in an international professional services firm prior to joining a Government Owned Corporation in October 2012.



During her time delivering audit and assurance services, 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 outcomes. Stacey has primary responsibility for the delivery of performance management system audits and special reviews and investigations within the Office. 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 Clet**

**Manager Finance and Corporate Services**

Kathryn Clet (née 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 Office's financial statements and annual report, coordination of the independent external audit of the Office's financial statements and providing supervision and support to the Records Management Officer. Kathryn is currently on a temporary secondment to a Northern Territory Government agency undertaking the role of Manager Financial Accounting until May 2020. During her absence, Kathryn's nominal position has been filled by Siew Kim Chai. 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. Beyond Kaaren's responsibility for managing all electronic and manual records relating to audits and the Office more broadly, Kaaren assists the Manager Finance and Corporate with finance and corporate services tasks and provides Executive Support to the Auditor-General and Principal Auditors. During 2019, Kaaren has been involved with the updates to the Office Manual and the Office's Records Management and TRM Manual. Kaaren is responsible for updating the audit database and corresponding with Authorised Auditors. Kaaren's qualifications include:

- Certificate III in Business Studies, Charles Darwin University





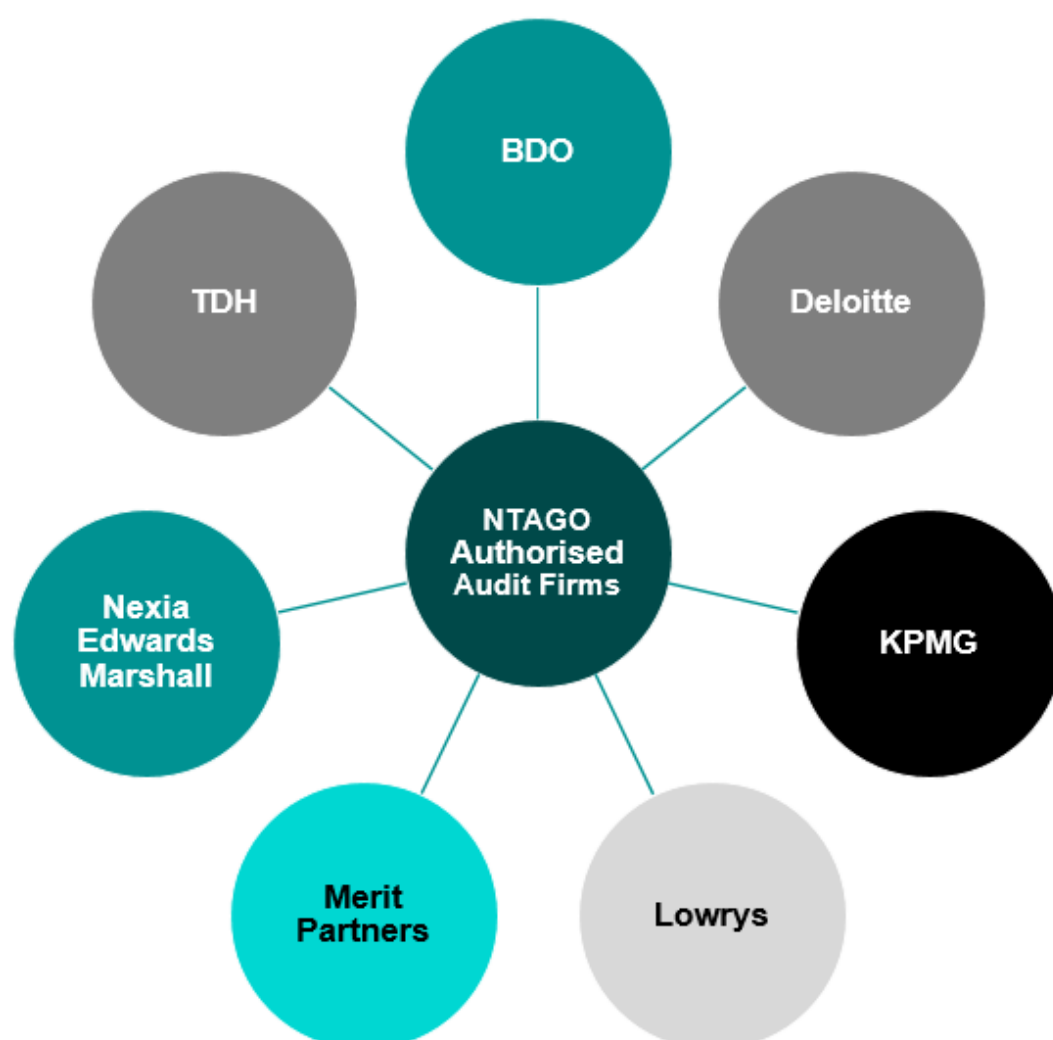
## Outsourcing Model

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 was introduced in 1982 as a means to address both the difficulty faced by the Office in attracting and retaining appropriately qualified auditors and the intent of the then 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:

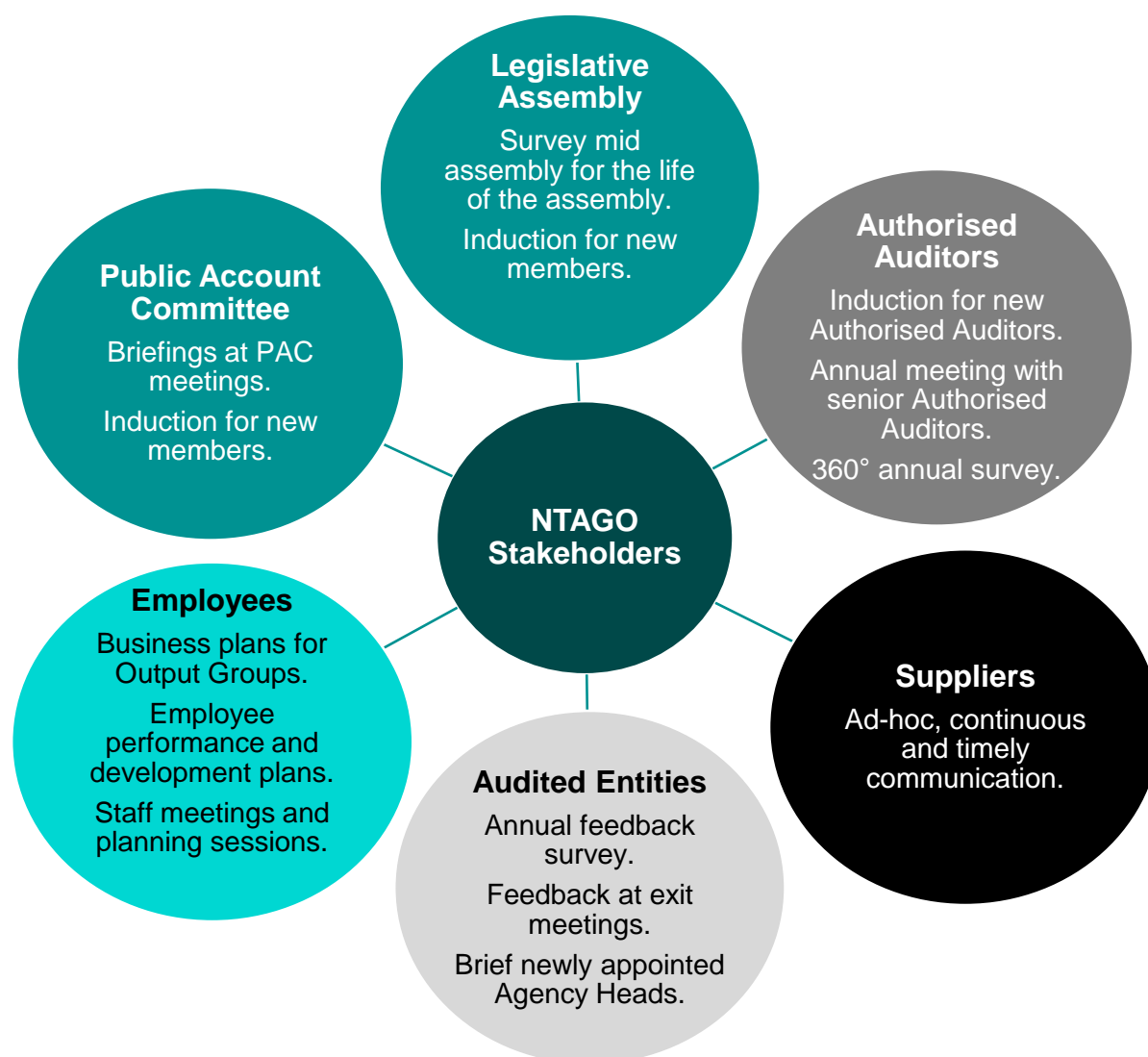
**Figure 3 NTAGO Authorised Auditor firms**



## Communication Framework

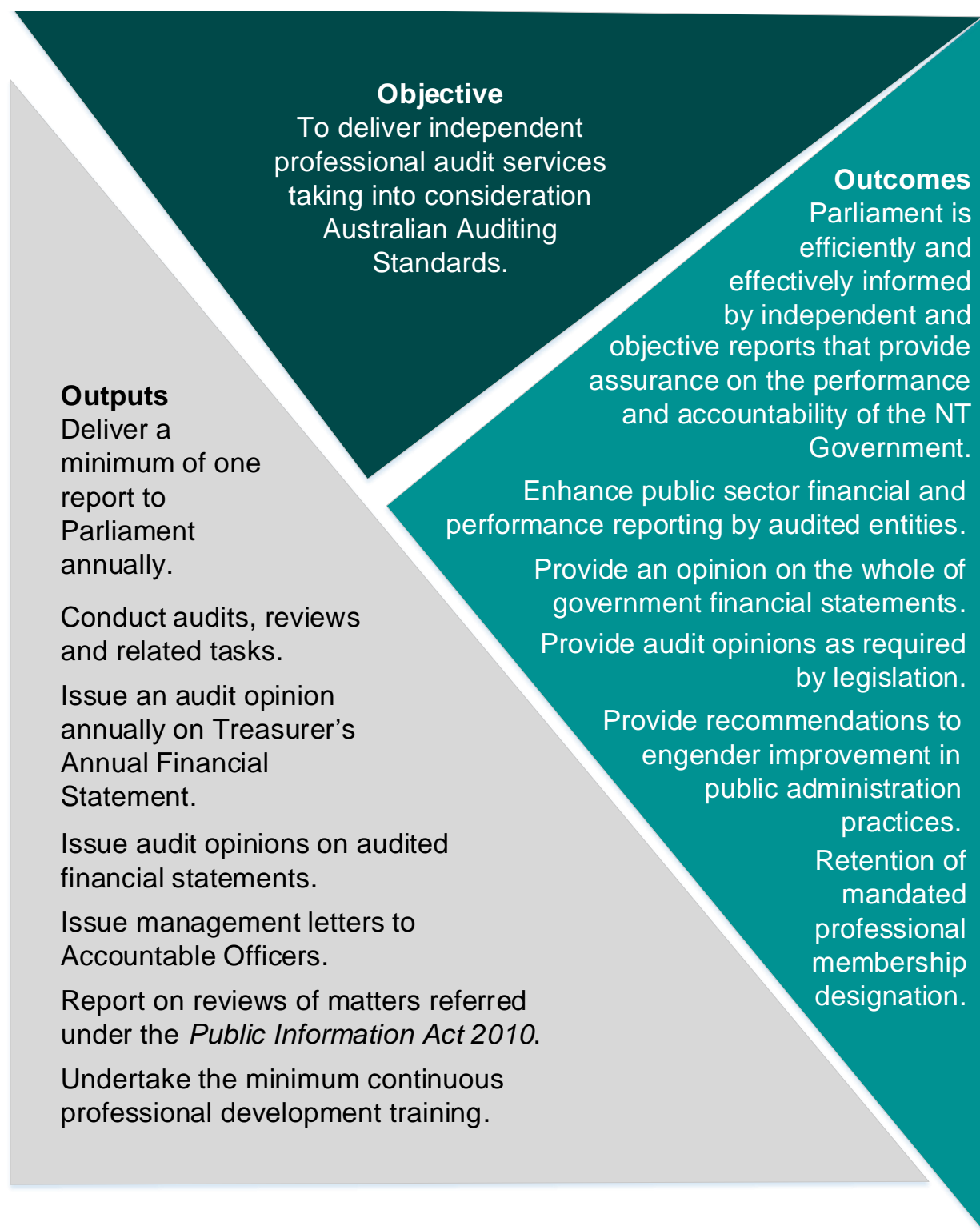
A communication framework was developed for the Office that addresses communication requirements for stakeholder groups. The communications framework was implemented in the 2016 financial year to become the basis for regular communication with all stakeholder groups.

**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 (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 Treasurer's Annual Financial Statement.

### End of Year Reviews

End of Year Reviews provide an audit focus on year end balances particularly within agencies. The nature of the review is determined annually whilst planning the audit of the Treasurer's Annual Financial Statement, but includes testing of transactions occurring around year end to provide a degree of confidence about the data provided to Treasury 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*.

## Key Performance Indicators

The Office commenced 136 audit tasks in 2018/19, of which 124 were outsourced and 12 were allocated to internal resources. Overall actual results compared to budget estimates show that one additional audit was commenced during the 2018/19 year than the planned budgeted activity. The additional audit task was undertaken using internal resources.

**Figure 5 Reporting of Key Performance Indicators (KPIs) as presented in Budget Paper No. 3 during May 2018**

Audits and Review	2018/19 Budget	2018/19 Actual	Variance
Statutory audits	109	108	(1)
Other audits (1)	23	23	0
Reviews (2)	3	5	2
<b>Total</b>	<b>135</b>	<b>136</b>	<b>1</b>
<b>Percentage of audit opinion issued within agreed timeframes</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>

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 2010* and is dependent on the number of referrals from external parties.

The reduction of one statutory audit from the original budget in 2018/19 was due to the Motor Accidents (Compensation) Commission IT Support Audit being re-scheduled to the second half of the calendar year. The number of reviews performed increased by two due to the number of *Public Information Act 2010* referrals exceeding the number budgeted. The number of reviews is dependent on the number of referrals from members of the Legislative Assembly thus cannot be accurately predicted at the time of establishing the budget.

The Office also monitors other KPIs that are not specifically included in the Budget Papers. Figure 6 presents these KPIs and a summary of the results achieved in 2018/19.

