



Northern Territory Auditor-General's Office

Auditing for Parliament

2019/20

Annual

Report

<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 2020.

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>.

Contact Details

Northern Territory Auditor-General's Office

22 Mitchell Street
Darwin, Northern Territory 0800

GPO Box 4594
Darwin, Northern Territory 0801

+61 8 8999 7155

Contents

Auditor-General's Foreword	5
The Year in Review	5
The Year Ahead	6
Our Organisation	7
2019/20 Highlights and Statistics	7
NTAGO Strategic Plan 2018-2020	8
The Role of the Northern Territory Auditor-General	9
Our Office	10
Our People	12
Outsourcing Model	15
Communication Framework	16
Output Group: Audits and Reviews	17
Business Plan	17
Key Performance Indicators (KPIs)	19
Reflection on 2019/20	21
Our Audited Entities	22
Financial Statement Audits	25
Compliance Audits	30
Performance Management System Audits	33
Other Audits	36
Output Group: Corporate and Governance	38
Business Plan	38
Key Performance Indicators	39
Reflection on 2019/20	40
Financial Management	40
Corporate Governance and Risk Management	47
Human Resources	49
Records Management	52
Work Health and Safety	53
Corporate Social Responsibility	54
Future Priorities	55
Independent Auditor's Report	56
NTAGO Audited Financial Statements	58
Table of Figures	91
Abbreviations list	92

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 2020. This year, personnel within the Office coordinated the delivery of 139 audit related tasks and four reports to the Legislative Assembly.

The 2019/20 financial year presented a number of atypical circumstances for the Office. These included:

- relocation of the Office to new premises in response to revised leasing arrangements negotiated between the Northern Territory Government (NTG)'s Property Management Group and the private sector;
- temporary changes to Office personnel;
- the triennial tender process seeking firms to comprise the panel contract for audit services;
- an additional report to the Legislative Assembly in June 2020;
- the Auditor-General's involvement in the redistribution of the electoral boundaries; and
- planning and preparing for operational disruption as a result of COVID-19.

I acknowledge the commitment of the four permanent staff within the Office, Principal Auditors Sue Cooper and Stacey Kelly, Manager Finance and Corporate Services Lisa Blakeley and Administration Officer Kaaren Matthewson. I would like to also thank Siew Kim Chai who joined the Office on a temporary basis from July 2019 to May 2020 as Acting Manager Finance and Corporate, Sanja Hill who held a temporary role as Principal Auditor between February and May 2020 during another staff member's extended absence and Kathryn Clet who assisted the Office with several key matters despite her permanent transfer to another NTG agency during the year. The consistent effort and dedication demonstrated by these individuals enabled the Office to deliver upon an ambitious audit program as well as continually improving the governance and record keeping practices within the Office.

We welcome Lisa Blakeley who joined the Office as Manager Finance and Corporate Services early in July 2020 and who has been instrumental in the preparation of the audited financial statements and this Annual Report for the Office.

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.

The efforts of the Accountable Officers and personnel within the agencies subject to audit deserve recognition. Agencies have been impacted during the year by the release of new and revised Australian Accounting Standards and the impact of these standards on many agencies, and the NTG collectively, has been significant. Notwithstanding the disruption caused to agencies in preparing for and responding to circumstances created by COVID-19, agencies continued to respond to audit requests in a timely manner and I acknowledge the continued effort by public sector employees to ensure controls and processes are designed and implemented effectively to support accountability and transparency across-government.

I would also like to acknowledge and thank the members of the Public Accounts Committee and the Legislative Assembly personnel for their support during the previous Assembly and look forward to assisting the incoming Public Accounts Committee.

The Year Ahead

The anticipated work program for the forthcoming year, is for the delivery of 124 audit related tasks, noting that the program has been recently adjusted to account for machinery of government changes; increased risks associated with COVID-19 response measures; and the effects of increased costs of audit services associated with the new triennial panel contract scheduled to take effect from 2 January 2021.

I look forward to progressing a review of the *Audit Act 1995*, the structure of the Office and aspects of the service delivery model which was not possible during 2019/20 as a result of resourcing constraints. Ideally the outcome will see an increased ability to support the principles of accountability and transparency as they apply to the Northern Territory Public Sector and enable me to address the recurring and emerging issues raised by respective triennial reviews.

From a governance perspective, the Office will continue to embed, update and introduce policies and guidance designed to enhance consistency across operational procedures and mitigate the risks associated with the resourcing constraints affecting the Office.



Julie Crisp
Auditor-General

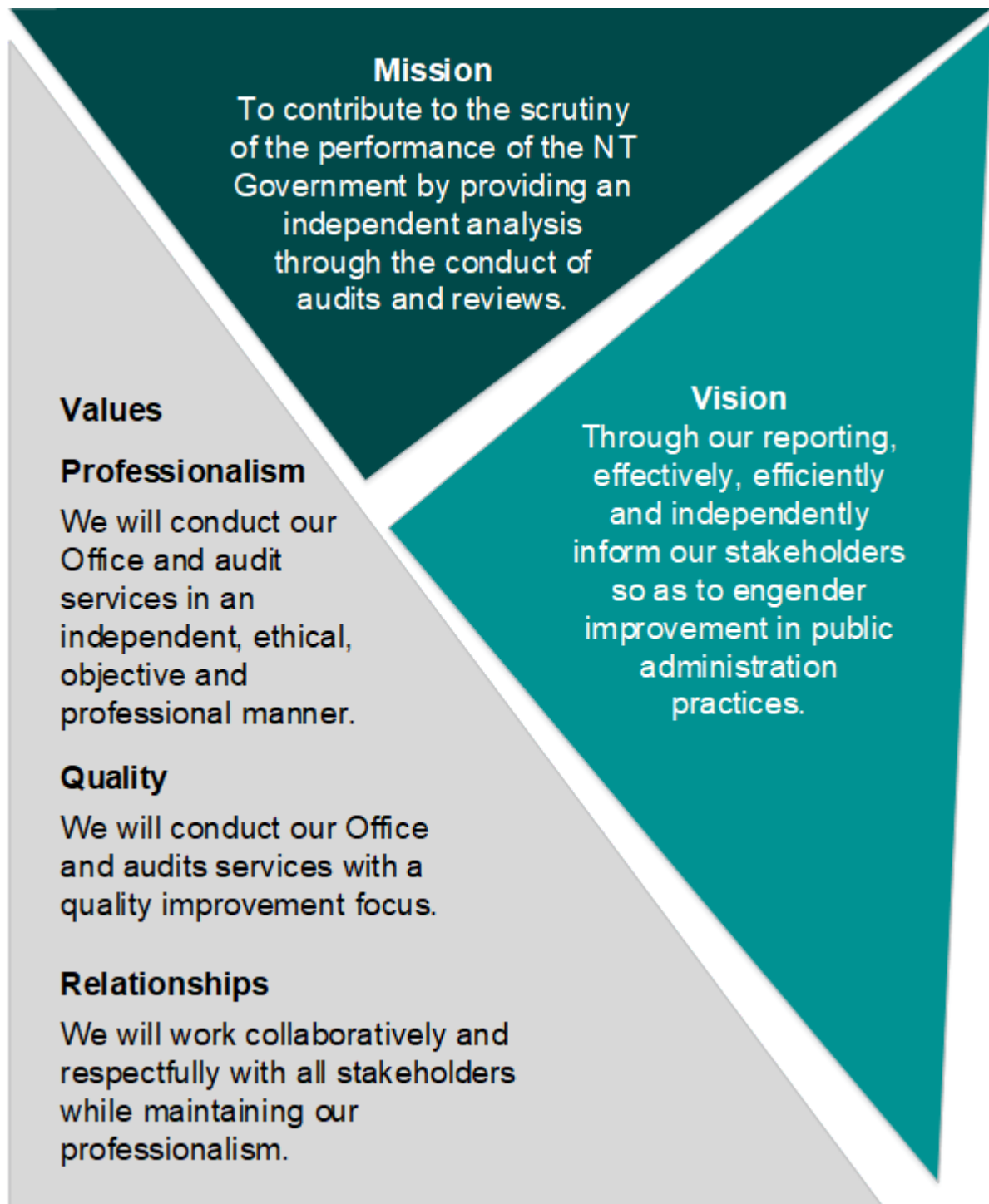
11 November 2020

Our Organisation

2019/20 Highlights and Statistics

Deliverables to Parliament				
August 2019 Legislative Assembly Report	November 2019 Legislative Assembly Report	March 2020 Legislative Assembly Report	June 2020 Legislative Assembly Report	Audited Financial Statements for 2018/19
Audits and Reviews				
66 Financial Statement Audits	49 Compliance Audits	10 Performance Management System Audits	11 Other Audits	3 Public Information Act Referrals
Stakeholder Engagement				
3 Public Accounts Committee Appearances	2 Public Briefings Attended	>30 Audit Committee Meetings Attended	Annual Evaluation Feedback with 7 Authorised Auditor Firms	34 NTG Agencies Consulted for Feedback
Finance				
\$113,000 Operating Surplus	100% Invoices Paid within 30 Days		7 Local Audit Firms	
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 investigate administrative matters if they are systemic and significant in value or impact.

Independence of the Auditor-General

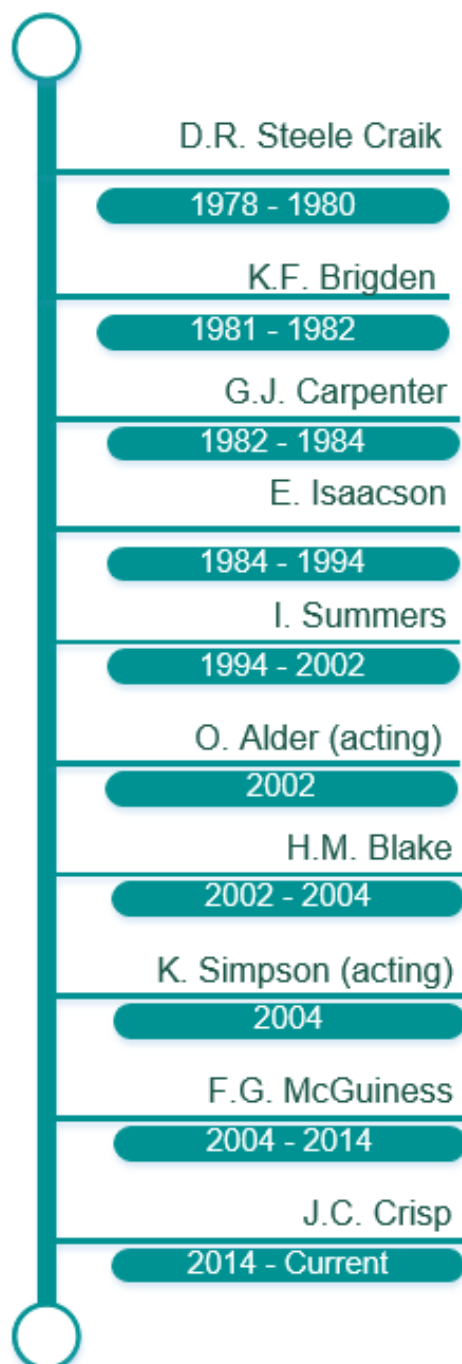
Section 12A requires the Auditor-General to ensure independence to maintain the integrity of the work that is conducted. This ensures that this position is not actually, or perceived to be, influenced by anyone and that the work conducted is independent, impartial and conducted within the public interest.

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

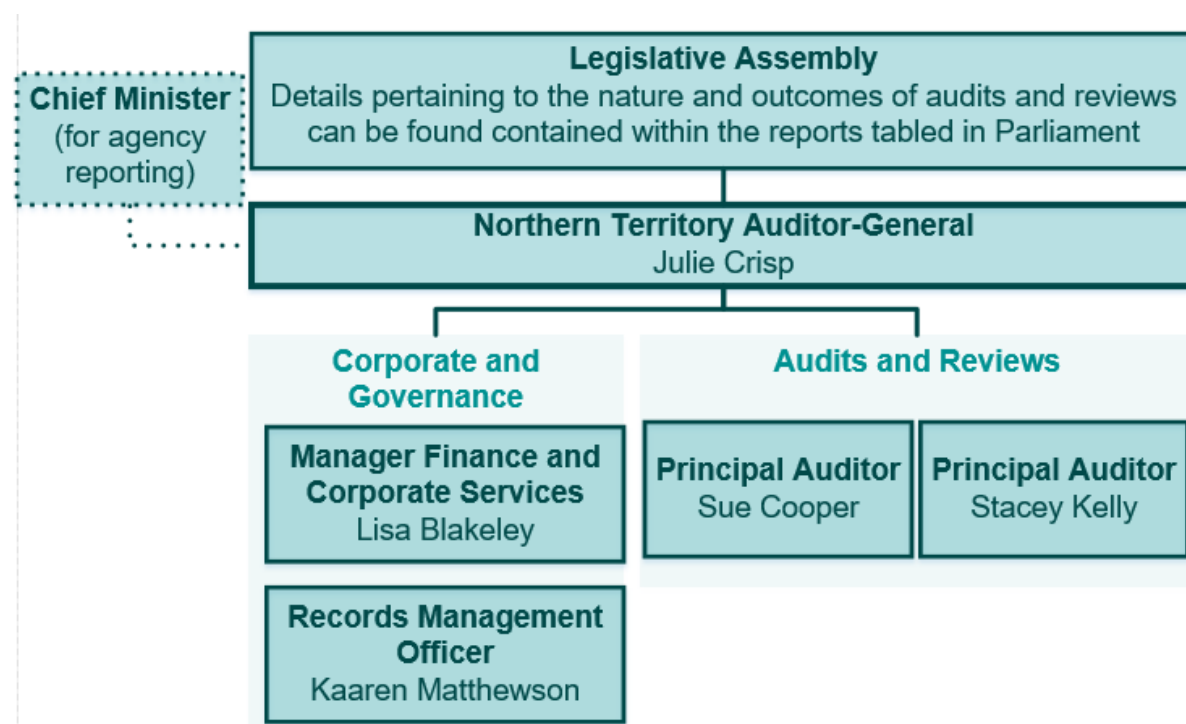
The Office's operational responsibilities attributed to each output group are presented below:

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 Deputy Chair of the Auditing and Assurance Standards Board, 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 was an Authorised Auditor of the Northern Territory Auditor-General's Office from 1998 to 2014.

Julie's professional designations and qualifications include:

- Registered Company Auditor, Australian Securities and Investment Commission
- Fellow, Chartered Accountants Australia and New Zealand
- Fellow, CPA Australia
- Fellow, Chartered Governance Institute
- Graduate, Australian Institute of Company Directors
- Professional Member, Institute of Internal Auditors (Certified Internal Auditor, Certified Government Audit Professional, Certification in Risk Management Assurance)
- 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 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 has been a member of the Northern Territory Chartered Accountants' Committee since 2017.

Stacey's qualifications include:

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



Lisa Blakeley

Manager Finance and Corporate Services

Lisa Blakeley commenced with the Office in July 2020. Lisa is a Fellow of CPA Australia and has a diverse finance background having worked previously in Corporate Finance, Taxation and Business Services.

Lisa 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. Lisa 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.

The role of Manager Finance and Corporate Services was temporarily held by Siew Kim Chai from July until May 2020, when she transferred to another position within the Northern Territory Government.

