



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

Auditing for Parliament

Annual Report 2021-22

Our Purpose

*To assist Parliament in the
oversight of the performance of the
NT Government by providing
independent analysis through the
conduct of audits and reviews*

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 2022.

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 the results and findings from audits and reviews are 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>.

We continually strive to improve our communication to our stakeholders and invite you to provide feedback on this report via our email address NT.Audit@nt.gov.au.

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Auditor-General's Foreword

The Year in Review

I present the Annual Report of the Northern Territory Auditor-General's Office (the Office) for the year ended 30 June 2022. This year, personnel within the Office coordinated the delivery of 120 audit related tasks and produced three reports to the Legislative Assembly.

To Principal Auditors Sue Cooper and Stacey Kelly and Manager Finance and Corporate Services Lisa Blakeley, thank you for your consistent effort and dedication to serving the public interest. Kaaren Mathewson, who spent nearly 10 years with the Office, accepted a promotional opportunity with another Northern Territory Government (NTG) agency during the year. I thank her for her many years of support and service and wish her well. Juliette Chenais joined the Office on a part-time basis immediately prior to the year-end and we welcome her to our small team. The hard work and commitment to service delivery and continuous improvement from this small team enabled the Office to deliver a comprehensive audit program whilst maintaining a strong Office culture of compliance, integrity and accountability and upholding the Office's values.

I extend my thanks to the Authorised Auditors within the private sector to whom the majority of audit tasks are outsourced. Approximately 20,000 hours were contributed by the partners and staff of the firms contracted by the Office in order to deliver the annual audit program.

Agencies and audit teams have continued to have been impacted during the year by staffing shortages created by COVID-19. Despite these impacts, Accountable Officers and agency representatives have continued to respond to audit requests in a timely manner and audit teams have responded by re-scheduling audit visits. Notwithstanding the efforts from all involved, resource constraints prevented the financial year audit program being completed by 30 June 2022 with work to the value of \$0.088 million to be completed in the 2023 financial year. As the size of the Office and the carry over criteria for carry forward funding preclude the Office being considered from carrying forward unspent funding, this has resulted in a surplus for the year ended 30 June 2022.

I thank the Public Accounts Committee and the Legislative Assembly personnel for their support.

The Year Ahead

The work program for the forthcoming year includes the delivery of 111 audit related tasks. The decrease in the number of audit tasks takes into account machinery of government changes during the prior year and the effects of increased costs of audit services associated with higher Consumer Price Index (CPI) escalation of rates under the three year panel period contract which commenced on 2 January 2021.

Procurement for the panel period contract will commence during the 2023 financial year to ensure continuity of service at the conclusion of the current contract on 1 January 2024.

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. This will include refreshing internal controls to ensure compliance with the new Audit Quality Standards in effect from 15 December 2022.



Julie Crisp
Auditor-General
11 October 2022

Our Organisation

2021-22 Highlights and Statistics

Deliverables to Parliament				
August 2021 Legislative Assembly Report	November 2021 Legislative Assembly Report	March 2022 Legislative Assembly Report	Audited Financial Statements 2020-21	
Audits and Reviews Commenced				
60 Financial Statement Audits	43 Compliance Audits	8 Performance Management System Audits	8 Other Audits	1 Public Information Act Referral
Stakeholder Engagement				
5 Public Accounts Committee Appearances	30 Audit Committee Meetings Attended	Annual Evaluation held with 6 Authorised Auditor Firms	30 NTG Agencies Consulted for Feedback	
Finance				
\$0.156 million Operating Surplus	100% Invoices Paid within NT Government Policy terms		6 Local Audit Firms	
People				
5 Approved Headcount	100% Employee Performance Plans Completed		100% Response to the People Matter Survey	

NTAGO Strategic Plan 2021-2023

Our Purpose

To assist Parliament in the oversight of the performance of the NT Government by providing independent analysis through the conduct of audits and reviews.

Our Vision

To engender improvement in public administration practices through effectively, efficiently, economically and independently reporting to our Public Sector stakeholders.

Our Values

We will conduct our Office and audit services in an independent, ethical, objective and professional manner.

We will conduct our Office and audit services with a quality improvement focus.

We will work collaboratively and respectfully with all stakeholders while maintaining our independence.

We will identify and manage our conflicts of interest.

We will uphold the principles of transparency, accountability and public interest with due regard to confidentiality.

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 Northern Territory Auditor-General's Office is an Agency established pursuant to the provisions of the *Financial Management Act 1995*. The Auditor-General is assisted by two Principal Auditors who plan and coordinate the delivery of audits and tasks conducted by private sector Authorised Auditors as well as undertaking a range of audits, reviews and data analytic exercises that are conducted within the Office. 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 Act requires audits to be conducted having regard to the character and effectiveness of internal control and recognised professional standards and practices. Professional standards include the Australian Auditing Standards which are ‘principles based’ in most respects but are directive on some matters such as the content of audit opinions. Additional explanation and communication regarding the results, observations and findings from audits are included within the Auditor-General's formal reports to Parliament. The Auditor-General is required to report to the Legislative Assembly at least once each year on matters arising from the exercise of the auditing powers established in the Act. Reports may contain findings from financial statement audits, information technology audits, controls and compliance audits, performance management system audits and special reviews. The Auditor-General reports to management of public sector entities on matters arising from the conduct of audits. Reports provided to Parliament and public sector managers are a useful source of independent analysis of government information and the systems and controls underpinning the delivery of that information.

The Auditor-General does not investigate criminal matters or alleged administrative malpractice that affects an individual. If such matters are brought to the attention of the Auditor-General, the matters are referred to the appropriate investigative body which may include the Northern Territory Police, the Ombudsman and/or the Independent Commissioner Against Corruption. The Auditor-General may investigate administrative matters if they are systemic and/or significant in value or impact to the Public Account.

Independence of the Auditor-General

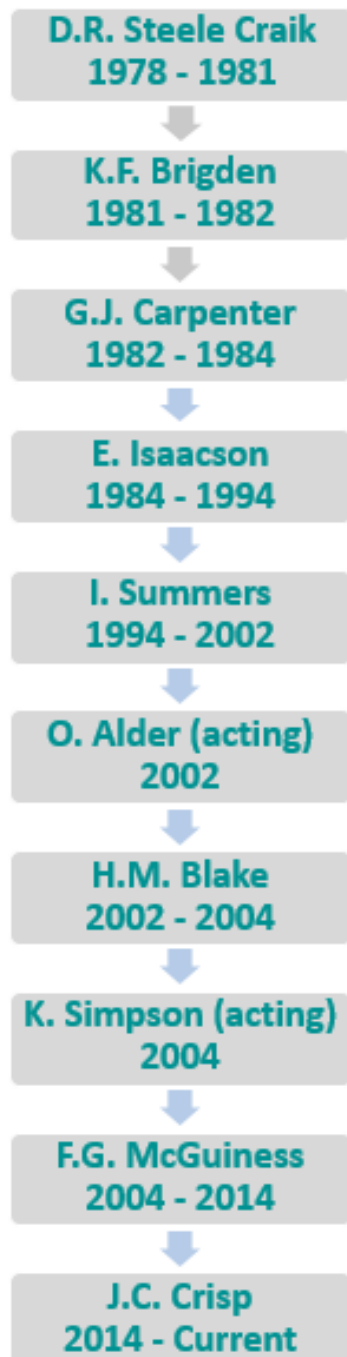
Section 12A of the Act provides for safeguards to ensure the Auditor-General remains independent and is not actually, or perceived to be, influenced by anyone. These safeguards are intended to ensure that work conducted is independent, impartial and within the public interest.

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 outsourcing model for accessing audit services in the NT which is still in use today.

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.

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 Act). The separation of the audit function better enabled the Auditor-General's independence. With the introduction of the Act in 1995, the term of appointment was limited to a single term of seven years.

Review of the Act in 2011 saw an amendment to the term of appointment of the Auditor-General which changed from a maximum term of seven years, to two possible terms of five years with a maximum of ten years. Further revisions in 2019 changed 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:

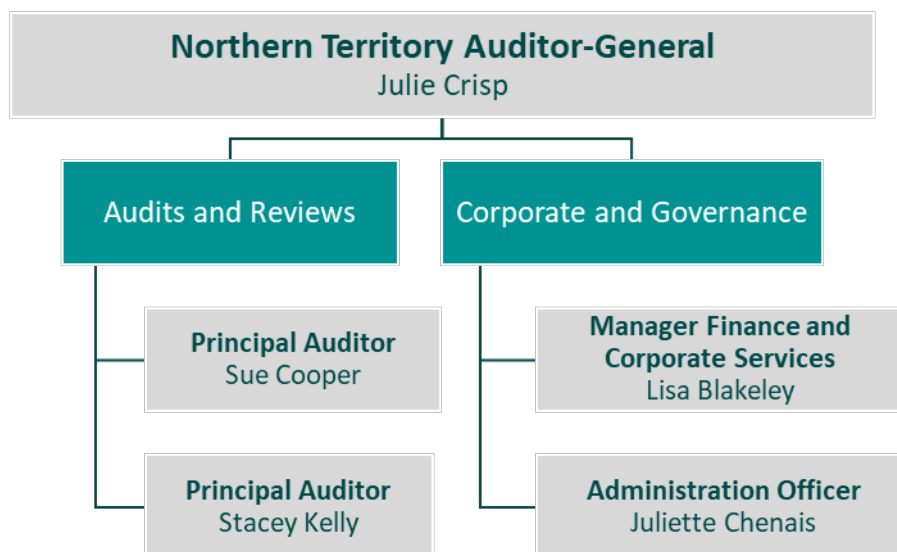
Figure 2 Output Groups and operational responsibilities

Audits and Reviews	Corporate and Governance
<ul style="list-style-type: none"> Financial Statement Audit Compliance Audit Performance Management System Audit <i>Public Information Act 2010</i> Referrals Data Analytics Other Reviews 	<ul style="list-style-type: none"> Financial Management Corporate Governance and Risk Management Work Health and Safety and Human Resources Procurement Travel Records Management Information, Communications and Technology

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, as Portfolio Minister, for the stewardship of the public resources provided to the Office.

The Office operates in a manner reflecting its independent statutory functions as demonstrated by our agreed values. Employee conduct must be independent, ethical, objective and professional and align with the principles of transparency, accountability and public interest. It is an expectation that the Office will model better practice as demonstrated through compliance with relevant legislation, regulations and professional standards.

Figure 3 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, Governance Institute of Australia
- Fellow, Institute of Public Administration Australia
- 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 Accounting, University of South Australia
- Diploma of Government Investigation, College of Law, Education and Training
- Diploma of Government Fraud Control, College of Law, Education and Training



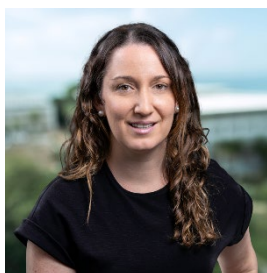
Sue Cooper
Principal Auditor

Sue Cooper was appointed on contract as a Principal Auditor in 2004. Sue is a Chartered Accountant (CAANZ) and was previously a senior audit manager for an international professional services firm.

During her time with the Office, Sue has been responsible for the delivery of financial statement and compliance audits across the agencies of the public sector and has been instrumental in developing and implementing the Office's core audit monitoring and reporting system "AudTas". This application has been developed in-house by Sue who is responsible for its maintenance and upkeep.

Sue is also the administrator of the Office's website. Sue has primary responsibility for developing the three-year audit plan in conjunction with the Auditor-General and Principal Auditor Stacey Kelly and has implemented extensive reporting and communication tools to increase efficiencies associated with the systems within the Office that support audit activity. Sue's focus on innovation and technology have enabled the Office to undertake a range of data analytic tasks to support the audit mandate. Sue's qualifications include:

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



Stacey Kelly
Principal Auditor

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

During her time delivering audit and assurance services, Stacey has been responsible for undertaking and managing complex financial statement audits, consultancy engagements, internal audits and performance management system audits. It is this combination of professional services experience together with experience in a commercial role which makes Stacey committed to making the audit process valuable and smooth while achieving the regulatory outcomes. Stacey has primary responsibility for the delivery of performance management system audits and special reviews and investigations within the Office.

Stacey is currently the Chair of the Northern Territory Chartered Accountants' Panel and Vice Chair of the Regional and Rural Advisory Committee.

Stacey's qualifications include:

- Member, Chartered Accountants Australia and New Zealand (CAANZ)
- Member, Institute of Internal Auditors (CIA)
- 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 budget, 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.

Lisa is currently the President of CPA Australia's NT Divisional Council.

Lisa's qualifications include:

- Fellow, CPA Australia (FCPA)
- Bachelor of Business (Accounting), Charles Darwin University
- Diploma of Financial Planning
- Graduate Certificate in Corporate Finance
- Member, Australian Institute of Company Directors (AAICD)



Juliette Chenais

Administration Officer

Juliette Chenais joined the Office in June 2022. Prior to joining the Auditor-General's office, Juliette worked in a variety of private and public sectors, in administrative and tourism roles.

Beyond her responsibility with providing administrative support to all personnel in the Office and assisting the Manager Finance and Corporate Services with finance and corporate services tasks, Juliette provides support with electronic and manual records relating to audits and the office. Since joining the Office, Juliette has been involved with the updates to the Office Manual and the Records Management Manual.

Juliette is currently undergoing training to maintain and update the NTAGO Records Management System. In addition to that, Juliette has been studying to obtain a double Diploma in Leadership and Management and Operations.

Juliette's qualifications include:

Certificate IV in Travel and Tourism

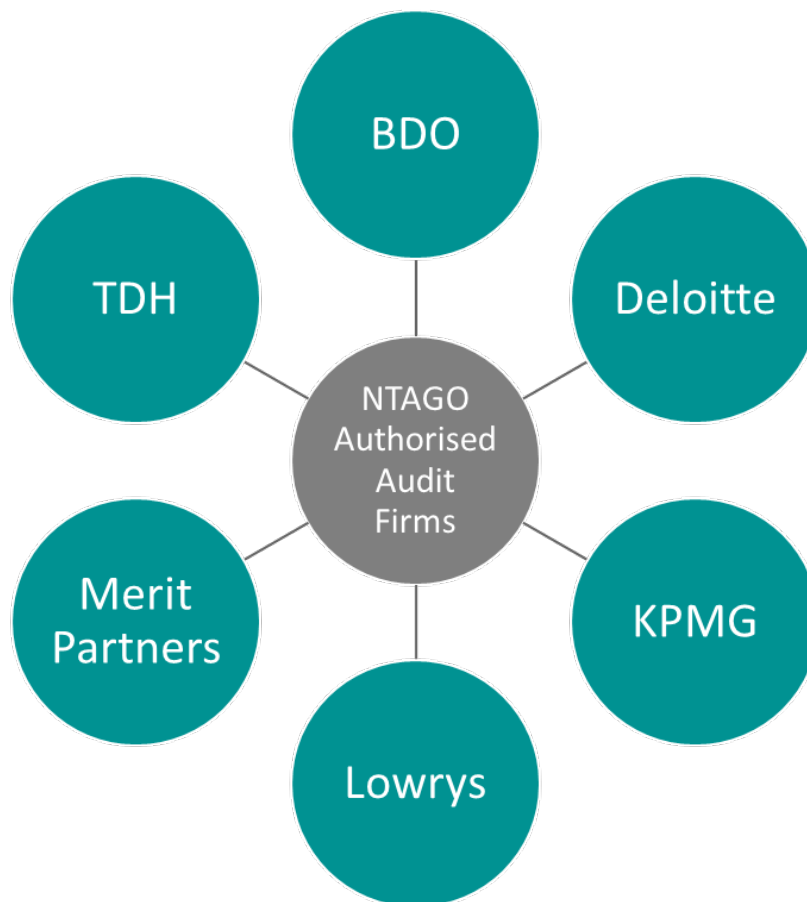
Outsourcing Model

In addition to its internal resources, the NTAGO outsources audit related tasks to six local audit firms to assist with the delivery of the Auditor-General's mandate. Employees within the audit firms must be approved as Authorised Auditors prior to undertaking audit work on behalf of the Auditor-General. 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 and managing the contracts with private sector firms. Principal Auditors of the Office also undertake some audits, reviews and data analytic exercises in-house.

There are currently 176 personnel recognised as Authorised Auditors of the Auditor-General within the Northern Territory-based firms listed below as at 30 June 2022.

Figure 4 NTAGO Authorised Auditor Firms



Communication Framework

A communication framework for the Office was developed and implemented in the 2016 financial year and reviewed during the 2021-22 internal review of our strategic plan. The framework addresses communication objectives for our stakeholder groups and is the basis for regular communication with all stakeholder groups.

Figure 5 Communication framework

Our Stakeholders



Output Group: Audits and Reviews

Business Plan

Objective

To deliver independent professional audit services taking into consideration Australian Auditing Standards.

Outputs

- Deliver a minimum of one report to Parliament annually.
- Conduct audits, reviews and related tasks.
- Issue an audit opinion annually on the Treasurer's Annual Financial Statements.
- Issue audit opinions on audited financial statements.
- Issue management letters to Accountable Officers.
- Report on reviews of matters referred under the *Public Information Act 2010*.
- Undertake the minimum continuous professional development training.
- Establish and resource the audit program.