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

Key Performance Indicator	Results for 2017/18
<b>Number of reports to the Legislative Assembly (at least one a year)</b>	Three reports were delivered to the Legislative Assembly and tabled in August 2018, November 2018 and March 2019.
<b>Number of presentations delivered to the Public Accounts Committee (PAC)</b>	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 three occasions to deliver private briefings to the PAC during the year and attended a number of public hearings as an observer.
<b>Conduct annual surveys from PAC, Authorised Auditors and audited entities.</b>	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.
<b>Conduct annual briefings to Authorised Auditors and audited entities.</b>	The following annual briefings were provided in February 2019: <ul style="list-style-type: none"> <li>• Authorised Auditor update to seven audit firms;</li> <li>• Agency briefing to 20 agencies; and</li> <li>• New Auditor session to six audit firms.</li> </ul>
<b>Inductions provided to new Members of the Legislative Assembly and PAC</b>	No new Members joined the Legislative Assembly during the year.
<b>Inductions provided to new Accountable Officers of NTG agencies</b>	Two introductory meetings were held between the Auditor-General and newly appointed Accountable Officers.
<b>Number of hours of continuous professional development training attended.</b>	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 2018/19

During 2018/19, the Office finalised four audit tasks carried forward from 2017/18 and their findings were included in subsequent reports tabled to Parliament as detailed below:

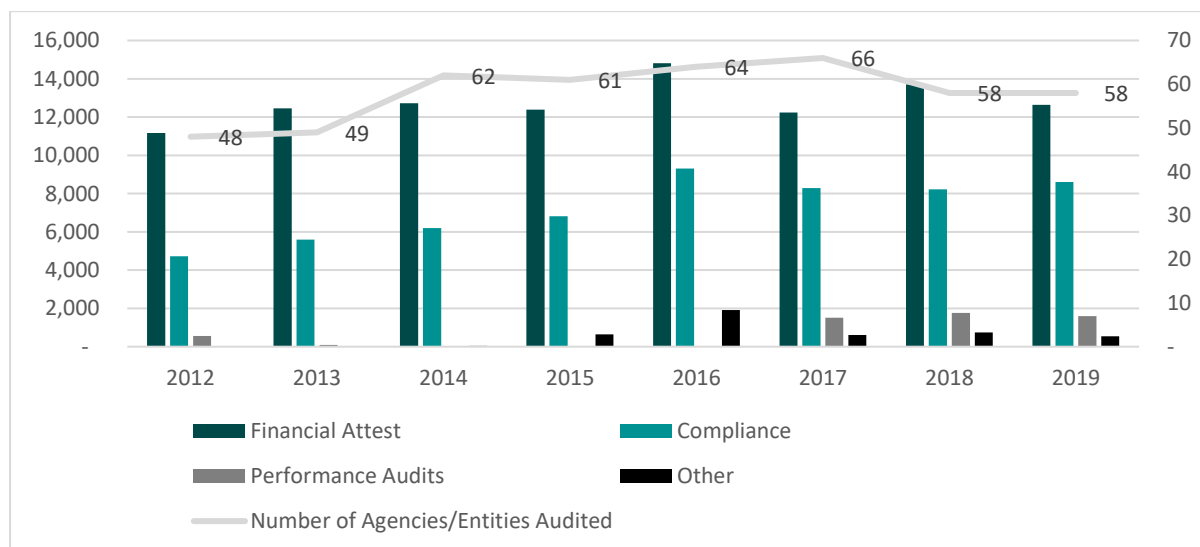
- Compliance Audit – Agency Compliance Audit – Department of Infrastructure, Planning and Logistics (included in the August 2018 report)
- Performance Management System Audit – Palmerston Regional Hospital – construction progress – Department of Health (included in the August 2018 report)
- Performance Management System Audit – Darwin Ship Lift – Department of Trade, Business and Innovation (included in the August 2018 report)
- *Public Information Act 2010* referral from the Leader of the Opposition – Email related to GST Funding (included in the August 2018 report)

Of the 136 new audits and reviews that commenced during the 2018/19 year, 133 audit tasks were finalised by 30 June 2019. The three audit tasks remaining were finalised in 2019/20 and their findings will be included in the November 2019 report to the Legislative Assembly. Details pertaining to these three audit tasks are presented below:

- Performance Management System Audit – Fines Recovery Process – Department of the Attorney-General and Justice (included in the November 2019 report)
- Performance Management System Audit – Local Jobs Fund – Department of Trade, Business and Innovation (included in the November 2019 report)
- Performance Management System Audit – NAPLAN Data Analytics and Cause Analysis – Department of Education (included in the November 2019 report)

A total of 23,393 hours of audit activity was delivered.

**Figure 7 Authorised audit hours by audit type 2011/12 to 2018/19**



During the 2018/19 period, 58 entities were audited, equivalent to the number of entities audited in the 2017/18 period. The composition of the 58 entities changed in that Menzies School of Health Research Foundation Limited was re-established under the name Bridging the Gap Foundation.

## Our Audited Entities

- Aboriginal Areas Protection Authority
- Batchelor Institute of Indigenous Tertiary Education
- Board of the Museum and Art Gallery of the Northern Territory
- Bridging the Gap Foundation
- 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 Local Government, 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, Sport 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
- 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
- Power Generation Corporation (trading as Territory Generation)

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

Of the 136 new audits, reviews and audit related tasks conducted through the Office during the 2018/19 financial year, twelve 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 twelve tasks and the hours attributed to Office personnel are demonstrated below.

**Figure 8 Tasks and hours attributed to Office personnel**

Type	Hours – 2017/18	Hours – 2018/19
Performance Management System Audit (3)	0	304
Other – Analytics (4)	279	181
<i>Public Information Act 2010</i> Referrals (5)	39	48
<b>Total</b>	<b>318</b>	<b>533</b>
<b>Notional Cost at Equivalent Industry Outsourced Rate</b>	<b>\$91,169</b>	<b>\$170,894</b>

If industry equivalent rates were applied to these hours, the value, if outsourced, for the 2018/19 year would have been \$170,894 (2017/18 \$91,169). To enable comparison of the Office's performance over consecutive years, only outsourced audit costs are included within the analysis for the Output Group: Audits and Reviews within this Annual Report.

Expenses incurred in 2018/19 for Authorised Auditors as a result of the Office's outsourcing arrangements with private audit firms amounted to \$3.699 million compared to \$3.893 million for the 2017/18 year.

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

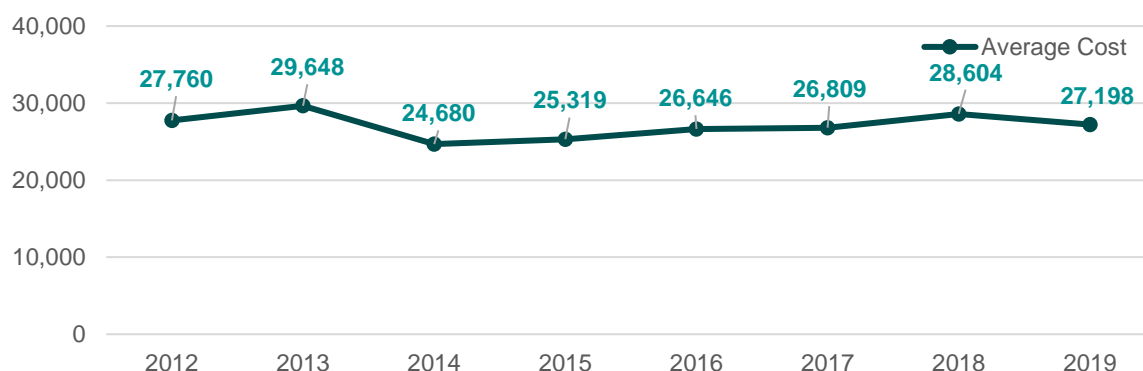
	2012	2013	2014	2015	2016	2017	2018	2019
Total Cost \$'000	2,915	2,994	3,085	3,216	4,210	3,780	3,893	3,699
No. of Audits	105	101	125	127	158	141	136	136
Average Cost	27,760	29,648	24,680	25,319	26,646	26,809	28,625	27,198

The change in the cost of audits from 2017/18 to 2018/19 represents a 5% decrease in total cost following a 3% increase in the prior year.

The decrease in average cost in 2018/19 is due to the increase in number of audits performed in-house with no corresponding cost of outsourcing. The increase in the number of audits undertaken in-house was largely driven by the increase in the number of data analytic exercises and reviews of matters referred under the *Public Information Act 2010*. In 2018/19 the Office undertook a total of 12 tasks in-house compared to seven in 2017/18. The costs of performing these tasks in-house are absorbed within employee (salary) expenditure rather than consulting expenditure.

The cost of outsourced audits in 2017/18 increased due to more specialist audits being undertaken. Specialist audits, such as information technology audits, require a specialist skill set and result in a higher average hourly rate. In 2017/18 the Office contracted 13 information technology audits requiring a total of 1,151 hours compared to ten information technology audits being performed 2018/19 requiring a total of 926 hours.

**Figure 10 Average audit cost trend**



Actual audit costs are affected by the nature of the audit, the time an audit takes to complete, the composition and experience of the audit team assigned to the audit, as well as the increasing market rates of audit services. The average cost continues to increase marginally with a total 15% increase in cost over the past four years.

The increase in total cost and average cost is primarily due to the increase in hourly rates charged for an audit. The 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 was the first financial year affected by the new panel 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 in the underlying records seen in recent years is reflective of efforts made by the entities to produce sufficient, appropriate support for reported financial balances and results.

## Financial Statement Audits

Financial statement audits include the audits of statutory financial statements and audits of information technology systems used to record and report financial transactions. 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 Treasurer's Annual Financial Statement provides information about the financial performance and position of the Northern Territory Government. The Auditor-General is required to audit the Treasurer's Annual Financial Statement in accordance with section 25 of the Act. The Treasurer's Annual Financial Statement consists 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.

Entities with their own legislation that were subject to audit during 2018/19 and are not consolidated into the Treasurer's Annual Financial Statement include:

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

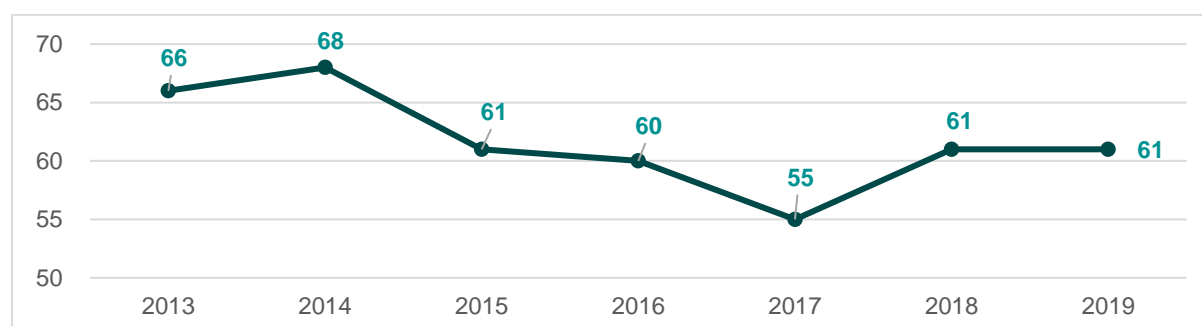


The following Government Owned Corporations, Government Business Divisions and other entities received their own audit opinion in 2018/19 and are consolidated into the Treasurer's Annual Financial Statement:

- 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 Service

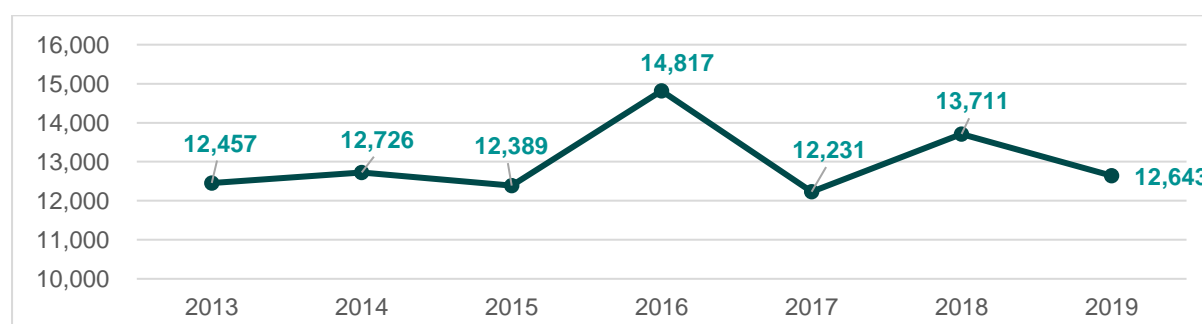
In 2018/19, 61 new financial statement audits were scheduled and completed consistent with the number of audits completed in 2017/18.

**Figure 11 Number of new financial statement audit task assignments issued**



The six additional audits in 2017/18 and 2018/19 relate to the five entities purchased by CDU Amenities Pty Ltd and the Menzies School of Health Research Foundation Ltd. The number of audit hours allocated to auditing financial statements for 2017/18 were affected by higher costs associated with the initial audits of these entities including costs of establishing audit files. Audit hours in 2018/19 totalled 12,643 hours, a decrease of 8% from the prior year, consistent with expectations.

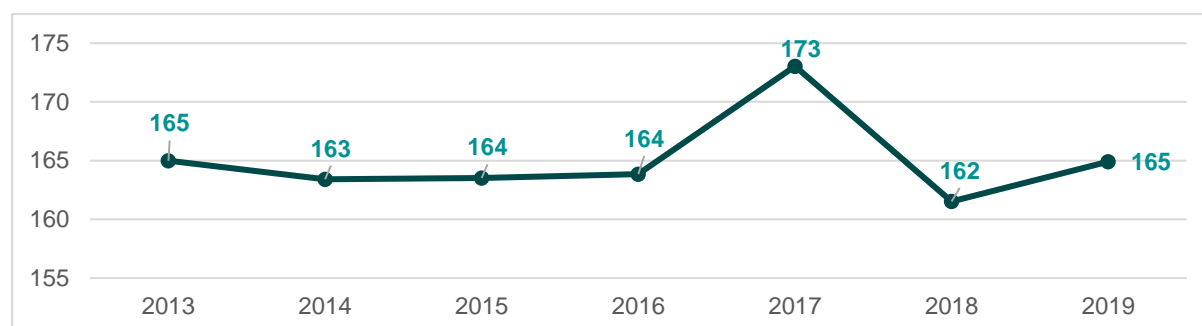
**Figure 12 Audit hours allocated to new financial statement audits**



The weighted average cost per hour of providing financial statement assurance for 2018/19 was \$165 per hour. Costs of audits are dependent on the allocation of hours across the professional levels of Authorised Auditors required for each audit, the inclusion of supplementary expenses for travel disbursements (related to visiting specialists) and the number of hours an audit may take to complete.

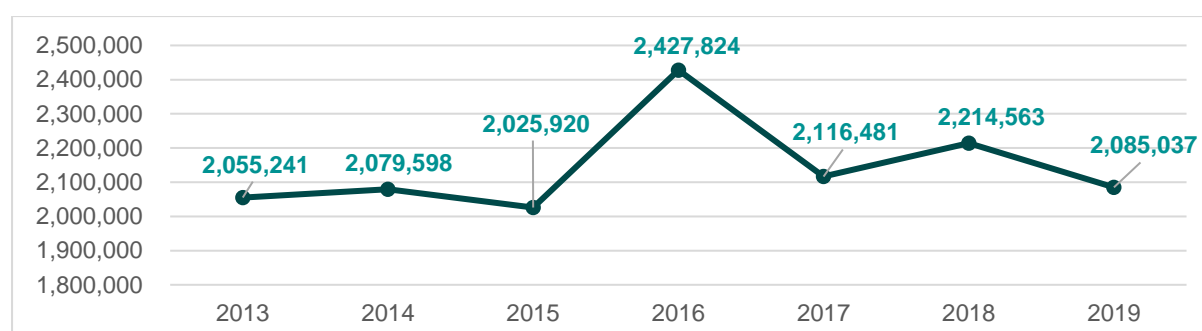
The higher weighted average cost per hour in 2016/17 of \$173 resulted from the need to engage more senior and specialist Authorised Auditors to audit complex actuarial estimates and financial models used by audited entities for the purposes of valuing assets and liabilities (provisions).

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



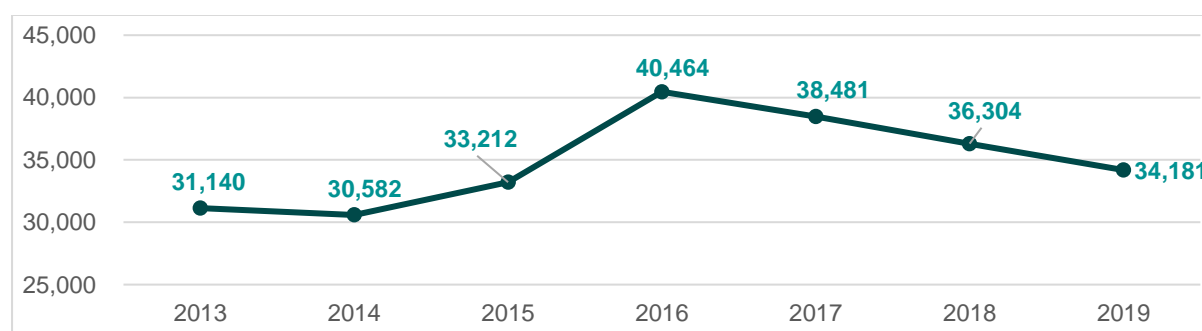
The total cost related to undertaking new financial statement audits for 2018/19 was \$2.085 million, representing a decrease of 6 percent from the prior year cost of \$2.214 million. The decrease represents a return to budgeted hours and cost as the audit base settled following the acquisitions by CDU Amenities Limited and the earlier restructuring of the utilities sector.

**Figure 14 Cost of undertaking new financial statement audits (\$)**



The increase in the average cost of audits in 2015/16 was attributable to additional resources required to audit the utility sector entities following structural separation. The average cost has continued to decrease since 2015/16, decreasing by 16% over the past four years.