Lisa's qualifications include:

- Fellow, CPA Australia
- Bachelor of Business (Accounting), Charles Darwin University
- Diploma of Financial Planning

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 Services with finance and corporate services tasks and provides Executive Support to the Auditor-General and Principal Auditors. During 2020, Kaaren has been involved with the updates to the Office Manual and the electronic project for Authorised Auditor files. 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



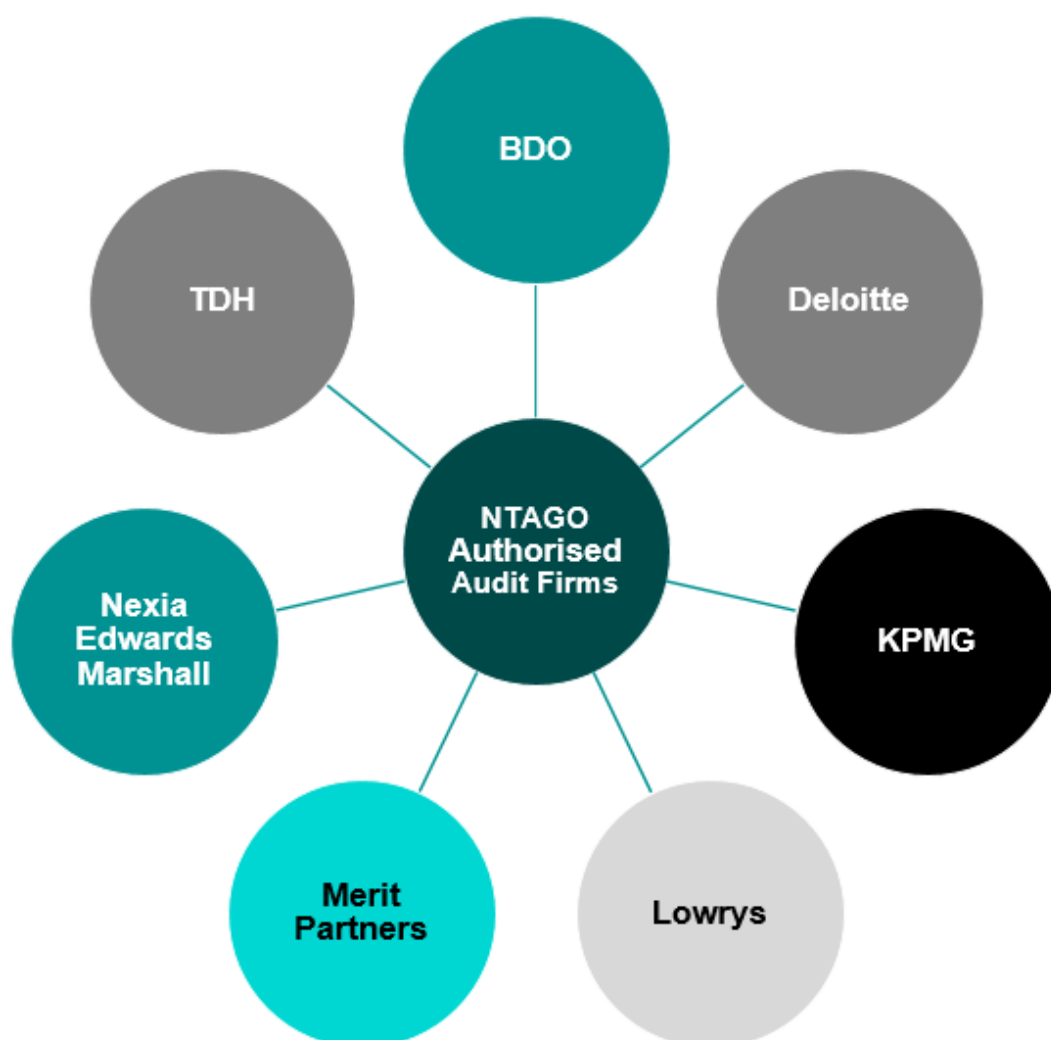
Outsourcing Model

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:

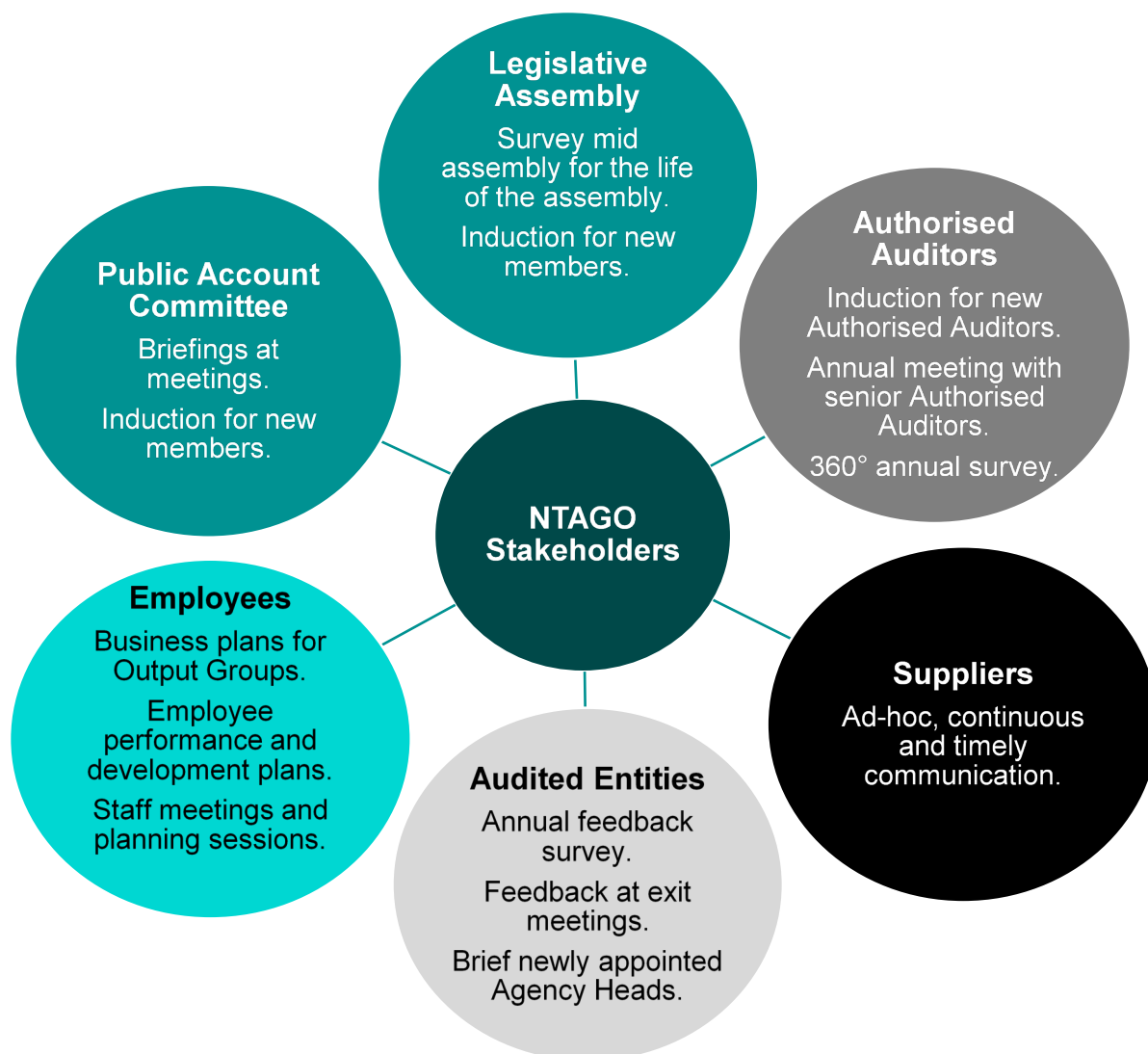
Figure 3 NTAGO Authorised Auditor firms



Communication Framework

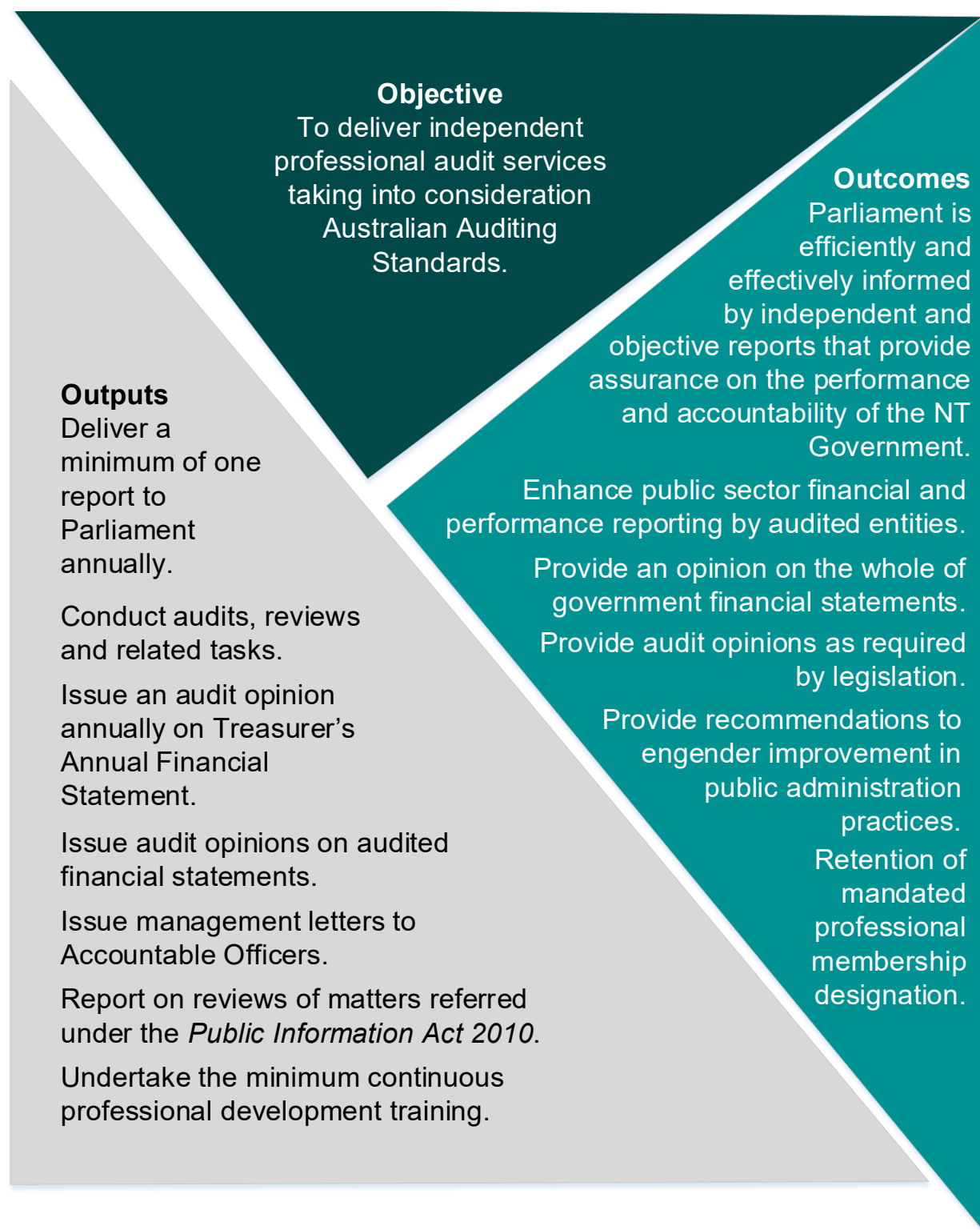
A communication framework was developed for the Office that addresses communication requirements for stakeholder groups. The communications framework was implemented in the 2016 financial year to become the basis for regular communication with all stakeholder groups.

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 the Public Account (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 (KPIs)

The Office commenced 139 audit tasks in 2019/20, of which 131 were outsourced and 8 were allocated to internal resources. Overall actual results compared to budget estimates show that four additional audits were commenced during the 2018/19 year above the planned budgeted activity.

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

Audits and Review	2019/20 Budget	2019/20 Actual	Variance
Statutory audits	112	115	3
Other audits (1)	20	21	1
Reviews (2)	3	3	0
Total	135	139	4

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 increase in three statutory audits resulted from:

- the introduction of an interim financial statements audit for Indigenous Essential Services at the request of the auditee;
- the carry forward from the prior year of an information technology systems audit to support the financial statements audit of the Motor Accident (Compensation) Commission; and
- an audit of the acquittal of funding received under the Disaster Recovery Funding Arrangements.

An additional audit task was undertaken at the direction of the Chief Minister in accordance with Section 14 of the *Audit Act 1995*. The audit related to the incorrect payment of employees' superannuation entitlements identified by the Department of Treasury and Finance and former Department of Corporate and Information Services (DCIS).

The number of reviews performed in accordance with the *Public Information Act 2010* is dependent upon 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 2019/20.

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

Key Performance Indicator	Results for 2019/20
Number of reports to the Legislative Assembly (at least one a year)	Four reports were delivered to the Legislative Assembly and tabled in August 2019, November 2019, March 2020 and June 2020. Tabling of the fourth report in June 2020 ensured timely reporting of audit findings in the absence of scheduled Legislative Assembly sittings in August 2020.
Number of presentations delivered to the Public Accounts Committee	The Auditor-General provides a presentation to the Public Accounts Committee on the key findings included in each of the reports delivered to the Legislative Assembly. The Auditor-General appeared on three occasions to deliver private briefings to the Public Accounts Committee during the year and attended a number of public hearings as an observer.
Conduct surveys of Public Accounts Committee, Authorised Auditors and audited entities	Feedback was sought from 39 audited entities and seven audit firms following the conclusion of the financial year. Members of the Public Accounts Committee provided feedback to the Auditor-General throughout the year.
Conduct annual briefings to Authorised Auditors and audited entities	The following annual briefings were provided in February 2020: <ul style="list-style-type: none"> • Authorised Auditor update to seven audit firms • Agency briefing to 19 agencies • New Auditor session to seven audit firms.
Inductions provided to new Members of the Legislative Assembly and Public Accounts Committee	One new Member joined the Legislative Assembly during the year however was not provided with a briefing.
Inductions provided to new Accountable Officers of NTG agencies	Two introductory meetings were held between the Auditor-General and newly appointed Accountable Officers.
Number of hours of continuous professional development training attended	The total number of professional development hours undertaken by the Auditor-General and Principal Auditors are recorded and monitored individually by each officer and exceeded the minimum number of hours required to maintain their professional qualifications.

Reflection on 2019/20

During 2019/20, the Office finalised three audit tasks carried forward from 2018/19 and the findings from these tasks were included in my report tabled to Parliament in November 2019. These audits were:

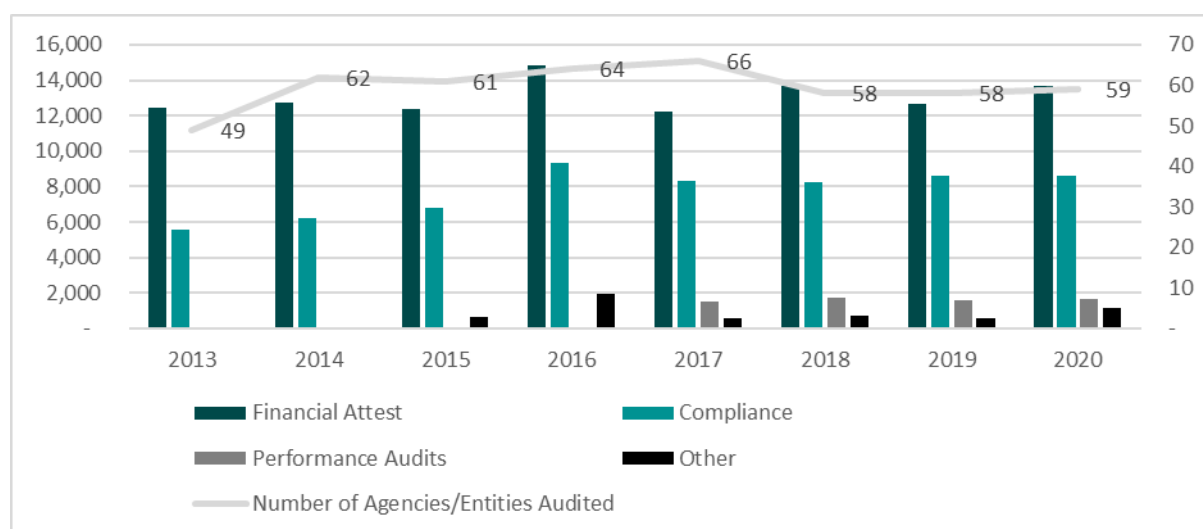
- Performance Management System Audit – Fines Recovery Process – Department of the Attorney-General and Justice
- Performance Management System Audit – Local Jobs Fund – Department of Trade, Business and Innovation
- Performance Management System Audit – NAPLAN Data Analytics and Cause Analysis – Department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

Of the 139 new audits and reviews that commenced during the 2019/20 year, 135 audit tasks were finalised by 30 June 2020. The outstanding audit tasks will be finalised in 2020/21 with findings were included in a subsequent report to the Legislative Assembly.

- Performance Management System Audit – Accounting for Assets on Leased Land
- Financial Statements Audit – ICHM Pty Ltd
- Financial Statements Audit IT Support – Power Retail Corporation (Jacana Energy)
- Analytics – Selected Agencies' Corporate Credit Cards

A total of 25,084 hours of audit activity was delivered.

Figure 7 Authorised audit hours by audit type 2012/13 to 2019/20



During the 2019/20 period, 59 entities were audited, one more than the number of entities audited in the 2018/19 period. There was an audit of the SuperB superannuation reporting system undertaken at the Northern Territory Superannuation Office, being the additional entity shown in the table. References to the audited entities in the following list represent, in some instances, the name of the entity that existed prior to machinery of government changes occurring in September 2020.

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 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
- 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 Superannuation Office
- Northern Territory Treasury Corporation
- NT Build
- NT Fleet
- NT Home Ownership
- Office of the Commissioner for Public Employment
- Office of the Independent Commissioner Against Corruption
- 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
- Territory Wildlife Parks
- Top End Health Service

Of the 139 new audits, reviews and audit related tasks conducted through the Office during the 2019/20 financial year, eight 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 eight tasks and the hours attributed to these audits by Office personnel are demonstrated below.

Figure 8 Tasks and hours attributed to Office personnel

Type	Hours – 2018/19	Hours – 2019/20
Performance Management System Audit (4) including Conflict of Interest Survey	304	414
Other – Analytics (1)	181	11
<i>Public Information Act 2010</i> Referrals (3)	48	20
Total	533	445
Notional Cost at Equivalent Industry Outsourced Rate	\$170,894	\$138,705

If industry equivalent rates were applied to these hours, the value, if outsourced, for the 2018/19 year would have been \$138,705 (2018/19 \$170,894). To enable comparison of the Office's performance over consecutive years, only outsourced audit costs are included within the analysis applicable to the Output Group: Audits and Reviews within this Annual Report.