Outcomes

- Parliament is efficiently and effectively informed by independent and objective reports that provide assurance on the performance and accountability of the NT Government.
- Enhance public sector financial and performance reporting by audited entities.
- Provide an opinion on the whole of government financial statements.
- Provide audit opinions as required by legislation.
- Provide recommendations to engender improvement in public administration practices.
- Retention of mandated professional membership designation.
- Promote the importance of managing conflicts of interest and independence.

Key Activities

The Act requires the Auditor-General to conduct:

- the audit of the Public Account (section 13);
- audit of a specific aspect as directed by the Minister (section 14);
- audits of performance management systems (section 15); and
- the annual 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 in accordance with legislation including the *Financial Management Act 1995*, *Government Owned Corporations Act 2014* and the *Commonwealth Corporations Act 2001*. Audits of special purpose financial statements are undertaken as required in accordance with instruments such as funding agreements and National Partnership Agreements.

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 with regard to 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 120 audit tasks in 2021-22, of which 117 were outsourced and three were allocated to internal resources. Planned activity during the 2021-22 financial year, as presented in Budget Paper No.3, was for the commencement of 115 audit tasks.

Figure 6 Reporting of KPIs as presented in Budget Paper No. 3

Audits and Review	2021-22 Budget	2021-22 Actual	Variance
Financial statement audits ⁽¹⁾	58	60	2
Compliance audits ⁽²⁾	41	43	2
Performance management system audits ⁽³⁾	6	8	2
Other assignments ⁽⁴⁾	7	8	1
<i>Public Information Act 2010</i> referrals ⁽⁵⁾	3	1	-2
Total	115	120	5

- (1) Financial statement audits of the Northern Territory's Public Account and other accounts (including government owned corporations, companies and statutory bodies) are conducted pursuant to section 13 of the *Audit Act 1995*.
- (2) Compliance audits relating to the Northern Territory's Public Account and other accounts (including government owned corporations, companies and statutory bodies) are under pursuant to section 13 of the *Audit Act 1995*.
- (3) Performance management system audits are undertaken pursuant to section 15 of the *Audit Act 1995*.
- (4) Other assignments include data analytics tasks and audits required as a result of funding arrangements entered into by the Territory Government.
- (5) Referrals under the *Public Information Act 2010* are dependent on the number received from members of the Legislative Assembly. Since 2015, an average of three matters have been referred annually.

The actual number of financial statement audits included additional audits of information technology systems supporting financial reporting, one at the Batchelor Institute of Indigenous Tertiary Education and two audits at the Motor Accidents (Compensation) Commission as one audit was brought forward from August 2022 to May 2022. CDU Amenities Limited was dissolved during the year with no audit required in the 2022 year.

Two compliance audits related to whole-of-government information systems maintained by the Department of Corporate and Digital Development were added to the audit program.

In comparison to budget, two more performance management system audits commenced:

- Selected Agencies – Modular Housing
- Selected Agencies – Youth Justice Facility.

The variance of one between actual and budgeted 'Other Assignments' is due to the inclusion of two data analytic exercises conducted on travel (TR10 Report) and Salary Overpayments and the cancellation of a planned audit of an acquittal for Disaster Relief Funding Arrangements as the Agency advised it was not required.

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.

Key Performance Indicators (KPIs) cont.

The Office also monitors other KPIs that are not specifically included in the Budget Papers. Figure 7 presents these KPIs and a summary of the results achieved in 2021-22.

Figure 7 Audits and Reviews KPIs as included in the NTAGO Strategic Plan 2021-2023

Key Performance Indicator	Results for 2021-22
Number of reports to the Legislative Assembly (at least one a year)	3 reports were delivered to the Legislative Assembly and tabled in August 2021, November 2021 and March 2022.
Number of presentations delivered to the Public Accounts Committee (PAC)	<p>The Auditor-General provides a presentation to the Public Accounts Committee (PAC) on the key findings included in each of the reports delivered to the Legislative Assembly.</p> <p>The Auditor-General appeared on 5 occasions before the PAC during the year.</p>
Conduct annual surveys from PAC, Authorised Auditors and audited entities.	<p>Feedback was sought from 30 agencies and 6 audit firms following the conclusion of the financial year.</p> <p>Members of the PAC provided feedback to the Auditor-General throughout the year.</p>
Conduct annual briefings to Authorised Auditors and audited entities	<p>The following annual briefings and training were provided during the 2021-22 financial year:</p> <p>February 2022:</p> <ul style="list-style-type: none"> • New Authorised Auditor training (30 Attendees) • February 2022: Senior Authorised Auditor briefing (22 Attendees) • NTG Agency briefings (43 Attendees)
Inductions provided to new Members of the Legislative Assembly and PAC	No induction sessions were presented by the Auditor-General to newly elected Members.
Inductions provided to new Accountable Officers of NTG agencies	Two introductory meetings were held between the Auditor-General and newly appointed Accountable Officers.
Minimum required number of hours of continuous professional development training attended met	The total number of professional development hours undertaken by the Auditor-General and Principal Auditors are recorded and monitored individually by each officer and exceeded the minimum number of hours required for their professional qualifications.

Reflection on 2021-22

During 2021-22, the Office finalised 8 of the 9 audit tasks carried forward from the 2020-21 financial year. The findings from the completed tasks were included in my report tabled to Parliament in November 2021 and March 2022. These audits were:

- Financial Statement Audit – Batchelor Institute of Indigenous Tertiary Education
- Financial Statement Audit – Department of Treasury and Finance
- Performance Management System Audit – Department of Corporate and Digital Development – Shared Services
- Performance Management System Audit – Department of Environment, Parks and Water Security – Allocation of Water Licences
- Audit – Department of Health – Procurement
- Audit – Department of Treasury and Finance – Budget Repair
- Audit – Selected Agencies – Root and Branch Review
- Audit – Selected Agencies – Superannuation payment follow-up

The following audit commenced in February 2020 and is yet to be completed due to resourcing constraints:

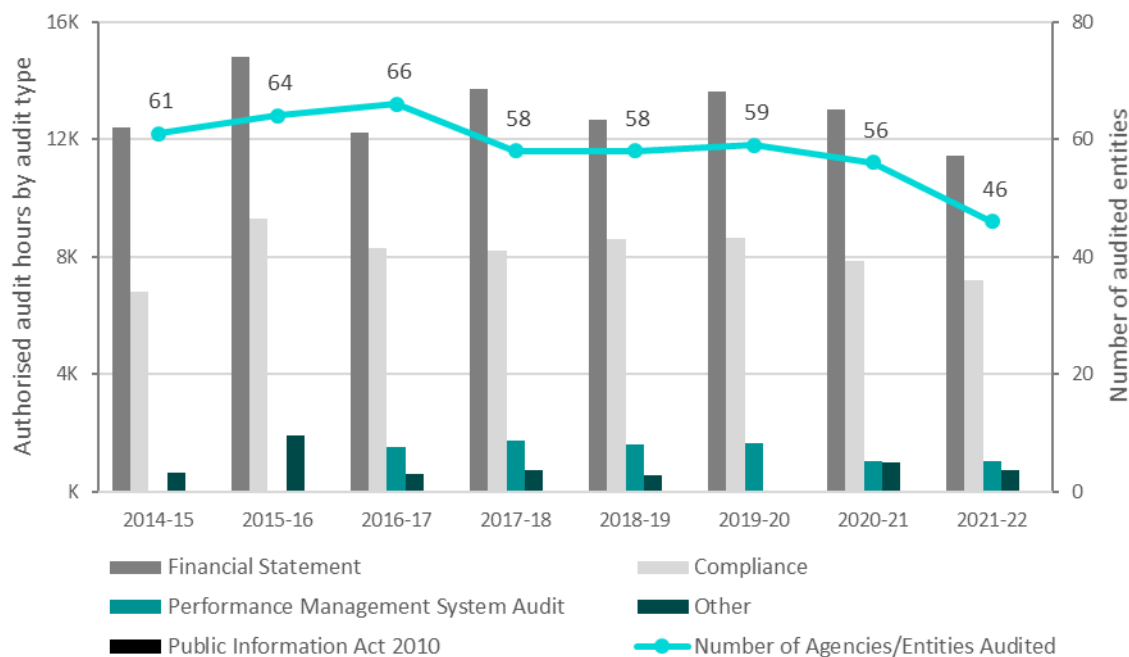
- Performance Management System Audit – Accounting for Assets on Leased Land

Of the 120 new audits and reviews that commenced during the 2021-22 year, 109 audit tasks were finalised by 30 June 2022. The following outstanding audit tasks will be finalised in 2022-23 with findings included in a subsequent report to the Legislative Assembly:

- Compliance Audit IT – Department of Corporate and Digital Development – Payment Gateway
- Financial Statement Audit – Batchelor Institute of Indigenous Tertiary Education
- Financial Statement Audit – Planning – Department of Treasury and Finance
- Financial Statement Audit – Interim – Office of the Public Trustee for the Northern Territory
- Financial Statement Audit – Interim – Power and Water Corporation
- Financial Statement Audit – IT Support – Motor Accidents (Compensation) Commission
- Performance Management System Audit – Department of the Chief Minister and Cabinet – Darwin City Deal Management
- Performance Management System Audit – Department of the Chief Minister and Cabinet – Local Jobs Fund
- Performance Management System Audit – Department of the Chief Minister and Cabinet – Implementation of the TERC Recommendations
- Performance Management System Audit – Selected Agencies – Modular Housing
- Performance Management System Audit – Selected Agencies – Youth Justice Facility

Reflection on 2021-22 cont.

Figure 8 Number of Audited entities and Authorised Audit hours by audit type



During the 2021-22 financial year, 46 entities were audited, ten less than the number of entities audited in the 2020-21 period. The decrease reflects those agencies that no longer exist following machinery of government changes affecting the second half of the previous year. Those agencies are:

- Department of Tourism, Sport and Culture
- Department of the Environment and Natural Resources
- Department of Trade, Business and Innovation
- Office of the Commissioner of Public Employment
- Department of Housing, Local Government and Community Development
- Department of the Chief Minister
- Department of Corporate and Information Services
- Department of Primary Industry and Resources.

Charles Darwin University dissolved the following two entities during the year and therefore no audits were required:

- CDU Amenities Limited
- CDU Charitable Trust.

Machinery of government changes during the year ended 30 June 2022 will mean the following entities no longer require financial statements audits in future years:

- Central Australia Health Service
- Top End Health Service.

Reflection on 2021-22 cont.

Of the 120 new audits, reviews and audit related tasks conducted through the Office during the 2021-22 financial year, three new audits were conducted by employees of the Office. The costs associated with these employees are reported within the employee expenses category of cost in the Office's audited financial statements.

Expenses incurred in 2021-22 for Authorised Auditors as a result of the Office's outsourcing arrangements with private audit firms amounted to \$3.770 million compared to \$3.939 million for the 2020-21 year.

Figure 9 Authorised audit costs, number of audits and average cost per financial year

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total Cost of Outsourced Audits \$'000	3,216	4,210	3,780	3,890	3,699	4,145	3,939	3,770
No. of Audits	127	158	141	136	136	139	125	120
In-house Audits	6	10	10	7	12	8	8	3
Outsourced Audits	121	148	131	129	124	131	117	117
Average Cost of Outsourced Audits \$	26,579	28,446	28,855	30,155	29,831	31,640	33,670	32,224

The change in the average cost per outsourced audit decreased by 4% in 2021-22 when compared to 2020-21. Costs associated with audits are identified and variances between years explained on page 44 in the narrative accompanying Figure 34.

A total of 20,422 hours of audit activity was delivered in 2021-22 compared to 22,958 in 2020-21. The decrease in hours and the resulting decrease in average cost per audit is largely attributable to delays in the completion of a number of audits as Authorised Auditors and agencies were impacted by COVID-19 related staff absences. These delays meant that some audits were carried forward for completion in the new financial year together with their associated costs.

Figure 10 Average outsourced audit cost trend



Reflection on 2021-22 cont.

The Office conducts its audits using an outsourcing model involving local audit firms. The procurement of a new panel of audit firms for the audit contract was conducted during the 2020-21 financial year and came into effect as of 2 January 2021. The panel contract will run for a three year period from 2 January 2021 to 1 January 2024.

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 decrease in average cost from the prior year is partly attributable to 11 audits being carried forward to the 2022-23 financial year. In prior years the audit program was largely complete as at 30 June however Authorised Auditor firms and agencies were impacted by COVID-19 related staff absences in the lead up to the end of financial year which resulted in delays in the audit program.

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 the audited entity 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.

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
- Central Australia Health Service
- Charles Darwin University
- Charles Darwin University Foundation
- Cobourg Peninsula Sanctuary and Marine Park Board
- Darwin Waterfront Corporation
- Data Centre Services
- Department of Corporate and Digital Development
- Department of Education
- Department of Environment, Parks and Water Security
- Department of Health
- Department of Industry, Tourism and Trade
- Department of Infrastructure, Planning and Logistics

Our Audited Entities cont.

- Department of Territory Families, Housing and Communities
- Department of the Attorney-General and Justice
- Department of the Chief Minister and Cabinet
- Department of the Legislative Assembly
- Department of Treasury and Finance
- Desert Knowledge Australia
- Indigenous Essential Services Pty Ltd
- Jabiru Town Development Authority
- Land Development Corporation
- Menzies School of Health Research
- Motor Accidents (Compensation) Commission
- Nitmiluk (Katherine Gorge) National Park Board
- Northern Territory Electoral Commission
- Northern Territory Grants Commission
- Northern Territory Legal Aid Commission
- Northern Territory Major Events Company Pty Ltd
- Northern Territory Police Supplementary Benefit Scheme
- Northern Territory Police, Fire and Emergency Services
- Northern Territory Treasury Corporation
- NT Build
- NT Fleet
- NT Home Ownership
- Office of the 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 Wildlife Parks
- Top End Health Service

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.

Financial Statement Audits cont.

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 respective 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 2021-22 and are not consolidated into the Treasurer's Annual Financial Statement include:

- | | |
|---|---|
| • Bridging the Gap Foundation | • Menzies School of Health Research |
| • CDU Amenities Limited | • Nitmiluk (Katherine Gorge) National Park Board |
| • Charles Darwin University | • Northern Territory Grants Commission |
| • Charles Darwin University Foundation | • Northern Territory Police Supplementary Benefit Scheme |
| • Cobourg Peninsula Sanctuary and Marine Park Board | • Office of the Public Trustee for the Northern Territory |
| • Jabiru Town Development Authority | |

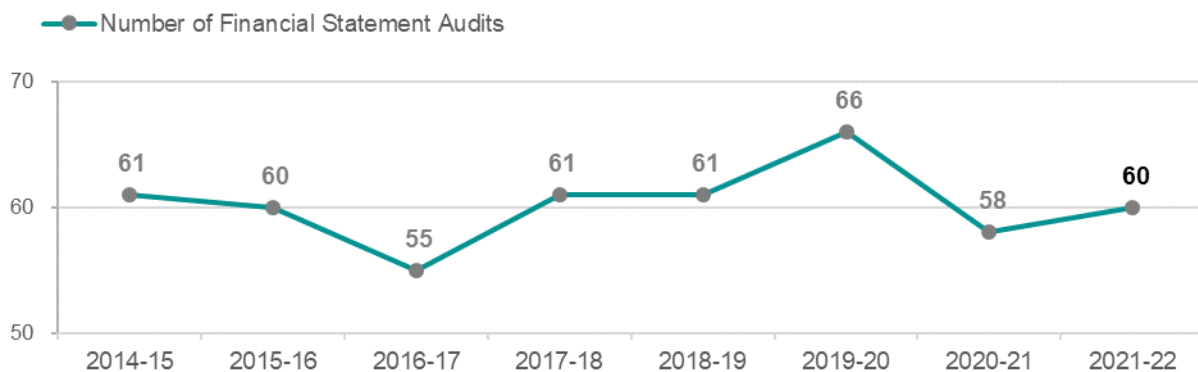
Financial Statement Audits cont.

The following Government Owned Corporations, Government Business Divisions and other entities received their own audit opinion in 2021-22 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 2021-22, 60 audits were undertaken in order to provide audit opinions on statutory financial statements. There was an increase of two audits from the prior year's total of 58 new financial statement audits.

Figure 11 Number of new financial statement audit task assignments issued



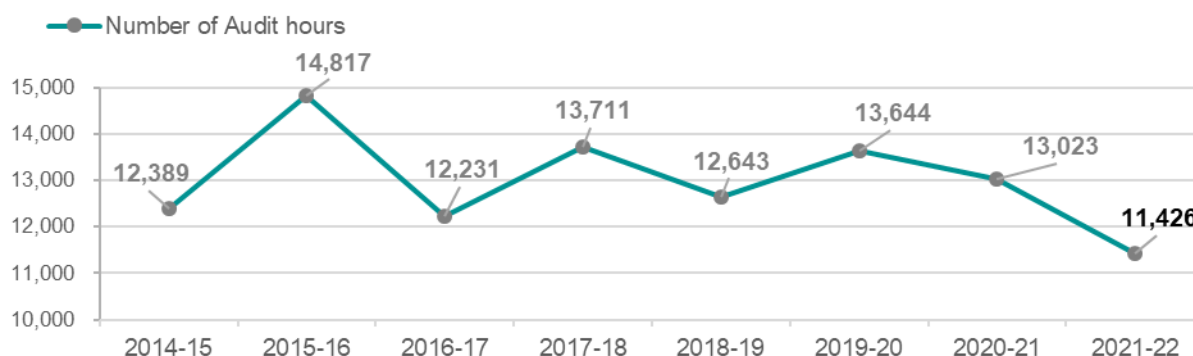
Financial Statement Audits cont.