**Figure 15 Average cost of new financial statement audits (\$)**



Financial statement audits lead to two main outputs, an audit report and a management letter (also referred to as a management report).

An audit report 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 letter is addressed to the Board or the Accountable Officer of the public sector entity and sets out any significant issues identified during the audit and provides recommendations for improving the entity's controls, systems and processes.

## Compliance Audits

The General Government Sector comprises the 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 Treasurer's Annual Financial Statement.

In order to form an opinion on the Treasurer's Annual Financial Statement, 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.

Agencies subject to compliance audits and year end reviews during 2018/19 (as part of the audit of the Treasurer's Annual Financial Statement) 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 Infrastructure, Planning and Logistics
- Department of Local Government, Housing and Community Development
- 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, Sport 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

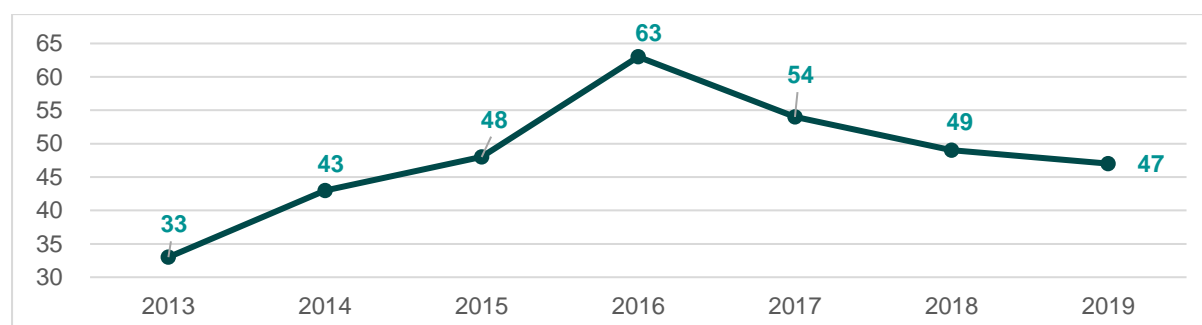
The number of compliance audits undertaken is directly affected by the number of agencies that are consolidated into the Treasurer's Annual Financial Statement. In 2018/19, agency compliance audits and end of year reviews were conducted at 19 agencies. In addition, three further compliance audits were conducted at the Department of Corporate and Information Services in order to gain assurance around the provision of shared services and the use of the across-government Payroll Information Processing System and the Government Accounting System.

In 2018/19, four compliance focused information technology systems audits were undertaken compared to six in 2017/18. The compliance information technology system audits performed in 2018/19 were:

- eProcurement;
- Veritas Program – Courts Case Management System;
- Student Administration Management; and
- Cyber Security.

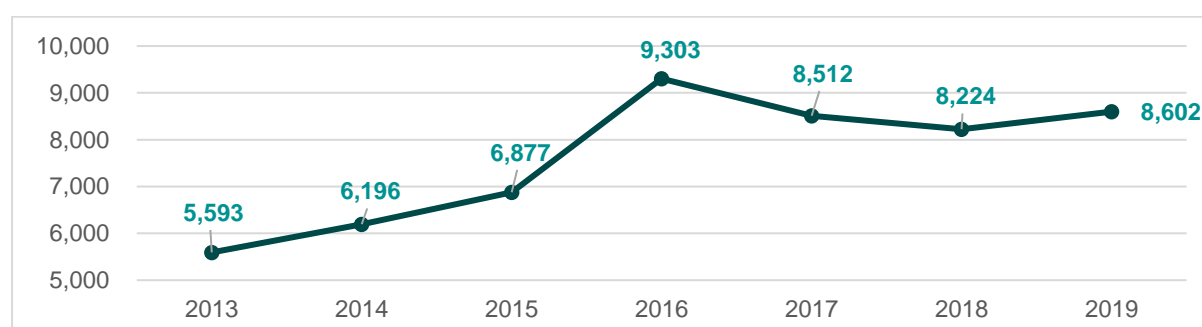
In the 2018/19 reporting period, 47 new compliance audits were scheduled and completed with one compliance audit carried over from 2017/18 being completed in 2018/19.

**Figure 16 Number of new compliance audit task assignments issued**



During the 2018/19 year, compliance audit activity utilised 8,602 audit hours, compared to 8,224 in the previous year. Hours required to complete each audit are affected by the nature of the audit and the size of the entity. The additional hours allocated to new compliance audits increased by 378 hours from the prior year, attributable to a greater number of hours applied to information technology compliance audits and end of year reviews.

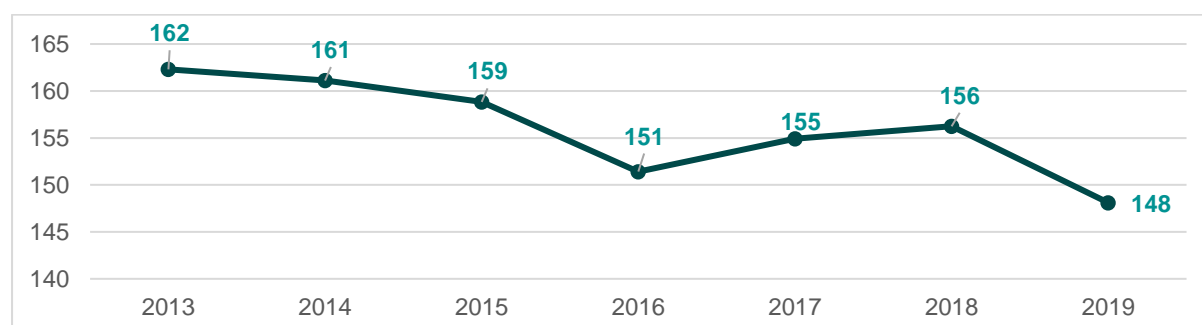
**Figure 17 Audit hours allocated to new compliance audits**



Notwithstanding the increase in audit hours, the weighted average cost of providing compliance audits for 2018/19 was \$148 per hour, a decrease from the prior year of approximately \$8 per hour. There are a number of reasons contributing to the reduced cost per hour including: use of more junior staff at lower cost; firms absorbing the costs associated with inefficiencies whilst still recording the full number of hours spent on each audit; and more audit hours being delivered in this category of audit by firms with lower than average rates.

The weighted average cost of a compliance audit is consistently less than the cost of a financial statement audit. Compliance audits are generally non-complex and can largely be completed by less experienced Authorised Auditors.

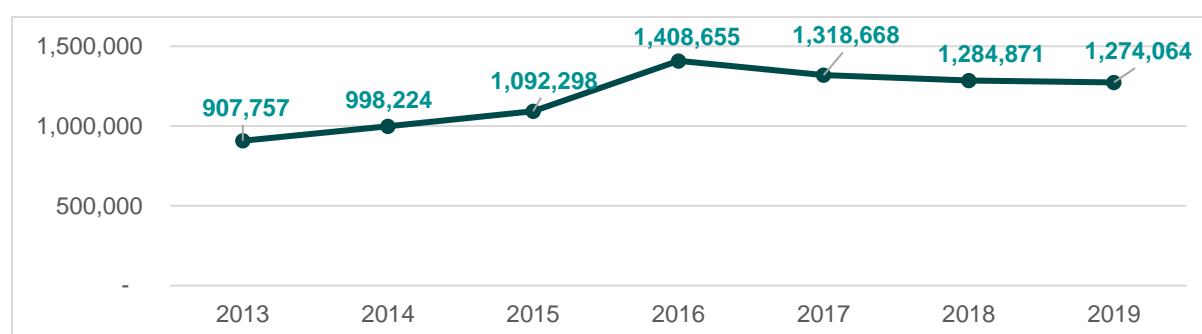
**Figure 18 Weighted average cost per hour for new compliance audits (\$)**



As shown in Figure 16, the number of compliance audits has decreased from 63 in 2015/16 to 47 in 2018/19. This represents a 25% decrease. The decrease is largely due to machinery of government changes reducing the number of agencies through amalgamations and hence the number of audits required. Whilst the number of audits has reduced, the cost to undertake the audits has not reduced to the same extent (as a percentage of prior years). This is because the amount of audit work required to be performed increases by agency due to the size of the amalgamated agencies and some inefficiencies in agencies producing documentary evidence to support reported amalgamated balances.

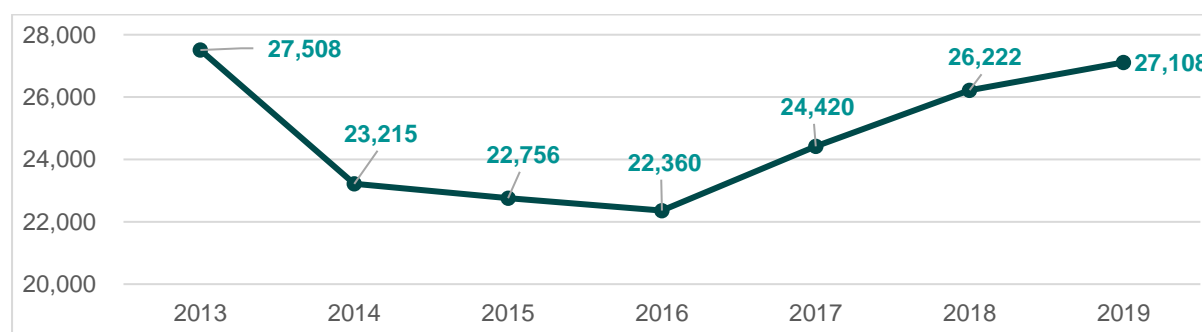
Consistent with the reduced number of compliance audits completed, the total cost of compliance audits has decreased over the four year period.

**Figure 19 Cost of undertaking new compliance audits (\$)**



Consistent with the analysis above, the average cost per new compliance audit has increased by 3% from \$26,222 in 2017/18 to \$27,108 in 2018/19. It is expected that the average cost of audits will continue to increase given the rate escalation clauses in the panel contract arrangements which provide for the rates charged by the outsourced audit service providers to be adjusted in line with the changes to the Consumer Price Index.

**Figure 20 Average cost of new compliance audits (\$)**



At the conclusion of each compliance audit, the Auditor-General provides a management letter that is addressed to the Accountable 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 1993* 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 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 2018/19 year, 11 new performance management system audits were scheduled and two audits were carried forward from the previous year.

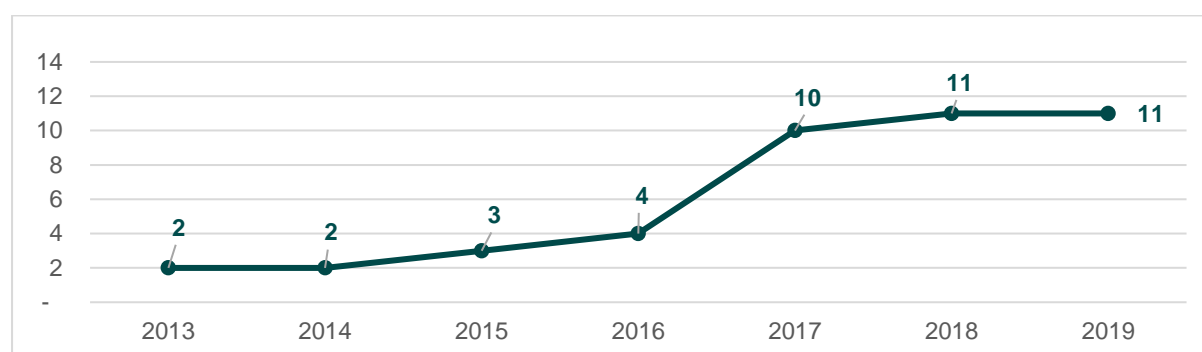
The following audits were scheduled in 2018/19:

- Department of the Attorney-General and Justice – Fines Recovery Process
- Department of Education – NAPLAN Data Analytics and Cause Analysis
- Department of Environment and Natural Resources – Bushfire Mitigation, Management and Suppression KPIs
- Department of Infrastructure, Planning and Logistics – Indigenous Employment Provisional Sum
- Department of Local Government, Housing and Community Development – Procurement
- Department of Trade, Business and Innovation – Luxury Hotel Development and Water Theme Park
- Department of Trade, Business and Innovation – Local Jobs Fund
- Department of Treasury and Finance – Northern Territory Infrastructure Development Fund
- Department of Treasury and Finance – *Fiscal Integrity and Transparency Act 2001*
- Department of Tourism, Sport and Culture – Visitation to the Territory KPIs
- Territory Families – Procurement

Of the 11 new performance management system audits commenced, three were completed in the 2019/20 financial year. The results of three audits, Fines Recovery Unit, Local Jobs Fund and NAPLAN Data Analytics and Cause Analysis, will be reported upon in November 2019.

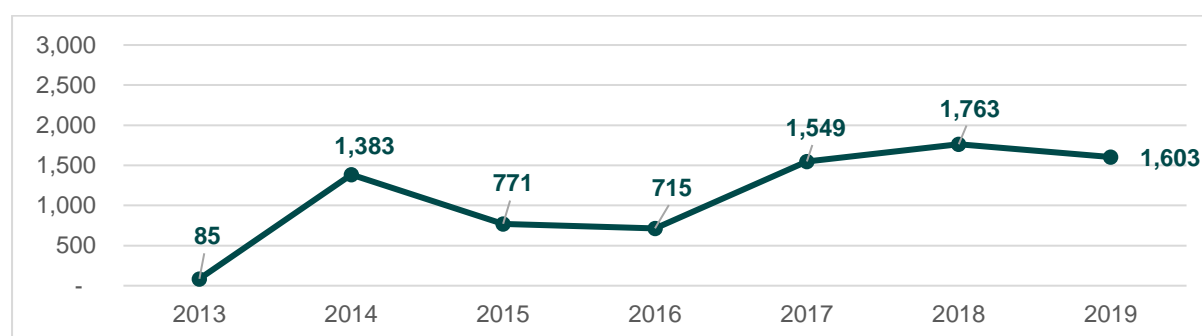
Of the new performance management system audits in 2018/19, eight were outsourced and three were conducted in-house. In 2017/18, ten were outsourced and one performed in-house.

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



During the 2018/19 period, actual performance management system audit hours totalled 1,603, a decrease of 9% from the prior year. This is due to a combination of less audit hours being used to complete each audit (on average) and three performance management system audits being completed in the 2019/20 financial year thus those hours are recorded in the 2019/20 reporting year.

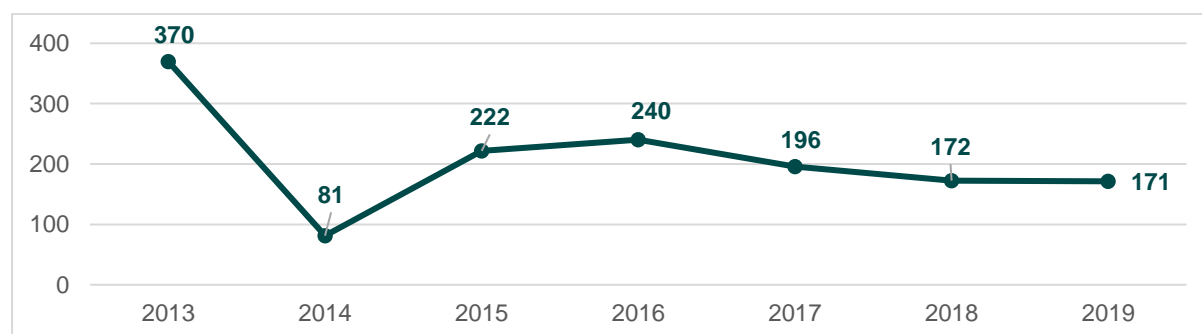
**Figure 22 Audit hours allocated to new performance management system audits**



Performance management system audits are more complex and require more experienced staff. As a result, the weighted average cost is consistently higher than the hourly cost of a financial statement audit or compliance audit.

Weighted average cost per hour is affected by the number of audits performed in-house rather than being outsourced as the cost of audits performed in-house are recorded as employee expenditure. The reduction in weighted average cost in 2018/19 is the result of an increase in the number of performance management system audits being performed using internal resources.