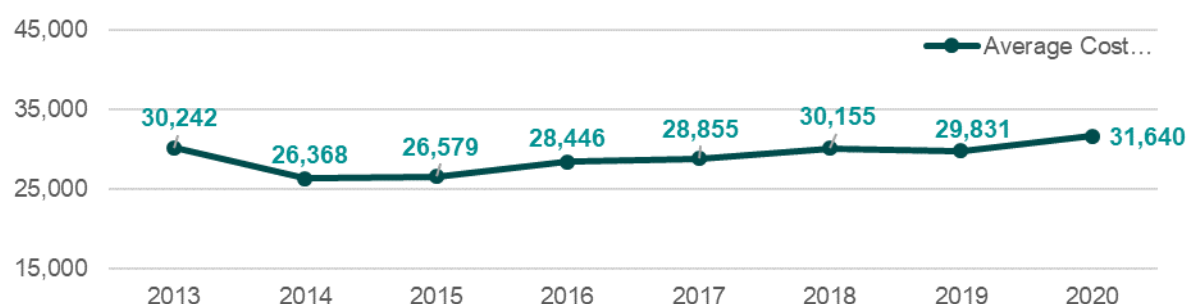
Expenses incurred in 2019/20 for Authorised Auditors as a result of the Office's outsourcing arrangements with private audit firms amounted to \$4.145 million compared to \$3.699 million for the 2018/19 year.

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

	2013	2014	2015	2016	2017	2018	2019	2020
Total Cost \$'000	2,994	3,085	3,216	4,210	3,780	3,893	3,699	4,145
Total Audits	101	125	127	158	141	136	136	139
In-house Audits	2	8	6	10	10	7	12	8
Outsourced Audits	99	117	121	148	131	129	124	131
Average Cost of Outsourced Audits	30,242	26,368	26,579	28,446	28,855	30,155	29,831	31,640

The change in the average cost per outsourced audit increased by 6% in 2019/20 when compared to 2018/19. The cost associated with the audit undertaken in accordance with Section 14 of the Audit Act 1995 was \$113,521 and increased costs were associated with a number of scheduled audits as identified and explained on page 43 in the narrative accompanying Figure 32.

Figure 10 Average outsourced audit cost trend



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.

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, annual contractual price escalations as well as the increasing market rates of audit services. The increase in average cost from the prior year is partly attributable to the audit conducted in accordance with Section 14 of the *Audit Act 1995* which incurred a cost of \$113,521 (significantly higher than the average cost per audit) and increased costs associated with a number of audits as identified and explained on page 43 in the narrative accompanying Figure 32.

The increase in total cost and average cost for the year ended 30 June 2020 is due to both increased time spent on some audits and the use of more senior personnel dealing with complex accounting matters including audit work undertaken in relation to the implementation of new accounting standards relating to the recognition of revenue and accounting for lease arrangements.

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.

Audit Deliverables

For all audit tasks undertaken, a management letter is prepared and addressed to the Board or the Accountable Officer of the public sector entity. The management letter sets out any significant issues identified during the audit and provides recommendations for improving the entity's controls, systems and processes.

Audits of financial statements and financial acquittals result in the Auditor-General issuing an audit opinion in accordance with the relevant reporting framework.

Performance management system audits result in the Auditor-General providing a management letter that is addressed to the Accountable Officer. The management letter 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.

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 NTG. 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 NTG 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 2019/20 and are not consolidated into the Treasurer's Annual Financial Statement include:

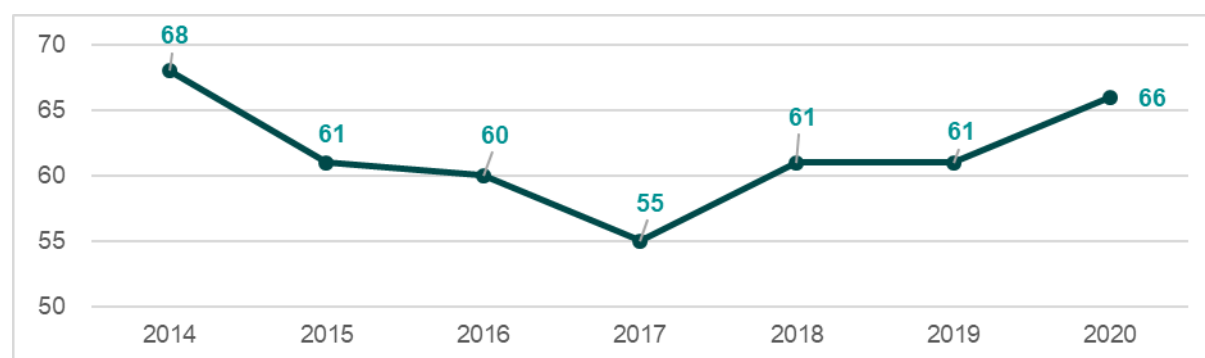
- | | |
|---|---|
| • Bridging the Gap Foundation | • Jabiru Town Development Authority |
| • Cairns Business College Pty Ltd | • Legislative Assembly Members' Superannuation Fund |
| • Cairns Education Australia Pty Ltd | • Menzies School of Health Research |
| • Cairns Language Centre Pty Ltd | • Nitmiluk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

The following Government Owned Corporations, Government Business Divisions and other entities received their own audit opinion in 2019/20 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 2019/20 66 audits were undertaken in order to provide audit opinions on statutory financial statements. The increase of five audits from the prior year's total of 61 new financial statement audits was attributed to the need to conduct additional audits of information technology systems.

Figure 11 Number of new financial statement audit task assignments issued



The movement in the number of financial statements audits conducted when compared to the prior year results from:

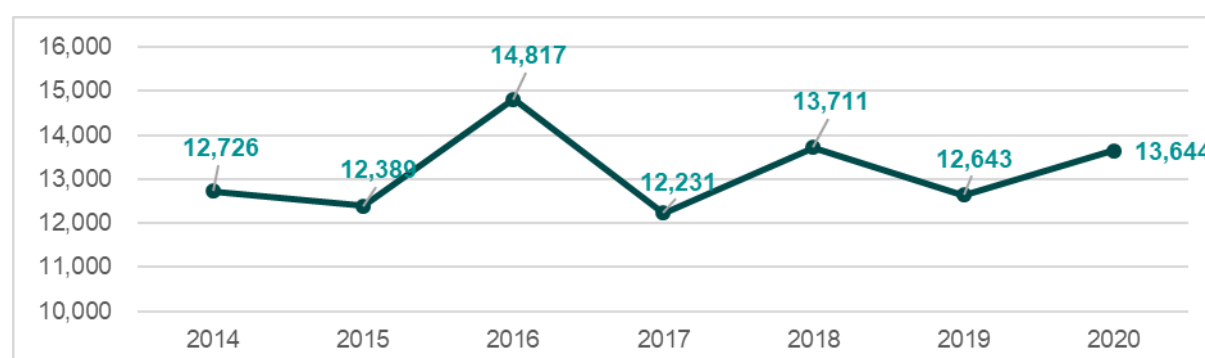
- An interim financial statements audit was undertaken at Indigenous Essential Services at the request of the audited entity in order to bring forward a number of audit procedures generally undertaken after the conclusion of the financial year.
- Following amendments to its governing legislation, the Surveyors Board of the Northern Territory of Australia is no longer required to have its financial statements audited by the Auditor-General.
- Due to the transfer of accumulated benefits associated with the Northern Territory Government and Public Authorities Employees' Superannuation Fund during the 2019 financial year, the Fund was no longer required to be audited.

- Six additional information technology audits were conducted during 2019/20 to support the audits of financial statements. Where the information presented within financial statements is heavily dependent upon information systems including interfaces between the financial accounting systems and other systems, auditing standards require assurance to be gained over the effective functioning of general information technology controls. General computer controls include controls over the information technology environment, computer functionality, access to programs and data, program development and program changes. Where essential information technology systems have changed, been upgraded or replaced during the financial year subject to audit, it may be necessary to undertake an information technology audit more than once in order to gain assurance that controls were operating effectively throughout the period subject to audit. The entities subject to increased information technology audits were Power and Water Corporation, Jacana Energy, Motor Accidents (Compensation) Commission and Territory Generation.

Auditing standards require testing of journals posted to an entity's general ledger. It is often more effective to test journals using computer aided audit techniques which enable audit procedures to be directed at journals containing characteristics with an increased risk of material misstatement.

In 2019/20, audit hours attributable to financial statement audits totalled 13,644 hours, an increase of 1,001 hours (8%). Of this increase, 399 hours related to information technology audits.

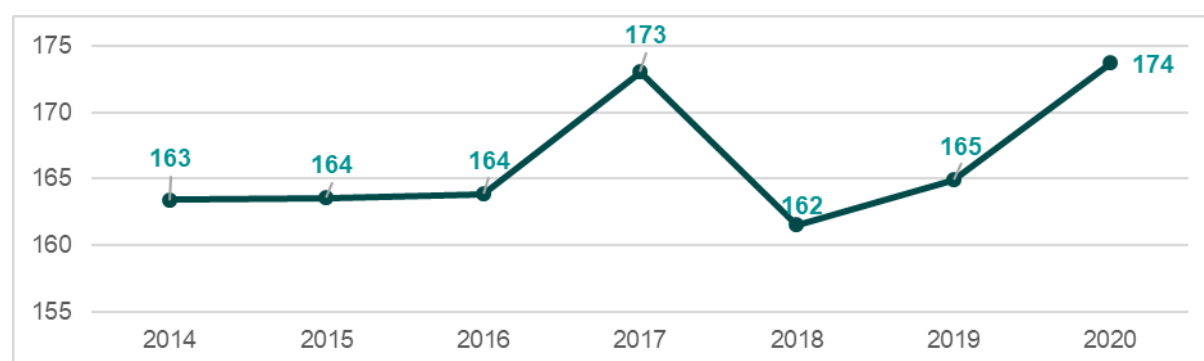
Figure 12 Audit hours allocated to new financial statement audits



The weighted average cost per hour of providing financial statement assurance for 2019/20 was \$174 per hour (2018/19: \$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.

Whilst travel disbursements decreased slightly due to COVID-19 travel restrictions during the last quarter of the financial year, the higher weighted average cost per hour in 2019/20 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. There are opportunities to reduce these costs with improved presentation of information for audit.

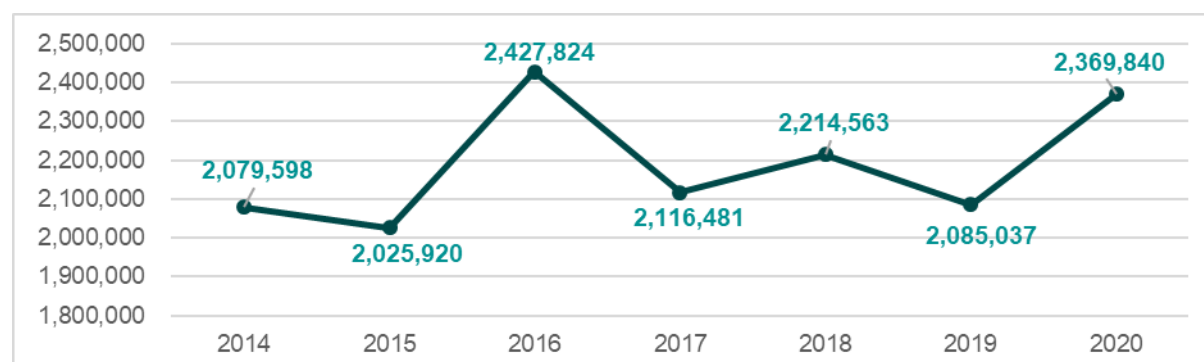
Figure 13 Weighted average cost per hour for new financial statement audits (\$)



The total cost related to undertaking new financial statement audits for 2019/20 was \$2.370 million, a considerable increase from 2018/19 where the associated cost was \$2.085 million. In addition to the increased number of information technology system audits and effects associated with the introduction of new accounting standards, notable contributors to the \$285,000 increase included Power and Water Corporation who introduced a new model to support reported estimates and Indigenous Essential Services Pty Ltd who requested an interim audit be conducted.

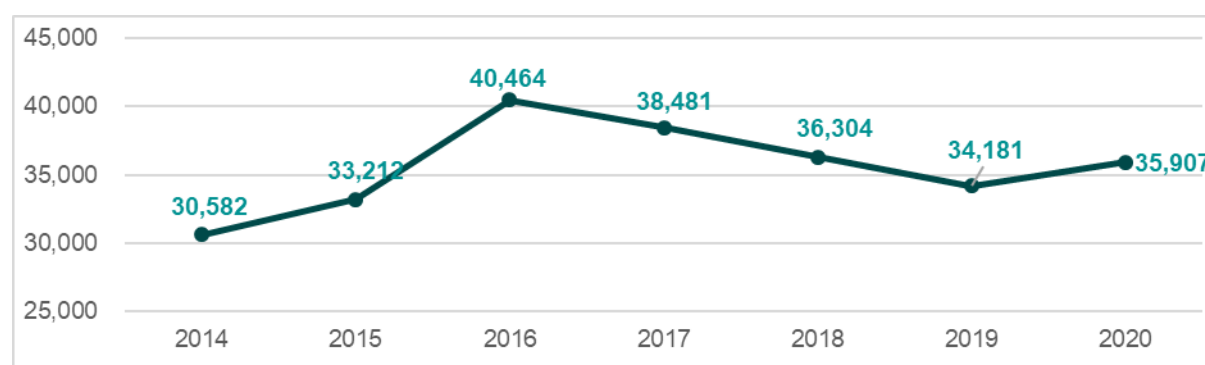
Most interim financial statement audits attracted increased costs associated with the introduction of new Australian Accounting Standards *AASB 16 Leases*, *AASB 15 Revenue* and *AASB 1058 Income of Not-For-Profit Entities* where those entities had undertaken sufficient accounting work in preparation for recognition of related balances as at 30 June 2020. Whilst the requirement to undertake additional audit work as a result of the introduction of these standards will be ongoing, the level of audit work will not be as significant as is required in the year of initial adoption of the standards.

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



The significant 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 continued to decrease from 2015/16 to 2018/19 however 2019/20 saw an increase largely attributable to the additional work associated with the introduction of new accounting standards.

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 accordance with the relevant financial reporting framework. 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.

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 2019/20 (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
- Office of the Independent Commissioner Against Corruption
- Ombudsman's Office
- Territory Families

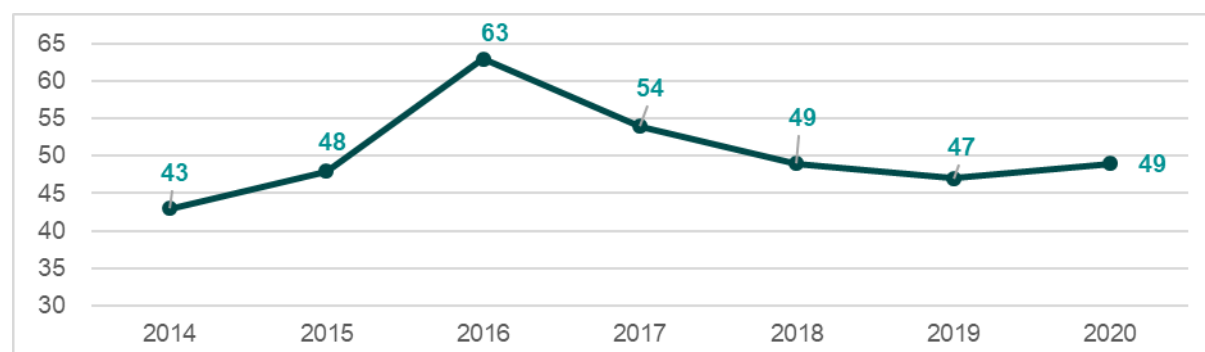
The number of compliance audits undertaken is directly affected by the number of agencies that are consolidated into the Treasurer's Annual Financial Statement. In 2019/20, agency compliance audits and end of year reviews were conducted at 20 agencies. In addition, three further compliance audits were 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 2019/20, four compliance focused information technology systems audits were undertaken compared to four in 2018/19. The compliance information technology system audits performed in 2019/20 were:

- Core Clinical Systems Renewal Program;
- Pronto and Integrated Offender Management System;
- Fleet Business System; and
- SuperB.

In the 2019/20 reporting period, 49 new compliance audits were undertaken, two more than the prior year. The establishment of the Office of the Independent Commissioner against Corruption necessitated the addition of one agency compliance audit and one end of year review.

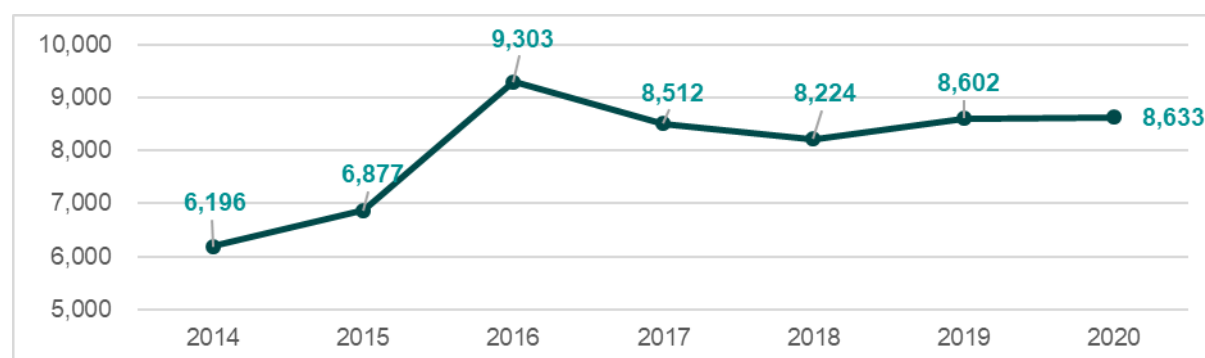
Figure 16 Number of new compliance audit task assignments issued



During the 2019/20 year, compliance audit activity utilised 8,633 audit hours, compared to 8,602 in the previous year. Hours required to complete each audit are affected by the nature of the audit and the size of the entity. Whilst there were an additional two audits conducted, efficiencies associated with two compliance audits of across-government systems resulted in a reduction of approximately 80 audit hours largely offsetting the scheduled increase in hours. Notwithstanding the reduction in hours, the staff utilised were at a higher rate thus the associated weighted average cost per hour (refer Figure 18) was higher.