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

- Three additional information technology support audits, being for:
 - Motor Accidents (Compensation) Commission (two information technology audits were conducted in 2021-22 and one in the 2020-21 financial year due to timing); and
 - Batchelor Institute of Indigenous and Tertiary Education (an information technology audit was conducted for the first time in 2021-22); offset by
- The dissolution of one subsidiary of Charles Darwin University, being CDU Amenities Limited resulting in one less audit being required in the 2022 audit program.

In 2021-22, audit hours attributable to financial statement audits totalled 11,426 hours, a decrease of 1,597 hours (12%) from the 2020-21 financial year.

Figure 12 Audit hours allocated to new financial statement audits each financial year



The decrease in the number of audit hours is attributable to a number of factors as discussed below.

The current period panel contract commenced from 2 January 2021. It is the usual practice of the Office to rotate audits between audit firms at the commencement of the period contract. Auditor rotation is intended to mitigate the risks of familiarity between the auditor and the audited entity and, through the application of professional scepticism, contribute to a higher quality audit. Auditor rotation is mandatory for entities listed on the Australian Stock Exchange (ASX) and represents established best practice for non-ASX listed entities.

The first year following auditor rotation usually sees increased costs of audits because the audit team needs to invest more time in understanding the audited entity, identifying and testing the design, implementation and effectiveness of controls, establishing the audit file, undertaking process walkthroughs and ensuring all mandatory auditing standards are complied with.

In the 2021 year, complex valuations and estimates required additional audit hours for Power and Water Corporation, Land Development Corporation, Batchelor Institute of Indigenous Tertiary Education and Power Retail Corporation (Jacana Energy). The hours and cost associated with these requirements were 1,411 and \$0.163 million respectively.

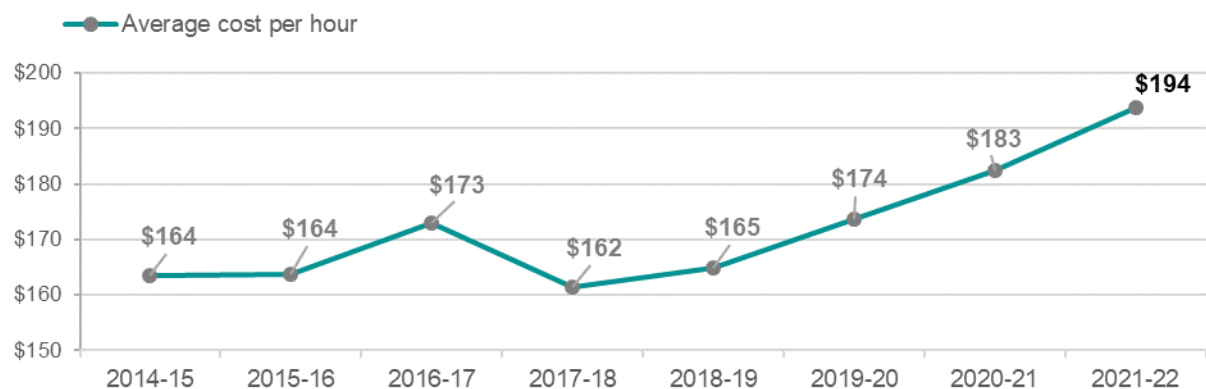
Lastly, a number of financial statements audits were not completed by 30 June 2022 resulting in approximately 100 hours work being carried forward into July 2023.

Financial Statement Audits cont.

The weighted average cost per hour of providing financial statement assurance for 2021-22 was \$194 per hour (2020-21: \$183 per hour). The predominant cause of the increase in weighted average cost per hour this year was the CPI-based escalation in rates in accordance with the period panel contract agreement, in January 2022. The escalation period was from the time of the originally tendered price at the time of award to 31 December 2021 and was 7.596%.

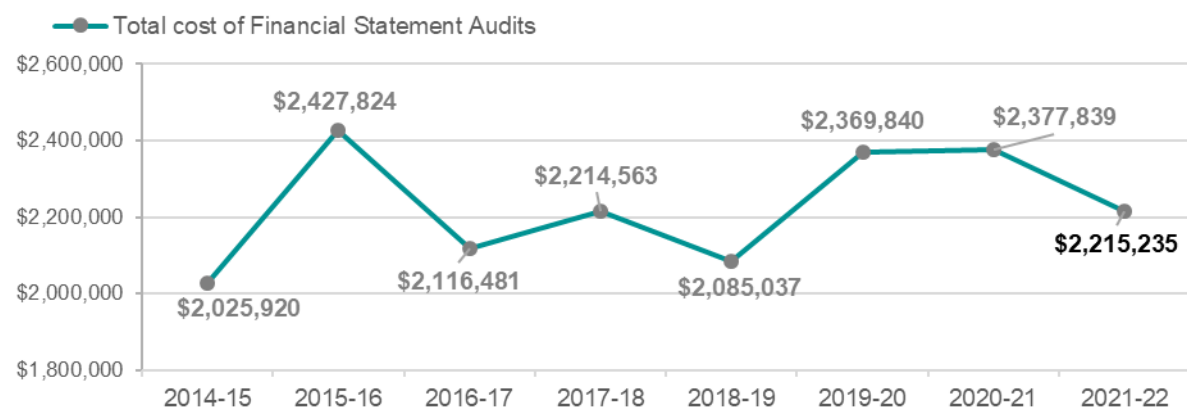
Costs of audits are dependent on the allocation of hours across the professional levels of Authorised Auditors required for each audit, the hourly contracted rate, the inclusion of supplementary expenses for travel disbursements (related to visiting specialists) and the number of hours an audit may take to complete. Staffing levels and audit hours required can be affected by the introduction of new accounting policies and complex accounting estimates and valuations within an entity. Accordingly, the cost of an individual audit may not be constant across years. COVID-19 continued to contribute to lower travel disbursements during the 2021-22 financial year.

Figure 13 Weighted average cost per hour for new financial statement audits each financial year



The total cost related to undertaking new financial statement audits for 2021-22 was \$2.215 million, a decrease of \$0.163 million from \$2.378 million in the 2020-21 financial year. Notable influences on the higher cost in the prior year were the additional costs associated with Power and Water Corporation, Land Development Corporation, Batchelor Institute of Indigenous Tertiary Education and Power Retail Corporation (Jacana Energy).

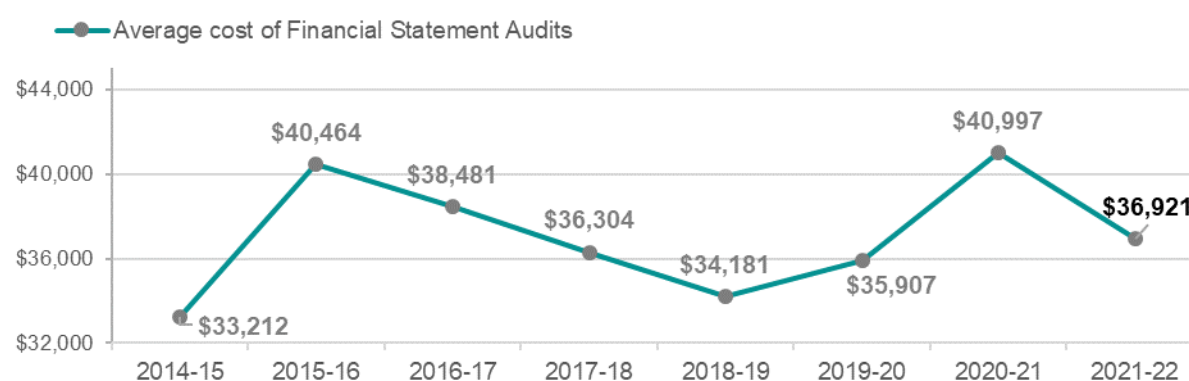
Figure 14 Cost of undertaking new financial statement audits each financial year



Financial Statement Audits cont.

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. Average cost then declined consistently until 2019-20 where the increase was due to the additional work associated with the introduction of new accounting standards. The significant increase in average cost per audit for 2020-21 reflects the increase in contract rates, the impacts from the rotation of audit firms between audited entities and the use of higher cost specialist Authorised Auditors associated with the audit of complex valuations and estimates. The decline in cost per audit in 2021-22 is influenced by the proportionately lower costs associated with four large audits in 2021 (a decrease of \$163,000), and the impact of the audits of the Treasurer's Annual Financial Statement (interim visit) and Batchelor Institute of Indigenous Tertiary Education not having been completed by 30 June 2022, totalling approximately \$20,000 partially offset by increases in hourly rates.

Figure 15 Average cost of new financial statement audits each financial year



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 (ACA) and end of year reviews (EOYR) 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. These audits are undertaken primarily to support the audit of the Treasurer's Annual Financial Statement.

Compliance Audits cont.

Agencies subject to compliance audits and year end reviews during 2021-22 (as part of the audit of the Treasurer's Annual Financial Statement) include:

- Aboriginal Areas Protection Authority
- Department of the Attorney-General and Justice
- Department of the Chief Minister and Cabinet
- Department of Corporate and Digital Development
- Department of Education
- Department of Environment, Parks and Water Security
- Department of Health
- Department of Industry, Tourism and Trade
- Department of Infrastructure, Planning and Logistics
- Department of the Legislative Assembly
- Department of Territory Families, Housing and Communities
- Department of Treasury and Finance
- Northern Territory Electoral Commission
- Northern Territory Police, Fire and Emergency Services
- Office of the Independent Commissioner Against Corruption
- Ombudsman's Office

The number of compliance audits undertaken is directly affected by the number of agencies consolidated into the Treasurer's Annual Financial Statement. In the 2021-22 reporting period, 43 new compliance audits were undertaken, one less than the prior year.

In 2019-20, agency compliance audits and end of year reviews were conducted at 20 agencies. Machinery of government changes following the 2020 Northern Territory election affected the number of agencies in 2020-21 and further subsequent machinery of government changes have resulted in 16 agencies being subjected to agency compliance audits and end of year reviews during the 2021-22 year (32 audits and reviews in total).

Nine compliance audits were undertaken at the Department of Corporate and Digital Development in order to gain assurance around the provision of Shared Services to agencies and assurance in relation to critical information systems. Information systems audits were undertaken in respect of:

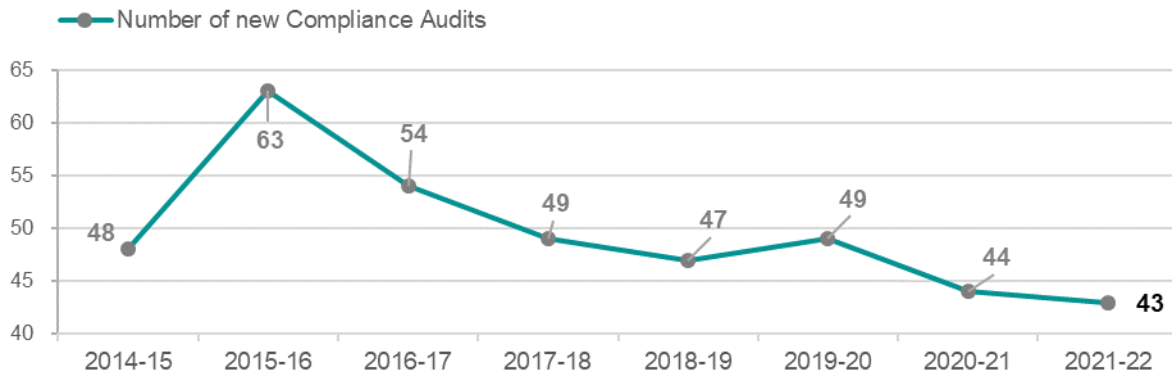
- Payroll Information Processing System
- Government Accounting System.
- Data Centre Physical and Environmental Security
- Service Continuity and Resilience
- Systems Change Control
- Operations and Service Management
- NAB Transact Banking
- Payment Gateway.

Two compliance audits occurred at the Motor Accidents (Compensation) Commission.

Compliance Audits cont.

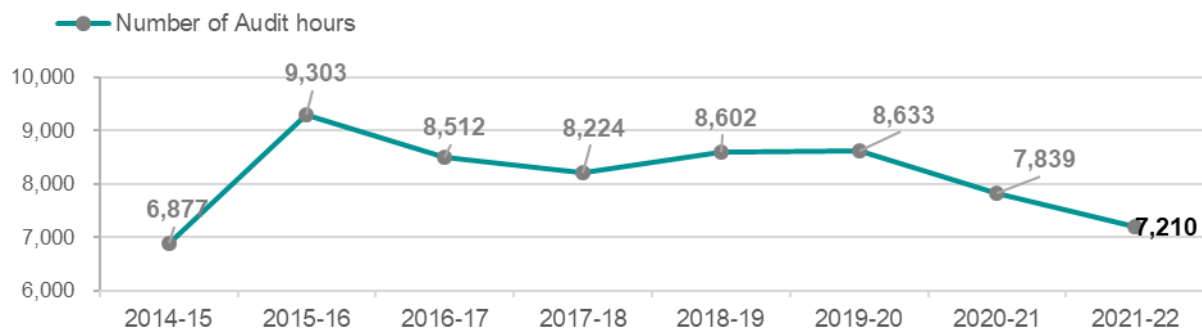
In the 2021-22 reporting period, 43 new compliance audits were undertaken, one less than the prior year.

Figure 16 Number of new compliance audit task assignments issued



During the 2021-22 year, compliance audit activity utilised 7,210 audit hours, compared to 7,839 hours in the previous year. The hours required to complete each audit are affected by the nature of the audit and the size of the entity. The reduced number of audits led to an expected reduction in hours associated with planning and completion procedures.

Figure 17 Audit hours allocated to new compliance audits

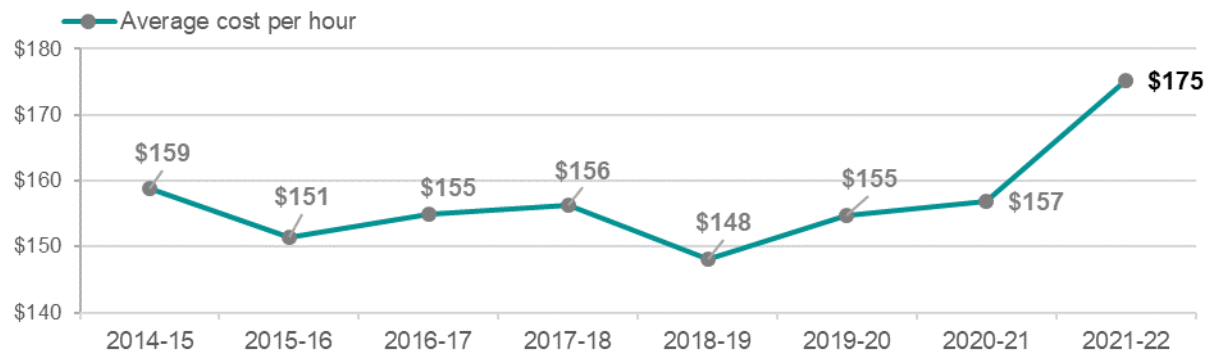


The weighted average cost of a compliance audit is consistently less than the cost of a financial statement audit. Compliance audits are generally non-complex and can largely be completed by less experienced Authorised Auditors.

Notwithstanding a lesser number of agencies, higher costs associated with compliance audits were anticipated in the 2021-22 financial year as a result of period panel contract rate review in January 2022 which resulted in a rate escalation of 7.596%. This is part of the reason for the increase in the weighted average cost per hour which increased from \$157 to \$175. The second contributing factor to the increase in the weighted average cost of providing compliance audits for 2021-22 were the 8 information systems related audits undertaken at the Department of Corporate and Digital Development. These audits require specialist auditors who have a higher average charge-out rate. For these 8 audits, the weighted average cost per hour was \$274.

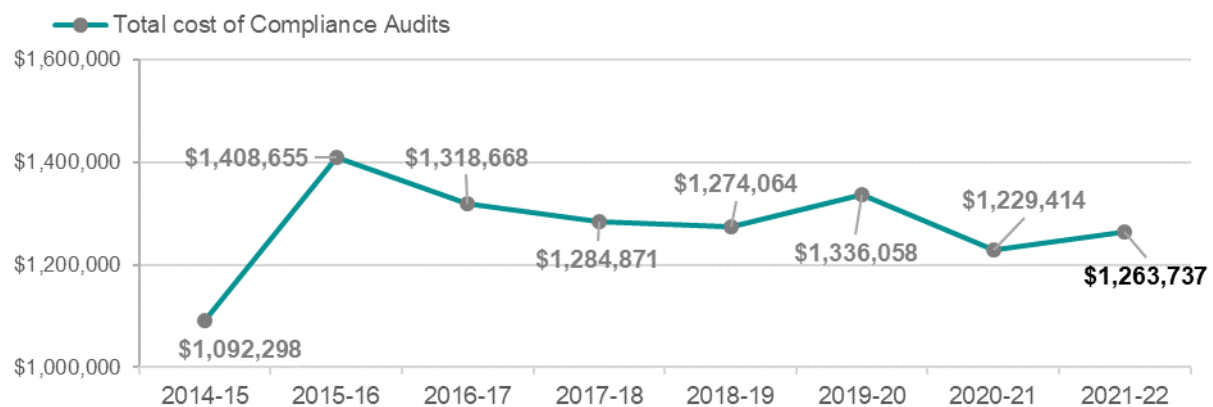
Compliance Audits cont.