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



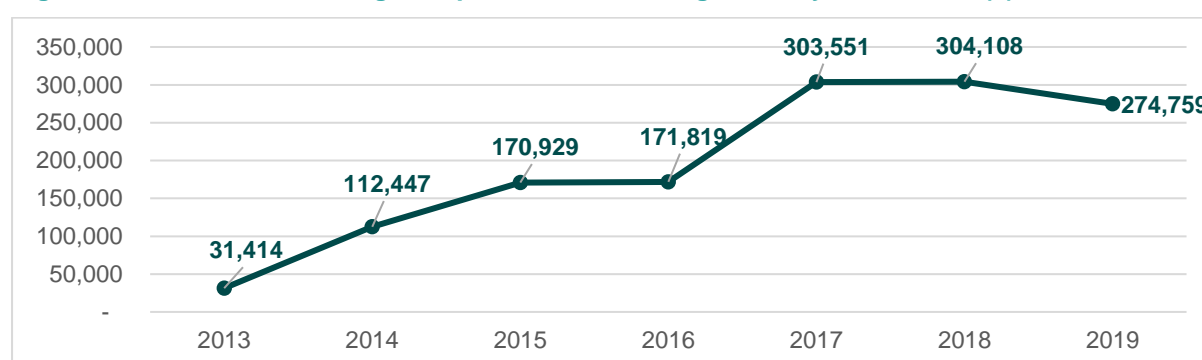


The total cost of undertaking performance management system audits is a product of the number of audits, the hours allocated due to the complexity of the audit and the proportion of audits performed in-house or by Authorised Auditors.

In 2018/19, the total cost of performance management system audits decreased by 10% to \$274,759 as a result of a higher proportion of audits being performed in-house. This offset the increases in costs arising from several more complex performance management system audits where the hours incurred and associated costs were higher than average for a performance management system audit. These audits were:

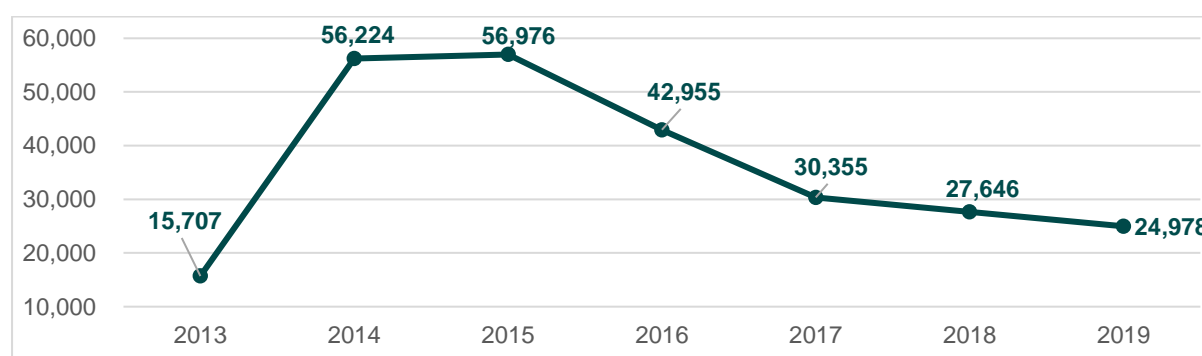
- Department of Education – NAPLAN Data Analytics and Cause Analysis;
- Department of Local Government, Housing and Community Development – Procurement; and
- Department of Trade, Business and Innovation – Luxury Hotel Development and Water Theme Park.

**Figure 24 Cost of undertaking new performance management system audits (\$)**



Consistent with the movement in total cost shown in Figure 24 and as explained by the use of a greater proportion of in-house resources, the average cost of a performance management system audit decreased by 10% to \$24,978.

**Figure 25 Average cost of new performance management system audits (\$)**



Performance management system audits result in the Auditor-General providing a management letter that is addressed to the Accountable Officer. The management report presents 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 letter 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, reviews and *Public Information Act 2010* referrals. During the 2018/19 period, the Office commenced and completed eight new acquittals, four data analytic tasks and five *Public Information Act 2010* referrals. One referral under the *Public Information Act 2010* was received in late 2017/18 and was completed during the 2018/19 reporting year.

## Public Information Act Reviews

In addition to the obligations imposed by the Act, the Auditor-General has obligations to carry out reviews in accordance with the *Public Information Act 2010*.

The *Public Information Act 2010* 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 *Public Information Act 2010* has been 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 the Auditor-General's reports to the Legislative Assembly and are also required to be presented to the Speaker for tabling.

## Reports to the Legislative Assembly

The 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, information technology audits, controls and compliance audits, performance management system audits and any special reviews conducted. Results of any reviews of referred information under the *Public Information Act 2010* are included when the reviews are concluded. The approximate timing and the contents of these reports are explained below.

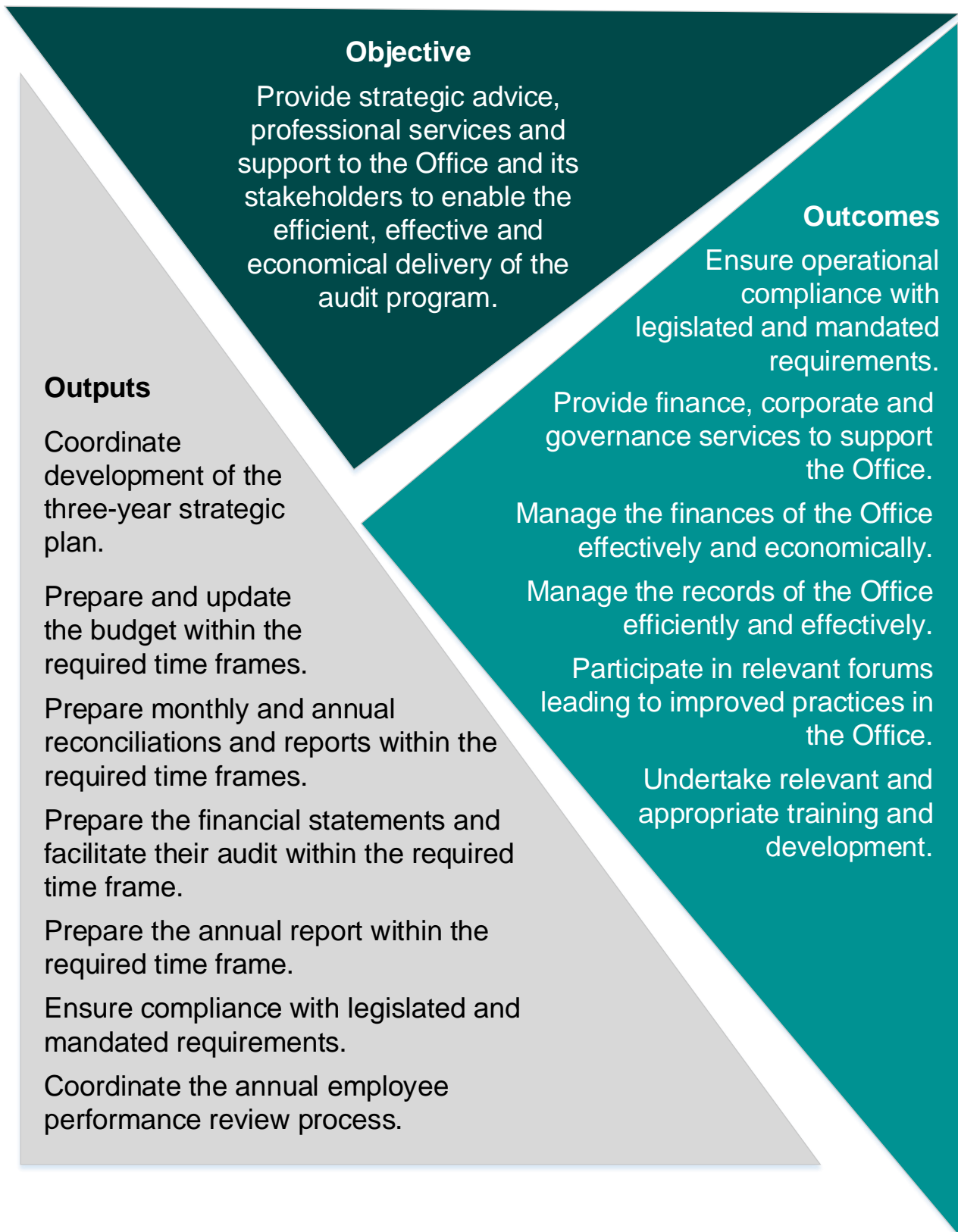
- November report which contains commentary on agencies and entities with a 30 June financial year-end being 30 June of the previous calendar year. Material is included depending on when each audit is completed. The report also contains commentary on the Auditor-General's audit of the Treasurer's Annual Financial Statement and the end of year reviews of financial information undertaken at each agency.
- February/March report which contains commentary on results of information technology audits, compliance audits and audits of performance management systems and the results of any financial statement audits completed between November and February.
- August report which contains commentary on agencies and entities with a year ending 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 2018/19 the following reports were submitted to the Legislative Assembly:

- August 2018 – This report presented the results of 48 separate audits and other tasks completed during the period 1 February 2018 to 31 July 2018.
- November 2018 – This report presented the results of 43 separate audits and other tasks completed during the period 1 August 2018 to 31 October 2018.
- March 2019 – This report presented the results of 13 separate audits and other tasks completed during the period 1 November 2018 to 28 February 2019.

## 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 2017/18, the following key performance indicators were agreed for the Corporate and Governance output group, accompanied by the results for the 2018/19 financial year:

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

Key Performance Indicator	Results for 2018/19
<b>100% of invoices paid within 30 days</b>	99.7% or 346 of the 347 invoices were paid within 30 days; 1 outside of 30 days due to the invoice being lost in transit. <i>(Source: Boxi AP06 – Invoice Processing Report)</i>
<b>Annual Report delivered within the required timeframe (relates to the previous year's Annual Report)</b>	The 2017/18 Annual Report was tabled in Parliament during the October 2018 sittings.
<b>Financial Statements prepared and audited within the required timeframe</b>	The Office's 2018/19 Financial Statements were prepared by the required due date with an unmodified audit opinion issued on 9 August 2019 received from the Office's external auditors. (Refer to the Independent Auditor's Report section of this Annual Report)
<b>Budget deliverables are completed within the required timeframe</b>	All budget related returns for the Office have been completed and provided to the Department of Treasury and Finance by the due dates.
<b>Employee performance plans are in place and reviews are conducted for each employee.</b>	All employees in the Office with employee performance plans in place during the financial year were provided with annual reviews and feedback in June 2019.
<b>Percentage of records with a retention schedule</b>	100% of new records created have an appropriate retention schedule attached.
<b>Percentage of records destroyed in accordance with the retention schedule</b>	100% of records due for destruction have been destroyed in accordance with their retention schedule
<b>Annual agency procurement management plan delivered within the required timeframe</b>	The Office's Procurement Management Plan for 2019/20 was prepared and submitted to Procurement NT by the due date.
<b>Annual internal audit of compliance with the NTG Travel Policy undertaken within the required timeframe</b>	An internal review of the Office's travel transactions was conducted for the 2018/19 financial year, and results have been reported. The Office's Travel Policy has been updated to incorporate new recommendations as a result of the review.

The following table presents a comparison of the Office's output groups against the 2018/19 budget and estimated results as published in Budget Paper No.3.

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

Output Group	Actual 2017/18 \$'000	Budget 2018/19 \$'000	Estimate 2018/19 \$'000	Actual 2018/19 \$'000	Variance 2018/19 \$'000
Audits and Reviews	4,616	4,527	4,513	4,395	(118)
Corporate and Governance	602	641	588	572	(16)
<b>Total</b>	<b>5,218</b>	<b>5,168</b>	<b>5,101</b>	<b>4,967</b>	<b>(134)</b>

## Reflection on 2018/19

In 2018/19, 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**

July 2018 Aug 2018 Sep 2018 Oct 2018 Nov 2018 Dec 2018 Jan 2019 Feb 2019 Mar 2019 Apr 2019 May 2019 June 2019													
• 1			• 2			• 3			• 4			• 5 • 6	
Key Achievements during the year													
1	Finalised the Office’s Gift and Benefits policy.												
2	Facilitated the triennial Strategic review for the Office by an external reviewer.												
3	Created a formal Fraud Control Policy in conjunction with the new Treasurer’s Direction on Fraud Control.												
4	Completed the Agency Procurement Management Plan 2019/20.												
5	Facilitated and completed the Office’s Risk Management and Mitigation Workshop.												
6	Finalised the Office’s Independent Commissioner Against Corruption (ICAC) related Policy and Procedures.												

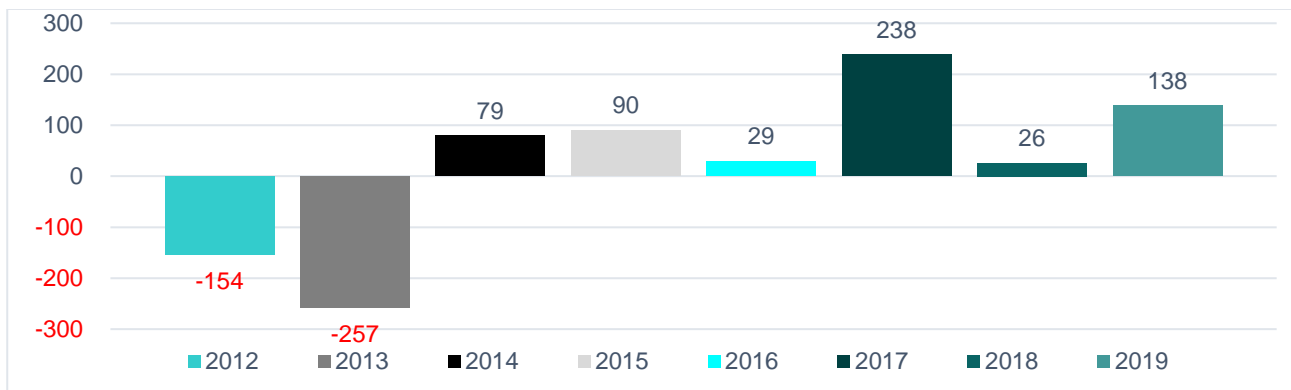
## Financial Management

The Office's financial statement overview for the year ended 30 June 2019 is discussed within the Office's Audited Financial Statements section on page 55 of this report. A summary of key financial results compared to previous financial years is presented below.

### Key Financial Results

The following graph presents the net operating surplus or deficit comparatively for the last eight financial years. In 2018/19, the Office continued to operate at a surplus with a net surplus at the end of the year of \$138,000, following a lower surplus in the prior year of \$26,000. The higher surplus in the current year is predominantly due to audit costs for some audits being lower than budgeted and lower employee expenditure as a result of one employee taking long service leave during the year. Long service leave costs are met by the Central Holding Authority.

**Figure 29 Office net operating results in the last eight financial years (in \$'000)**



### Revenue

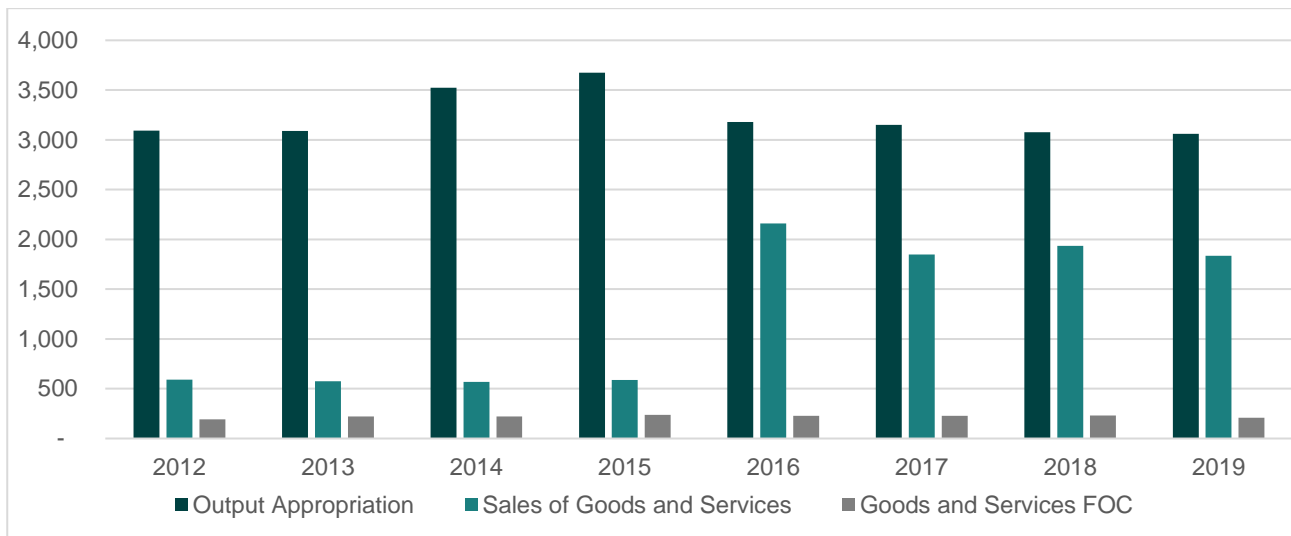
Revenue for the Office comprises Output Appropriation and Sales of Goods and Services income derived from the recovery of audit costs from statutory entities. The Office also receives shared services support from the Department of Corporate and Information Services (DCIS) and records notional charges 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, representing 60% of total revenue in 2018/19. Output Appropriation declined from the prior year by \$17,000 attributable to efficiency dividend reductions in budget. Continuous financial prudence is required to return a break-even result or small surplus at year end, whilst ensuring the planned audit program is effectively delivered.