Higher costs associated with compliance audits are anticipated in the forthcoming 2020/21 financial year as the effects from the implementation of the new accounting standards related to revenue and lease were recognised for the first time for agencies during the year ended 30 June 2020 with the audits of those balances occurring from July 2020.

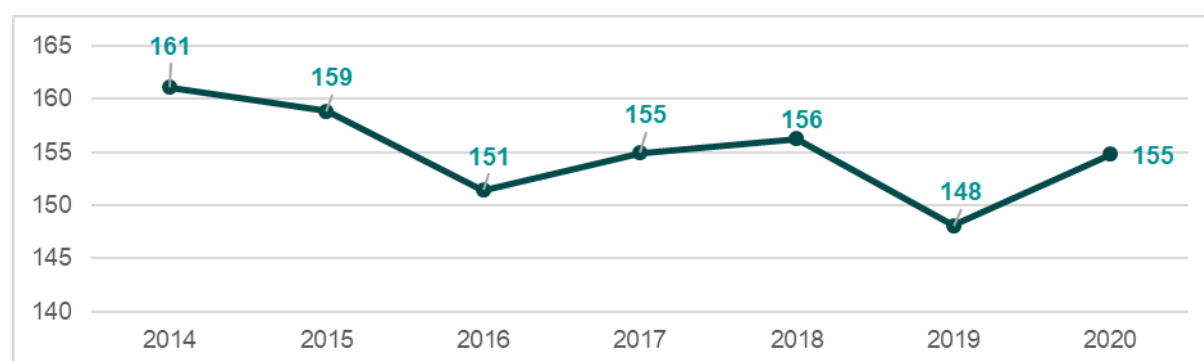
Figure 17 Audit hours allocated to new compliance audits



The weighted average cost of providing compliance audits for 2019/20 was \$155 per hour which is consistent with four of the past five year average however represents a significant deviation from the prior year's weighted average cost of \$148. There are a number of reasons contributing to the reduced cost per hour in the 2018/19 year 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.

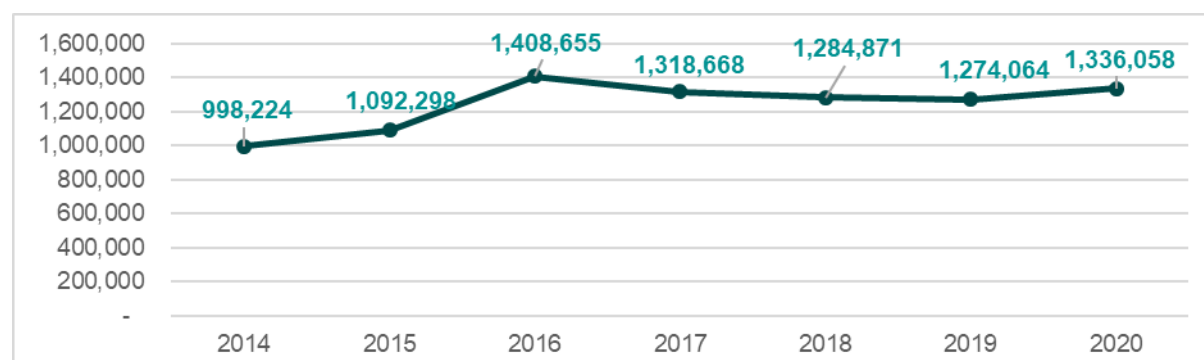
The weighted average cost of a compliance audit is consistently less than the cost of a financial statement audit. Compliance audits are generally non-complex and can largely be completed by less experienced Authorised Auditors. It is notable that the weighted average cost in 2019/20 has increased to be more aligned with previous years demonstrating 2018/19 was an outlier.

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



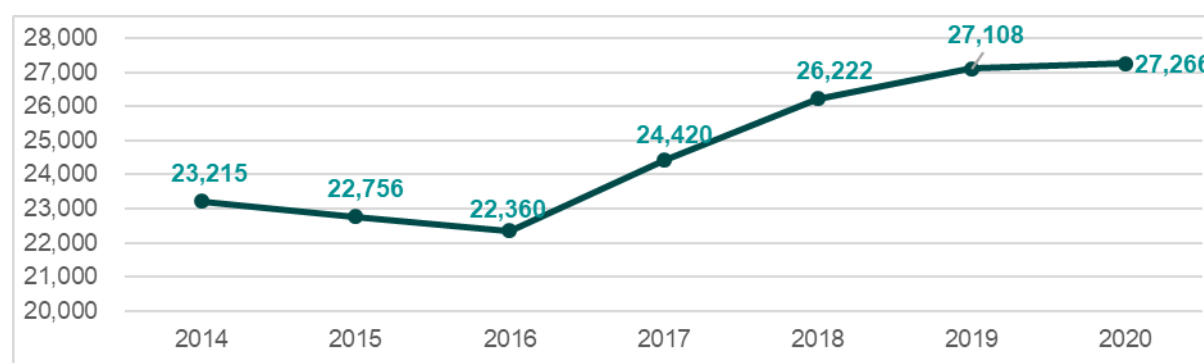
Machinery of government changes increasing and decreasing the number of agencies through amalgamation of services and decentralisation of services respectively directly impact the number of compliance audits undertaken. Whilst the number of audits reduced from 63 in 2015/16 to 49 in 2019/20 and will decrease further in 2020/21, 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 increased number of compliance audits completed and the increased hours required to undertake the audits, the total cost of compliance audits has increased from the prior year.

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



Consistent with the analysis above, the average cost per new compliance audit has increased by 0.6% from \$27,108 in 2018/19 to \$27,266 in 2019/20. It is expected that the average cost of audits will continue to increase with the new panel contract effective from 2 January 2021 and the rate escalation clauses within the contract 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 (\$)



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 2019/20 year, ten new performance management system audits were scheduled and four audits were carried forward from the previous year.

The following audits were carried forward from 2018/19 and completed during 2019/20:

- Department of the Attorney-General and Justice – Fines Recovery Process
- Department of Education – NAPLAN Data Analytics and Cause Analysis
- Department of Trade, Business and Innovation – Local Jobs Fund
- Territory Families – Procurement

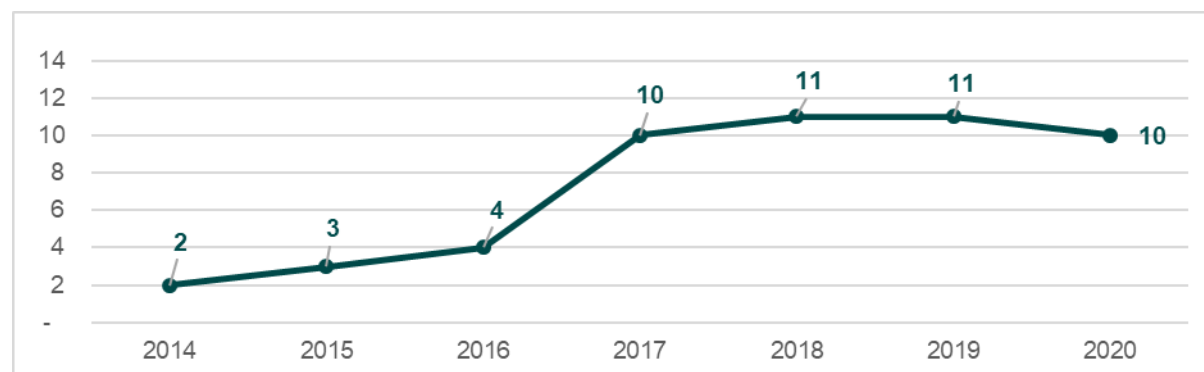
The following audits were scheduled in 2019/20:

- Department of the Attorney-General and Justice – Prisoners' Monies
- Department of Health – Contract Management
- Department of Corporate and Information Services – Contract Management
- Department of Infrastructure, Planning and Logistics – Contract Management
- Department of Infrastructure, Planning and Logistics – System for Payments – Darwin Port Lease
- Department of Infrastructure, Planning and Logistics – Accounting for Assets on Leased Land
- Department of Local Government, Housing and Community Development – Room to Breathe
- Department of Local Government, Housing and Community Development – \$100 Million Stimulus
- Department of Environment and Natural Resources – Water Licences
- Selected Agencies – Conflicts of Interest

Of the ten new performance management system audits commenced, the audit relating to *Accounting for Assets on Leased Land*, undertaken at the Department of Infrastructure, Planning and Logistics, was not completed during the 2019/20 financial year due to resourcing constraints. The results of this audit will be reported upon during the 2020/21 financial year.

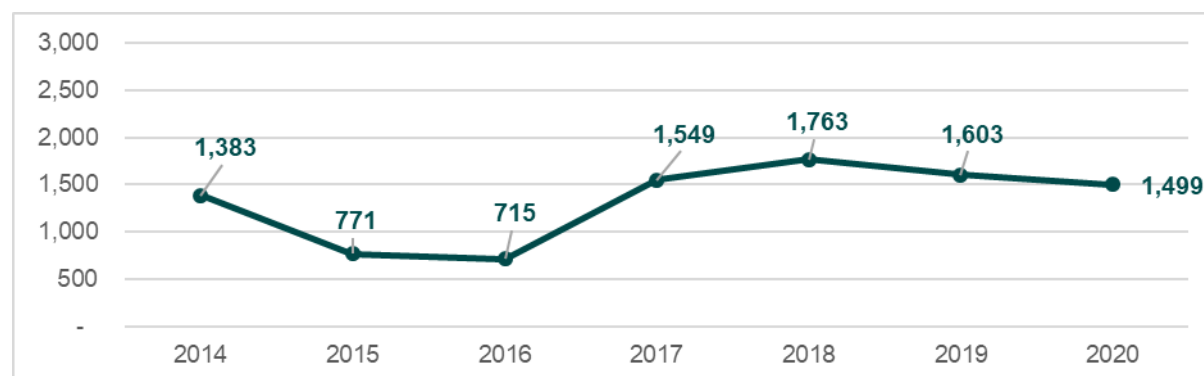
Of the new performance management system audits scheduled in 2019/20, six were outsourced and four were conducted in-house. In 2018/19, eight were outsourced and three performed in-house. The ability to undertake performance management systems audits is constrained by the level of available financial resources and personnel.

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



During the 2019/20 period, actual performance management system audit hours, including hours spent by in-house personnel, totalled 1,499, a decrease of 7% from the prior year. The four audits carried forward from the prior year required 161 hours to complete in the 2019/20 financial year. The complexity associated with performance management systems audits, even where the scope is limited, means that the average audit is scheduled to take between 150 and 200 hours.

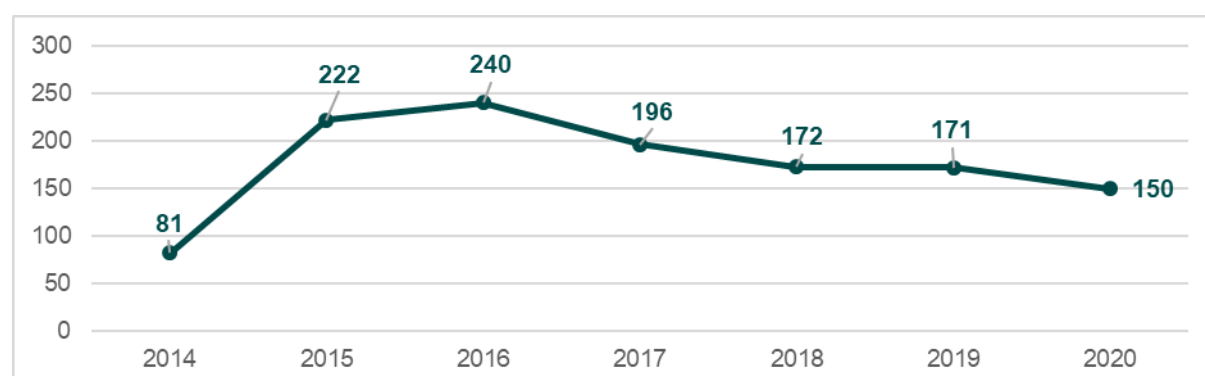
Figure 22 Audit hours allocated to new performance management system audits



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 increase in the number of performance management system audits conducted in-house and the reduction in the number of outsourced audits have resulted in a further decline in weighted average cost in 2019/20. The increase in the number of performance management system audits being performed using internal resources demonstrates the Office's commitment to delivering consistent levels of audit activity notwithstanding limited financial resources and rising costs associated with outsourced services and enterprise bargaining increments.

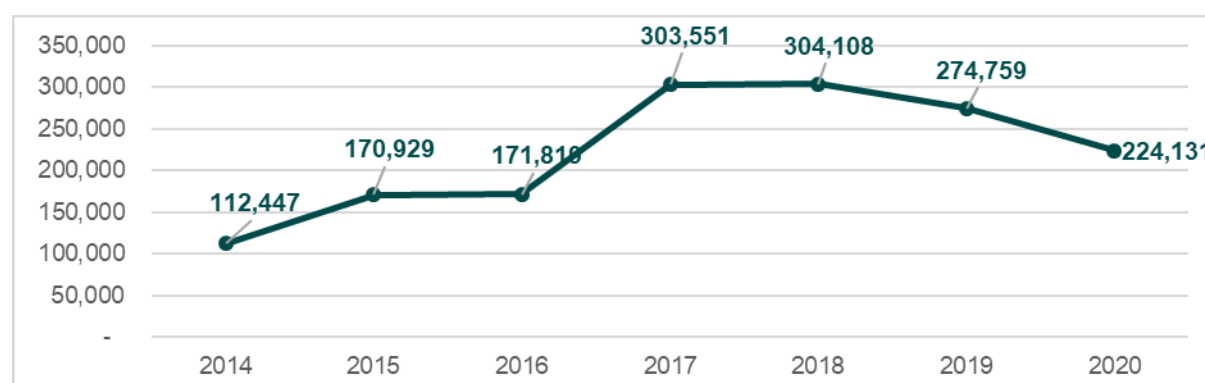
Figure 23 Weighted average cost per hour for new performance management system audits (\$)



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.

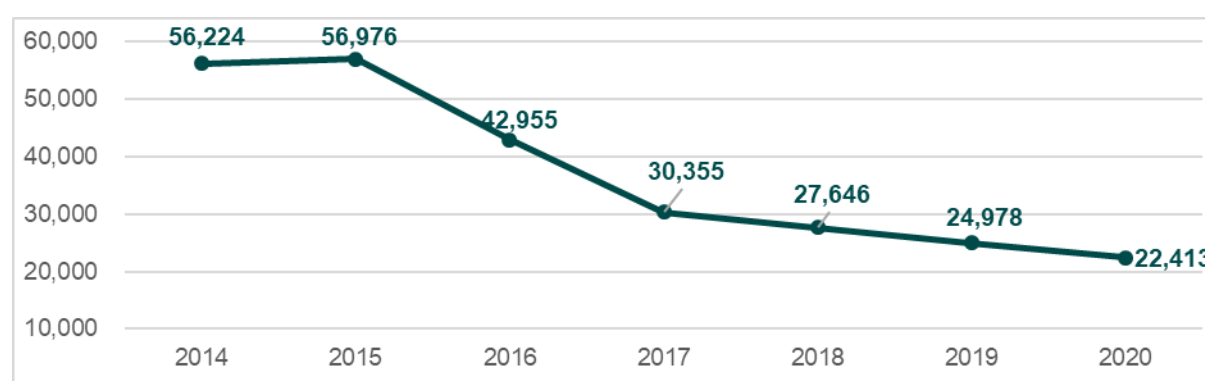
In 2018/19, the total cost of performance management system audits decreased by 10% to \$274,759 as a result of a higher proportion (27%) of performance management systems audits being performed in-house. This trend has continued in 2019/20 with the decrease in cost of \$50,628 reflecting again a greater proportion (40%) of performance management system audits being performed in-house. Whilst these statistics may be interpreted as demonstrating that the delivery of performance management system audits in-house is more efficient and economical, the ability to undertake greater levels of performance management system audits is restricted by present resourcing.

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



Consistent with the movement in total cost and as explained by the use of a greater proportion of in-house resources, the average cost decreased by 10% to \$22,413.

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



Other Audits

The Office conducts other categories of audits including acquittals, reviews and *Public Information Act 2010* referrals. During the 2019/20 period, the Office commenced and completed nine new acquittals, one data analytic task and three *Public Information Act 2010* referrals. One further audit was undertaken in response to a direction from the Chief Minister in accordance with Section 14 of the Act.

Section 14 Directive

Section 14 of the Act provides that *"the Minister may, either generally or in relation to a specific aspect, by notice, direct the Auditor-General to carry out an audit which the Auditor-General has power under this Act to carry out, in relation to an Agency specified in the notice, within the time specified in the notice or within such further time as is reasonably necessary to enable the audit to be completed, and the Auditor-General must carry out the audit accordingly"*.