Figure 18 Weighted average cost per hour for new compliance audits



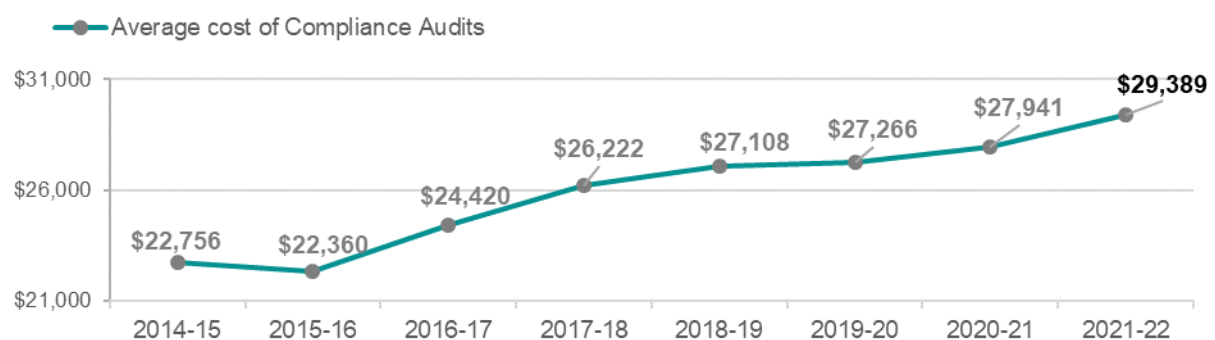
Machinery of government changes over the years have reduced the number of audits from a high of 63 in 2015-16 to 43 in 2021-22. Whilst the cost to undertake the total number of audits has reduced to some extent, the amount of audit work required to be performed has increased by agency due to the size of the amalgamated agencies, the growing number of transactions flowing through the agencies and more complex accounting requirements related to estimated balances, revenue recognition, lease liability accounting and valuations of inventory, property, plant and equipment.

Figure 19 Total cost of undertaking new compliance audits



The average cost per new compliance audit has increased by 5% from \$27,941 in 2020-21 to \$29,389 in 2021-22. This is consistent with the escalation of hourly rates.

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 2021-22 year, eight new performance management system audits were scheduled and three audits were carried forward from the previous year.

The following audit commenced in February 2020 and is yet to be completed.

- Performance Management System Audit – Accounting for Assets on Leased Land

The following audits were scheduled in 2021-22:

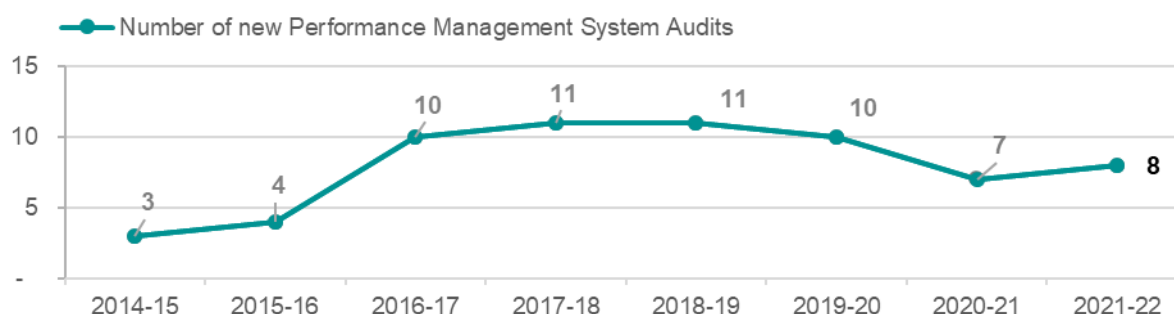
- Department of the Attorney-General and Justice – Evaluation of performance management systems
- Department of the Chief Minister and Cabinet – Darwin City Deal Management
- Department of the Chief Minister and Cabinet – Implementation of the TERC Recommendation
- Department of the Chief Minister and Cabinet – Local Jobs Fund
- Department of Corporate and Digital Development – Grant Management
- Department of Territory Families, Housing and Communities – Grant Management
- Selected Agencies – Modular Housing
- Selected Agencies – Youth Justice Facility

As the financial statement audits have mandatory completion and reporting dates, and the compliance audits form the basis of the audit of the Treasurer's Annual Financial Statements, the completion of these audits took priority over the completion of the performance management systems audits when the Office was faced with resourcing constraints during the financial year. As a result, six were yet to be completed at year end.

Performance Management System Audits cont.

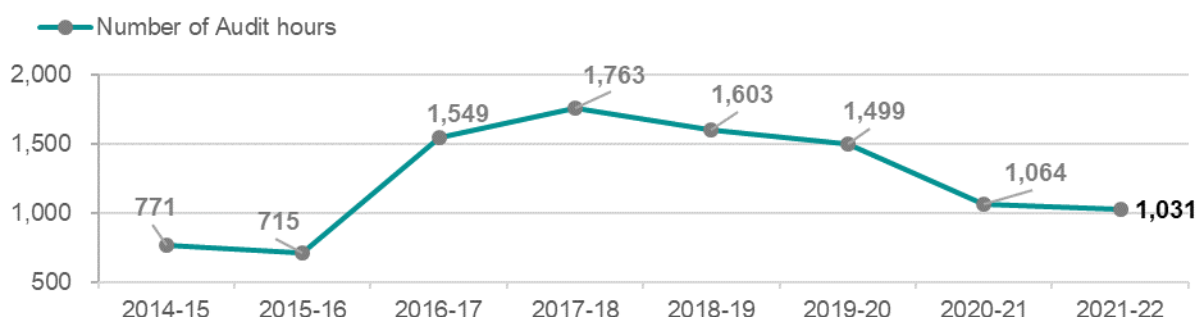
Of the new performance management system audits scheduled in 2021-22, seven were outsourced and one was conducted in-house. In 2020-21, five were outsourced and two were conducted in-house. The ability to undertake performance management system audits is dependent upon the level of available financial resources and the capacity of Office personnel after prioritising the scheduling of the financial statement and compliance audits.

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



During the 2021-22 period, actual performance management system audit hours, including hours spent by in-house personnel, totalled 1,031, a decrease of 3% from the prior year. A total of six audits have been carried forward for completion in the 2022-23 financial year. The complexity associated with performance management system 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



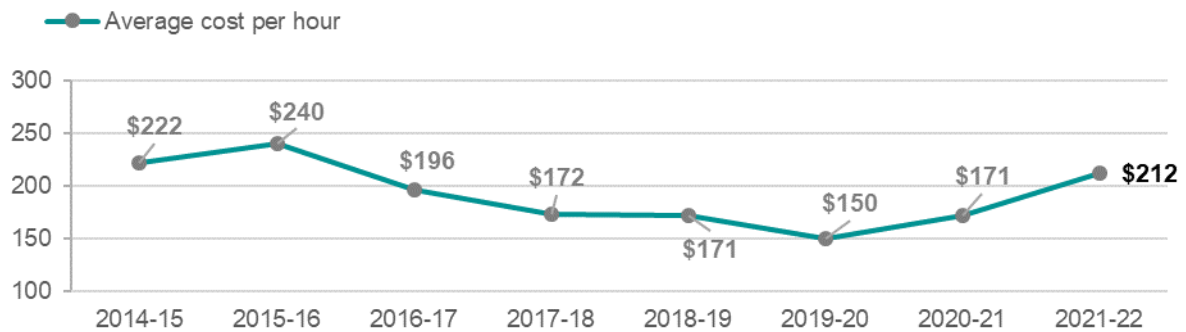
The total cost of undertaking performance management system audits is a product of the number of audits, the hours allocated due to the complexity of the audit and the proportion of audits performed in-house or by Authorised Auditors.

Performance management system audits are more complex and require more experienced staff. The management reports resulting from these audits can extend beyond 50 pages and are another factor influencing the required hours and level of Authorised Auditors. As a result, the weighted average cost is consistently higher than the hourly cost of a financial statement audit or a compliance audit.

The weighted average cost per hour is affected by the number of audits performed in-house rather than outsourced as the costs associated with audits that are performed in-house are captured within employee expenditure.

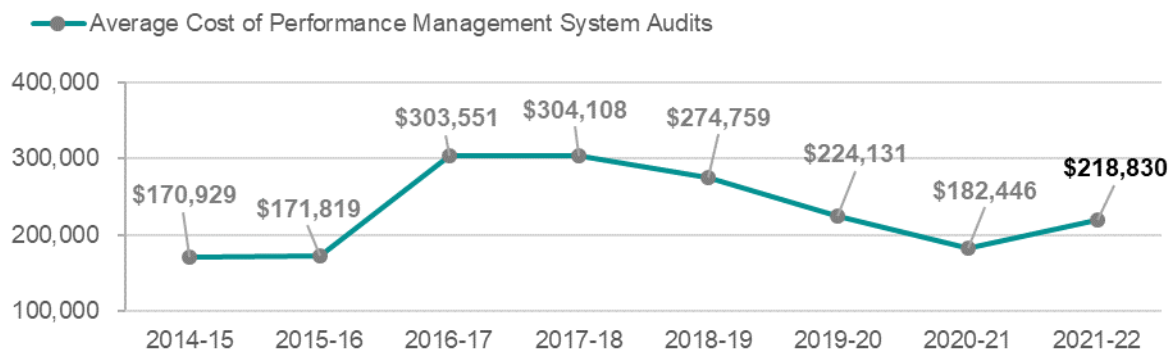
Performance Management System Audits cont.

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



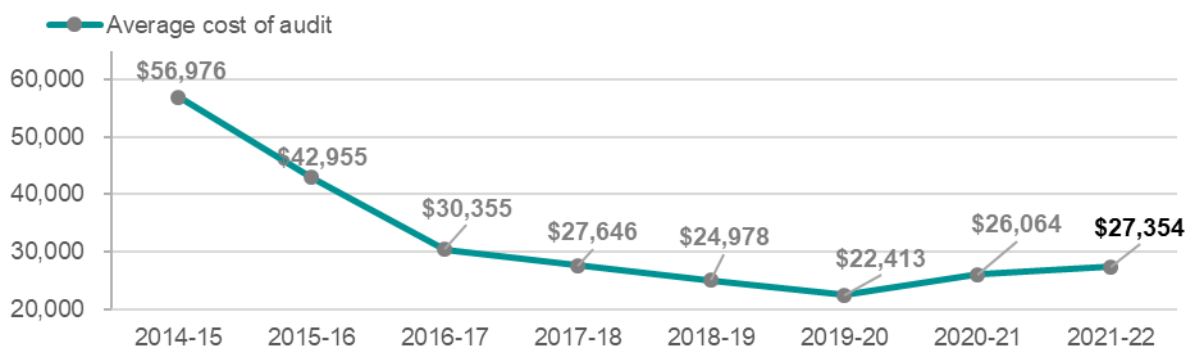
The number of audits, hours allocated to performance management system audits and the associated cost of performance management system audits has reduced since the highest level of service delivery in 2017-18. The ability to undertake greater numbers of performance management system audits within the Office is restricted by present resourcing.

Figure 24 Cost of undertaking new performance management system audits



The higher average cost per audit attributed to the performance management systems audits in 2021-22 reflects greater use of outsourced auditors (seven audits were outsourced compared to five in the prior year) and the CPI-based escalation in rates in accordance with the period panel contract agreement, applied in January 2022.

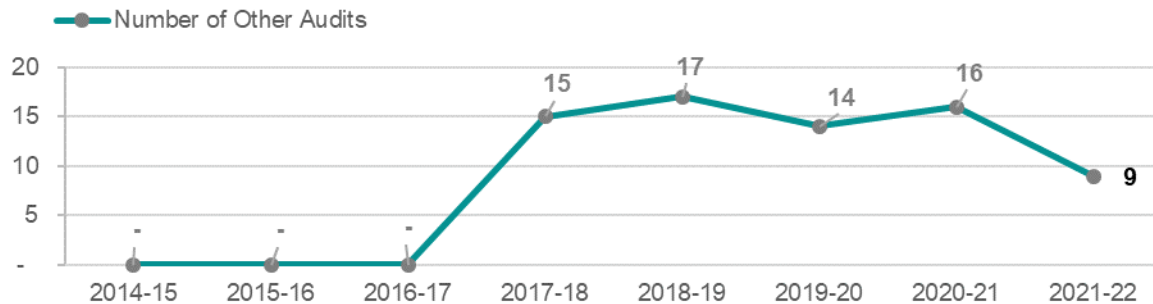
Figure 25 Average cost of new performance management system audits



Other Audits

The Office conducts other categories of audits including acquittals, reviews and *Public Information Act 2010* referrals. During the 2020-21 period, the Office commenced and completed audits of six acquittals, two data analytic tasks and one *Public Information Act 2010* referral.

Figure 26 Number of new other audit task assignments issued



The Office undertook two data analytic exercises during the 2021-22 year. These were conducted on travel (TR10 Report) and Salary Overpayments with the findings and observations from the analysis reported to Accountable Officers as appropriate. One less acquittal audit was conducted than in the prior year as the Department of Chief Minister and Cabinet advised that no acquittal was required to be prepared and audited in relation to Disaster Relief Funding Arrangements.

***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.

There was one review conducted under the *Public Information Act 2010* in the 2021-22 financial year and one in the prior financial year.

Reports to the Legislative Assembly

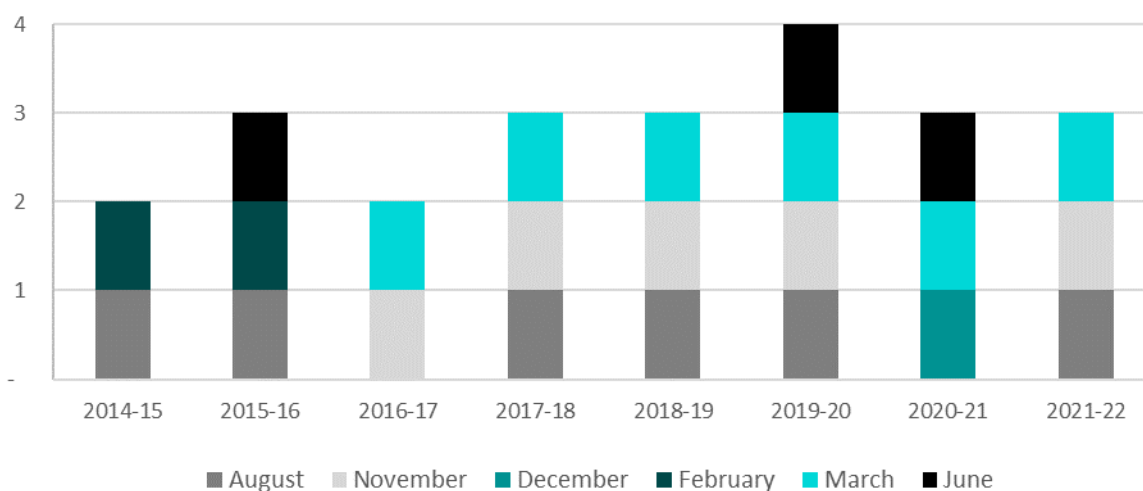
The Act requires the Auditor-General to report to the Legislative Assembly at least once each year. Each report (available online on the publications page of the Office's webpage) may contain findings from financial statement audits, information technology audits, controls and compliance audits, performance 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/December report which contains commentary on agencies and entities with a 30 June financial year-end. 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 2021-22 the following reports were submitted to the Legislative Assembly:

- August 2021 – This report presented the results of 29 separate audits and other tasks completed during the period 1 March 2021 to 2 July 2021.
- November 2021 – This report presented the results of 40 separate audits and other tasks completed during the period 3 July 2021 to 31 October 2021.
- March 2022 – This report presented the results of 9 separate audits and other tasks completed during the period 1 November 2021 to 28 February 2022.

Figure 27 Number and timeframe of Legislative Assembly reports tabled



Output Group: Corporate and Governance

Business Plan

Objective

To provide strategic advice, professional services and support to the Office and its stakeholders to enable the efficient, effective and economical delivery of the audit program.

Outputs

- Coordinate development of the three-year strategic plan.
- Prepare and update the budget within the required time frames.
- Prepare monthly and annual reconciliations and reports within the required time frames.
- Prepare the financial statements and facilitate their audit within the required time frame.
- Prepare the annual report within the required time frame.
- Establish and update our Office's policies and procedures.
- Coordinate the annual employee performance review process.
- Timely processing of Authorised Auditors' administrative tasks such as invoice processing and auditor applications.

Outcomes

- Ensure operational compliance with legislated and mandated requirements.
- Provide finance, corporate and governance services to support the Office.
- Manage the finances of the Office effectively and economically.
- Manage the records of the Office efficiently and effectively.
- Participate in relevant forums leading to improved practices in the Office.
- Undertake relevant and appropriate training and development.
- Effectively managing shared service arrangements.
- Effective administrative engagement with Authorised Auditors.