**Figure 30 Office source of revenue summary for the last eight financial years**

Source of Revenue	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000
Output Appropriation	3,094	3,090	3,523	3,675	3,178	3,152	3,077	3,060
Sales of Goods and Services	590	574	568	589	2,160	1,847	1,935	1,836
Goods and Services (Free of charge)	191	220	223	237	227	227	232	209
<b>Total</b>	<b>3,875</b>	<b>3,884</b>	<b>4,314</b>	<b>4,501</b>	<b>5,565</b>	<b>5,226</b>	<b>5,244</b>	<b>5,105</b>

**Figure 31 Sources of revenue for the last eight financial years (in \$'000)**



A total of 40 entities (as listed below) were subject to recovery of audit costs. Costs recovered include costs associated with work completed or accrued as at 30 June.

Agencies subject to recovery of audit costs	2019 \$	2018 \$	Movement \$
Batchelor Institute of Indigenous Tertiary Education	77,860	89,010	(11,150)
Board of the Museum and Art Gallery of the Northern Territory	14,350	15,479	(1,129)
Bridging the Gap Foundation	12,851	-	12,851
Cairns Business College Pty Ltd	20,347	20,168	179
Cairns Education Australia Pty Ltd	12,208	12,528	(320)
Cairns Language Centre Pty Ltd	20,347	41,347	(21,000)
CDU Amenities Limited	20,063	31,279	(11,216)
Central Australia Health Service	22,080	27,391	(5,311)
Charles Darwin University	170,094	145,299	24,795
Charles Darwin University Charitable Trust	6,121	5,981	140
Charles Darwin University Foundation	9,165	8,980	185
Cobourg Peninsula Sanctuary and Marine Park Board	14,287	16,901	(2,614)
Darwin Waterfront Corporation	40,268	47,334	(7,066)
Data Centre Services	24,436	24,765	(329)
Department of Health	8,876	21,980	(13,105)
Department of Infrastructure, Planning and Logistics	31,228	17,851	13,377
Department of Local Government, Housing and Community Development	6,250	9,287	(3,037)
Department of Trade, Business and Innovation	-	15,510	(15,510)
Department of Treasury and Finance	9,498	9,227	271

Agencies subject to recovery of audit costs	2019 \$	2018 \$	Movement \$
Desert Knowledge Australia	21,340	19,813	1,527
ICHM Pty Ltd	32,402	32,302	100
Indigenous Essential Services Pty Ltd	58,200	79,509	(21,309)
Jabiru Town Development Authority	12,650	13,552	(902)
Land Development Corporation	73,699	52,197	21,502
Menzies School of Health Research	64,918	54,050	10,868
Menzies School of Health Research Foundation Limited	-	5,981	(5,981)
Motor Accidents (Compensation) Commission	264,574	256,694	7,880
Nitmiluk (Katherine Gorge) National Park Board	17,446	18,802	(1,356)
Northern Territory Grants Commission	8,050	3,899	4,151
Northern Territory Legal Aid Commission	28,190	15,046	13,144
Northern Territory Major Events Company Pty Ltd	30,364	27,742	2,622
Northern Territory Treasury Corporation	71,566	71,542	24
NT Build	22,765	21,521	1,244
NT Fleet	36,633	34,914	1,719
NT Home Ownership	42,833	44,037	(1,204)
Office of the Public Trustee for the Northern Territory	26,797	28,297	(1,500)
Power and Water Corporation	213,983	346,459	(132,476)
Power Generation Corporation (Territory Generation)	101,258	98,214	3,044
Power Retail Corporation (Jacana Energy)	133,064	95,330	37,734
Surveyors Board of the Northern Territory of Australia	9,100	6,862	2,238
Territory Wildlife Parks	25,220	20,179	5,041
Top End Health Service	20,216	27,391	(7,175)
<b>Total</b>	<b>1,835,596</b>	<b>1,934,654</b>	<b>(99,054)</b>



## Expenses

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

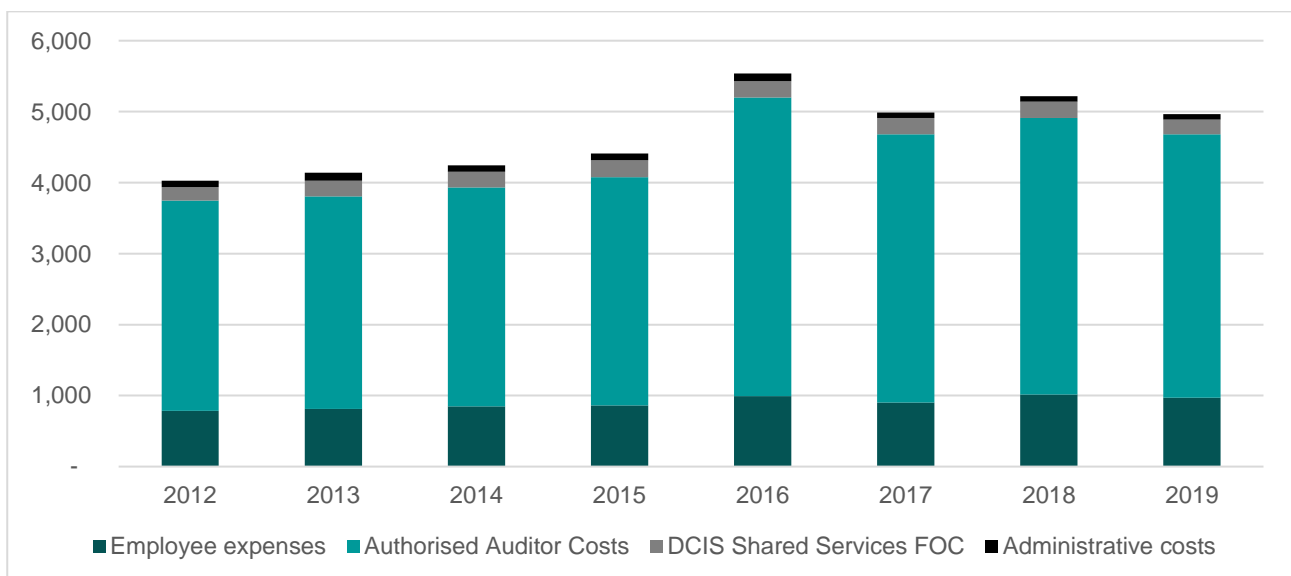
**Figure 32 Comparison of major categories of expenses for the last eight financial years**

Expenses	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000
Employee expenses	784	811	847	861	992	903	1,017	971
Authorised Auditor Costs <sup>(1)</sup>	2,962	2,994	3,085	3,216	4,210	3,780	3,893	3,711
DCIS Shared Services FOC	191	220	223	237	228	227	232	209
Other Admin Costs <sup>(2)</sup>	92	113	89	97	107	78	76	76
<b>Total</b>	<b>4,029</b>	<b>4,139</b>	<b>4,245</b>	<b>4,411</b>	<b>5,536</b>	<b>4,987</b>	<b>5,217</b>	<b>4,967</b>

(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 2018/19 Budget and Estimates

The following table compares the actual operating results for the Office's 2018/19 financial year to its 2018/19 budgets as presented in Budget Paper No. 3 in May 2018 and the revised budget as presented to the Estimates Committee hearing held in May 2019. The revision related to a reduction in costs associated with services received free of charge.

**Figure 34 Comparison of 2018/19 Original Budget, Revised Budget and Actuals**

	Actual 2017/18	Original Budget 2018/19	Revised Budget 2018/19	Actual 2018/19
<b>INCOME</b>				
Appropriation				
Output	3,077	3,060	3,060	3,060
Sales of goods and services (audit costs recovered)	1,935	1,830	1,830	1,836
Services free of charge (DCIS)	232	278	211	209
<b>TOTAL INCOME</b>	<b>5,244</b>	<b>5,168</b>	<b>5,101</b>	<b>5,105</b>
<b>EXPENSES</b>				
Employee expenses	(1,017)	(1,004)	(1,004)	(971)
Purchases of goods and services	(3,969)	(3,884)	(3,884)	(3,787)
Repairs and maintenance	-	(2)	(2)	-
Other administrative expenses	(232)	(278)	(211)	(209)
<b>TOTAL EXPENSES</b>	<b>(5,218)</b>	<b>(5,168)</b>	<b>(5,185)</b>	<b>(4,967)</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>138</b>
<b>ASSETS</b>				
Cash and deposits	638	876	638	573
Receivables	680	237	679	542
Prepayments	1	1	1	-
<b>TOTAL ASSETS</b>	<b>1,319</b>	<b>1,114</b>	<b>1,318</b>	<b>1,115</b>
<b>LIABILITIES</b>				
Payable	431	282	432	116
Provisions	124	94	122	97
<b>TOTAL LIABILITIES</b>	<b>555</b>	<b>376</b>	<b>554</b>	<b>213</b>
<b>NET ASSETS</b>	<b>764</b>	<b>738</b>	<b>764</b>	<b>902</b>
<b>EQUITY</b>				
Capital	570	570	570	570
ACCUMULATED FUNDS	194	168	194	332
<b>TOTAL EQUITY</b>	<b>764</b>	<b>738</b>	<b>764</b>	<b>902</b>

## 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. The Auditor-General is accountable:

- to the Legislative Assembly for the discharge of the responsibilities allocated under the 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 Office's Corporate Governance Framework as presented below.

**Figure 35 NTAGO Corporate Governance Framework**

	Internal	External
<b>Planning</b>	<ul style="list-style-type: none"> <li>• Development, review and maintenance of the strategic plan.</li> <li>• Identification of strategic risks and mitigating controls to support the efficient, effective and economical delivery of services from the Office.</li> <li>• Maintenance of the strategic risk register.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>Monitoring, Review and Evaluation</b>	<ul style="list-style-type: none"> <li>• Weekly meetings are held with all members to discuss the progression of the audit program (all audit areas) and matters relating to finance, risk, administration, human resources and work health and safety.</li> <li>• Authorised Auditors submit a weekly progress report to the Principal Auditors to enable monitoring of progress against finance and time budgets for each engagement.</li> <li>• Principal Auditors undertaking in-house audits hold a weekly one-on-one meeting with the Auditor-General.</li> <li>• 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.</li> <li>• Policies, procedures and manuals are updated in accordance with established timetables or if required as a result of legislative change.</li> </ul>	<ul style="list-style-type: none"> <li>• The annual financial statements of the Office are subject to independent audit by an auditor appointed by the Administrator.</li> <li>• Section 26 of the Act requires a strategic review of the Office to be conducted at least once every three years. The terms of reference and the appointment of the reviewer are recommended by the Chief Minister to the Administrator, after consultation with the Public Accounts Committee and the Auditor-General. The last review was conducted in October 2018 and was tabled in Parliament in November 2018. The next strategic review is scheduled to be conducted during the 2021 calendar year.</li> </ul>

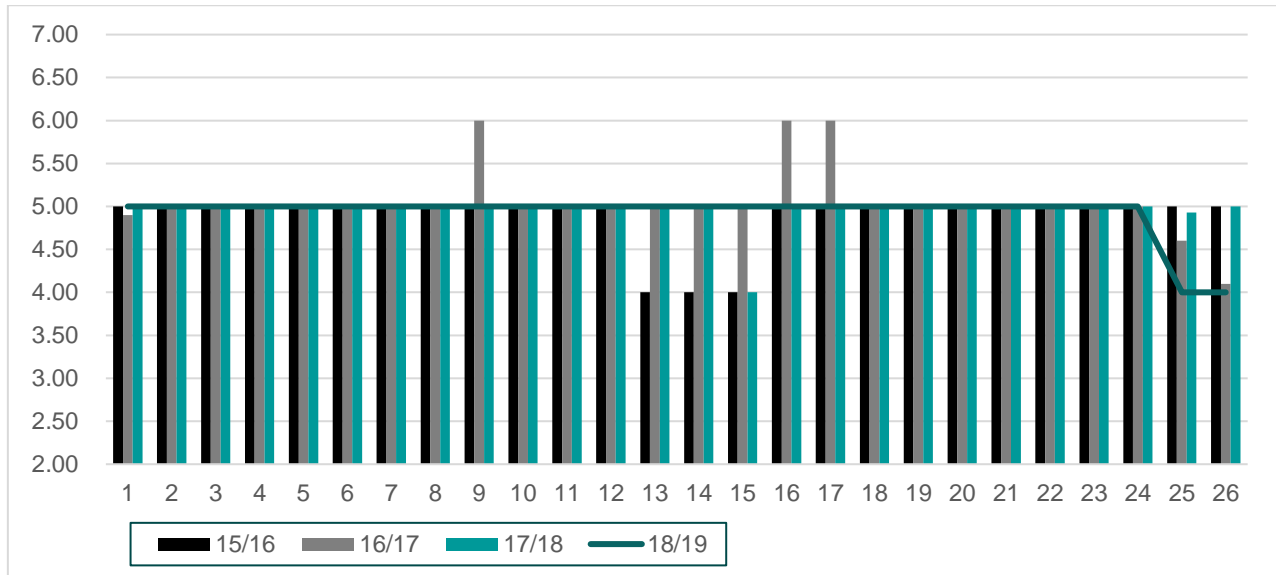
	Internal	External
<b>Reporting</b>	<ul style="list-style-type: none"> <li>Weekly progress reports are prepared on the status of each audit task against the estimated time and cost.</li> <li>Monthly financial reports are prepared showing actual financial results compared to budget and explanations provided for material variances.</li> </ul>	<ul style="list-style-type: none"> <li>Submission of reports to the Legislative Assembly each year, setting out the results of audits, together with any observations that may be relevant.</li> <li>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 2019. The financial statements are included at Appendix A to this report.</li> </ul>
<b>Communicating</b>	<ul style="list-style-type: none"> <li>Staff meetings are held weekly.</li> <li>Weekly progress meetings occur in relation to in-house audits.</li> <li>There is an "open door" approach within the Office which enables immediate communication when required.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Annual appearances before the Estimates Committee during which the Committee has the opportunity to question the Auditor-General about the activities of the Office.</li> <li>Regular status updates and exit meetings are held with Authorised Auditors and representatives from audited entities.</li> <li>Briefings are held with Authorised Auditors and training provided to newly Authorised Auditors.</li> <li>Delivery of management letters and audit reports to audited entities.</li> <li>Communication of the six monthly programs of audit tasks to Authorised Auditors and audited entities.</li> </ul>

## Human Resources

### Employee Demographics

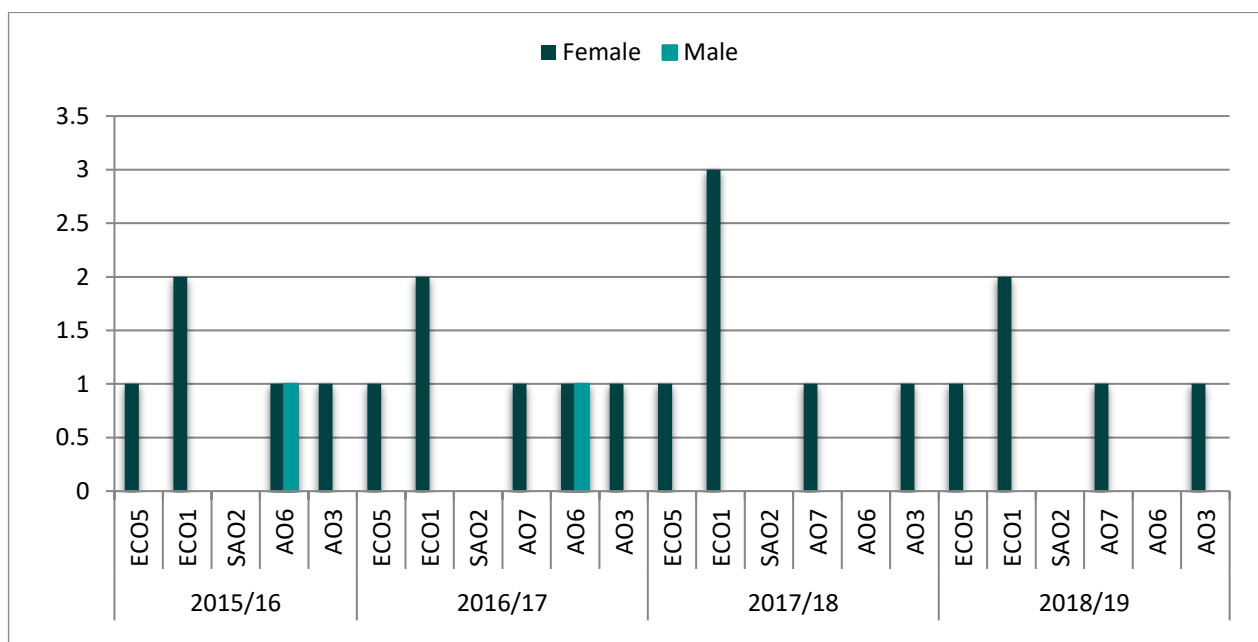
During the year ended 30 June 2019, the average FTE of the Office was 4.92 compared to an average of 4.96 for the previous financial year. The head count for staffing in 2018/19 and 2017/18 remains the same at 5.0 FTE. Those periods where the headcount per pay period exceeds established position numbers reflect appointment of new personnel to replace outgoing personnel.