In accordance with Section 14 of the Act, the Chief Minister directed me to undertake an audit in order to assess the systems, processes and controls within the Department of Corporate and Information Services and, to the extent necessary, within the Office of the Commissioner of Public Employment in relation to miscalculated superannuation payments identified between 2009 and 2019.

Public Information Act 2010 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.

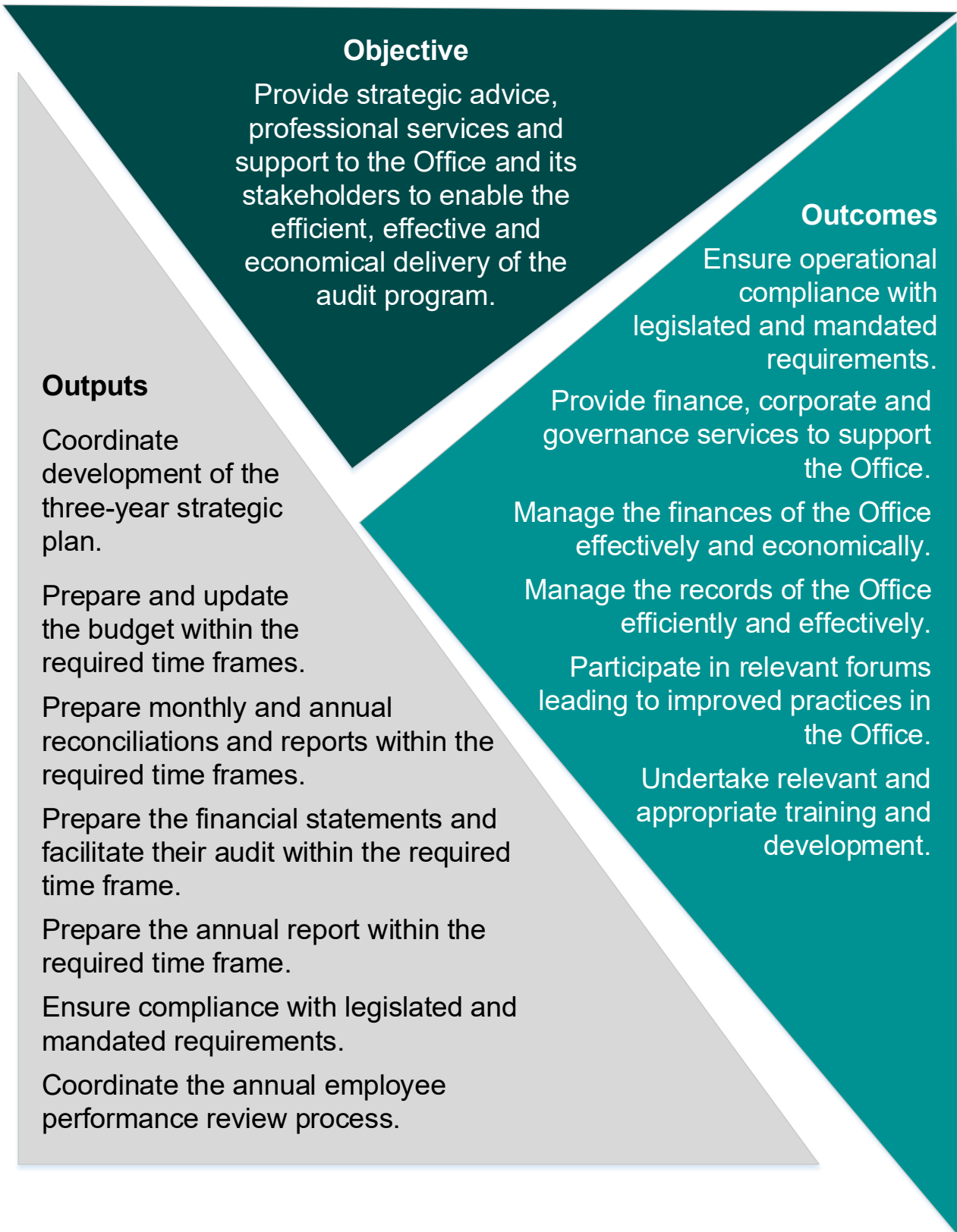
- November report which contains commentary on agencies and entities with a 30 June financial year-end being 30 June of the previous calendar year. Material is included depending on when each audit is completed. The report also contains commentary on the Auditor-General's audit of the Treasurer's Annual 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.

During 2019/20 the following reports were submitted to the Legislative Assembly:

- August 2019 – This report presented the results of 37 separate audits and other tasks completed during the period 1 March 2019 to 31 July 2019.
- November 2019 – This report presented the results of 44 separate audits and other tasks completed during the period 1 August 2019 to 31 October 2019.
- March 2020 – This report presented the results of ten separate audits and other tasks completed during the period 1 November 2019 to 29 February 2020.
- June 2020 – This report presented the results of 30 separate audits and other tasks completed during the period 1 March 2020 to 31 May 2020 and was tabled prior to the government entering caretaker mode in advance of the August 2020 general election.

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 2019/20 financial year:

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

Key Performance Indicator	Results for 2019/20
100% of invoices paid within 30 days	100% or 341 invoices were paid within 30 days. <i>(Source: Boxi AP06 – Invoice Processing Report)</i>
Annual Report delivered within the required timeframe (relates to the previous year's Annual Report)	The 2018-19 Annual Report was tabled to Parliament in the November 2019 sittings.
Financial Statements prepared and audited within the required timeframe	The NTAGO 2019/20 Financial Statements were prepared by the required due date with an unmodified audit opinion issued on 31 August 2020 received from the Office's external auditors. <i>(Refer to the Independent Auditor's Report section of this Annual Report)</i>
Budget deliverables are completed within the required timeframe	All budget related returns for the Office have been completed and provided to the Department of Treasury and Finance by the due dates.
Employee performance plans are in place and reviews are conducted for each employee.	All employees in the Office have performance plans in place and were provided feedback during the year.
Percentage of records with a retention schedule	100% of new records created have an appropriate retention schedule attached.
Percentage of records destroyed in accordance with the retention schedule	100% of records due for destruction have been destroyed in accordance with their retention schedule.
Annual agency procurement management plan delivered within the required timeframe	The NTAGO Procurement Management Plan for 2020/21 has been prepared and was submitted to Procurement NT by the due date.
Annual internal audit of compliance with the NTG Travel Policy undertaken within the required timeframe	An internal review of the Office's travel transactions was conducted for the 2019/20 financial year, and results have been reported.

Reflection on 2019/20

In 2019/20, the Corporate and Governance output group undertook the following activities in addition to its key financial and administrative responsibilities:

Figure 27 Key achievements for the Corporate and Governance output group



Key Achievements during the year	
1	Assisted with testing of the TRIPS Travel Itinerary enhancements.
2	Coordinated the relocation of the Auditor-General's Office..
3	Undertook planning and preparation of the Office' response and revised working arrangements relating to COVID-19.
4	Transfer of Authorised Auditor files from paper-based files to electronic files and amended office procedures to suit.
5	Coordinated and finalised the Procurement Plan for Authorised Auditor Panel Contract 2021-2024.
6	Assisted with client functionality testing associated with Territory Records Manager (TRM) Upgrade 9.4.
7	Completed the Agency Procurement Management Plan 2020/21.

Financial Management

The Office's financial statement overview for the year ended 30 June 2020 is discussed within the Office's Audited Financial Statements section on page 58 of this report. A summary of key financial results compared to previous financial years is presented below.

Key Financial Results

The following table presents a comparison of the Office's output groups against the 2019/20 budget and estimated results as published in Budget Paper No.3.

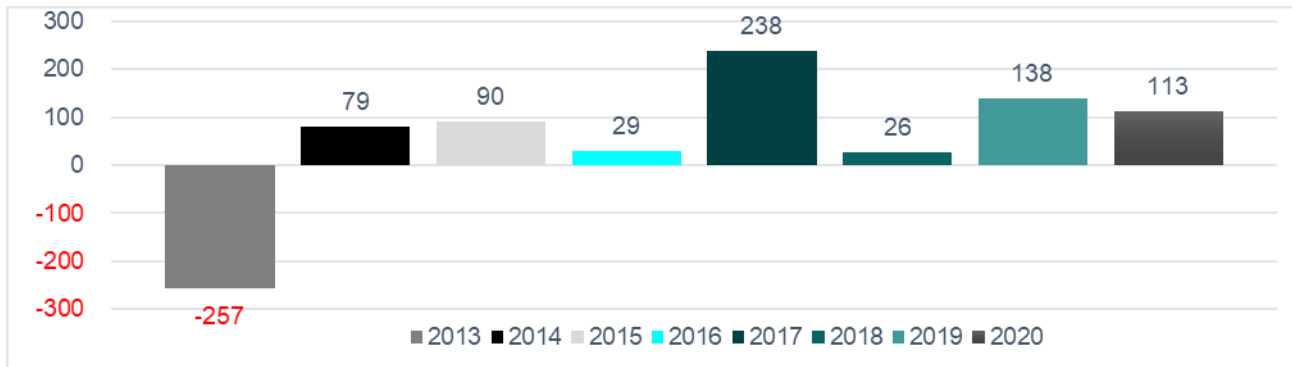
Figure 28 Output Group comparison of budget, estimate and actual results

Output Group	Actual 2018/19 \$'000	Budget 2019/20 \$'000	Actual 2019/20 \$'000	Variance 2019/20 \$'000
Audits and Reviews	4,395	4,500	4,859	359
Corporate and Governance	572	596	603	7
Total	4,967	5,096	5,462	366

The following graph presents the net operating surplus or deficit comparatively for the last eight financial years. In 2019/20, the Office continued to operate at a surplus with a net surplus at the end of the year of \$113,000, following a surplus in prior year of \$138,000. The surplus in the current year reflects some savings on travel by Office personnel and specialist Authorised Auditors as a result of COVID-19 restrictions and

reduced employee expenses as two positions were vacant during the month of June 2020. When establishing the annual audit program, attempts are made to ensure that a small proportion of output funding is retained to cover any overruns in cost associated with audit activity and ensure that the Office does not record a deficit. In the event that a significant surplus is identified as likely during monitoring of actual expenditure to budget, planned future audits can be brought forward. This was not considered an appropriate approach during the second half of 2019/20 given the limited resources within the Office together with the necessary focus on COVID-19 preparations within agencies.

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 received shared services support from the former Department of Corporate and Information Services and records notional charges for these services which are also reflected in its expenses. The repairs and maintenance budget of \$2,000 was transferred to the Department of Infrastructure, Planning and Logistics from 1 July 2019 consistent with NTG policy direction.

As in previous years, revenue from Output Appropriation continues to be the largest source of income for the Office, and represents 55% of its total revenue in 2019/20. Output appropriation declined by \$7,000 during the year which required continuous financial prudence to return a surplus at year end, whilst ensuring the planned audit program was effectively delivered.

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

Source of Revenue	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000
Output Appropriation	3,090	3,523	3,675	3,178	3,152	3,077	3,060	3,053
Sales of Goods and Services	574	568	589	2,160	1,847	1,935	1,836	2,307
Goods and Services (Free of charge)	220	223	237	227	227	232	209	214
Other Income	-	-	-	-	-	-	-	1
Total	3,884	4,314	4,501	5,565	5,226	5,244	5,105	5,575

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

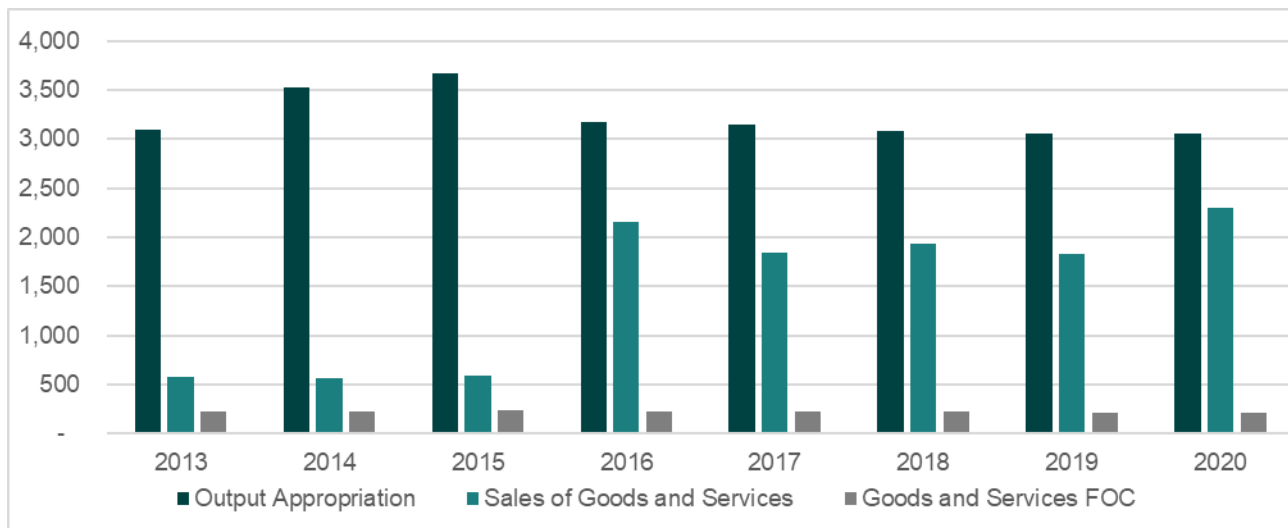


Figure 32 Agencies subject to recovery of audit costs

A total of 43 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 2020.

Agency	2020	2019	Movement
Batchelor Institute of Indigenous Tertiary Education	81,053	77,860	3,193
Board of the Museum and Art Gallery of the Northern Territory	14,375	14,350	25
Bridging the Gap Foundation	12,715	12,851	(135)
Cairns Business College Pty Ltd ⁽¹⁾	30,914	20,347	10,567
Cairns Education Australia Pty Ltd	13,895	12,208	1,687
Cairns Language Centre Pty Ltd ⁽¹⁾	32,559	20,347	12,211
CDU Amenities Limited	13,895	20,063	(6,167)
Central Australia Health Service	29,656	22,080	7,576
Charles Darwin University	174,313	170,094	4,219
Charles Darwin University Charitable Trust	6,147	6,121	25
Charles Darwin University Foundation ⁽²⁾	13,895	9,165	4,730
Cobourg Peninsula Sanctuary and Marine Park Board	17,794	14,287	3,507
Darwin Waterfront Corporation	43,637	40,268	3,369
Data Centre Services	23,275	24,436	(1,161)
Department of Corporate and Information Services ⁽³⁾	113,521	0	113,521
Department of Health ⁽⁴⁾	16,703	8,876	7,828
Department of Infrastructure, Planning and Logistics	28,329	31,228	(2,899)
Department of Local Government, Housing and Community Development	6,405	6,250	155
Department of Treasury and Finance ⁽⁵⁾	19,133	9,498	9,635
Desert Knowledge Australia	25,821	21,340	4,481
ICHM Pty Ltd	27,790	32,402	(4,611)
Indigenous Essential Services Pty Ltd ⁽⁶⁾	79,155	58,200	20,955
Jabiru Town Development Authority	12,524	12,650	(126)
Land Development Corporation	84,965	73,699	11,266
Legislative Assembly Members' Superannuation Fund	17,575	0	17,575
Menzies School of Health Research ⁽²⁾	87,854	64,918	22,936
Motor Accidents (Compensation) Commission ⁽⁷⁾	322,534	264,574	57,960
Nitmiluk (Katherine Gorge) National Park Board	20,649	17,446	3,202
Northern Territory Government and Public Authorities Employees' Superannuation Fund ⁽⁸⁾	23,766	0	23,766
Northern Territory Grants Commission	5,248	8,050	(2,802)
Northern Territory Legal Aid Commission	23,999	28,190	(4,191)
Northern Territory Major Events Company Pty Ltd	30,925	30,364	561
Northern Territory Treasury Corporation	72,030	71,566	464
NT Build	23,725	22,765	960
NT Fleet ⁽⁹⁾	71,118	36,633	34,486
NT Home Ownership	40,603	42,833	(2,230)
Office of the Public Trustee for the Northern Territory	27,126	26,797	330
Power and Water Corporation ⁽¹⁰⁾	265,856	213,983	51,873
Power Generation Corporation (Territory Generation) ⁽⁹⁾	167,745	101,258	66,487

Agency	2020	2019	Movement
Power Retail Corporation (Jacana Energy)	128,790	133,064	(4,274)
Surveyors Board of the Northern Territory of Australia ⁽¹¹⁾	0	9,100	(9,100)
Territory Wildlife Parks	25,458	25,220	238
Top End Health Service	29,608	20,216	9,393
Total	2,307,081	1,835,596	471,485

Explanations as to the causes of significant variances are provided below:

- (1) Additional fees were associated with audit procedures directed at the introduction of new accounting standards and the impending sale of the business.
- (2) Additional fees were associated with audit procedures directed at the introduction of new accounting standards.
- (3) This audit was undertaken at the direction of the Chief Minister and related to incorrect payments of superannuation to NTG employees.
- (4) The audit of the Health Pool Funding Acquittal required a greater number of hours during the financial year ending 30 June 2020 and fluctuates based on the level of activity associated with Pool Funding arrangements.
- (5) Additional costs were incurred in the audit of the acquittal statements applicable to the Natural Disaster Recovery and Relief Arrangements and the Disaster Recovery Funding Arrangements. The costs associated with such audits fluctuate depending on the number of transactions and complexities associated with each claim.
- (6) An interim audit was conducted at Indigenous Essential Services Pty Ltd during the year ended 30 June 2020 in preparation for the annual audit conducted post-year end. There was no interim audit in the prior year.
- (7) An audit of a financial information system was carried forward from the prior year to support the financial statements audit and additional audit work was undertaken in respect of changes to accounting estimates reported within the financial statements.
- (8) This audit was required as a result of closure of the Fund following the transfer of funds to managed funds or the Central Holding Authority. Costs were recovered from the Department of Treasury and Finance. The costs of previous audits of the Fund in accordance with establishing legislation were not recovered.
- (9) Additional audit fees resulted from undertaking an additional audit directed at key information technology systems.
- (10) Additional costs incurred in the audit of the Power and Water Corporation were associated with audit procedures directed at the introduction of new accounting standards and changes to models used to support accounting estimates reported within the financial statements.
- (11) As a result of legislative changes, the audit of the Surveyors Board is no longer required.