Key Performance Indicators

As a result of the strategic planning workshop undertaken with all staff members of the Office in 2020-21, the following key performance indicators were agreed for the Corporate and Governance output group, accompanied by the results for the 2021-22 financial year:

Figure 28 Corporate and Governance KPIs as included in the NTAGO Strategic Plan 2021-2023

Key Performance Indicator	Results for 2021-22
100% of invoices paid within NTG Government policy	100% of the 298 invoices were paid within payment policy.
Annual report delivered within the legislated timeframe	The 2020-21 Annual Report was tabled to Parliament in the October 2021 sittings.
Financial statements prepared and audited within the legislated timeframe	The NTAGO 2021-22 Financial Statements were prepared by the required due date with an unmodified audit opinion issued by the Office's external auditors on 18 August 2021. (Refer to the Independent Auditor's Report section of this Annual Report)
Budget deliverables are completed within the specified 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 have been held for each employee	All employees in the Office have performance plans in place and were provided feedback during the year.
100% of records with a retention schedule	100% of new records created have an appropriate retention schedule attached.
Annual agency procurement management plan delivered within the required timeframe	The NTAGO Procurement Management Plan for 2021-22 has been prepared and submitted to Procurement NT by the due date.
Mandated internal audits undertaken within the specified timeframe	No travel was undertaken by any staff within the NT Auditor-General's Office during the 2021-22 financial year. There was therefore no travel to be audited. No procurements were undertaken therefore no audit was required to be undertaken for the Buy Local Industry Advocate.

Reflection on 2021-22

In 2021-22, the Corporate and Governance output group undertook the following activities in addition to its key financial and administrative responsibilities:

Figure 29 Key achievements for the Corporate and Governance output group

Key Achievements during the year	
1	Successfully ensured the Office's complied with all COVID-19-related Chief Health Officer Directions throughout the year.
2	Coordinated the Office's annual Risk Management Workshop
3	Completed updates to the Human Resource, Financial and Procurement delegations
4	Prepared and coordinated the implementation of the Office's Work Health and Safety Framework.
5	Completed the Office's Agency Procurement Management Plan 2021-22.
6	Attended NT WorkSafe sessions - " <i>Work health and safety includes mental health</i> " and " <i>Mental Health First Aid in the Workplace</i> ".
7	Participated in the NTG operational emission reduction priorities workshop in order to better understand how the Office can contribute to the NTG's <i>net-zero by 2030</i> goal and the NTG's emission reduction strategy.

Financial Management

The Office's financial statement overview for the year ended 30 June 2022 is discussed on pages 57 and 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 2021-22 budget and estimated results as published in Budget Paper No.3.

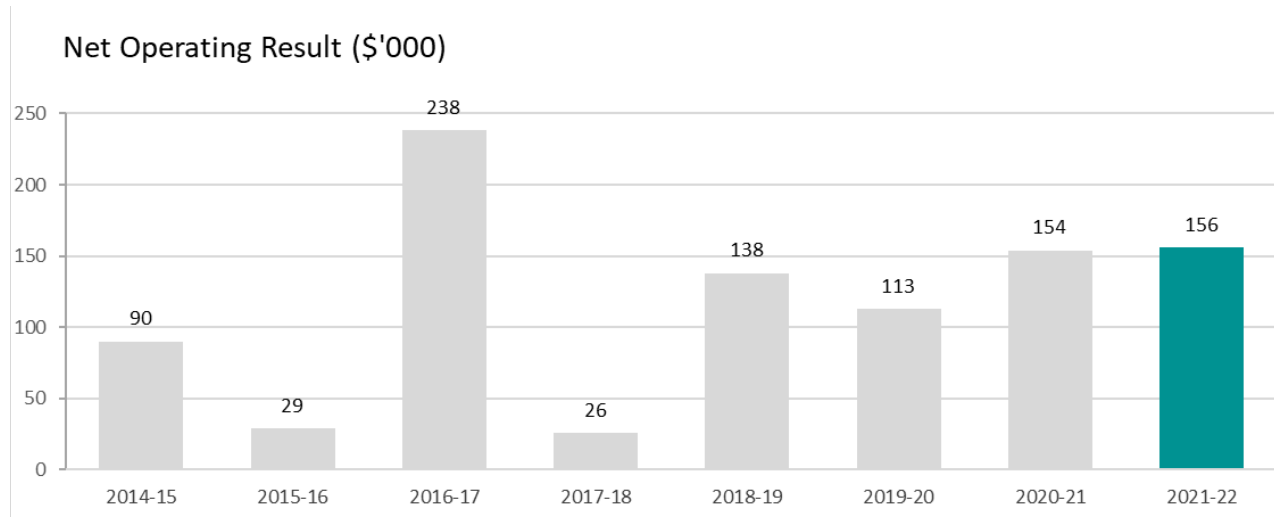
Figure 30 Output Group comparison of budget, estimate and actual results

Output Group	Actual 2020-21 \$'000	Budget 2021-22 \$'000	Estimate 2021-22 \$'000	Actual 2021-22 \$'000	Variance to Original Budget 2021-22 \$'000
Audits and Reviews	4,636	4,501	4,672	4,511	10
Corporate and Governance	553	585	597	550	(35)
Total	5,189	5,086	5,269	5,061	(25)

Financial Management cont.

The following graph presents the net operating surplus comparatively for the last eight financial years. In 2021-22, the Office continued to operate at a surplus with a net surplus at the end of the year of \$0.156 million, following a surplus in the prior year of \$0.154 million.

Figure 31 Office net operating results (\$'000)



Part of this surplus reflects that a number of scheduled audits were not completed within the financial year due to resourcing constraints within the Office, the Authorised Audit firms and the entities subject to audit.

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 costs associated with audit activity and to ensure that the Office does not record a deficit. In the event regular monitoring of actual expenditure to budget identifies that a significant surplus is probable, planned future audits can be brought forward. This was not possible during 2021-22 given the limited capacity within the Office, Audit Firms and Agencies due to the impacts of COVID-19.

The surplus in the 2021-22 financial year also reflects savings on travel by Office personnel and specialist Authorised Auditors as a result of COVID-19 restrictions and reduced employee expenses as a result of employee movements and additional budget allocations to cover employee lump sum payments.

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 and costs associated with audits mandated to be undertaken by the Auditor-General through requirements stipulated in agreements or legislation. The Office also received shared services support from the Department of Corporate and Digital Development and records notional charges for these services as expenditure. 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.

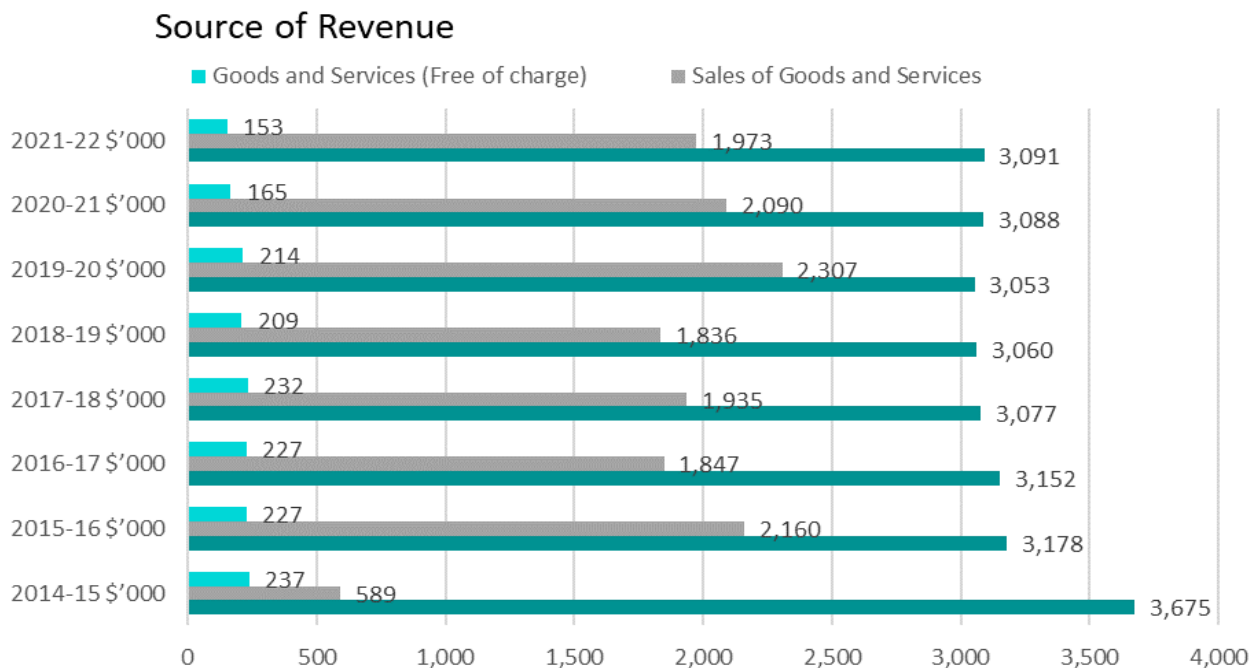
As in previous years, revenue from Output Appropriation continues to be the largest source of income for the Office, and represents 59% of its total revenue in 2021-22. Output appropriation increased by \$3,000 during the year which was a result of budget parameter adjustments and efficiency dividends plus additional employee expenditure budget received to allow for the NTPS lump sum payments.

Financial Management cont.

Figure 32 Office source of revenue summary for the last eight financial years

Source of Revenue	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Output Appropriation	3,675	3,178	3,152	3,077	3,060	3,053	3,088	3,091
Sales of Goods and Services	589	2,160	1,847	1,935	1,836	2,307	2,090	1,973
Goods and Services (Free of charge)	237	227	227	232	209	214	165	153
Other Income	0	0	0	0	0	1	0	0
Total	4,501	5,565	5,226	5,244	5,105	5,575	5,343	5,217

Figure 33 Source of revenues (\$'000)



A total of 32 (2020-21: 34) entities (as listed in the following table) were subject to recovery of audit costs. Costs recovered include costs associated with work completed or accrued as at 30 June of the reporting year.

Financial Management cont.

Figure 34 Agencies subject to recovery of audit costs

Entity	2022	2021	Movement
Batchelor Institute of Indigenous Tertiary Education ⁽¹⁾	62,624	83,273	(20,649)
Board of the Museum and Art Gallery of the Northern Territory	14,545	14,559	(13)
Bridging the Gap Foundation ⁽²⁾	13,931	20,432	(6,501)
CDU Amenities Limited ⁽³⁾	-	12,259	(12,259)
Central Australia Health Service ⁽⁴⁾	33,750	44,853	(11,103)
Charles Darwin University ⁽⁵⁾	174,586	158,134	16,452
Charles Darwin University Foundation	15,159	12,534	2,625
Cobourg Peninsula Sanctuary and Marine Park Board	17,913	20,561	(2,648)
Darwin Waterfront Corporation	45,222	40,168	5,054
Data Centre Services	25,787	28,578	(2,792)
Department of the Chief Minister and Cabinet ⁽⁶⁾	8,773	-	8,773
Department of Health	26,471	25,264	1,206
Department of Infrastructure, Planning and Logistics	24,055	24,420	(364)
Department of Local Government, Housing and Community Development (prior to MOG changes in September 2020) ⁽⁶⁾	-	6,167	(6,167)
Department of Treasury and Finance ⁽⁷⁾	-	8,358	(8,358)
Desert Knowledge Australia	28,657	21,719	6,938
Indigenous Essential Services Pty Ltd ⁽⁸⁾	67,085	113,871	(46,786)
Jabiru Town Development Authority	14,547	18,374	(3,826)
Land Development Corporation ⁽⁹⁾	45,652	77,561	(31,909)
Menzies School of Health Research	66,083	68,665	(2,582)
Motor Accidents (Compensation) Commission ⁽¹⁰⁾	356,806	263,334	93,472
Nitmiluk (Katherine Gorge) National Park Board	20,682	19,894	787
Northern Territory Grants Commission	3,659	5,268	(1,609)
Northern Territory Legal Aid Commission ⁽¹¹⁾	16,645	24,087	(7,442)
Northern Territory Major Events Company Pty Ltd	27,823	33,532	(5,709)
Northern Territory Treasury Corporation	76,709	70,957	5,753
NT Build	23,803	22,562	1,241
NT Fleet	44,750	44,631	119
NT Home Ownership	40,811	36,173	4,638
Office of the Public Trustee for the Northern Territory ⁽¹²⁾	43,602	28,389	15,213
Power and Water Corporation ⁽¹³⁾	271,599	333,947	(62,348)
Power Generation Corporation (Territory Generation)	158,588	167,532	(8,944)
Power Retail Corporation (Jacana Energy) ⁽¹⁴⁾	142,766	165,096	(22,329)
Territory Wildlife Parks	25,796	25,934	(138)
Top End Health Service ⁽⁴⁾	33,989	48,766	(14,777)
Total	1,972,869	2,089,853	(116,985)

Financial Management cont.

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

- (1) Delays in the completion of the December 2021 financial statement audit meant this audit was not completed prior to year end. Completion of the audit has been scheduled during October 2022 and the final charges will be recognised in the 2022-23 financial year.
- (2) The costs associated with the audit of the Bridging the Gap Foundation were higher in the prior year as a result of the increased activity occurring within the Bridging the Gap Foundation, revisions to constitutional arrangements of the entity and late adjustments to the financial statements.
- (3) CDU Amenities Limited, a subsidiary of Charles Darwin University was dissolved. Consequently, the audit is no longer required.
- (4) Central Australia Health Service and Top End Health Service were merged into the Department of Health effective from 1 July 2021. As a result, no interim audits were required for these entities within the 2021-22 audit program.
- (5) Evaluation of the extent of audit procedures required to produce a sufficient level of assurance over the three underlying information technology systems (Oracle, Ascender and Callista) at Charles Darwin University identified that additional hours were required in comparison to the prior year.
- (6) Machinery of government changes resulted in responsibility for the Grant's Commission and the Local Government Financial Assistance Acquittal transferring from the Department of Housing, Local Government and Community Development to the Department of the Chief Minister and Cabinet.
- (7) The costs incurred in the prior year relate to the audit of the acquittal statements applicable to the Natural Disaster Recovery and Relief Arrangements and the Disaster Recovery Funding Arrangements. There were no claims acquitted against these funding arrangements for the 2021-22 financial year and therefore no audits required to be completed. For future years, machinery of government changes have now transferred responsibility for managing the Disaster Recovery Funding Arrangements from the Department of Treasury and Finance to the Department of the Chief Minister and Cabinet.
- (8) Additional audit costs were incurred for and recovered from Indigenous Essential Services Pty Ltd in the prior year in relation to the audit of the 2019-20 financial statements due to: the impacts of changes to accounting for leases; restatement of prior year's financial statements; delays in the receipt of information required for audit purposes; and the audit of management's position of going concern.
- (9) Additional audit fees were incurred in the prior year due to additional audit procedures being conducted on Land Development Corporation's approach to recognition of revenue in relation to complex sales contracts and the restatement of the prior year's financial statements.
- (10) In prior years, the audit of the underlying information systems supporting the balances reported in the financial statements of the Motor Accidents (Compensation) Commission was undertaken in August at the time of the financial statements audit. In order to reduce the time taken to conclude the financial statements audit and provide the Commission's personnel with time to address any findings related to the information systems prior to reporting date, the audit of the information systems was re-scheduled to occur at the time of the interim audit visit in April/May. As a result, the 2021-22 audit program included both the August 2021 audit of the information systems to support the financial statements as at 30 June 2021 and the April/May 2022 audit of the information systems to support the financial statements as at 30 June 2022.
- (11) Auditor rotation resulted in this audit being delivered at a lower cost than was incurred in the prior year.
- (12) Additional audit fees were incurred in the 2021-22 financial year due to delays in the provision of accurate information to the Authorised Auditors and late adjustments to the 30 June 2021 financial statements submitted for audit.
- (13) Additional audit costs were incurred for and recovered from Power and Water Corporation in the prior year in relation to the audit of the 2019-20 financial statements due to the need to adequately verify assumptions used in the complex model used to determine enterprise value; the impacts of changes to accounting for leases; a proposed restatement of prior year's financial statements; and delays in the receipt of information required for audit purposes.
- (14) Information technology audits are conducted at Power Retail Corporation (Jacana Energy) to support the audit of the financial statements. Due to decisions regarding the optimal timing of the information technology system audit, an additional information technology audit was undertaken during the previous year.

Financial Management cont.