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



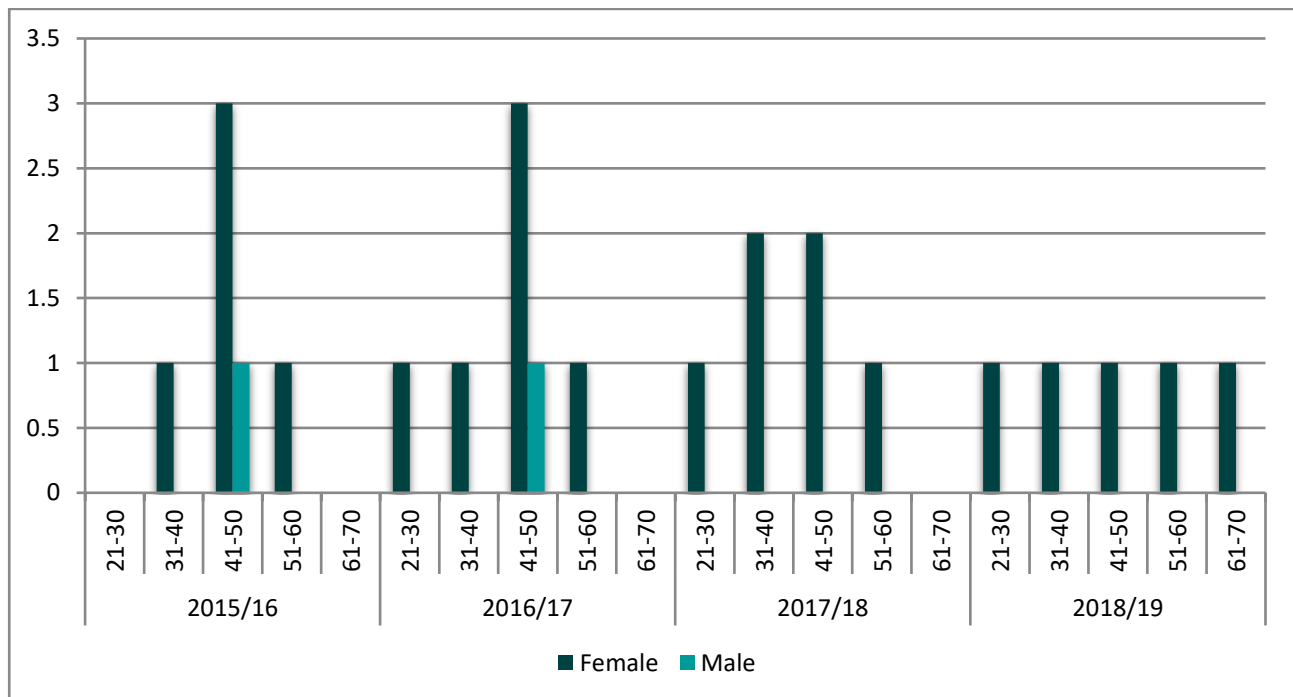
The following graph shows the variation in staff numbers by classification over the 2018/19 and prior three reporting years. In June 2019, the Manager Finance and Corporate commenced a 12-month secondment to a Northern Territory Government agency, therefore the position was vacant for a month at the end of the 2018/19 financial year. This explains the decrease in FTE numbers during pay periods numbered 24 and 25.

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



The following graph shows the breakdown of classification by gender and age for the Office. In the 2018/19 financial year, 100% of the Office's staff were female, consistent with the prior year.

**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 2019, 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, work, health and safety (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 1993* (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.

**Figure 39 NTAGO reporting on Employment Instructions**

Employment Instruction	NTAGO Performance 2018/19
No. 1. Filling Vacancies	The temporary filling of the Manager Finance and Corporate position was advertised in May 2019 and filled in July 2019.
No. 2. Probation	No probationary process was conducted during the 2018/19 year.
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 OCPE on equal opportunity matters. Diversity and inclusion are supported and promoted throughout the Office activities and within the audit contract.
No. 11. Occupational Health and Safety Standards Program	The Office has developed and implemented its WHS framework which has been incorporated within all aspects of the Office's operations.

Employment Instruction	NTAGO Performance 2018/19
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 and public sector 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	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 OCPE	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

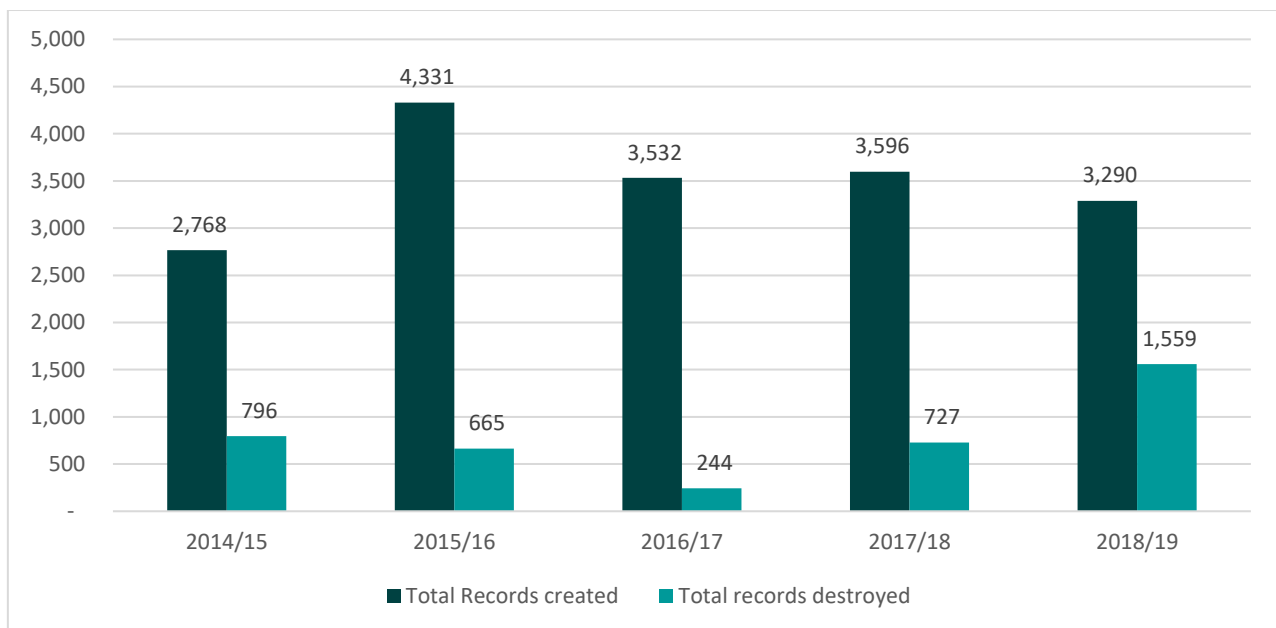
The Office complies with mandated requirements for records management within the NTG including standards and guidelines issued by DCIS.

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 to 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 2018/19 financial year, there were 3,290 new records created and 1,559 listed for destruction. In comparison, the 2017/18 year saw a total of 3,596 records created and 727 records listed for destruction. The number of records listed for destruction was significantly higher in 2018/19 as a result of preparation for office relocation which is now scheduled to occur in December 2019. 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 requires 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.

The WHS policy is 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 clearly reflects 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**

<b>Compliance practices will be maintained for all relevant Australian Standards and codes of practice</b>	<b>100% compliance achieved as demonstrated by:</b>
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 records are recorded in TRM.
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"> <li>• Internal <ul style="list-style-type: none"> <li>○ All information received physically or electronically is immediately recorded in TRM enabling staff to access relevant documentation efficiently. Since 2016, internal processes were enhanced to reduce the need for creating physical files.</li> </ul> </li> <li>• External <ul style="list-style-type: none"> <li>○ With limited exceptions, all elements of the audit files received from Authorised Auditors are received electronically.</li> <li>○ The Auditor-General and Principal Auditors review audit files electronically.</li> <li>○ Weekly progress reports from Authorised Auditors are received electronically.</li> <li>○ Financial reporting, including the audit of the Office's financial statements, for the last three financial years have been completed predominantly using technology-based platforms with reporting occurring in electronic format.</li> </ul> </li> </ul>
Our Emissions	<ul style="list-style-type: none"> <li>• The Office leased two motor vehicles from NT Fleet during the year ended 30 June 2018 for the Principal Auditor positions.</li> </ul>
Power Saving	<ul style="list-style-type: none"> <li>• Most electronic devices are powered down completely when not in use.</li> <li>• The Office has a "lights off" policy for parts of its tenancy that are temporarily not in use.</li> </ul>

### Contributions to Society

Contributions to the auditing and accounting profession, and more broadly to society, by the personnel of the Office are encouraged and supported.

Professional	<ul style="list-style-type: none"> <li>• Staff members are encouraged and supported for their involvement in contributing to their professions through involvement with professional and community associations.</li> <li>• 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.</li> <li>• The Auditor-General participates in the annual evaluation of applications for educational scholarships from the General Sir John Monash Foundation.</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Individual members of the office volunteer to support a range of community events, activities and sporting and interest clubs.</li> </ul>

## Future Priorities

The Office is committed to:



The Audit and Review output group has committed to the following outputs in 2019/20:

**Figure 42 KPIs as presented in 2019/20 Budget Paper No.3**

Audits and Review	2018/19 Budget	2018/19 Estimate	2019/20 Budget
Statutory audits (1)	109	108	112
Other audits (2)	23	23	20
Reviews (3)	3	5	3
<b>Total</b>	<b>135</b>	<b>136</b>	<b>135</b>
<b>Percentage of audit opinions issued</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

1. Audits of the Northern Territory's Public Account and other accounts (including Government Owned Corporations, Government Business Divisions, companies and statutory bodies) pursuant to section 13 of the Act.
2. Includes performance management system audits undertaken pursuant to section 15 of the Act, data analytic tasks and audits of acquittals required by external funding bodies.
3. Includes reviews of referred information under the *Public Information Act 2010* 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:

- Updating the Accounting and Property Manual.
- Updating the Office Records Management and TRM Manual.
- Relocation of the Office now scheduled to occur in December 2019.

# Independent Auditor's Report



## Independent Auditor's Report

To the Chief Minister of the Department of the Northern Territory and the Auditor-General of the Northern Territory Auditor-General's Office

RSM Australia Pty Ltd

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## Opinion

We have audited the financial report of the Northern Territory Auditor-General's Office (the "Office") which comprises the Comprehensive Operating Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, notes to and forming part of the financial statements and the Certification of the Financial Statements.

In our opinion, the accompanying financial report gives a true and fair view, in all material respects, of the financial position of the Office as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with the prescribed format, the *Financial Management Act 1995* and associated Treasurer's Directions and *Australian Accounting Standards*.

## Basis for Opinion

We conducted the 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 Office in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to the audit of the financial report in Australia. We have 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.

## Other Information

The Auditor-General is responsible for the other information. Other information is financial and non-financial information in the annual reporting of the Office which is provided in addition to the financial report and the auditor's report.

Our opinion on the financial report does not cover the other information and accordingly, we do not express any form of assurance conclusion thereon.

In connection with the audit of the financial report, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial report or the knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Auditor-General for the Financial Report

The Auditor-General is responsible for the preparation and fair presentation of the financial report in accordance with the prescribed format, the *Financial Management Act 1995* and associated Treasurer's Directions and *Australian Accounting Standards* and for such internal control as the Auditor-General determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

## THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Pty Ltd ACN 009 321 377 and Birdano Practice Trust ABN 65 319 382 479 trading as RSM  
Liability limited by a scheme approved under Professional Standards Legislation

## Independent Auditor's Report (continued)



In preparing the financial report, the Auditor-General is responsible for assessing the ability of the Office to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Auditor-General either intends to liquidate the Office or to cease operations, or have no realistic alternative but to do so.

### 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 this 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

We communicate with the Auditor-General 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.

*RSM*

RSM AUSTRALIA PTY LTD

A handwritten signature in black ink, appearing to read 'John Findlay'.

JOHN FINDLAY  
Director

Ballarat, Victoria  
Dated this 9<sup>th</sup> day of August 2019



# NTAGO Audited Financial Statements

## FINANCIAL STATEMENT OVERVIEW FOR THE YEAR ENDED 30 JUNE 2019

The Northern Territory Auditor-General's Office (the Office) is a statutory office, established by the Legislative Assembly under the *Audit Act 1995*, which provides the following supporting services to the Auditor-General to enable the effective and efficient delivery of the audit program:

- Coordinating the audits of financial information prepared by the Treasurer, agencies, statutory bodies and other public sector entities that are controlled by the Territory;
- Conducting performance management and information system audits;
- Coordinating and conducting compliance audits and data analysis;
- Conducting reviews of public information issued by public authorities; and
- Providing corporate and governance services such as human resources, financial management, information and communication technology and records management.

Strategic issues facing the Office in 2018/19 included:

- Sustaining effective, efficient and economical audit activities to support decisions relating to the allocation of resources and investment.
- Sustaining independent whole of government audit reporting to improve the Legislative Assembly's oversight of public sector programs and financial management.
- Enhancing public sector financial and performance reporting by audited entities.
- Contributing to increased compliance with relevant legislation and improved public administration practices through the provision of audit findings and recommendations.
- Continuing to engage with agencies' internal audit functions through attendance at audit committee meetings in order to minimise duplication of audit tasks.

Analysis of financial results:

- The Office had a net operating surplus for the year of \$0.138 million compared to \$0.026 million in the prior year.
- Output Appropriation decreased by \$0.017 million from the prior year. Recoverable audit fees decreased by \$0.099 million from \$1.935 million in 2018 to \$1.836 million in 2019 as a result of efficiencies realised within the audit program and a focus on managing cost overruns previously experienced on a number of audits.
- Purchases of goods and services represent Authorised Auditors' fees of \$3.693 million (of which \$1.836 million is recoverable) and operational expenditure of \$0.094 million (consistent with the prior year and the costs of the triennial strategic review). The decrease in total expenditure from the prior year was attributable to decreased audit costs for some audits and lower employee expenditure.
- Employee expenditure decreased by \$0.046 million predominantly due to changes in employees across both financial years and consequential movements in provisions for employee entitlements. Employee expenditure also decreased due to the costs of long service leave taken by one employee being met through the Central Holding Authority.
- The net assets of the Office increased from \$0.764 million to \$0.902 million for the year, reflecting the surplus shown on the Comprehensive Operating Statement.
- When compared to the prior year, cash balances decreased by \$0.065 million, receivables decreased by \$0.138 million, and provisions decreased by \$0.027 million.