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 33 Comparison of major categories of expenses for the last eight financial years

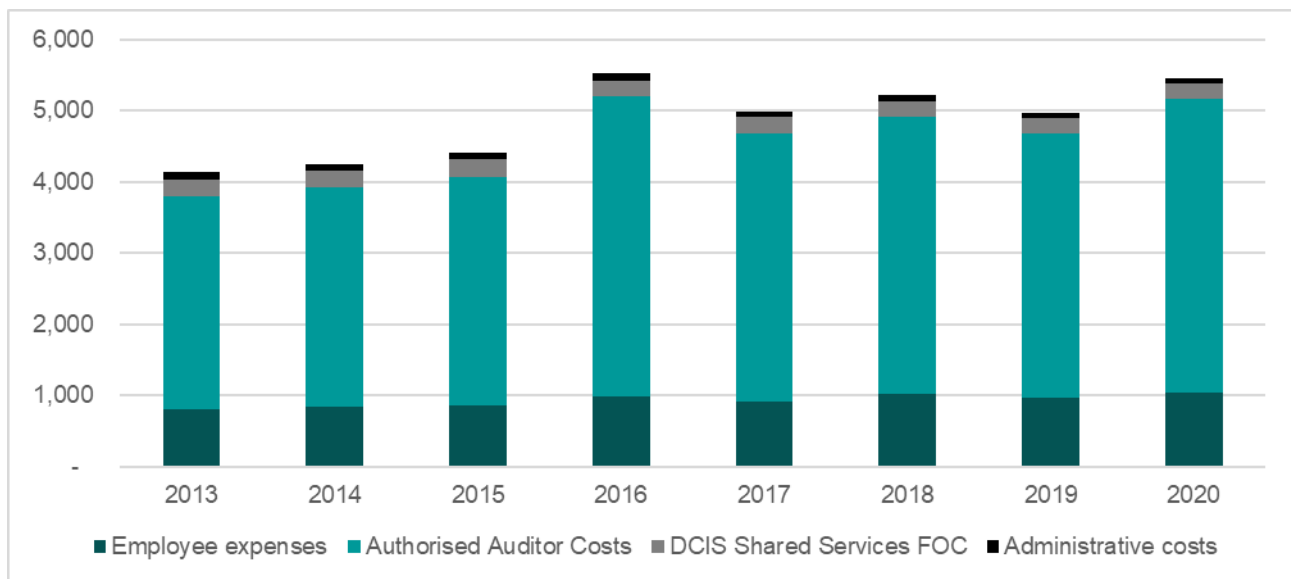
Expenses	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000
Employee expenses ⁽³⁾	811	847	861	992	903	1,017	971	1,030
Authorised Auditor Costs ⁽¹⁾	2,994	3,085	3,216	4,210	3,780	3,893	3,711	4,145
DCIS Shared Services FOC	220	223	237	228	227	232	209	214
Other Admin Costs ⁽²⁾	113	89	97	107	78	76	76	73
Total	4,139	4,245	4,411	5,536	4,987	5,217	4,967	5,462

(12) Refer to page 23, Figure 9 for details of Authorised Auditor costs

(13) 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.

(14) Employee expenditure increased by \$0.059 million predominantly due to additional costs of covering staff on extended leave, together with EBA increases applicable to non-executive contract staff.

Figure 34 Major categories of expenses for the last eight financial years



Comparison of Results to 2019/20 Budget

The following table compares the actual operating results for the Office's 2019/20 financial year to its 2019/20 budget as presented in Budget Paper No.3 in May 2019. No estimates process was held during the 2019/20 financial year hence there was no comparative 'revised budget' as is customarily presented to the Estimates Committee hearings held prior to the end of the financial year. Analysis of variances between Actual and Budget is presented within Note 21 to the financial statements.

Figure 35 Comparison of 2019/20 Original Budget and Actuals

	Actual 2018/19	Original Budget 2019/20	Actual 2019/20
INCOME			
Appropriation			
Output	3,060	3,055	3,053
Sales of goods and services (audit costs recovered)	1,836	1,830	2,307
Services free of charge (DCIS)	209	211	214
Other Income	-	-	1
TOTAL INCOME	5,105	5,096	5,575
EXPENSES			
Employee expenses	(971)	(1,009)	(1,030)
Administrative expenses			
Purchases of goods and services	(3,787)	(3,874)	(4,218)
Repairs and maintenance	-	(2)	-
Other administrative expenses	(209)	(211)	(214)
TOTAL EXPENSES	(4,967)	(5,096)	(5,462)
NET SURPLUS/(DEFICIT)	138	-	113
ASSETS			
Cash and deposits	573	638	630
Receivables	542	679	545
Prepayments	-	1	-
TOTAL ASSETS	1,115	1,318	1,175
LIABILITIES			
Payable	116	432	23
Provisions	97	122	137
TOTAL LIABILITIES	213	554	160
NET ASSETS	902	764	1,015
EQUITY			
Capital	570	570	570
ACCUMULATED FUNDS	332	194	445
TOTAL EQUITY	902	764	1,015

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 36 NTAGO Corporate Governance Framework

	Internal	External
Planning	<ul style="list-style-type: none"> • Development, review and maintenance of the strategic plan. • Identification of strategic risks and mitigating controls to support the efficient, effective and economical delivery of services from the Office. • Maintenance of the strategic risk register. 	<ul style="list-style-type: none"> • The audit program is established for two six monthly periods, January to June and July to December. The Auditor-General, Principal Auditors and Authorised Auditors resolve any conflicts of interest that may impact the allocation of work. The audit program is then finalised and communicated to all stakeholders.
Monitoring, Review and Evaluation	<ul style="list-style-type: none"> • Due to the small size of the Office, weekly meetings are held with all members to discuss the progression of the audit program (all audit areas) and matters relating to finance, risk, administration, human resources and work health and safety. • Authorised Auditors submit a weekly progress report to the Principal Auditors to enable monitoring of progress against finance and time budgets for each engagement. • Principal Auditors undertaking in-house audits hold a weekly one-on-one meeting with the Auditor-General. • The Manager Finance and Corporate Services reports weekly to the Auditor-General. Issues requiring attention are discussed and action taken where required. • Policies, procedures and manuals are updated in accordance with established timetables or if required as a result of legislative change. 	<ul style="list-style-type: none"> • The annual financial statements of the Office are subject to independent audit by an auditor appointed by the Administrator. • Section 26 of the 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.

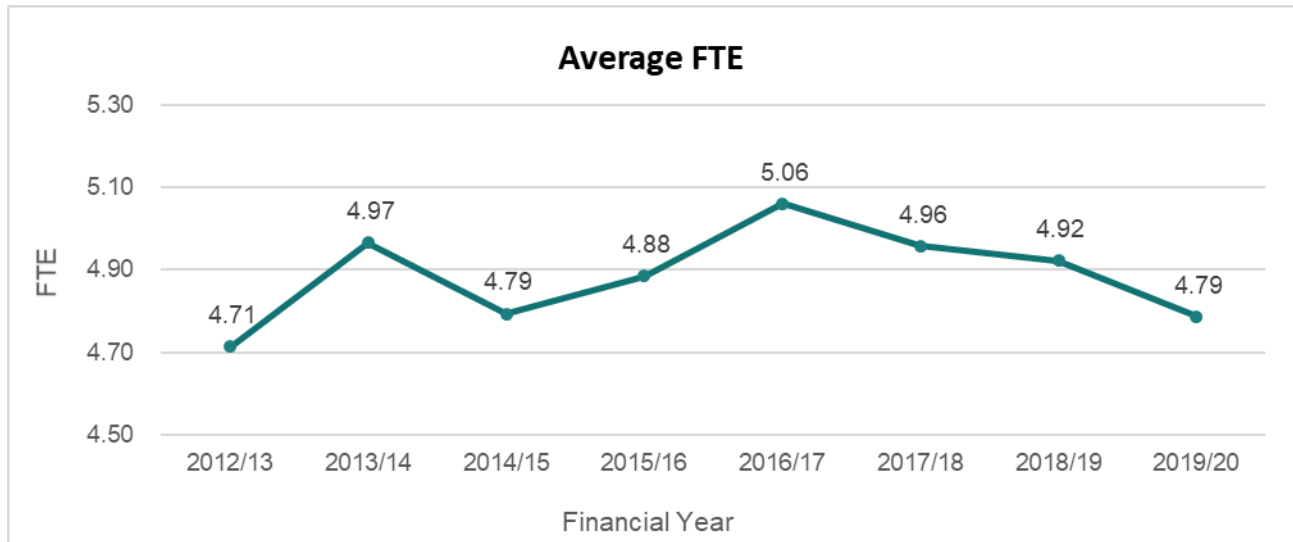
	Internal	External
Reporting	<ul style="list-style-type: none"> Weekly progress reports are prepared on the status of each audit task against the estimated time and cost. Monthly financial reports are prepared showing actual financial results compared to budget and explanations provided for material variances. 	<ul style="list-style-type: none"> Submission of reports to the Legislative Assembly each year, setting out the results of audits, together with any observations that may be relevant. Annual financial reporting. The audited annual financial reports of the Office are tabled to the Legislative Assembly. An unmodified audit opinion was issued on the Office's financial statements for the year ended 30 June 2020. The financial statements are included at Appendix A to this report.
Communicating	<ul style="list-style-type: none"> Staff meetings are held weekly. Weekly progress meetings occur in relation to in-house audits. There is an "open door" approach within the Office which enables immediate communication when required. 	<ul style="list-style-type: none"> Appearances by the Auditor-General before the Public Accounts Committee during which the Committee has the opportunity to question the Auditor-General about the content of reports to the Legislative Assembly, and current and planned audits. Appearances before the Estimates Committee during which the Committee has the opportunity to question the Auditor-General about the activities and financial management of the Office. Regular status updates and exit meetings are held with Authorised Auditors and representatives from audited entities. Briefings are held with Authorised Auditors and training provided to newly Authorised Auditors. Briefings are held with Agency representatives in relation to the audit program. Delivery of management letters and audit reports to audited entities. Communication of the six monthly programs of audit tasks to Authorised Auditors and audited entities.

Human Resources

Employee Demographics

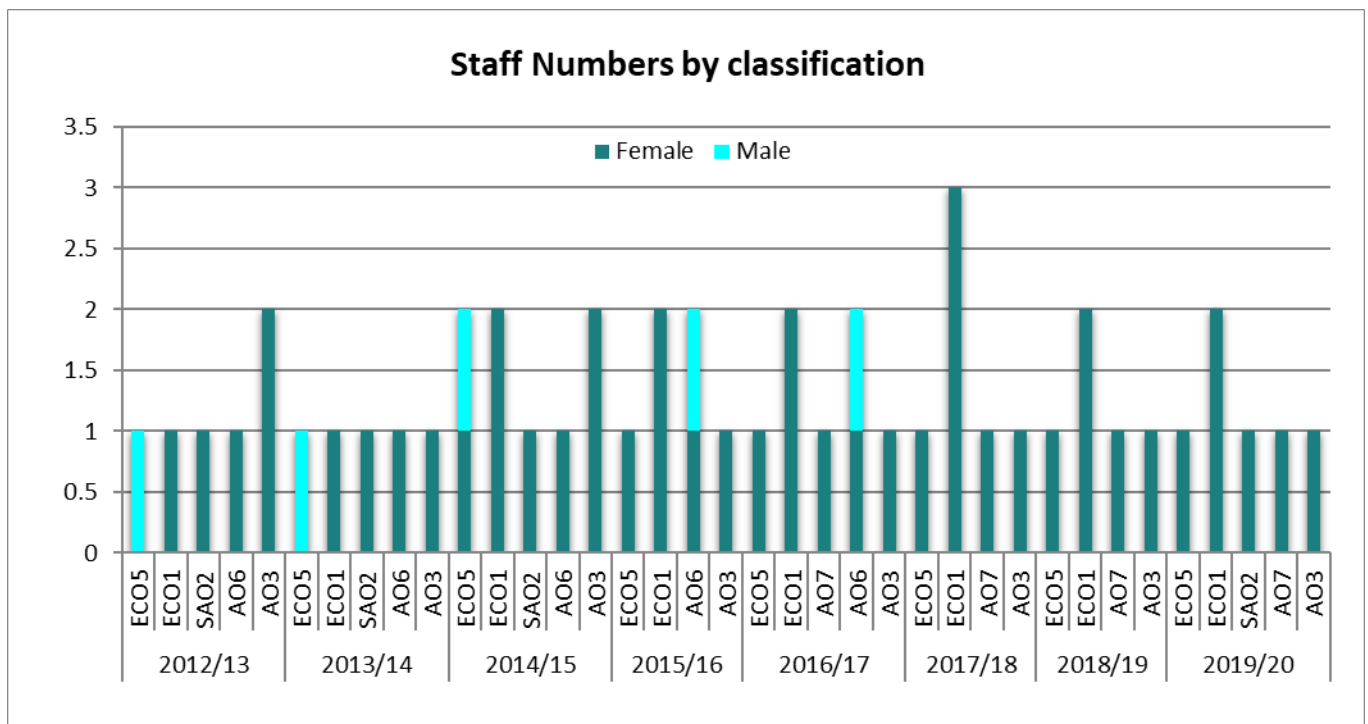
During the year ended 30 June 2020, the average FTE of the Office was 4.79 compared to an average of 4.92 for the previous financial year. The head count for staffing in 2019/20 and 2018/19 remains the same at 5.0 FTE. Those periods where the headcount per pay period exceeds established position numbers reflect appointment of new personnel to replace outgoing personnel.

Figure 37 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 2019/20 and prior reporting years. The additional SOA2 position during the 2019/20 financial year was temporary coverage during peak periods for one of the Principal Auditors who was on parental leave from November 2019 to July 2020.

Figure 38 Comparison of head count, gender and level categories for the last four financial years



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 2019/20
No. 1. Filling Vacancies	A temporary replacement for a Principal Auditor was advertised in December 2019 and filled in January 2020 until May 2020 to cover extended leave. The Manager Finance and Corporate services permanent position was advertised in May 2020 and filled in July 2020.
No. 2. Probation	No probationary process was conducted during the 2019/20 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 through the State of Service report. 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 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 Work Health and Safety (WHS) framework which has been incorporated within all aspects of the Office's operations.

Employment Instruction	NTAGO Performance 2019/20
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.

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 2020, 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.

Records Management

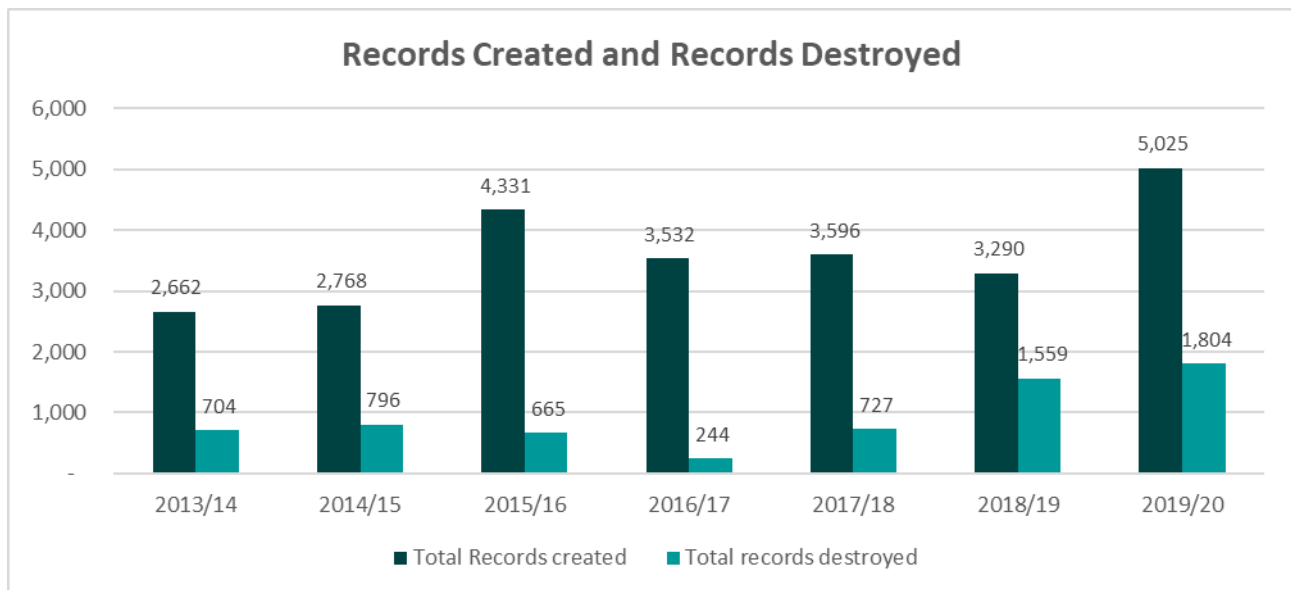
The Office endeavours to comply with mandated requirements for records management within the NTG. Recent standards and guidelines issued by DCIS have been complied with to the extent possible having regard to the resources available within the Office and the broad corporate services responsibilities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

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

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

During the 2019/20 financial year, there were 5,025 new records created and 1,804 listed for destruction. In comparison, the 2018/19 year saw a total of 3,290 records created and 1,559 records were listed for destruction. The number of records listed for destruction was significantly higher in 2019/20 resulting from the preparation for and actual relocation of the office during December 2019. The chart below shows the total number of records created and destroyed.