Expenses

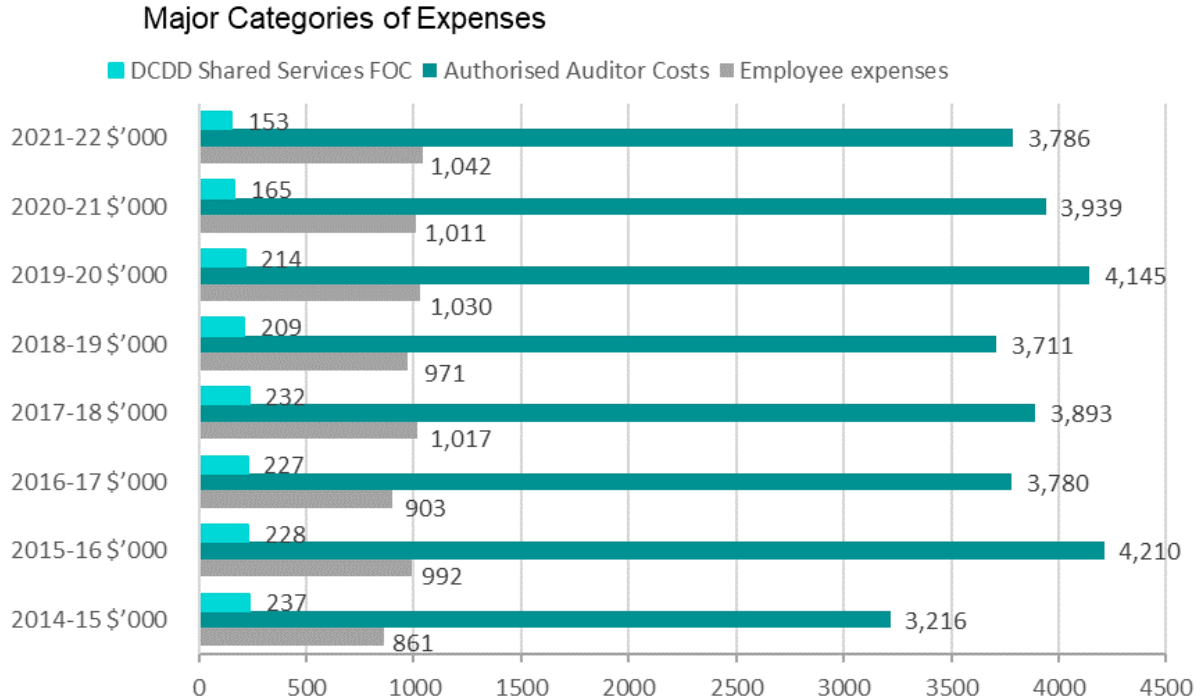
Expenses for the Office are classified into the following categories: employee expenses, Authorised Auditor costs, shared services received from DCDD free of charge (FOC) and other administrative costs.

Figure 35 Comparison of major categories of expenses

Expenses	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000
Employee expenses ⁽¹⁾	861	992	903	1,017	971	1,030	1,011	1,042
Authorised Auditor Costs ⁽²⁾	3,216	4,210	3,780	3,893	3,711	4,145	3,939	3,786
DCDD Shared Services FOC	237	228	227	232	209	214	165	153
Other Admin Costs ⁽³⁾	97	107	78	76	76	73	74	80
Total	4,411	5,536	4,987	5,217	4,967	5,462	5,189	5,061

- (1) Employee expenditure increased by \$0.031 million due to the employees' lump sum payments and increases in Superannuation Guarantee rates from 9.5% in 2020-21 to 10% for the 2021-22 financial year.
- (2) Refer to Figure 9 for details of Authorised Auditor costs
- (3) Other administrative costs include expenses such as professional memberships and subscriptions, motor vehicle expenses for Executive Contract Officers, property maintenance, training and travel related expenses.

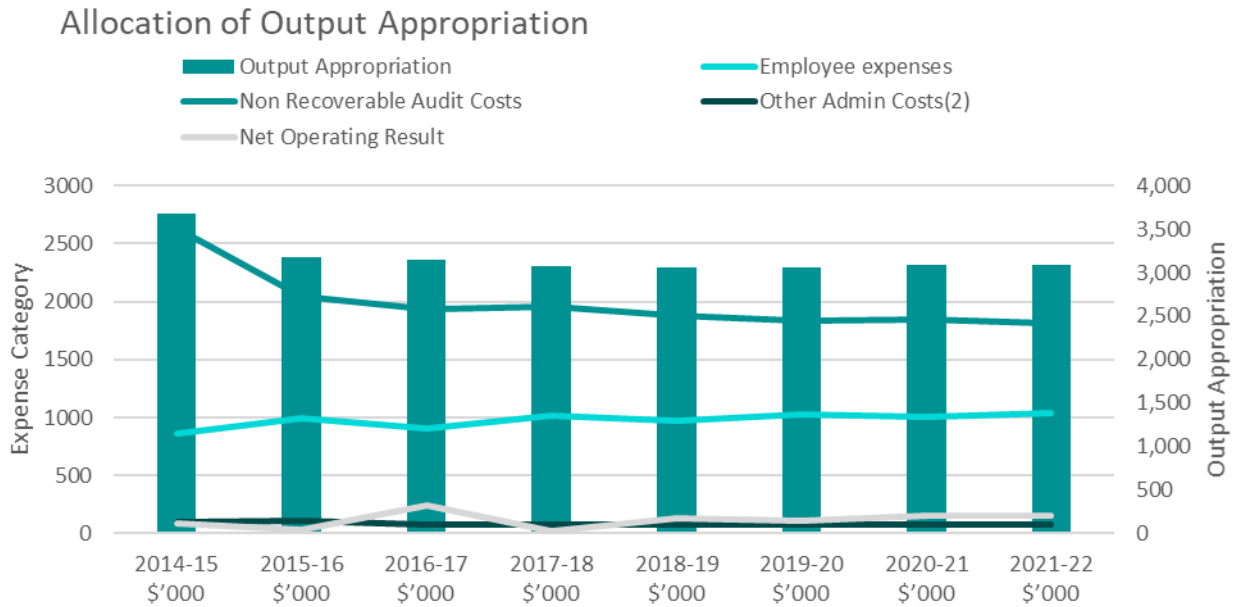
Figure 36 Major categories of expenses (\$'000)



Financial Management cont.

Figure 32 above demonstrates that the Office's main source of revenue is Output Appropriation which, as shown in the table below, is used to fund employee expenses, fees paid to Authorised Auditors that are not recovered from the audited entity and other administrative costs.

Figure 37 Allocation of Output Appropriation Revenue



Financial Management cont.

Comparison of Results to 2021-22 Budget

The following table compares the actual operating results for the Office's 2021-22 financial year to its 2020-21 budgets as presented in Budget Paper No. 3, 4 May 2021 and the revised budget as presented to the Estimates Committee hearing held in June 2022. Analysis of variances between Actual and Budget is presented within Note 22 to the financial statements.

Figure 38 Comparison of 2021-22 Original Budget and Actuals

	Actual 2020-21	Original Budget 2021-22	Revised Budget 2021-22	Actual 2021-22
INCOME				
Appropriation				
Output	3,088	3,059	3,091	3,091
Sales of goods and services (audit costs recovered)	2,090	1,864	2,015	1,973
Services free of charge (DCIS)	165	163	163	153
Other Income	-	-	-	-
TOTAL INCOME	5,343	5,086	5,269	5,217
EXPENSES				
Employee expenses	(1,011)	(1,070)	(1,102)	(1,042)
Administrative expenses	-	-	-	-
Purchases of goods and services	(4,013)	(3,853)	(4,004)	(3,866)
Repairs and maintenance	(1)	(2)	(2)	(1)
Other administrative expenses	(164)	(161)	(161)	(152)
TOTAL EXPENSES	(5,189)	(5,086)	(5,269)	(5,061)
NET SURPLUS/(DEFICIT)	154	-	-	156
ASSETS				
Cash and deposits	945	630	945	1,091
Receivables	400	543	398	488
Prepayments	-	-	-	-
TOTAL ASSETS	1,345	1,173	1,343	1,579
LIABILITIES				
Payable	73	21	71	159
Provisions	103	137	103	95
TOTAL LIABILITIES	176	158	174	254
NET ASSETS	1,169	1,015	1,169	1,325
EQUITY				
Capital	570	570	570	570
ACCUMULATED FUNDS	599	445	599	755
TOTAL EQUITY	1,169	1,015	1,169	1,325

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 39 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 personnel to discuss the progression of the audit program (all audit areas) and matters relating to finance, administration, human resources, information, communications and technology (ICT), risk management and work health and safety. • Calls for Conflicts of Interest are made at each weekly meeting to ensure staff report any conflicts, perceived conflicts or potential conflicts which may arise. • Authorised Auditors submit a weekly progress report to the Principal Auditor to enable monitoring of progress against finance and time budgets for each engagement. • Principal Auditors undertaking in-house audits hold a weekly one-on-one meeting with the Auditor-General. 	<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 2021 and was tabled in Parliament in November 2021. The next strategic review will be required to be completed in October 2024.

Corporate Governance and Risk Management cont.

	Internal	External
	<ul style="list-style-type: none"> • The Manager Finance and Corporate Services reports regularly to the Auditor-General. Issues requiring attention are discussed and actions taken where required. • Policies, procedures and manuals are updated in accordance with established timetables or, if required, as a result of legislative change. • Monitor existing and emerging NTG Policies, Frameworks and Legislation to ensure the Office is compliant. 	
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 management reports are prepared with detailed explanations provided for material variances. 	<ul style="list-style-type: none"> • To assist Parliament in the oversight of the performance of the NT Government, reports are submitted to the Legislative Assembly each year, setting out the results of audits, together with any observations that may be relevant. • 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 2022. 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. • Monthly management reports are reviewed by the Auditor-General and circulated to all staff members of the Office. 	<ul style="list-style-type: none"> • Appearances by the Auditor-General before the Public Accounts Committee during which the Committee has the opportunity to question the Auditor-General about the content of reports to the Legislative Assembly, and current and planned audits. • Annual appearances before the Estimates Committee during which the Committee has the opportunity to question the Auditor-General about the activities of the Office. • The Auditor-General presents regularly at the '<i>Foundations of Public Sector Governance</i>' training sessions run by the Office of the Commissioner for Public Employment. • Regular status updates and exit meetings are held with Authorised Auditors and representatives from audited entities.

Corporate Governance and Risk Management cont.

	Internal	External
		<ul style="list-style-type: none"> • Briefings are held with Authorised Auditors and training provided to newly appointed Authorised Auditors. • Annual feedback sessions are held with the Authorised Audit Firms. • Management letters and audit reports are provided to the Accountable Officers of audited entities. • Communication of the six monthly programs of audit tasks to Authorised Auditors and audited entities.

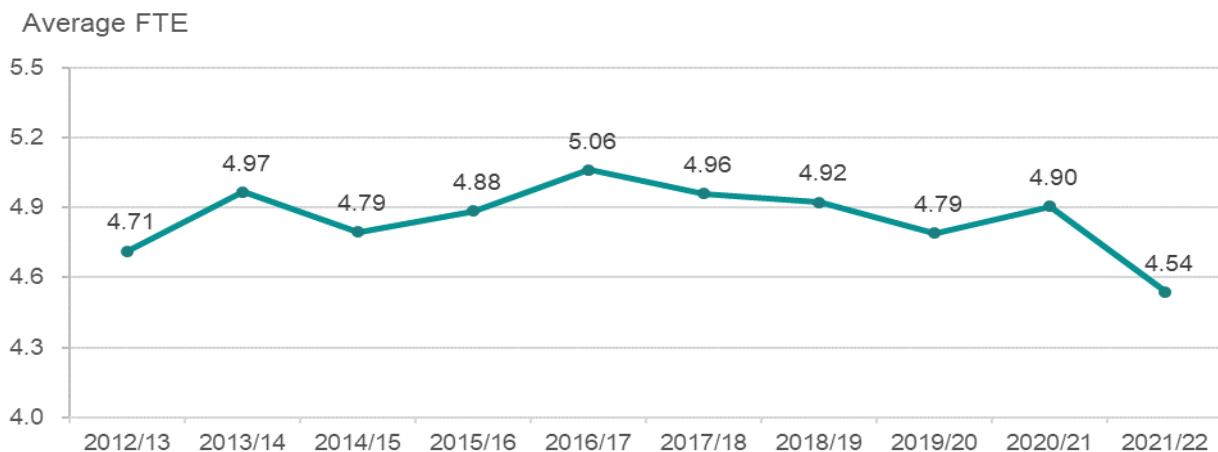
Human Resources

Employee Demographics

During the year ended 30 June 2022, the average FTE of the Office was 4.54 compared to an average of 4.9 for the previous financial year.

While the head count for staffing remains the same at 5.0 FTE across all years, the dips shown in the table below are reflective of periods where positions have been vacant during recruitment periods or where personnel have taken temporary leave without pay. Those periods where the headcount exceeds established position numbers reflect the overlap on appointment of new personnel replacing outgoing personnel.

Figure 40 Comparison of average FTE



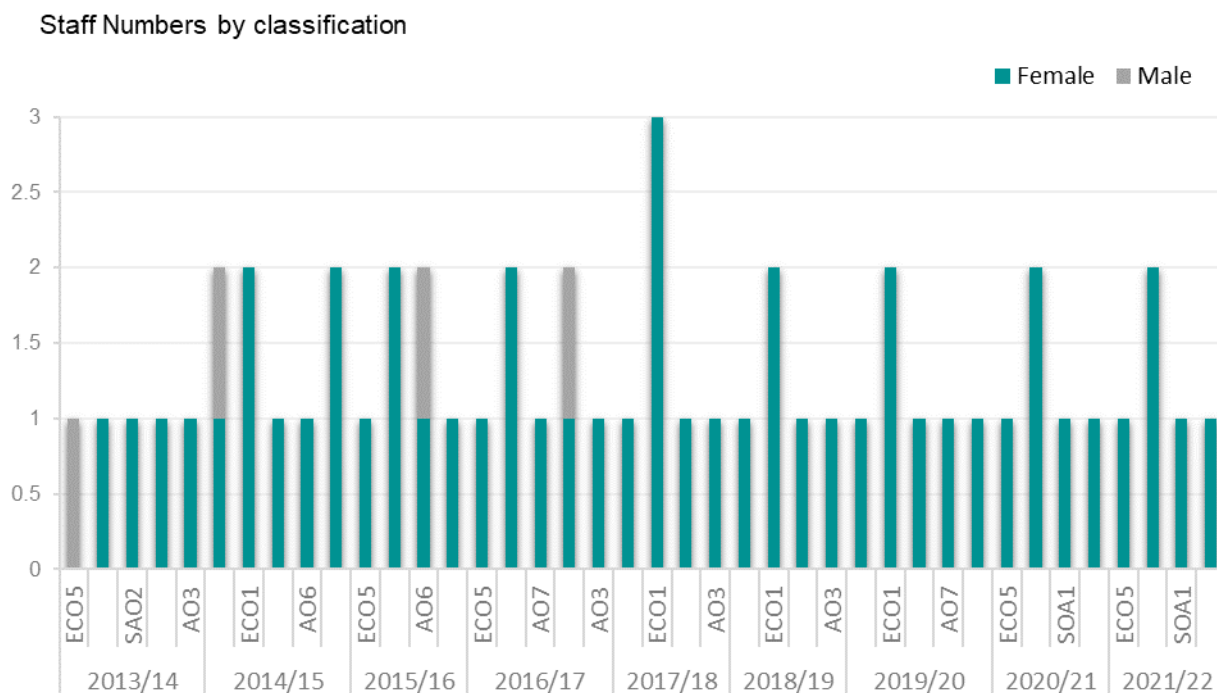
The following graph shows the variation in staff numbers by classification over the past eight financial years.

The Manager Finance and Corporate Services position was re-evaluated from an AO7 to a SAO1 level in May 2020 through the Job Evaluation System process before the position was advertised and filled in July 2020. This change in classification is reflected in the table below.

The additional SOA2 position during the 2019-20 financial year was due to temporary coverage during peak periods for one of the Principal Auditors who was on parental leave from November 2019 to July 2020.

Human Resources cont.

Figure 41 Comparison of head count, gender and designation of NTAGO employees



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 42 NTAGO reporting on Employment Instructions

Employment Instruction	NTAGO Performance 2021-22
No. 1. Filling Vacancies	<p>The Records Officer position was vacant from January to June 2022 as a result of a temporary promotional transfer, followed by the Officer securing a permanent transfer and a recruitment process being undertaken. The position was filled on a temporary basis at the end of June 2022.</p> <p>There were no other staff movements during the year.</p>
No. 2. Probation	<p>There were no probationary processes undertaken during the 2021-22 financial year.</p>
No. 3. Natural Justice	<p>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.</p>
No. 4. Employee Performance Management and Development Systems	<p>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 Employee Performance Review and Development Policy, has implemented performance management and development procedures for its employees which include the completion of annual training requirements against their professional standing.</p>

Human Resources cont.

Employment Instruction	NTAGO Performance 2021-22
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	Employment Instruction 7 – Discipline was revoked following the publication of the NTPS Disciplinary Handbook, which was approved by the Commissioner for Public Employment 17 March 2021.
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 DCDD, however all other human resource 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.
No. 11. Occupational Health and Safety Standards Program	The Office, with the assistance of DCDD, undertook a review of the Work Health and Safety (WHS) framework during the 2021-22 financial year. An induction was held for all Office personnel in February 2022.
No. 12. Code of Conduct	The Office has included its expectations and information regarding the guidelines and values associated with behaviour in the workplace, within its induction process. Regular team meetings are used to reinforce and communicate information relating to gifts, benefits, independence, conflict of interest and other agency, public sector or politically specific principles. All Office employees have undertaken the NTPS essential online Code of Conduct training.
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. The Northern Territory Auditor-General's Office' <i>Code of Conduct Policy</i> incorporated the requirements of this Employment Instruction.
No. 14. Redeployment and Redundancy Procedures	There were no redeployment or redundancy activities undertaken for the Office during the year.

Human Resources cont.

Employment Instruction	NTAGO Performance 2021-22
No. 15 Special Measures	<p>Due to the small size of the Office and with only two administrative positions established to support the Auditor-General and Principal Auditors, Special Measures were not applied during the year. The Office continues to support an inclusive and diverse workplace, and will consider Special Measures as a part of the Office's <i>Aboriginal Employment and Career Development Strategy</i> Action Plan.</p> <p>The Office continues to support an inclusive and diverse workplace.</p>
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.