## FINANCIAL STATEMENT OVERVIEW FOR THE YEAR ENDED 30 JUNE 2019

- The decrease in accounts receivable is due to lower outstanding recoverable audit charges at the end of 2018/19 financial year. The decrease in provisions is attributable to employee leave entitlements being transferred to another agency.
- A comparison of actual results to the Office's budget, as reported in Budget Paper 3, is presented in Note 21 to the financial statements.



## 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 Office have been prepared based on proper accounts and records in accordance with the prescribed format, the *Financial Management Act 1995* 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 2019 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 1995*, 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 1995*;
- 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 1995*, the internal audit capacity available to the agency is adequate and the results of internal audits have been reported to the Auditor-General;
- e) the financial statements included in the annual report have been prepared from proper accounts and records and are in accordance with Treasurer's Directions;
- f) all employment instructions issued by the Commissioner for Public Employment have been satisfied; and
- g) the Office has implemented processes to achieve compliance with the archives and records management provisions as prescribed in Part 9 of the *Information Act 2002*.



Julie Crisp

Auditor-General for the Northern Territory

9 August 2019



Kim Chai

Manager Finance and Corporate

9 August 2019

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**COMPREHENSIVE OPERATING STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$000	2018 \$000
<b>INCOME</b>			
Appropriation			
Output	3	3,060	3,077
Sales of goods and services (audit costs recovered)	4	1,836	1,935
Goods and services received free of charge	5	209	232
<b>TOTAL INCOME</b>	3	<b>5,105</b>	<b>5,244</b>
<b>EXPENSES</b>			
Employee expenses	6	(971)	(1,017)
Administrative expenses			
Purchases of goods and services	7	(3,787)	(3,969)
Repairs and maintenance		-	-
Other administrative expenses <sup>(1)</sup>	5	(209)	(232)
<b>TOTAL EXPENSES</b>	3	<b>(4,967)</b>	<b>(5,218)</b>
<b>NET SURPLUS</b>		<b>138</b>	<b>26</b>
<b>COMPREHENSIVE RESULT</b>		<b>138</b>	<b>26</b>

<sup>(1)</sup> DCIS service charges.

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

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### BALANCE SHEET

AS AT 30 JUNE 2019

	Note	2019 \$000	2018 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and deposits	9	573	638
Receivables	11	542	680
Prepayments		-	1
<b>Total Current Assets</b>		<b>1,115</b>	<b>1,319</b>
<b>TOTAL ASSETS</b>		<b>1,115</b>	<b>1,319</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	12	116	431
Provisions	13	97	124
<b>Total Current Liabilities</b>		<b>213</b>	<b>555</b>
<b>TOTAL LIABILITIES</b>		<b>213</b>	<b>555</b>
<b>NET ASSETS</b>		<b>902</b>	<b>764</b>
<b>EQUITY</b>			
Capital		570	570
Accumulated funds		332	194
<b>TOTAL EQUITY</b>		<b>902</b>	<b>764</b>

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

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Equity at 1 July	Comprehensive result	Transactions with owners in their capacity as owners	Equity at 30 June
		\$000	\$000	\$000	\$000
<b>2018-19</b>					
<b>Accumulated Funds</b>		194	138	-	332
		194	138	-	332
<b>Capital – Transactions with Owners</b>					
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
<b>Total Equity at End of Financial Year</b>		<b>764</b>	<b>138</b>	<b>-</b>	<b>902</b>
<b>2017-18</b>					
<b>Accumulated Funds</b>		168	26	-	194
		168	26	-	194
<b>Capital – Transactions with Owners</b>					
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
<b>Total Equity at End of Financial Year</b>		<b>738</b>	<b>26</b>	<b>-</b>	<b>764</b>

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

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating Receipts</b>			
Appropriation			
Output		3,060	3,077
Receipts from sales of goods and services		2,347	1,886
<b>Total Operating Receipts</b>		<b>5,407</b>	<b>4,963</b>
<b>Operating Payments</b>			
Payments to employees		(997)	(986)
Payments for goods and services		(4,475)	(4,215)
<b>Total Operating Payments</b>		<b>(5,472)</b>	<b>(5,201)</b>
<b>Net Cash Used in Operating Activities</b>	10	<b>(65)</b>	<b>(238)</b>
Net decrease in cash held		(65)	(238)
Cash at beginning of financial year		638	876
<b>CASH AT END OF FINANCIAL YEAR</b>	9	<b>573</b>	<b>638</b>

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

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

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15. Financial instruments
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## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

### For the year ended 30 June 2019

#### 1. OBJECTIVES AND FUNDING

The Northern Territory Auditor-General's Office (the Office) is an Agency established under the *Audit Act 1995* 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 1995* 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 (2018-19) Act 2018*.

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 1995* and related Treasurer's Directions. The *Financial Management Act 1995* and the *Audit Act 1995* require 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.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

#### For the year ended 30 June 2019

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 2018/19**

##### **AASB 9 *Financial Instruments***

The Office applied AASB 9 for the first time in 2018-19. AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. The Office has not restated the comparative information, which continues to be reported under AASB 139. There have been no differences arising from the adoption of AASB 9 and consequently no impacts recognised directly in accumulated funds or other components of equity. The nature and effect of the changes as a result of the adoption of this new accounting standard are described below.

##### **Classification and measurement**

Financial instruments have been reclassified into one of three measurement bases – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of these instruments is based on the Office's business model for managing the financial assets and the contractual terms of the cash flows.

The classification and measurement requirements of AASB 9 did not have a significant impact to the Office. The Office's debt instruments comprise receivables. These assets were classified as receivables as at 30 June 2018 under AASB 139 and were measured at amortised cost. As these assets are held to collect contractual cash flows that solely constitute payment for audit services, they continue to be measured at amortised cost from 1 July 2018.

The Office has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Office's financial liabilities.

##### **Impairment**

The adoption of AASB 9 requires the loss allowance to be measured using a forward looking expected credit loss approach, replacing AASB 139's incurred loss approach. AASB 9 also requires a loss allowance to be recognised for all debt instruments other than those held at fair value through profit and loss. There have been no changes to impairment losses following the adoption of AASB 9.

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**

No Australian accounting standards have been early adopted for 2018/19.

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



## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

#### For the year ended 30 June 2019

##### **AASB 16 Leases**

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

For lessees with operating leases, a right-of-use asset will now 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, amortisation expense will be recognised relating to the right-of-use asset and interest expense relating to the lease liability.

The right-of-use asset will be amortised generally on a straight-line basis while the lease liability will reduce to reflect lease payments made and increase to reflect the interest on the liability.

Consistent with methodology applied to other long term liabilities, the lease liability is discounted using the Territory bond rates. As the lease term progresses, the carrying amount of the asset (cost less accumulated amortisation) is likely to reduce more quickly than the liability, resulting in a lower net asset in the earlier stages of the lease arrangement.

The modified retrospective approach has been elected to transition to the new lease standard. This approach does not require restatement of comparative years and the cumulative impact is accounted for as an equal adjustment to the right-of-use asset and lease liabilities, thus, having no impact in Office's net assets at initial adoption.

As the Office has no lease arrangements, it is expected that there will be no value required to be recognised in the balance sheet as a lease liability or corresponding right-of-use asset from 2019/20.

For lessors, the finance and operating lease distinction remains largely unchanged.

##### **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 not-for-profit entities for annual reporting periods beginning on or after 1 January 2019 and will be reported for the first time in 2019/20 financial statements.

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

Under AASB 15, revenue from agreements which are enforceable, have sufficiently specific performance obligations and transfer goods or services to the customer or third party beneficiary will be recognised when or as performance obligations are satisfied, and not immediately upon receipt as currently occurs. Consequently, more liabilities will be recognised in the balance sheet after adoption of this standard.

Where a transaction does not meet the criteria above or is classified as a donation transaction, revenue will be accounted for in accordance with AASB 1058.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

#### For the year ended 30 June 2019

The modified retrospective approach has been elected to transition to the new revenue standards. This approach does not require restatement of comparative year with the cumulative impact adjusted to the opening accumulated funds.

As the Office receives no grant funding, implementation of the standards are not expected to result in significant changes as a result of timing differences between the receipt of revenue and performance of obligations.

#### **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 1978 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 Office, are controlled and recorded by the Territory rather than the Office (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 Office 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 2018/19 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

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

#### For the year ended 30 June 2019

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 2018/19 as a result of management decisions.

##### **h) Accounting judgments and estimates**

The preparation of the financial statements 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 Office. Conversely, the Office may make distributions to Government. In accordance with the *Financial Management Act 1995* 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 Office as adjustments to equity. The Statement of Changes in Equity provides additional information in relation to contributions by, and distributions to, Government.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

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

		Audits and Reviews		Corporate and Governance		Total	
	Note	2019	2018	2019	2018	2019	2018
		\$000	\$000	\$000	\$000	\$000	\$000
<b>INCOME<sup>(i)</sup></b>							
Appropriation <sup>(iii)</sup>							
Output		2,697	2,707	363	370	3,060	3,077
Sales of goods and service <sup>(iii)</sup>	4	1,836	1,935	-	-	1,836	1,935
Goods and services received free of charge	5	-	-	209	232	209	232
<b>TOTAL INCOME</b>		<b>4,533</b>	<b>4,642</b>	<b>572</b>	<b>602</b>	<b>5,105</b>	<b>5,244</b>
<b>EXPENSES</b>							
Employee expenses	6	(684)	(692)	(287)	(325)	(971)	(1,017)
Administrative expenses							
Purchases of goods and services	7	(3,711)	(3,924)	(76)	(45)	(3,787)	(3,969)
Repairs and maintenance		-	-	-	-	-	-
Other administrative expenses	5	-	-	(209)	(232)	(209)	(232)
<b>TOTAL EXPENSES</b>		<b>(4,395)</b>	<b>(4,616)</b>	<b>(572)</b>	<b>(602)</b>	<b>(4,967)</b>	<b>(5,218)</b>
<b>NET SURPLUS</b>		<b>138</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>138</b>	<b>26</b>
<b>OTHER COMPREHENSIVE INCOME</b>							
Items that will not be reclassified to net surplus							
Changes in accounting policies		-	-	-	-	-	-
Correction of prior period errors		-	-	-	-	-	-
Changes in asset revaluation surplus		-	-	-	-	-	-
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COMPREHENSIVE RESULT</b>		<b>138</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>138</b>	<b>26</b>

*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. 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 of 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 stage of completion of the contract. The revenue is recognised when:

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

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

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

	2019	2018
	\$000	\$000
Batchelor Institute of Indigenous Tertiary Education	78	89
Board of the Museum and Art Gallery of the Northern Territory	14	15
Bridging the Gap Foundation	13	-
Cairns Business College Pty Ltd	20	20
Cairns Education Australia Pty Ltd	12	13
Cairns Language Centre Pty Ltd	20	41
CDU Amenities Limited	20	31
Central Australia Health Service	22	27
Charles Darwin University	170	145
Charles Darwin University Charitable Trust	6	6
Charles Darwin University Foundation	9	9
Cobourg Peninsula Sanctuary and Marine Park Board	14	17
Darwin Waterfront Corporation	40	47
Data Centre Services	25	25
Department of Health	9	22
Department of Infrastructure, Planning and Logistics	31	18
Department of Local Government, Housing and Community Development <sup>(1)</sup>	6	9
Department of Trade, Business and Innovation	-	16
Department of Treasury and Finance	10	9
Desert Knowledge Australia	21	20
ICHM Pty Ltd	33	32
Indigenous Essential Services Pty Ltd	58	80
Jabiru Town Development Authority	13	14
Jacana Energy	133	95
Land Development Corporation	74	52
Menzies School of Health Research	65	54
Menzies School of Health Research Foundation Limited	-	6
Motor Accidents (Compensation) Commission	265	257
Nitmiluk (Katherine Gorge) National Park Board	18	19
Northern Territory Grants Commission	8	4
Northern Territory Legal Aid Commission	28	15
Northern Territory Major Events Company Pty Ltd	30	28
Northern Territory Treasury Corporation	72	72
NT Build	23	22
NT Fleet	37	35
NT Home Ownership	43	44
Office of the Public Trustee for the Northern Territory	27	29
Power and Water Corporation	214	346
Surveyors Board of the Northern Territory of Australia	9	7

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## Notes to the financial statements

### For the year ended 30 June 2019

	2019	2018
	\$000	\$000
Territory Generation	101	98
Territory Wildlife Parks	25	20
Top End Health Service	20	27
	<b>1,836</b>	<b>1,935</b>

<sup>(1)</sup> Previously known as Department of Housing and Community Development.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

#### 5. GOODS AND SERVICES RECEIVED FREE OF CHARGE

	2019	2018
	\$000	\$000
Corporate and information services	209	232
	<b>209</b>	<b>232</b>

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	726	750
Recreation Leave <sup>(1)</sup>	84	106
Superannuation <sup>(2)</sup>	76	80
Payroll Tax <sup>(2)</sup>	49	52
Other Benefits <sup>(3)</sup>	21	19
Fringe Benefits Tax	13	8
Allowances	1	1
Recreation Leave Loading	1	1
<b>Total</b>	<b>971</b>	<b>1,017</b>

<sup>(1)</sup> Decrease due to transfer of employee entitlements for employee movements during the year.

<sup>(2)</sup> Includes on-costs expenses.

<sup>(3)</sup> Includes salary sacrifice and vehicle contributions.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

#### 7. PURCHASES OF GOODS AND SERVICES

	2019	2018
	\$000	\$000
The net surplus has been arrived at after charging the following expenses:		
<b>Goods and services expenses:</b>		
Consultants <sup>(1)</sup>		
Authorised Auditors' fees (Non-recoverable audit costs)	1,857	1,958
Authorised Auditors' fees (Recoverable audit costs)	1,836	1,935
Other Consultancy fees	18	-
Total Consultants	3,711	3,893
<i>plus:</i>		
Audit expense (NTAGO Financial Statements Audit)	12	13
Information technology and communication expenses	22	22
Property management expenses	-	5
Motor vehicle expenses	12	10
Advertising <sup>(2)</sup>	-	-
Marketing and promotion <sup>(3)</sup>	-	-
Document production	-	-
Legal expenses <sup>(4)</sup>	-	-
Recruitment <sup>(5)</sup>	-	-
Training and study	8	4
Official duty fares	3	4
Travelling allowance	-	-
Other expenses	19	18
<b>Total Goods and services expenses</b>	<b>3,787</b>	<b>3,969</b>

<sup>(1)</sup> Consultants expenses were for Authorised Auditors' fees during the current and prior year and the cost of the strategic review is included as other consultancy fees.

<sup>(2)</sup> Does not include recruitment advertising or marketing and promotion advertising.

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

<sup>(4)</sup> Includes legal fees, claim and settlement costs.

<sup>(5)</sup> Includes recruitment-related advertising costs.

#### Repairs and maintenance expense

Funding is received for repairs and maintenance works associated with the Office's assets as part of Output Appropriation. Costs associated with repairs and maintenance works on the Office's assets are expensed as incurred. The Office incurred \$240 in repairs and maintenance expense in 2018/19.



## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

#### For the year ended 30 June 2019

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

The Office had no write-offs, postponements, waivers, gifts or ex gratia payments in 2018/19 and 2017/18.

#### 9. CASH AND DEPOSITS

	2019	2018
	\$000	\$000
Cash on hand	-	-
Cash at bank	573	638
	<b>573</b>	<b>638</b>

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

#### 10. CASH FLOW RECONCILIATION

##### a) Reconciliation of cash

The total of the Office's 'Cash and deposits' of \$573,199 recorded in the Balance Sheet is consistent with that recorded as 'Cash' in the Cash Flow Statement.

##### b) Reconciliation of liabilities arising from financing activities

The Office does not engage in any financing activities.

##### c) Non-cash financing and investing activities

The Office does not engage in any non-cash financing and investing activities.