Figure 40 Number of records created and destructed 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 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 was updated to clearly reflect locations and contact details of wardens, exits and fire extinguishers. Both the administrative positions have participated in the warden training and the Records Management Officer is the Office's nominated First Aid Officer. WHS is a standing agenda item at weekly staff meetings. As part of the Office's communication framework for WHS, all minutes recording WHS discussions are recorded in TRM.

Figure 41 Work Health and Safety compliance

Compliance practices will be maintained for all relevant Australian Standards and codes of practice	100% compliance achieved as demonstrated by:
Communication strategies exist for all workers of the Office.	Checklist completed and recorded in TRM. Discussion at team meeting recorded in minutes.
Documentation is reviewed; risks are identified and correctly managed.	Checklist completed and recorded in TRM. Discussion at team meeting recorded in minutes.
Training is identified and completed to assist in the minimisation of risk within the agency.	Training identified through staff meetings or ad-hoc discussions. Recorded in minutes of team meetings.
All workers are inducted to the agency.	Signed induction 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"> • Internal <ul style="list-style-type: none"> ○ All information received physically or electronically is immediately recorded in TRM enabling staff to access relevant documentation efficiently. Since 2016, internal processes were enhanced to reduce the need for creating physical files. • External <ul style="list-style-type: none"> ○ With limited exceptions, all elements of the audit files received from Authorised Auditors are received electronically. ○ The Auditor-General and Principal Auditors review audit files electronically. ○ Weekly progress reports from Authorised Auditors are received electronically. ○ Financial reporting, including the audit of the Office's financial statements are completed predominantly in electronic format.
Our Emissions	<ul style="list-style-type: none"> • The Office leased two motor vehicles from NT Fleet during the year ended 30 June 2020 for the Principal Auditor positions.
Power Saving	<ul style="list-style-type: none"> • Most electronic devices are powered down completely when not in use. • The Office has a "lights off" policy for parts of its tenancy that are temporarily not in use.

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"> • Staff members are encouraged and supported for their involvement in contributing to their professions through involvement with professional and community associations. • The Auditor-General regularly provides presentations at forums and professional development sessions facilitated by professional associations such as CPA Australia, CAANZ and the Governance Institute. • The Auditor-General regularly presents a session in the NT Government's Foundations of Public Sector Governance four-day residential program. • The Auditor-General participates in the annual evaluation of applications for educational scholarships from the General Sir John Monash Foundation.
Community	<ul style="list-style-type: none"> • Individual members of the office are voluntarily involved with a range of community organisations, events and activities.

Future Priorities

The Office is committed to:



The Audit and Review output group has committed to the following outputs in 2020/21:

Figure 42 KPIs as presented in 2020/21 Budget Paper No.3

Audits and Review	2019/20 Budget	2019/20 Actual	2020/21 Budget
Statutory audits (1)	112	115	104
Other audits (2)	20	21	17
Reviews (3)	3	3	3
Total	135	139	124
Percentage of audit opinions issued	100%	100%	100%

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:

- Updates to the Accounting and Property Manual.
- Updates to the Office Records Management and TRM Manual.
- Review of the *Audit Act 1995*.
- Review of the Office staff structure.

Independent Auditor's Report



RSM Australia Pty Ltd

12 Anderson Street West, Ballarat VIC 3350
PO Box 685 Ballarat VIC 3353

T +61 (0) 3 5330 5800
F +61 (0) 3 5330 5890

www.rsm.com.au

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

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 and 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 2020, 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.

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 atf Birdland Practice Trust ABN 65 379 382 479 trading as RSM

Liability limited by a scheme approved under Professional Standards Legislation

Independent Auditor's Report (continued)



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.

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. 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', written over a light blue horizontal line.

JOHN FINDLAY
Director

Ballarat, Victoria
Dated this 31st day of August 2020

NTAGO Audited Financial Statements

FINANCIAL STATEMENT OVERVIEW FOR THE YEAR ENDED 30 JUNE 2020

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 2019/20 included:

- Delivering effective, efficient and economical audit activities to support decisions relating to the allocation of resources and investment.
- Delivering 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 \$0.113 million compared to \$0.138 million in the prior year.
- Output Appropriation decreased by \$0.007 million from the prior year. Recoverable audit fees increased by \$0.471 million from \$1.836 million in 2019 to \$2.307 million in 2020 as a result of additional audit requirements and audit costs. Of the increase in recoverable audit fees, \$0.113 million was attributable to an audit of superannuation payments directed by the Chief Minister in accordance with Section 14 of the Audit Act 1995. Other significant contributors to the variance were Charles Darwin University Group (\$0.05 million); NT Fleet (\$0.034 million); Power and Water Corporation Group (\$0.072 million); Power Retail Corporation (\$0.013 million); Power Generation Corporation (\$0.067 million); and Motor Accidents (Compensation) Commission (\$0.057 million).
- Purchases of goods and services represent Authorised Auditors' fees of \$4.145 million (of which \$2.307 million is recoverable) and operational expenditure of \$0.073 million. The increase in total expenditure from the prior year was attributable to increased audit requirements and costs for some audits.
- Employee expenditure increased by \$0.059 million predominantly due to additional costs of covering staff on extended leave, together with EBA increases applicable to non-executive contract staff.

FINANCIAL STATEMENT OVERVIEW FOR THE YEAR ENDED 30 JUNE 2019 (continued)

- The net assets of the Office increased from \$0.902 million to \$1.015 million for the year, reflecting the surplus shown on the Comprehensive Operating Statement.
- When compared to the prior year, cash balances increased by \$0.057 million, payables decreased by \$0.093 million, and provisions increased by \$0.041 million.
- The decrease in accounts payable is due to there being no outstanding payments to creditors at the end of the 2019/20 financial year. The increase in provisions is attributable to the movement in employee entitlements.
- 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

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 2020 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
31 August 2020


Lisa Blakeley
Manager Finance and Corporate Services
31 August 2020

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
COMPREHENSIVE OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$000	2019 \$000
INCOME			
Appropriation			
Output	3	3,053	3,060
Sales of goods and services (audit costs recovered)	4	2,307	1,836
Goods and services received free of charge	5	214	209
Other income		1	-
TOTAL INCOME	3	5,575	5,105
EXPENSES			
Employee expenses	6	(1,030)	(971)
Administrative expenses			
Purchases of goods and services	7	(4,218)	(3,787)
Repairs and maintenance		-	-
Other administrative expenses ⁽¹⁾	5	(214)	(209)
TOTAL EXPENSES	3	(5,462)	(4,967)
NET SURPLUS		113	138
COMPREHENSIVE RESULT		113	138

⁽¹⁾ Includes DCIS service charges and DIPL repairs and maintenance 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 2020

	Note	2020 \$000	2019 \$000
ASSETS			
Current Assets			
Cash and deposits	9	630	573
Receivables	11	545	542
Prepayments		-	-
Total Current Assets		1,175	1,115
TOTAL ASSETS		1,175	1,115
LIABILITIES			
Current Liabilities			
Payables	12	23	116
Provisions	13	137	97
Total Current Liabilities		160	213
TOTAL LIABILITIES		160	213
NET ASSETS		1,015	902
EQUITY			
Capital		570	570
Accumulated funds		445	332
TOTAL EQUITY		1,015	902

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 2020

	Note	Equity at 1 July	Comprehensive result	Transactions with owners in their capacity as owners	Equity at 30 June
		\$000	\$000	\$000	\$000
2019/20					
Accumulated Funds		332	113	-	445
		332	113	-	445
Capital – Transactions with Owners					
Equity injections					
Capital appropriation		26	-	-	26
Equity transfers in		53	-	-	53
Other equity injections		801	-	-	801
Equity withdrawals					
Capital withdrawal		(310)	-	-	(310)
Equity transfers out		-	-	-	-
		570	-	-	570
Total Equity at End of Financial Year		902	113	-	1,015
2018-19					
Accumulated Funds		194	138	-	332
		194	138	-	332
Capital – Transactions with Owners					
Equity injections					
Capital appropriation		26	-	-	26
Equity transfers in		53	-	-	53
Other equity injections		801	-	-	801
Equity withdrawals					
Capital withdrawal		(310)	-	-	(310)
Equity transfers out		-	-	-	-
		570	-	-	570
Total Equity at End of Financial Year		764	138	-	902

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 2020

	Note	2020	2019
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Receipts			
Appropriation			
Output		3,053	3,060
Receipts from sales of goods and services		2,724	2,347
Total Operating Receipts		5,777	5,407
Operating Payments			
Payments to employees		(984)	(997)
Payments for goods and services		(4,736)	(4,475)
Total Operating Payments		(5,720)	(5,472)
Net Cash From/(Used in) Operating Activities	10	57	(65)
Net decrease in cash held		57	(65)
Cash at beginning of financial year		573	638
CASH AT END OF FINANCIAL YEAR	9	630	573

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 2020

INDEX OF NOTES TO THE FINANCIAL STATEMENTS

Note

1. Objectives and funding
2. Statement of significant accounting policies
3. Comprehensive operating statement by output group
- INCOME**
4. Sales of goods and services (audit costs recovered)
5. Goods and services received free of charge
- EXPENSES**
6. Employee expenses
7. Purchases of goods and services
8. Write-offs, postponements, waivers, gifts and ex gratia payments
- ASSETS**
9. Cash and deposits
10. Cash flow reconciliation
11. Receivables
- LIABILITIES**
12. Payables
13. Provisions
14. Commitments
- OTHER DISCLOSURES**
15. Financial instruments
16. Related parties
17. Contingent liabilities and contingent assets
18. Events subsequent to balance date
19. Accountable Officer's Trust Account
20. Schedule of administered Territory items
21. Budgetary information

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

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 (2019/20) Act 2019*.

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 operations of the Office were not affected by machinery of government changes during the year. A machinery of government change resulted in most agencies being required to transfer their repairs and maintenance budget to the Department of Infrastructure, Planning and Logistics. As a result, the budgeted appropriation and repairs and maintenance budget were each reduced by \$2,000 and the income and expenditure associated with 'Goods and Services Received Free of Charge' were each increased by \$2,000.

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

is paid out or received. As part of the preparation of the financial statements, all intra-agency transactions and balances have been eliminated.

Except where stated, the financial statements have also been prepared in accordance with the historical cost convention.

The form of the agency financial statements is also consistent with the requirements of Australian Accounting Standards. The effects of all relevant new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period have been evaluated.

Standards and interpretations effective from 2019/20

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

AASB 15 *Revenue from contracts with customers* (AASB 15) supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related interpretations, and applies, with limited exceptions, to all revenue arising from contracts with customers. Under AASB 15, revenue from agreements that 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.

AASB 1058 *Income for not-for-profit entities* (AASB 1058) clarifies and simplifies income-recognition requirements that apply to non-for-profit entities and replaces most of the not-for-profit provisions under AASB 1004 *Contributions*. AASB 1058 applies to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives, and where volunteer services are received.

As per the transition provisions for AASB 15 and AASB 1058, the modified retrospective approach has been elected by the NT Government on transition, with the cumulative effect of applying both accounting standards recognised in accumulated funds or equity at 1 July 2019.

As the Office does not receive revenue from contracts with customers or grant funding, implementation of these standards has not resulted in a change in the recognition of revenue.

AASB 16 *Leases*

AASB *Leases* (AASB 16) supersedes AASB 117 *Leases* and relevant interpretations and introduces significant changes to lessee accounting by removing the distinction between operating and finance leases. For lessees with operating leases, a right-of-use asset has now been recognised on the balance sheet together with a lease liability at the lease commencement, for all leases except for leases with a term of less than 12 months or where the underlying assets are of low value. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The modified retrospective approach has been elected by the NT Government upon transition to AASB 16, with the cumulative effect of initial application of the standard recognised as an adjustment to the balance sheet as at 1 July 2019.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

As the Office has no significant lease arrangements, there has been no impact resulting from the implementation of AASB 16.

Standards and interpretations issued but not yet effective

No Australian accounting standards have been early adopted for 2019/20.

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

c) Reporting entity

The financial statements are prepared for 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 9, 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. The Office did not manage any Territory items on behalf of the government during the current or prior year (refer Note 20 - Schedule of administered Territory items).

e) Comparatives

Where necessary, comparative information for the 2019/20 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 2020

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 2019/20 as a result of management decisions.

h) Accounting judgements and estimates

The preparation of the financial statements requires the making of judgements and estimates that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates that have significant effects on the financial statements are disclosed in the relevant notes to the financial statements.

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 2020

k) Impact of COVID-19

The Territory Government modified its debt recovery process and postponed the payment date for a number of regulatory fees and charges to ease financial hardship faced by individuals and businesses as a result of COVID-19. A number of stimulus initiatives were announced by the Territory Government and agencies were required to implement initiatives to support COVID-19 related restrictions.

COVID-19 did not have an impact on the financial statements of the Office.

3. COMPREHENSIVE OPERATING STATEMENT BY OUTPUT GROUP

	Note	Audits and Reviews		Corporate and Governance		Total	
		2020	2019	2020	2019	2020	2019
		\$000	\$000	\$000	\$000	\$000	\$000
INCOME⁽ⁱ⁾							
Appropriation ⁽ⁱⁱ⁾							
Output		2,664	2,697	389	363	3,053	3,060
Sales of goods and service ⁽ⁱⁱⁱ⁾	4	2,307	1,836	-	-	2,307	1,836
Goods and services received free of charge	5	-	-	214	209	214	209
Other Income		-	-	1	-	1	-
TOTAL INCOME		4,971	4,533	604	572	5,575	5,105
EXPENSES							
Employee expenses	6	(714)	(684)	(316)	(287)	(1,030)	(971)
Administrative expenses							
Purchases of goods and services	7	(4,145)	(3,711)	(73)	(76)	(4,218)	(3,787)
Repairs and maintenance		-	-	-	-	-	-
Other administrative expenses	5	-	-	(214)	(209)	(214)	(209)
TOTAL EXPENSES		(4,859)	(4,395)	(603)	(572)	(5,462)	(4,967)
NET SURPLUS		112	138	1	-	113	138
OTHER COMPREHENSIVE INCOME							
Items that will not be reclassified to net surplus							
Changes in accounting policies		-	-	-	-	-	-
Correction of prior period errors		-	-	-	-	-	-
Changes in asset revaluation surplus		-	-	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME		-	-	-	-	-	-
COMPREHENSIVE RESULT		112	138	1	-	113	138

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.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

ii. Appropriation

Output Appropriation is the operating payment to each agency for the outputs it provides as specified in the *Appropriation (2019/20) Act 2019*. It does not include any allowance for major non-cash costs such as depreciation. The treatment of Output Appropriation remains the same after adopting AASB 15 and AASB 1058, because there are no sufficiently specific performance obligations associated with Output Appropriation.

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 audit. 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 2020

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

	2020	2019
	\$000	\$000
Batchelor Institute of Indigenous Tertiary Education	81	78
Board of the Museum and Art Gallery of the Northern Territory	14	14
Bridging the Gap Foundation	13	13
Cairns Business College Pty Ltd	31	20
Cairns Education Australia Pty Ltd	14	12
Cairns Language Centre Pty Ltd	33	20
CDU Amenities Limited	14	20
Central Australia Health Service	30	22
Charles Darwin University	174	170
Charles Darwin University Charitable Trust	6	6
Charles Darwin University Foundation	14	9
Cobourg Peninsula Sanctuary and Marine Park Board	18	14
Darwin Waterfront Corporation	44	40
Data Centre Services	23	25
Department of Corporate and Information Services	113	-
Department of Health	17	9
Department of Infrastructure, Planning and Logistics	28	31
Department of Local Government, Housing and Community Development ⁽¹⁾	6	6
Department of Treasury and Finance	19	10
Desert Knowledge Australia	26	21
ICHM Pty Ltd	28	33
Indigenous Essential Services Pty Ltd	79	58
Jabiru Town Development Authority	13	13
Jacana Energy	128	133
Land Development Corporation	85	74
Legislative Assembly Members' Superannuation Fund	18	-
Menzies School of Health Research	88	65
Motor Accidents (Compensation) Commission	322	265
Nitmiluk (Katherine Gorge) National Park Board	21	18
Northern Territory Government and Public Authorities Employees' Superannuation Fund	24	-
Northern Territory Grants Commission	5	8
Northern Territory Legal Aid Commission	24	28
Northern Territory Major Events Company Pty Ltd	31	30
Northern Territory Treasury Corporation	72	72
NT Build	24	23
NT Fleet	71	37
NT Home Ownership	41	43
Office of the Public Trustee for the Northern Territory	27	27

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

	2020	2019
	\$000	\$000
Power and Water Corporation	265	214
Surveyors Board of the Northern Territory of Australia	-	9
Territory Generation	168	101
Territory Wildlife Parks	25	25
Top End Health Service	30	20
	2,307	1,836

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

5. GOODS AND SERVICES RECEIVED FREE OF CHARGE

	2020	2019
	\$000	\$000
Corporate and information services	212	209
Repairs and maintenance	2	-
	214	209

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature. From 1 July 2019, repairs and maintenance expenses were centralised under the Department of Infrastructure, Planning and Logistics as part of a machinery of government change and now form part of goods and services free of charge to the Office.