Public Sector Principles

Personnel of the Office are familiar with the public sector principles contained within Part 1A of the *Public Sector Employment and Management Act 1993* those being:

- the administration management principle;
- the human resource management principle, including:
 - the merit principle; and
 - the equality of employment opportunity principle;
- the performance and conduct principle.

No instances of failure to uphold public sector principles have been identified during the year ended 30 June 2022.

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 2022, 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. Personnel also undertake courses and training identified through gap analysis that have direct relevance to the Office as well as individual training needs identified through the performance appraisals relevant to each individual employee.

All personnel within the Office have completed mandatory across-government training sessions.

Records Management

The Office complies with mandated requirements for records management within the NTG as contained in standards and guidelines issued and maintained by DCDD.

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.

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 undertook a major review of this framework during 2021-22 with an induction held for all Office personnel in February 2022.

The NTAGO 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 all Authorised Auditors employed by the firm have read, understood and will comply with the WHS Policy.

WHS risks are considered within our risk register which is reviewed on a regular basis.

Workshops are held every six months to identify any emerging risks relating to our Office and consider the status of current risks which had previously been identified. Workshops were held in July 2021 and February 2022. Through this process there were no priority WHS risks identified.

During the year the Office successfully met all requirements for COVID-19 compliance.

Tagging and testing has been completed annually since it was first conducted in January 2013. All Office signage clearly reflect locations and contact details of wardens, exits and fire extinguishers.

The Manager Finance and Corporate Services participates in the available fire warden training available and one of the Principal Auditors 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.

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	<p>Internal</p> <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. <p>External</p> <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	The Office leased two motor vehicles from NT Fleet during the year ended 30 June 2022 for the Principal Auditor positions.
Emissions reduction	The Manager Finance and Corporate Services attended the NTG operational emission reduction priorities workshop, held in February 2022, in order to better understand how our Office can assist in the NTG's net-zero by 2030 goal and assist in the development of the NTG's emission reduction strategy.
Power Saving	<p>Most electronic devices are powered down completely when not in use.</p> <p>The Office has a "lights off" policy for parts of its tenancy that are temporarily not in use.</p> <p>Power usage is monitored and recorded to assist in identifying areas for improvement.</p>

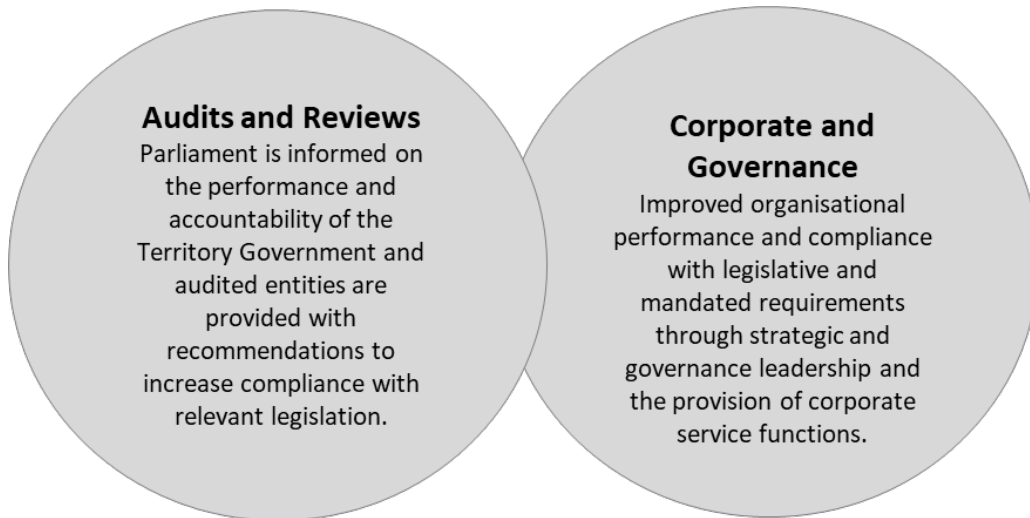
Contributions to Society

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

Professional	<p>Staff members are encouraged to contribute to their professions through involvement with professional bodies and community associations.</p> <p>The Auditor-General is currently the Deputy Chair of the Australian and Auditing Standards Board, a Commonwealth statutory organisation that constitutes the National Standard Setter for auditing standards in Australia.</p> <p>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 of Australia.</p> <p>The Auditor-General regularly presents a session as part of the NT Government's Foundations of Public Sector Governance four-day residential program.</p>
Community	<p>Individual members of the office are voluntarily involved with a range of community organisations, events and activities, including mentoring graduates and other emerging professionals.</p>

Future priorities

The Office is committed to achieving the following:



Audits and Reviews

The Audits and Reviews output group has committed to delivering the following outputs in the next 12 months 2022-23:

- 56 financial statement audits
- 39 compliance audits
- 6 performance management system audits
- 7 other assignments
- 3 *Public Information Act 2010* referrals
- Update and implement internal procedural guidance to ensure compliance with the revised suite of Australian Auditing Standards as they relate to audit quality.
- Further refine the framework and related methodologies for the application of data analytics.

Corporate and Governance

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

- Updates to the Office's Manuals and policies as required.
- Updates to work instructions for key administrative tasks.
- Review of Office employee duties and structure.
- Review Budget requirements.
- Ensure all administration employees have been trained in website administration.

Financial statement overview for the year ended 30 June 2022

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;
- Coordinating and conducting performance management and information system audits;
- Coordinating and conducting compliance audits and data analysis;
- Conducting reviews of public information issued by public authorities in accordance with the *Public Information Act 2010*; 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 2021-22 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.
- Promoting the importance of managing conflicts of interest and maintaining independence.

Analysis of financial results:

- The Office has a net operating surplus for the year of \$0.156 million compared to \$0.154 million in the prior year.
- Output Appropriation of \$3.091 million compared to \$3.088 million, an increase of \$0.003 million. Recoverable audit fees decreased by \$0.117 million from \$2.090 million in 2021 to \$1.973 million in 2022, largely due to the delay in the completion of audits.
- Purchase of goods and services include payments for Authorised Auditors' fees of \$3.770 million (of which \$1.973 million was recoverable) and operational expenditure of \$0.096 million. The decrease in total goods and services expense of \$0.147 million was largely attributable to the decrease in recoverable audit costs (\$0.117 million).

Financial statement overview for the year ended 30 June 2022 cont.

- Employee expenditure increased by \$0.030 million largely due to the staff bonus payments (\$0.017 million); increases in Superannuation Guarantee payments (\$0.007 million) following the statutory rate increases; and recreation leave expenses (\$0.011 million). These expenses were partly offset by staff movements and delays in backfilling.
- The net assets of the Office increased from \$1.169 million to \$1.325 million for the year, reflecting the surplus shown on the Comprehensive Operating Statement.
- Cash balances compared to the prior year increased from \$0.945 million to \$1.091 million, while employee recreation leave provisions decreased marginally from \$0.080 million to \$0.074 million due to staff taking leave.
- The increase in accounts receivable by \$0.088 million and accounts payable by \$0.086 million is reflective of the accrual for recoverable audit costs and outstanding audit costs as at year end.
- A comparison of actual results to the Office's budget, as reported in Budget Paper 3 2021-22, is presented in Note 23 to the financial statements.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

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

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 2022, 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 our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The Auditor-General is responsible for the other information. Other information is financial and non-financial information in the annual report 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.

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Greenslopes
QLD 4120

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Liability is limited by a scheme approved under the 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 has 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 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.

SAAS Audit Pty Ltd



James Kenward
Director

Greenslopes, Queensland

Dated: 18th August 2022

NTAGO Audited 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 2022 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 Office is adequate and the results of internal audits have been reported to the Auditor-General;
- e) the financial statements included in the annual report have been prepared from proper accounts and records and are in accordance with Treasurer's Directions;
- f) all employment instructions issued by the Commissioner for Public Employment have been satisfied; and
- g) the Office has implemented processes to achieve compliance with the archives and records management provisions as prescribed in Part 9 of the *Information Act 2002*.



Julie Crisp
Auditor-General for the Northern Territory
18 August 2022



Lisa Blakeley
Manager Finance and Corporate Services
18 August 2022

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
COMPREHENSIVE OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	2021
		\$000	\$000
INCOME			
Appropriation			
Output	4	3,091	3,088
Sales of goods and services	5	1,973	2,090
Goods and services received free of charge	6	153	165
Other income		-	-
TOTAL INCOME	3	5,217	5,343
EXPENSES			
Employee expenses	7	(1,042)	(1,011)
Administrative expenses			
Purchases of goods and services	8	(3,866)	(4,013)
Repairs and maintenance ⁽¹⁾		(1)	(1)
Other administrative expenses ⁽¹⁾		(152)	(164)
TOTAL EXPENSES	3	5,061	5,189
NET SURPLUS		156	154
COMPREHENSIVE RESULT		156	154

⁽¹⁾ Includes the Department of Corporate and Digital Development (DCDD) service charges and the Department of Infrastructure, Planning and Logistics (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 2022

	Note	2022	2021
		\$000	\$000
ASSETS			
Current assets			
Cash and deposits	10	1,091	945
Receivables	12	488	400
Other assets		-	-
Total current assets		1,579	1,345
TOTAL ASSETS		1,579	1,345
LIABILITIES			
Current liabilities			
Payables	14	159	73
Provisions	15	95	103
Total current liabilities		254	176
TOTAL LIABILITIES		254	176
NET ASSETS		1,325	1,169
EQUITY			
Capital		570	570
Accumulated funds		755	599
TOTAL EQUITY		1,325	1,169

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 2022

	Note	Equity at 1 July	Comprehensive result	Transactions with owners in their capacity as owners	Equity at 30 June
		\$000	\$000	\$000	\$000
2021-22					
Accumulated funds		599	156	-	755
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		1,169	156	-	1,325
2020-21					
Accumulated funds		445	154	-	599
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		1,015	154	-	1,169

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 2022

	Note	2022	2021
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating receipts			
Appropriation			
Output		3,091	3,088
Receipts from sales of goods and services		2,265	2,630
Total operating receipts		5,356	5,718
Operating payments			
Payments to employees		(1,050)	(1,039)
Payments for goods and services		(4,160)	(4,364)
Total operating payments		(5,210)	(5,403)
Net cash from operating activities	11	146	315
Net increase in cash held		146	315
Cash at beginning of financial year		945	630
CASH AT END OF FINANCIAL YEAR	10	1,091	945

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 2022

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NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

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 (2021-22) Act 2021*.

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.

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* requires the Office to prepare financial statements for the year ended 30 June based on the form determined by the Treasurer. The form of agency financial statements should include:

- (i) a certification of the financial statements;
- (ii) a comprehensive operating statement;
- (iii) a balance sheet;
- (iv) a statement of changes in equity;
- (v) a cash flow statement; and
- (vi) applicable explanatory notes to the financial statements.

b) Basis of accounting

The financial statements have been prepared using the accrual basis of accounting, which recognises the effect of financial transactions and events when they occur, rather than when cash is paid out or received. As part of the preparation of the financial statements, all intra-agency transactions and balances have been eliminated.

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

2. Statement of significant accounting policies cont.

The form of the Office's 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 2021-22

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

Standards and interpretations issued but not yet effective

No Australian accounting standards have been early adopted for 2021-22.

Several 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 cover the Office as an individual reporting entity. The Office is a Northern Territory agency established under the *Interpretation Act 1978* and *Administrative Arrangements Order*.

The principal place of business 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. 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 Office's financial statements. Where the Office is accountable for certain Territory items managed on behalf of government, these items are required to be separately disclosed in Note 22 – Schedule of administered Territory items. The Office did not manage any Territory items on behalf of the government during the years ended 30 June 2021 and 30 June 2022.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

2. Statement of significant accounting policies cont.

e) Comparatives

Where necessary, comparative information for the financial year ended 30 June 2021 has been reclassified to provide consistency with current year disclosures.

f) Presentation and rounding of amounts

Amounts in the financial statements and notes to the financial statements are presented in Australian dollars and have been rounded to the nearest thousand dollars, with amounts of \$500 or less being rounded down to zero. Figures in the financial statements and notes may not equate due to rounding.

g) Changes in accounting policies

There have been no changes to accounting policies adopted in the year ended 30 June 2022 as a result of management decisions.

h) Accounting judgments and estimates

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

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

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

i) Goods and services tax

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred on a purchase of goods and services is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable or payable unless otherwise specified.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

2. Statement of significant accounting policies cont.

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 agency as adjustments to equity.

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

k) Impact of COVID-19

COVID-19 has caused some minor delays with Authorised Auditors and agencies impacted by staff absences. These delays did not impact the overall cost of the audit program however it did delay the progress which delayed the recognition of audit expenses and cash payments into the 2022-23 financial year. The current year surplus is largely due to the delay in recognition of these expenses.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

3. Comprehensive operating statement by output group

	Note	Audits and Reviews		Corporate and Governance		Total	
		2022	2021	2022	2021	2022	2021
		\$000	\$000	\$000	\$000	\$000	\$000
INCOME							
Appropriation							
Output	4	2,695	2,700	396	388	3,091	3,088
Sales of goods and services	5	1,973	2,090	-	-	1,973	2,090
Goods and services received free of charge	6	-	-	153	165	153	165
Other income		-	-	-	-	-	-
TOTAL INCOME		4,668	4,790	549	553	5,217	5,343
EXPENSES							
Employee expenses	7	(706)	(669)	(336)	(342)	(1,042)	(1,011)
Administrative expenses							
Purchases of goods and services	8	(3,805)	(3,967)	(61)	(46)	(3,866)	(4,013)
Repairs and maintenance		-	-	(1)	(1)	(1)	(1)
Other administrative expenses ⁽¹⁾		-	-	(152)	(164)	(152)	(164)
TOTAL EXPENSES		(4,511)	(4,636)	(550)	(553)	(5,061)	(5,189)
NET SURPLUS		157	154	(1)	-	156	154
COMPREHENSIVE RESULT		157	154	(1)	-	156	154

⁽¹⁾ Includes DCDD service charges.

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

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 2022

4. Appropriation

	2022			2021		
	\$000	\$000	\$000	\$000	\$000	\$000
	Revenue from contracts with customers	Other	Total	Revenue from contracts with customers	Other	Total
Output	-	3,091	3,091	-	3,088	3,088
Total appropriation	-	3,091	3,091	-	3,088	3,088

Output appropriation is the operating payment to each agency for the outputs they provide as specified in the *Appropriation Act*. It does not include any allowance for major non-cash costs such as depreciation. Output appropriations do not have sufficiently specific performance obligations and recognised on receipt of funds.

The Office does not receive Commonwealth appropriation.

5. Sales of goods and services

	2022			2021		
	\$000	\$000	\$000	\$000	\$000	\$000
	Revenue from contracts with customers	Other	Total	Revenue from contracts with customers	Other	Total
Sales of goods and services	-	1,973	1,973	-	2,090	2,090
Total sales of goods and services	-	1,973	1,973	-	2,090	2,090

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 2022

5. Sales of goods and services cont.

Revenue from the recovery of audit costs by entity

	2022	2021
	\$000	\$000
Batchelor Institute of Indigenous Tertiary Education	63	83
Board of the Museum and Art Gallery of the Northern Territory	14	15
Bridging the Gap Foundation	14	20
CDU Amenities Limited	-	12
Central Australia Health Service	34	45
Charles Darwin University	174	158
Charles Darwin University Foundation	15	12
Cobourg Peninsula Sanctuary and Marine Park Board	18	21
Darwin Waterfront Corporation	45	40
Data Centre Services	26	29
Department of the Chief Minister and Cabinet	9	-
Department of Health	26	25
Department of Infrastructure, Planning and Logistics	24	24
Department of Local Government, Housing and Community Development	-	6
Department of Treasury and Finance	-	8
Desert Knowledge Australia	29	22
Indigenous Essential Services Pty Ltd	67	114
Jabiru Town Development Authority	14	18
Land Development Corporation	46	78
Menzies School of Health Research	66	69
Motor Accidents (Compensation) Commission	357	263
Nitmiluk (Katherine Gorge) National Park Board	21	20
Northern Territory Grants Commission	4	5
Northern Territory Legal Aid Commission	17	24
Northern Territory Major Events Company Pty Ltd	28	34
Northern Territory Treasury Corporation	77	71
NT Build	24	23
NT Fleet	45	45

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

5. Sales of goods and services cont.

Revenue from the recovery of audit costs by entity cont.

	2022	2021
	\$000	\$000
NT Home Ownership	41	36
Office of the Public Trustee for the Northern Territory	43	28
Power and Water Corporation	271	334
Power Generation Corporation (Territory Generation)	158	168
Power Retail Corporation (Jacana Energy)	143	165
Territory Wildlife Parks	26	26
Top End Health Service	34	49
	1,973	2,090

6. Goods and services received free of charge

	2022	2021
	\$000	\$000
Corporate and information services	152	164
Repairs and maintenance	1	1
	153	165

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.

Repairs and maintenance expenses and associated employee costs are centralised and provided by the Department of Infrastructure, Planning and Logistics and form part of goods and services free of charge.