#### Reconciliation of net surplus to net cash from operating activities

<b>Net surplus</b>	138	26
<i>Non-cash items:</i>		
<i>Changes in assets and liabilities:</i>		
Decrease/(increase) in receivables	138	(442)
Decrease in prepayments	1	-
(Decrease)/increase in payables	(315)	148
(Decrease)/increase in provision for employee benefits	(25)	26
(Decrease)/increase in other provisions	(2)	4
<b>Net cash from operating activities</b>	<b>(65)</b>	<b>(238)</b>

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

#### 11. RECEIVABLES

	2019	2018
	\$000	\$000
<b>Current</b>		
Accounts receivable	530	683
Less: Loss allowance	-	-
	530	683
GST receivable (payable)	12	(3)
<b>Total Receivables</b>	<b>542</b>	<b>680</b>

Receivables include accounts and other receivables and are recognised at amortised cost less any loss allowance.

Accounts receivable are generally settled within 30 days.

The loss allowance reflects lifetime expected credit losses and represents the amount of receivables the Office estimates are likely to be uncollectible and are considered doubtful.

#### Credit risk exposure of receivables

Receivables are monitored on an ongoing basis to ensure that exposure to bad debts is not significant. The entity applies the AASB 9 simplified approach to measuring expected credit losses. This approach recognises a loss allowance based on lifetime expected credit losses for all accounts receivable. To measure expected credit losses, receivables have been grouped based on shared risk characteristics and days past due.

The expected loss rates are based on historical observed loss rates, adjusted to reflect current and forward-looking information. The Office recovers the costs related to a small number of audits undertaken in accordance with Commonwealth or Northern Territory legislation. Other receivables relate to goods and services tax. There have been no historical losses incurred upon which to base an expected loss rate. Assuming the recovery of costs will continue to apply to the same or similar entities and that other accounts receivable remain insignificant, then in the absence of any historic losses, the expected loss rate has been determined as 0%.

In accordance with the provisions of the *Financial Management Act 1995*, receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes a failure to make contractual payments for a period greater than 90 days past due.

Credit risk for the comparative year is assessed under AASB 139 and is based on objective evidence of impairment.

There was no loss allowance for receivables as at the reporting date as all receivables are expected to be recovered.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

#### 11. RECEIVABLES (continued)

Internal receivables <sup>(a)</sup>	2019 <sup>(b)</sup>				2018 <sup>(b)</sup>		
	Gross receivables	Loss rate	Expected credit losses	Net receivables	Aging of receivables	Impairment allowance	Net receivables
	\$000	%	\$000	\$000	\$000	\$000	\$000
Not overdue	298	-	-	298	378	-	378
Overdue for less than 30 days	-	-	-	-	-	-	-
Overdue for 30 to 60 days	-	-	-	-	-	-	-
Overdue for more than 60 days	-	-	-	-	-	-	-
<b>Total internal receivables</b>	<b>298</b>	<b>-</b>	<b>-</b>	<b>298</b>	<b>378</b>	<b>-</b>	<b>378</b>
<b>External receivables<sup>(a)</sup></b>							
Not overdue	131	-	-	131	243	-	243
Overdue for less than 30 days	53	-	-	53	-	-	-
Overdue for 30 to 60 days	-	-	-	-	-	-	-
Overdue for more than 60 days	-	-	-	-	-	-	-
<b>Total external receivables</b>	<b>184</b>	<b>-</b>	<b>-</b>	<b>184</b>	<b>243</b>	<b>-</b>	<b>243</b>

Total amounts disclosed exclude statutory amounts (GST).

<sup>(a)</sup> Internal receivables are from entities controlled by the NTG (entities listed in the Treasurer's Annual Financial Statements 2017/18 Note 42: Details of controlled entities at reporting date), whereas external receivables are from parties external to the Northern Territory Government.

<sup>(b)</sup> Disclosure for 2019 is in accordance with AASB 9 while disclosure for 2018 is in accordance with AASB 139.

#### Prepayments

Prepayments represent payments in advance of receipt of goods and services or that part of expenditure made in one accounting period covering a term extending beyond that period.

#### 12. PAYABLES

Accounts payable	82	401
Accrued expenses	34	30
<b>Total Payables</b>	<b>116</b>	<b>431</b>

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.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

#### For the year ended 30 June 2019

#### 13. PROVISIONS

	2019	2018
	\$000	\$000
<b>Current</b>		
<i>Employee benefits</i>		
Recreation leave	79	100
Leave loading	2	5
Other employee benefits <sup>(1)</sup>	16	19
<b>Total Provisions</b>	<b>97</b>	<b>124</b>

The Office employed 5 employees as at 30 June 2019 (*5 employees as at 30 June 2018*).

<sup>(1)</sup> 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 recreation leave, leave loading and other employee benefits. 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. There are no non-current employee benefit liabilities.

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:

- recreation 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 the Office's 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.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

#### 13. PROVISIONS (continued)

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.

#### 14. COMMITMENTS

Disclosures are in relation to Authorised Auditor commitments. Commitments are those contracted as at 30 June where the amount of the future commitment can be reliably measured.

	2019		2018	
	Internal <sup>(a)</sup>	External <sup>(a)</sup>	Internal	External
	\$000	\$000	\$000	\$000
<b>(i) Authorised Auditor Commitments</b>				
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 1995</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	-	2,585
Later than one year and not later than five years	-	1,292	-	3,878
Later than five years	-	-	-	-
	-	<b>3,877</b>	-	<b>6,463</b>

<sup>(a)</sup> Internal commitments should reflect commitments with entities controlled by the Northern Territory Government, whereas external commitments should reflect those third parties external to the Northern Territory Government.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

#### 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 assets and liabilities are recognised on the Balance Sheet when the Office becomes a party to the contractual provisions of the financial instrument. The Office's financial instruments include cash and deposits, receivables, and payables.

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.

The Office has limited exposure to financial risks as discussed below.

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

#### a) Categories of financial instruments

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

#### 2018-19 Categories of Financial Instruments

	Fair value through profit or loss			Fair value through other comprehensive income	Total
	Mandatorily at fair value	Designated at fair value	Amortised cost		
	\$000	\$'000	\$000	\$000	\$000
Cash and deposits	-	-	573	-	573
Receivables <sup>1</sup>	-	-	482	-	482
<b>Total Financial Assets</b>	-	-	<b>1,055</b>	-	<b>1,055</b>
Payables <sup>1</sup>	-	-	75	-	75
<b>Total Financial Liabilities</b>	-	-	<b>75</b>	-	<b>75</b>

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

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## Notes to the financial statements

For the year ended 30 June 2019

### 15. FINANCIAL INSTRUMENTS (continued)

#### 2017-18 Categories of financial instruments

	Fair value through profit or loss		Held to maturity investments	Financial assets - loans and receivables	Financial assets - available for sale	Financial liabilities - amortised cost	Total
	Held for trading	Designated at fair value					
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash and deposits	-	-	-	-	638	-	638
Receivables <sup>1</sup>	-	-	-	621	-	-	621
<b>Total financial assets</b>	-	-	-	<b>621</b>	<b>638</b>	-	<b>1,259</b>
Payables <sup>1</sup>	-	-	-	-	-	365	365
<b>Total financial liabilities</b>	-	-	-	-	-	<b>365</b>	<b>365</b>

<sup>1</sup> Total amounts disclosed here exclude statutory amounts (GST).

From 1 July 2018, the Office classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Office's business model for managing the financial assets and the contractual terms of the cash flows.

The Office has no assets measured at fair value either through other comprehensive income (OCI) or through profit or loss.

The Office reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. The Office has no financial assets with embedded derivatives. The Office does not enter into any derivative financial instruments to manage its exposure to interest rate risk. The Office does not speculate on trading of derivatives.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

#### For the year ended 30 June 2019

#### 15. FINANCIAL INSTRUMENTS (continued)

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Office's business model for managing the asset and the cash flow characteristics of the asset. There is currently one measurement category, being amortised cost, into which the Office classifies its debt instruments:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses).

##### **Classification of financial instruments until 30 June 2018**

The Office has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with AASB 139.

Financial assets are classified into the following categories:

- loans and receivables; and
- available-for-sale financial assets.

Financial liabilities are classified into the following category:

- financial liabilities at amortised cost.

As at 30 June 2018, the Office had no:

- financial assets or financial liabilities at fair value through profit or loss; or
- held-to-maturity investments.

##### **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. Loans and receivables are measured initially at fair value and subsequently at amortised cost using the effective interest rate method less impairment.

##### **Financial liabilities at amortised cost**

Financial liabilities at amortised cost are measured include all advances received, finance lease liabilities and borrowings. Amortised cost is calculated using the effective interest method.



## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

#### 15. FINANCIAL INSTRUMENTS (continued)

##### a) Credit risk

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

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Office's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained. Credit risk relating to receivables is disclosed in Note 11.

##### b) Liquidity risk

Liquidity risk is the risk that the Office 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 funds to meet its liabilities when they fall due. This is achieved by ensuring that minimum levels of cash are held in the bank account to meet various current employee and supplier liabilities. The Office's exposure to liquidity risk is minimal. Cash injections are available from the Central Holding Authority in the event that one-off extraordinary expenditure items arise that deplete cash to levels that compromise the Office's ability to meet its financial obligations.

The following tables detail the Office's remaining contractual maturity for its financial liabilities, calculated based on undiscounted cash flows at reporting date.

#### 2019 Maturity analysis for financial liabilities

	Carrying amount \$000	Less than a year \$000	1 to 5 years \$000	More than 5 years \$000	Total \$000
<b>Liabilities</b>					
Payables	75	75	-	-	75
<b>Total financial liabilities</b>	<b>75</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>75</b>

#### 2018 Maturity analysis for financial liabilities

	Carrying amount \$000	Less than a year \$000	1 to 5 years \$000	More than 5 years \$000	Total \$000
<b>Liabilities</b>					
Payables	365	365	-	-	365
<b>Total financial liabilities</b>	<b>365</b>	<b>365</b>	<b>-</b>	<b>-</b>	<b>365</b>

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

#### 15. FINANCIAL INSTRUMENTS (continued)

##### c) Market risk

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

##### (i) Interest rate risk

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

##### (ii) Price risk

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

##### (iii) Currency risk

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

#### 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 1995*. Related parties of the Office include:

- close family members of the key management personnel (KMP) including spouses, children and dependants;
- 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's or controlled or jointly controlled by their close family members.

##### 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 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.

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## Notes to the financial statements

For the year ended 30 June 2019

### 16. RELATED PARTIES (continued)

#### iii) Remuneration of Key Management Personnel

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

	2019	2018
	\$000	\$000
Short-term benefits	295	288
Post-employment benefits	25	25
Other long-term employee benefits	-	-
Termination benefits	-	-
<b>Total</b>	<b>320</b>	<b>313</b>

#### iv) Related party transactions:

##### Transactions with Northern Territory Government controlled entities

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

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

#### 2019

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	1,287	342	207	11

#### 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

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.

## **NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**

### **Notes to the financial statements**

#### **For the year ended 30 June 2019**

##### **16. RELATED PARTIES (continued)**

###### **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 2019 or 30 June 2018.

##### **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)).

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## Notes to the financial statements

For the year ended 30 June 2019

### 21. BUDGETARY INFORMATION

Comprehensive Operating Statement	2018-19 Actual	2018-19 Original Budget <sup>(a)</sup>	Variance	Note
	\$000	\$000	\$000	
<b>INCOME</b>				
Appropriation				
Output	3,060	3,060	-	
Sales of goods and services	1,836	1,830	6	1
Goods and services received free of charge	209	278	(69)	2
<b>TOTAL INCOME</b>	<b>5,105</b>	<b>5,168</b>	<b>(63)</b>	
<b>EXPENSES</b>				
Employee expenses	971	1,004	33	3
Administrative expenses				
Purchases of goods and services	3,787	3,884	97	4
Repairs and maintenance	-	2	2	
Other administrative expenses	209	278	69	2
<b>TOTAL EXPENSES</b>	<b>4,967</b>	<b>5,168</b>	<b>201</b>	
<b>NET SURPLUS</b>	<b>138</b>	<b>-</b>	<b>138</b>	
<b>COMPREHENSIVE RESULT</b>	<b>138</b>	<b>-</b>	<b>138</b>	

<sup>(a)</sup> Original budget amounts correspond to those disclosed in the NTG Budget 2018-19 BP3 Agency Budget Statements (May 2019), 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 budget amount was due to additional recovered costs associated with the audit of one new entity in the 2018-19 financial year.
2. The value of goods and services free of charge was lower than originally determined and advised by the Office's shared service provider, DCIS.
3. Employee expense is lower than the budgeted amount due to employee movements resulting in provision for employee entitlements being transferred to another agency and one employee on long service leave during the financial year.
4. Purchases of goods and services was lower than budgeted predominantly due to lower non-recoverable audit costs as a result of efficiencies realised within the audit program and focus on managing cost overruns previously experienced on a number of audits.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### Notes to the financial statements

For the year ended 30 June 2019

#### 21. BUDGETARY INFORMATION (continued)

Balance Sheet	2018-19 Actual	2018-19 Original Budget <sup>(a)</sup>	Variance	Note
	\$000	\$000	\$000	
<b>ASSETS</b>				
Cash and deposits	573	876	(303)	1
Receivables	542	237	305	2
Prepayment	-	1	(1)	
	<b>1,115</b>	<b>1,114</b>	<b>1</b>	
<b>TOTAL ASSETS</b>	<b>1,115</b>	<b>1,114</b>	<b>1</b>	
<b>LIABILITIES</b>				
Payables	116	282	(166)	3
Provisions	97	94	3	
	<b>213</b>	<b>376</b>	<b>(163)</b>	
<b>TOTAL LIABILITIES</b>	<b>213</b>	<b>376</b>	<b>(163)</b>	
<b>NET ASSETS</b>	<b>902</b>	<b>738</b>	<b>164</b>	
<b>EQUITY</b>				
Capital	570	570	-	
Accumulated funds	332	168	164	
<b>TOTAL EQUITY</b>	<b>902</b>	<b>738</b>	<b>164</b>	

<sup>(a)</sup> Original budget amounts correspond to those disclosed in the NTG Budget 2018-19 BP3 Agency Budget Statements (May 2019), 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 \$0.303 million less than budgeted as a result of lower than anticipated collection of receivables pertaining to recoverable audit costs before year end together with the settlement of most payables prior to year end.
2. Represents 12 invoices outstanding for recoverable audit costs as at 30 June 2019.
3. Payables are lower than budgeted as the Office has less outstanding invoices at financial year end. Consequently, cash balances were lower than budgeted.

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## Notes to the financial statements

For the year ended 30 June 2019

### 21. BUDGETARY INFORMATION (continued)

Cash Flow Statement	2018-19 Actual	2018-19 Original Budget <sup>(a)</sup>	Variance	Note
	\$000	\$000	\$000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Operating receipts</b>				
Appropriation				
Output	3,060	3,060	-	
Receipts from sales of goods and services	2,347	1,830	517	1
<b>Total operating receipts</b>	<b>5,407</b>	<b>4,890</b>	<b>517</b>	
<b>Operating payments</b>				
Payments to employees	(997)	(1,004)	7	
Payments for goods and services	(4,475)	(3,886)	(589)	2
<b>Total operating payments</b>	<b>(5,472)</b>	<b>(4,890)</b>	<b>(582)</b>	
<b>Net cash used in operating activities</b>	<b>(65)</b>	<b>-</b>	<b>(65)</b>	
Net decrease in cash held	(65)	-	(65)	
Cash at beginning of financial year	638	876	(238)	
<b>CASH AT END OF FINANCIAL YEAR</b>	<b>573</b>	<b>876</b>	<b>(303)</b>	

<sup>(a)</sup> Original budget amounts correspond to those disclosed in the NTG Budget 2018-19 BP3 Agency Budget Statements (May 2019), classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statement.

#### Notes:

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

1. Represents receipts of recoverable audit fees attributable to audits where actual costs were greater than budgeted. Additional receipts were applied against recoverable audit fees outstanding as at 30 June 2018 and relating to the 2018 financial year audit work.
2. The higher payments for goods and services were due to large outstanding invoices at the end of 2018 financial year settled in the current 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
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
OCPE	Commissioner for Public Employment
PAC	Public Accounts Committee
SLA	Service Level Agreement
TRM	Territory Records Manager
WHS	Work Health and Safety