6. EMPLOYEE EXPENSES

	2020	2019
	\$000	\$000
The net surplus has been arrived at after charging the following employee expenses:		
Salaries	762	726
Recreation Leave ⁽¹⁾	98	84
Superannuation ⁽²⁾	77	76
Payroll Tax ⁽²⁾	51	49
Other Benefits ⁽³⁾	13	21
Fringe Benefits Tax	11	13
Allowances	15	1
Recreation Leave Loading	3	1
Total	1,030	971

⁽¹⁾ Increase largely due to coverage of staff on extended paid leave and EBA increases for non-executive contract personnel.

⁽²⁾ Includes on-costs expenses.

⁽³⁾ Includes salary sacrifice on executive vehicles.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

7. PURCHASES OF GOODS AND SERVICES

	2020 \$000	2019 \$000
The net surplus has been arrived at after charging the following expenses:		
Goods and services expenses:		
Consultants ⁽¹⁾		
Authorised Auditors' fees (Non-recoverable audit costs)	1,838	1,857
Authorised Auditors' fees (Recoverable audit costs)	2,307	1,836
Other Consultancy fees	-	18
Total Consultants	4,145	3,711
<i>plus:</i>		
Audit expense (NTAGO Financial Statements Audit)	11	12
Information technology and communication expenses	23	22
Property management expenses	-	-
Motor vehicle expenses	15	12
Advertising ⁽²⁾	-	-
Marketing and promotion ⁽³⁾	-	-
Document production	-	-
Legal expenses ⁽⁴⁾	-	-
Recruitment ⁽⁵⁾	-	-
Training and study	3	8
Official duty fares	2	3
Travelling allowance	-	-
Other expenses	19	19
Total Goods and services expenses	4,218	3,787

⁽¹⁾ Consultants expenses were for Authorised Auditors' fees during the current and prior year. The cost of the triennial strategic review is included in 2019 as other Consultancy fees.

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

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

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

⁽⁵⁾ Includes recruitment-related advertising costs.

Repairs and maintenance expense

From 1 July 2019, repairs and maintenance expenses were centralised under the Department of Infrastructure, Planning and Logistics (DIPL) as part of the machinery of government changes. The Office now recognises a notional repairs and maintenance expense within services received free of charge as disclosed in Note 5.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

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

The Office had no write-offs, postponements, waivers, gifts or ex gratia payments during the financial years ended 30 June 2019 or 30 June 2020.

9. CASH AND DEPOSITS

	2020	2019
	\$000	\$000
Cash on hand	-	-
Cash at bank	630	573
	630	573

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 \$630,019 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

Net surplus	113	138
<i>Non-cash items:</i>		
<i>Changes in assets and liabilities:</i>		
Decrease/(increase) in receivables	(4)	138
Decrease in prepayments	-	1
(Decrease)/increase in payables	(93)	(315)
(Decrease)/increase in provision for employee benefits	41	(25)
(Decrease)/increase in other provisions	-	(2)
Net cash from/(used in) operating activities	(57)	(65)

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

11. RECEIVABLES

	2020	2019
	\$000	\$000
Current		
Accounts receivable	548	530
Less: loss allowance	-	-
	548	530
GST receivable (payable)	(3)	12
Total Receivables	545	542

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 include 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 2020

11. RECEIVABLES (continued)

	2020 ^(b)				2019 ^(b)			
	Gross	Loss	Expected	Net	Gross	Loss	Expected	Net
	receivables	rate	credit	receivables	receivables	rate	credit	receivables
Internal receivables ^(a)	\$000	%	\$000	\$000	\$000	%	\$000	\$000
Not overdue	229	-	-	229	298	-	-	298
Overdue for less than 30 days	-	-	-	-	-	-	-	-
Overdue for 30 to 60 days	-	-	-	-	-	-	-	-
Overdue for more than 60 days	-	-	-	-	-	-	-	-
Total internal receivables	229	-	-	229	298	-	-	298
External receivables^(a)								
Not overdue	270	-	-	270	131	-	-	131
Overdue for less than 30 days	-	-	-	-	53	-	-	53
Overdue for 30 to 60 days	-	-	-	-	-	-	-	-
Overdue for more than 60 days	-	-	-	-	-	-	-	-
Total external receivables	270	-	-	270	184	-	-	184

Total amounts disclosed exclude statutory amounts (GST).

^(a) Internal receivables are from entities controlled by the NTG (entities listed in the Treasurer's Annual Financial Statements 2018/19 Note 42: Details of controlled entities at reporting date), whereas external receivables are from parties external to the Northern Territory Government.

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
Accrued expenses	23	34
Total Payables	23	116

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 20 days from receipt of valid invoices under \$1 million or 30 days for invoices over \$1 million.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

13. PROVISIONS

	2020	2019
	\$000	\$000
Current		
<i>Employee benefits</i>		
Recreation leave	114	79
Leave loading	2	2
Other employee benefits ⁽¹⁾	21	16
Total Provisions	137	97

The Office employed 4 employees as at 30 June 2020 with the Manager Finance and Corporate Services position having been advertised and the recruitment process being finalised. (5 employees as at 30 June 2019).

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

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, 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:

- wages and salaries, non-monetary benefits, 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 2020

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.

Disclosures in relation to commitments are detailed below:

	2020		2019	
	Internal ^(a)	External ^(a)	Internal	External
	\$000	\$000	\$000	\$000
(i) Authorised Auditor Commitments				
The model under which the Office operates relies upon the use of auditors who are drawn from private accounting firms and appointed by the Auditor-General pursuant to section 17 of the <i>Audit Act 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	-	2,265 ¹	-	2,585
Later than one year and not later than five years ¹	-	-	-	1,292
Later than five years	-	-	-	-
	-	2,265	-	3,877

¹Total amounts disclosed here include statutory amounts (GST)

^(a) Internal commitments reflect commitments with entities controlled by the Northern Territory Government, whereas external commitments 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 2020

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. The Territory Government's investments, loans and placements, and borrowings are predominantly managed through the NTTC adopting strategies to minimise the risk. Derivative financial arrangements are also utilised to manage financial risks inherent in the management of these financial instruments. These arrangements include swaps, forward interest rate agreements and other hedging instruments to manage fluctuations in interest or exchange rates.

a) Categories of financial instruments

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

2019/20 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	-	-	630	-	630
Receivables ¹	-	-	401	-	401
Total Financial Assets	-	-	1,031	-	1,031
Payables ¹	-	-	-	-	-
Total Financial Liabilities	-	-	-	-	-

¹Total amounts disclosed here exclude statutory amounts (GST)

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

15. FINANCIAL INSTRUMENTS (continued)

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 ¹	-	-	482	-	482
Total Financial Assets	-	-	1,055	-	1,055
Payables ¹	-	-	75	-	75
Total Financial Liabilities	-	-	75	-	75

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

Categories of financial instruments

Financial assets are classified under the following categories:

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL).

Financial liabilities are classified under the following categories:

- Amortised cost
- FVTPL.

These classifications are based on the Office's business model for managing the financial assets and the contractual terms of the cash flows.

Financial instruments are classified when and only when the agency's 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.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

15. FINANCIAL INSTRUMENTS (continued)

Financial assets at amortised cost

Financial assets are classified at amortised cost when they are held by the Office to collect the contractual cash flows and contractual cash flows are solely payments of principal and interest.

These assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less impairment. The Office's financial assets are categorised at amortised cost include receivables.

Financial assets at fair value through other comprehensive income

Financial assets are classified at fair value through other comprehensive income when they are held by the Office to both collect contractual cash flows and sell the financial assets, and the contractual cash flows are solely payments of principal and interest.

These assets are initially and subsequently recognised at fair value. Changes in the fair value are recognised in other comprehensive income, except for the recognition of impairment gains or losses and interest income which are recognised in the operating result in the comprehensive operating statement. When financial assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the comprehensive operating statement.

For equity instruments elected to be categorised at FVOCI, changes in fair value recognised in other comprehensive income are not reclassified to profit or loss on de-recognition of the asset. Dividends from such instruments continue to be recognised in the comprehensive operating statement as other income when the agency's right to receive payments is established.

The Office does not have any financial assets under this category.

Financial assets at fair value through profit or loss

Financial assets are classified at FVTPL where they do not meet the criteria for amortised cost or FVOCI. These assets are initially and subsequently recognised at fair value with gains or losses recognised in the net result for the year.

The Office does not have any financial assets under this category.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are measured at amortised cost using the effective interest rate method. The Office's financial liabilities categorised at amortised cost include all accounts payable.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at FVTPL when the liabilities are either held for trading or designated as FVTPL. Financial liabilities classified at FVTPL are initially and subsequently measured at fair value with gains or losses recognised in the net result for the year.

For financial liabilities designated at FVTPL, changes in the fair value of the liability attributable to changes in the Office's credit risk are recognised in other comprehensive income, while remaining changes in the fair value are recognised in the net result.

The Office does not have any financial liabilities under this category.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

b) Credit risk

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

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

c) 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.

2020 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
Liabilities					
Payables	-	-	-	-	-
Total financial liabilities	-	-	-	-	-

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
Liabilities					
Payables	75	75	-	-	75
Total financial liabilities	75	75	-	-	75

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

15. FINANCIAL INSTRUMENTS (continued)

d) Market risk

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

(i) Interest rate risk

The 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 2020

16. RELATED PARTIES (continued)

iii) Remuneration of Key Management Personnel

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

	2020	2019
	\$000	\$000
Short-term benefits	301	295
Post-employment benefits	21	25
Other long-term employee benefits	-	-
Termination benefits	-	-
Total	322	320

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.

2020

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	2,076	306	172	8

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	1,641 ¹	342	207	11

¹ Prior year Revenue from related parties was reported as 1,287, which did not include Jacana Energy (\$133,000), Power and Water Corporation (\$214,000) and audit costs of \$7,000 charged to the Office of the Public Trustee for the Northern Territory.

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 2020

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 2020 or 30 June 2019.

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 2020

21. BUDGETARY INFORMATION

	2019-/0 Actual	2019/20 Original Budget ^(a)	Variance	Note
Comprehensive Operating Statement	\$000	\$000	\$000	
INCOME				
Appropriation				
Output	3,053	3,055	(2)	1
Sales of goods and services	2,307	1,830	477	2
Goods and services received free of charge	214	211	3	1
Other revenue	1	-	1	
TOTAL INCOME	5,575	5,096	479	
EXPENSES				
Employee expenses	1,030	1,009	21	
Administrative expenses				
Purchases of goods and services	4,218	3,874	344	3
Repairs and maintenance	-	2	(2)	
Other administrative expenses	214	211	3	
TOTAL EXPENSES	5,462	5,096	366	
NET SURPLUS	113	-	113	
COMPREHENSIVE RESULT	113	-	113	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2019/20 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. A machinery of government change resulted in the Office's repairs and maintenance budget being transferred to the Department of Infrastructure, Planning and Logistics. As a result the budgeted output appropriation and repairs and maintenance budgets were reduced by \$0.002 million and the income and expenditure associated with goods and services received free of charge were each increased by \$0.002 million.
2. Costs associated with the audits of statutory entities are permitted to be recovered. The increase from budget amount was due to additional recovered costs associated with an unplanned Section 14 Directive audit and other additional audits and audit costs incurred during the 2019/20 financial year.
3. Purchases of goods and services are higher than budgeted in line with additional audits and associated costs being incurred, partly offset by savings of approx \$0.001 million in travel, training and other associated costs as a result of cancelled training and travel relating to restrictions arising from the COVID-19 pandemic.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

21. BUDGETARY INFORMATION (continued)

Balance Sheet	2019/20 Actual	2019/20 Original Budget ^(a)	Variance	Note
	\$000	\$000	\$000	
ASSETS				
Cash and deposits	630	638	(8)	
Receivables	545	679	(134)	1
Prepayment	-	1	(1)	
	1,175	1,318	(143)	
TOTAL ASSETS	1,175	1,318	(143)	
LIABILITIES				
Payables	23	432	(409)	2
Provisions	137	122	15	3
	160	554	(394)	
TOTAL LIABILITIES	160	554	(394)	
NET ASSETS	1,015	764	251	
EQUITY				
Capital	570	570	-	
Accumulated funds	445	194	251	
TOTAL EQUITY	1,015	764	251	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2019/20 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. Receivables were \$0.134 million higher than budgeted due to the timing variance in invoicing of recoverable audit fees.
2. Payables were lower than anticipated due to there being no outstanding payments to creditors. The balance of payables represents accrued recoverable audit costs, accrued employee expenses and the audit fee accrued for the audit of the Office for the year ended 30 June 2020.
3. Provisions represent the recognition of employee related expenses as at 30 June 2020, which are higher than anticipated due to the timing of pay periods.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2020

21. BUDGETARY INFORMATION (continued)

Cash Flow Statement	2019/20 Actual	2019/20 Original Budget ^(a)	Variance	Note
	\$000	\$000	\$000	
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating receipts				
Appropriation				
Output	3,053	3,055	(2)	
Receipts from sales of goods and services	2,724	1,830	894	1
Total operating receipts	5,777	4,885	892	
Operating payments				
Payments to employees	(984)	(1,009)	25	
Payments for goods and services	(4,736)	(3,876)	(860)	2
Total operating payments	(5,720)	(4,885)	(835)	
Net cash from operating activities	57	-	57	
Net decrease in cash held	57	-	57	
Cash at beginning of financial year	573	638	(65)	
CASH AT END OF FINANCIAL YEAR	630	638	(8)	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2019/20 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 an unplanned Section 14 Directive audit and other additional audits and audit costs incurred during the 2019/20 financial year.
2. The higher payments for goods and services represents payments made for additional audits (not initially planned and budgeted) and additional audit costs (exceeding budgeted amounts) arising as a result of complexities associated with the audits.

Table of Figures

Figure 1 Timeline of Auditors-General in the Northern Territory.....	10
Figure 2 NTAGO Reporting Structure	11
Figure 3 NTAGO Authorised Auditor firms.....	15
Figure 4 Communication framework	16
Figure 5 Reporting of Key Performance Indicators (KPIs) as presented in Budget Paper No. 3	19
Figure 6 Audits and Reviews KPIs as included in the NTAGO Strategic Plan 2018-2020	20
Figure 7 Authorised audit hours by audit type 2012/13 to 2019/20	21
Figure 8 Tasks and hours attributed to Office personnel	23
Figure 9 Authorised audit costs (in dollars), number of audits and average cost per financial year	23
Figure 10 Average outsourced audit cost trend	24
Figure 11 Number of new financial statement audit task assignments issued	26
Figure 12 Audit hours allocated to new financial statement audits	27
Figure 13 Weighted average cost per hour for new financial statement audits (\$)	28
Figure 14 Cost of undertaking new financial statement audits (\$).....	28
Figure 15 Average cost of new financial statement audits (\$)	29
Figure 16 Number of new compliance audit task assignments issued	31
Figure 17 Audit hours allocated to new compliance audits.....	31
Figure 18 Weighted average cost per hour for new compliance audits (\$)	32
Figure 19 Cost of undertaking new compliance audits (\$).....	32
Figure 20 Average cost of new compliance audits (\$)	32
Figure 21 Number of new performance management system audit task assignments issued	34
Figure 22 Audit hours allocated to new performance management system audits	34
Figure 23 Weighted average cost per hour for new performance management system audits (\$).....	35
Figure 24 Cost of undertaking new performance management system audits (\$)	35
Figure 25 Average cost of new performance management system audits (\$)	35
Figure 26 Corporate and Governance KPIs as included in the NTAGO Strategic Plan 2018-2020.....	39
Figure 27 Key achievements for the Corporate and Governance output group	40
Figure 28 Output Group comparison of budget, estimate and actual results	40
Figure 29 Office net operating results in the last eight financial years (in \$'000)	41
Figure 30 Office source of revenue summary for the last eight financial years	42
Figure 31 Sources of revenue for the last eight financial years (in \$'000).....	42
Figure 32 Agencies subject to recovery of audit costs	43
Figure 33 Comparison of major categories of expenses for the last eight financial years	45
Figure 34 Major categories of expenses for the last eight financial years	45
Figure 35 Comparison of 2019/20 Original Budget and Actuals.....	46
Figure 36 NTAGO Corporate Governance Framework	47
Figure 37 Comparison of FTE to pay period for the last four financial years	49
Figure 38 Comparison of head count, gender and level categories for the last four financial years	49
Figure 39 NTAGO reporting on Employment Instructions	50
Figure 40 Number of records created and destructed in the last five financial years	52
Figure 41 Work Health and Safety compliance.....	53

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
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	Office of the Commissioner for Public Employment
SLA	Service Level Agreement
TRM	Territory Records Manager
WHS	Work Health and Safety