In addition, some corporate services functions are centralised and provided by Department of Corporate and Digital Development and form part of goods and services free of charge.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

7. Employee Expenses

	2022	2021
	\$000	\$000
The net surplus has been arrived at after charging the following employee expenses:		
Salaries ⁽¹⁾	766	769
Recreation Leave ⁽¹⁾	92	81
Superannuation ⁽²⁾	82	75
Payroll Tax	54	52
Other Benefits ⁽³⁾	17	16
Fringe Benefits Tax	14	14
Allowances ⁽⁴⁾	17	1
Recreation Leave Loading ⁽⁵⁾	-	3
Total	1,042	1,011

⁽¹⁾ The increase in the net salaries and recreation leave of \$8,000 is due to the timing and recognition of leave taken by Office staff.

⁽²⁾ Includes on-cost expenses.

⁽³⁾ Includes salary sacrifice on executive vehicles and superannuation.

⁽⁴⁾ Increase due to lump sum payments to employees as per the 2021-2025 Enterprise Agreement.

⁽⁵⁾ Decrease due to the transfer of one employee to another agency in January 2022.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

8. Purchases of goods and services

	2022	2021
	\$000	\$000
The net surplus/(deficit) has been arrived at after charging the following expenses:		
Goods and services expenses:		
Consultants ⁽¹⁾		
Authorised Auditors' fees (Non-recoverable audit costs)	1,797	1,849
Authorised Auditors' fees (Recoverable audit costs)	1,973	2,090
Other Consultancy fees	16	
Total Consultants	3,786	3,939
Plus:		
Audit expense (NTAGO Financial Statements Audit)	11	12
Advertising ⁽²⁾	-	-
Marketing and promotion ⁽³⁾	-	-
Motor vehicle expenses	13	10
Document production	-	-
Legal expenses ⁽⁴⁾	-	-
Recruitment ⁽⁵⁾	-	-
Training and study	10	6
Official duty fares	-	-
Travelling allowance	-	-
Information technology charges and communications	21	22
Other	25	24
Total goods and services expenses	3,866	4,013

⁽¹⁾ Consultant expenses include Other Consultancy fees for the triennial Strategic Review of the Office in accordance with s26 of the Audit Act 1995.

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

⁽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.

Purchases of goods and services generally represent the day-to-day running costs incurred in normal operations, including supplies and service costs recognised in the reporting period in which they are incurred.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

9. 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 2021 and 30 June 2022.

10. Cash and deposits

	2022	2021
	\$000	\$000
Cash on hand	-	-
Cash at bank	1,091	945
	1,091	945

For the purposes of the balance sheet and the cash flow statement, cash includes cash on hand and cash at bank.

11. Cash flow reconciliation

Reconciliation of cash

The total of the Office's 'Cash and deposits' of \$1,091,350 recorded in the Balance Sheet is consistent with that recorded as 'Cash' in the Cash Flow Statement.

Reconciliation of net surplus/deficit to net cash from operating activities

	2022	2021
	\$000	\$000
Net surplus	156	154
<i>Non-cash items:</i>	-	-
<i>Changes in assets and liabilities:</i>		
(Increase)/Decrease in receivables	(89)	146
Increase in payables	86	50
(Decrease) in provision for employee benefits	(7)	(33)
(Decrease) in other provisions	-	(2)
Net cash from operating activities	146	315

Reconciliation of liabilities arising from financing activities

The Office does not engage in any financing activities.

Non-cash financing and investing activities

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

12. Receivables

	2022	2021
	\$000	\$000
Current		
Accounts receivable	257	228
Less: loss allowance	-	-
Prepayments	-	1
Other receivables	182	119
	439	348
GST receivables	49	52
Total receivables	488	400

Receivables include accounts receivable, accrued revenue and other receivables.

Receivables are subsequently measured at amortised cost using the effective interest method, less any impairments.

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 exposure to bad debts is not significant. The entity applies the simplified approach to measuring expected credit losses. This approach recognises a loss allowance based on lifetime expected credit losses for all accounts receivables, contracts receivables and accrued contract revenue. 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. There have been no historical losses incurred upon which to base an expected loss rate. Assuming the recovery of costs will continue to apply to the same or similar entities and that other accounts receivable remain insignificant, then in the absence of any historic losses, the expected loss rate has been determined as 0%.

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

12. Receivables cont.

Credit risk exposure of receivables cont.

The Office's credit risk exposure has not materially changed due to minimal business disruption experienced as a result of COVID-19. There is no material impact on the Office's expected credit losses due to COVID-19.

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

	2022				2021			
	Gross Receivables	Loss rate	Expected credit losses	Net receivables	Gross receivables	Loss rate	Expected credit losses	Net receivables
	\$000	%	\$000	\$000	\$000	%	\$000	\$000
Internal receivables(a)								
Not overdue	249	-	-	249	286	-	-	286
Overdue for less than 30 days	-	-	-	-	-	-	-	-
Overdue for 30 to 60 days	-	-	-	-	-	-	-	-
Overdue for more than 60 days	-	-	-	-	-	-	-	-
Total internal receivables	249	-	-	249	286	-	-	286
External receivables								
Not overdue	170	-	-	170	61	-	-	61
Overdue for less than 30 days	20	-	-	20	-	-	-	-
Overdue for 30 to 60 days	-	-	-	-	-	-	-	-
Overdue for more than 60 days	-	-	-	-	-	-	-	-
Total external receivables	190	-	-	190	61	-	-	61

⁽¹⁾ Total amounts disclosed exclude statutory amounts and prepayments, and include accrued revenue.

^(a) Internal receivables are from entities controlled by the NTG (entities listed in TAFR 2020-21 Note 46: Details of controlled entities at reporting date), whereas external receivables are from parties external to the Northern Territory Government.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

12. Receivables cont.

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.

13. Office as a lessee

The Office leases car parking bays, which are considered short-term leases. The Office has elected to recognise payments for short-term leases and low-value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets are assets with a fair value of \$10,000 or less when new and not subject to a sublease arrangement.

Inter-government leases

The agency applies the inter-governmental leases recognition exemption as per the Treasurer's Direction – *Leases*, and recognises these as an expense on a straight-line basis over the lease term. These largely relate to the lease of motor vehicles from NT Fleet. Leases of commercial properties for office accommodation are centralised with the Department of Corporate and Digital Development (DCDD). Consequently all lease liabilities and right-of-use assets relating to these arrangements are recognised by DCDD and not disclosed within these financial statements

14. Payables

	2022	2021
	\$000	\$000
Accounts payable	1	-
Accrued expenses	158	73
Total payables	159	73

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 of 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 2022

15. Provisions

	2022	2021
	\$000	\$000
Current		
Employee benefits		
Recreation leave	74	80
Leave loading	2	4
Other employee benefits ⁽¹⁾	19	19
Total provisions	95	103

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

The Office employed five employees as at 30 June 2022 (five employees as at 30 June 2021).

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 liability of government agencies, including the Northern Territory Auditor-General's Office and therefore no long service leave liability is recognised in the Office financial statements.

Superannuation

Employees' superannuation entitlements are provided through the:

- Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS); 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 2022

15. Provisions cont.

Superannuation cont.

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 therefore not recognised in agency financial statements.

16. Commitments

Disclosures are in relation to commitments for contractual service obligations with Authorised Auditors. Commitments are those contracts as at 30 June where the amount of the future commitment can be reliably measured.

The Office has no capital commitments.

Disclosures in relation to other commitments are detailed below:

	2022		2021	
	Internal ^(a)	External ^(a)	Internal ^(a)	External ^(a)
	\$000	\$000	\$000	\$000
Authorised Auditor Commitments ^(b)				
The minimum legal commitment to audit firms for the remaining term of the current contract, is as follows:				
Within one year	-	1,429	1	1,745
Later than one year and not later than five years	-	986	-	2,618
Later than five years	-	-	-	-
Total commitments (exclusive of GST)	-	2,415	-	4,363
Plus: GST recoverable	-	242	-	436
Total commitments (inclusive of GST)	-	2,657	-	4,799

^(a) Internal commitments reflect commitments with entities controlled by the Northern Territory Government, (entities listed in TAFR 2020-21 Note 46: details of controlled entities at reporting date), whereas external commitments reflect those to third parties external to the Northern Territory Government.

^(b) The model under which the Office operates relies upon the use of auditors who are drawn from private accounting firms and appointed by the Auditor-General pursuant to section 17 of the Audit Act 1995. A number of firms are appointed to the period panel contract, which is executed every three years. The current contract was awarded in September 2020 following a Tier-5 procurement activity and is effective from 2 January 2021 to 1 January 2024. The contract provides for rate escalation aligned to CPI. As future CPI changes are unknown at reporting date, estimates have therefore been used in the calculation of future commitments.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

17. 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-amount of the Office's financial assets and liabilities by category are disclosed in the table below.

	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
2021-22					
Cash and deposits	-	-	1,091	-	1,091
Receivables ⁽¹⁾	-	-	439	-	439
Total financial assets	-	-	1,530	-	1,530
Payables ⁽¹⁾	-	-	1	-	1
Total financial liabilities	-	-	1	-	1

⁽¹⁾Total amounts disclosed here exclude statutory amounts, prepaid expenses and accrued contract revenue

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

17. Financial instruments cont.

a) Categories of financial instruments cont.

	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
2020-21					
Cash and deposits	-	-	945	-	945
Receivables ⁽¹⁾	-	-	347	-	347
Total financial assets	-	-	1,292	-	1,292
Payables ⁽¹⁾	-	-	-	-	-
Total financial liabilities	-	-	-	-	-

⁽¹⁾Total amounts disclosed here exclude statutory amounts, prepaid expenses and accrued contract revenue

Categories of financial instruments

The Office's financial instruments are classified in accordance with *AASB 9 Financial Instruments*.

Financial assets are classified under the following categories:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit and loss (FVTPL).

Financial liabilities are classified under the following categories:

- Amortised cost
- Fair value through profit and loss (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 reclassified 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 payments of principal and interest.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

17. Financial instruments cont.

a) Categories of financial instruments cont.

Financial assets at amortised cost

Financial assets are classified at amortised cost when they are held by the agency to collect contractual cash flows and the 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 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 derecognition 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 initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest rate method. The agency's financial liabilities categorised at amortised cost include all accounts payable.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

17. Financial instruments cont.

a) Categories of financial instruments cont.

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 agency's credit risk are recognised in other comprehensive income, while remaining changes in the fair value are recognised in the net result.

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

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation

The Office has limited credit risk exposure (risk of default). In respect of any dealings with organisations external to government, the agency 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 12.

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 it will always have sufficient funds to meet its liabilities when they fall due. This is achieved by ensuring 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.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

17. Financial instruments cont.

c) Liquidity risk cont.

2022 Maturity analysis for financial liabilities

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

2021 Maturity analysis for financial liabilities

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

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

(ii) Price risk

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

(iii) Currency risk

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

18. Related parties

a) 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.

b) Key management personnel (KMP)

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

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

c) Remuneration of key management personnel

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

	2022	2021
	\$000	\$000
Short-term benefits	302	299
Post-employment benefits	23	22
Long-term benefits	-	-
Termination benefits	-	-
Total	325	321

d) 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.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

18. Related parties cont.

d) Related party transactions cont.

Transactions with Northern Territory Government controlled entities cont.

2022

Related party	Revenue from related parties	Payments to related parties	Amounts owed by related parties	Amounts owed to related parties
	\$000	\$000	\$000	\$000
All NTG Government departments	1,824	276	119	16

2021

Related party	Revenue from related parties	Payments to related parties	Amounts owed by related parties	Amounts owed to related parties
	\$000	\$000	\$000	\$000
All Territory Government departments	1,944	270	228	12

The department's transactions with other government entities are not individually significant.

Further information regarding revenue from related parties is disclosed in Note 5 Sales of Goods and Services.

Other related party transactions

The Office had no other related party transactions in excess of \$10,000 or on non-standard terms and conditions that may be reported.

19. Contingent liabilities and contingent assets

The Office had no contingent liabilities or contingent assets as at 30 June 2022 or 30 June 2021.

20. 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.

21. Accountable officer's trust account

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

22. 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)).

23. Budgetary information

Comprehensive operating statement	2021-22 Actual	2021-22 Original budget ^(a)	Variance	Note
	\$000	\$000	\$000	
INCOME				
Appropriation				
Output	3,091	3,059	32	
Sales of goods and services	1,973	1,864	109	1
Goods and services received free of charge	153	163	(10)	
TOTAL INCOME	5,217	5,086	131	
EXPENSES				
Employee expenses	(1,042)	(1,070)	(28)	2
Administrative expenses				
Purchases of goods and services	(3,866)	(3,853)	13	
Repairs and maintenance	(1)	(2)	(1)	
Other administrative expenses	(152)	(161)	(9)	
TOTAL EXPENSES	(5,061)	5,086	(25)	
NET SURPLUS/(DEFICIT)	156	-	156	
COMPREHENSIVE RESULT	156	-	156	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2021-22 BP3 Agency Budget Statements (May 2021), 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.

- Costs associated with the audits of statutory entities are permitted to be recovered. Those audits that experienced costs more than \$10,000 in excess of the original budget were Batchelor Institute of Indigenous Tertiary Education, Power and Water Corporation, Indigenous Essential Services Pty Ltd, Motor Accidents (Compensation) Commission and Office of the Public Trustee of the Northern Territory. Refer to Note 5 for further details.
- Employee expenses are lower than budget due to employee movements and additional budget allocations to cover employee lump sum payments.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

23. Budgetary information cont.

Balance Sheet	2021-22 Actual	2021-22 Original budget ^(a)	Variance	Note
	\$000	\$000	\$000	
ASSETS				
Current assets				
Cash and deposits	1,091	630	461	1
Receivables	488	543	(55)	2
Other assets	-	-	-	
TOTAL ASSETS	1,579	1,173	406	
LIABILITIES				
Current liabilities				
Payables	159	21	138	3
Provisions	95	137	(42)	4
TOTAL LIABILITIES	254	158	96	
NET ASSETS	1,325	1,015	310	
EQUITY				
Capital	570	570	0	
Accumulated funds	755	445	310	
TOTAL EQUITY	1,325	1,015	310	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2021-22 BP3 Agency Budget Statements (May 2021), 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. The increase in Cash balances at year end is reflective of the positive comprehensive result for the 2021-22 financial year as well as timing variances in the recognition and payment of expenses and receipt of cash from receivables.
2. Receivables were lower than budget by \$0.055 million due to the timing variance in invoicing of recoverable audit fees.
3. Payables represent accrued expenses at year end and were higher than budgeted by \$0.138 million. Expenses were accrued for invoices outstanding which related to recoverable and non-recoverable audit costs, accrued employee expenses and audit fees accrued for the audit of the Office for the year ended 30 June 2022.
4. Provisions represent the recognition of employee related expenses as at 30 June 2022, which are less than anticipated due to employee movements and staff taking leave entitlements which were accrued in the prior year.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2022

23. Budgetary information cont.

Cash flow statement	2021-22	2021-22	Variance	Note
	Actual	Original budget ^(a)		
	\$000	\$000	\$000	
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating receipts				
Appropriation				
Output	3,091	3,059	32	
Receipts from sales of goods and services	2,265	1,864	401	1
Total operating receipts	5,356	4,923	433	
Operating payments				
Payments to employees	(1,050)	(1,070)	20	
Payments for goods and services	(4,160)	(3,853)	(308)	2
Total operating payments	(5,210)	(4,923)	(288)	
Net cash from/(used in) operating activities	146	-	145	
Net increase/(decrease) in cash held	146	-	145	
Cash at beginning of financial year	945	630	315	
CASH AT END OF FINANCIAL YEAR	1,091	630	460	

^(a) Original budget amounts correspond to those disclosed in the NTG Budget 2021-22 BP3 Agency Budget Statements (May 2021), classified on a basis consistent with the presentation and classification adopted in the corresponding financial statement.

Notes:

1. Represents the receipt of recoverable audit fees attributable to the current and prior year in excess of the budget value. Recoverable audit fees were \$109,000 higher than budgeted during the year. Receivables as at 30 June 2022 were lower than budgeted due to timing of invoicing and collection of invoiced amounts. Receipts are reported inclusive of GST in accordance with Australian Accounting Standards.
2. The variance in payments for goods and services is relative to timing in recognising expenses and payments made. The reported payments are inclusive of GST in accordance with the Australian Accounting Standards.

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Abbreviations list

AASB	Australian Accounting Standards Board
ACAG	Australian Council of Auditors-General
AP	Accounts Payable
AR	Accounts Receivable
ARW	Accounts Receivable Wizard
ATO	Australian Taxation Office
CDU	Charles Darwin University
CEO	Chief Executive Officer
COVID-19	Coronavirus Disease 2019
CSS	Commonwealth Superannuation Scheme
DCDD	Department of Corporate and Digital Development
DCDD FOC	Department of Corporate and Digital Development, 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
NTAGO	Northern Territory Auditor-General's Office
NTG	Northern Territory Government
NTGPASS	Northern Territory Government and Public Authorities Superannuation Scheme
NTPS	Northern Territory Public Sector
NTTC	Northern Territory Treasury Corporation
OCPE	Office of the Commissioner for Public Employment
PAC	Public Accounts Committee
PSEMA	<i>Public Sector Employment and Management Act 1993</i>
SLA	Service Level Agreement
TERC	Territory Economic Reconstruction Commission
TRM	Territory Records Manager
WHS	Work Health and Safety