



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

Auditing for Parliament

Annual Report 2022-23

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*

At the Northern Territory Auditor-General's Office we acknowledge the Aboriginal and Torres Strait Islander people as the traditional Owners, Custodians of Country throughout Australia and their connection to land, seas and community.

We pay our respects to their cultures, and to their Elders past and present.

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 2023.

As well as reporting on the performance for the past year, the report also 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>.

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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 2023. This year, personnel within the Office coordinated the delivery of 113 new audit related tasks and produced three reports to the Legislative Assembly.

As reported last year, resource constraints prevented the financial year audit program being completed by 30 June 2022 with work to the value of \$0.088 million completed in the 2023 financial year. As the size of the Office and the criteria to be met for carry forward funding preclude the Office being considered from carrying forward unspent funding, completion of these audits had to be funded from the 2022-23 output appropriation.

During the current year, costs associated with the delivery of the audit program increased due to professional service rates which are contractually linked to inflation. The uplift applied to contracted rates in January 2022 was 7.6% and the uplift applied in January 2023 was a further 6.4%. As a result, it has been necessary to plan for a reduced audit program for the year ending 30 June 2024. In approving the Office's appropriation budget, the government has accepted the risks associated with reduced audit coverage.

In addition to the planned reduction in the audit program, escalating audit costs have also meant that, in order to get sufficient audit coverage, employee expenditure will have to be reduced in order to pay audit service providers from 2023-24. As a consequence, changes to resourcing and positions within the Office have been communicated to affected personnel and will take effect during the 2023-24 financial year.

I would like to take the opportunity to publically clarify my ability to audit third parties who have received government funds. There have been several instances over the past few years where it has been asserted that the Auditor-General can audit whatever they choose to. This statement, whilst true for many Auditors-General in other jurisdictions is not true in the Northern Territory. Section 28 of the *Audit Act 1995* enables the Northern Territory Auditor-General to audit an organisation in which the Territory has an interest only at the request of a Minister. During my tenure, I have received no requests under section 28.

Subsequent to year end, procurement for the next three-year period panel contract, for the period from 2 January 2024 to 1 January 2026, was undertaken and concluded with contracts awarded in October 2023.

The Year Ahead

Excluding reviews of information referred under the *Public Information Act 2010*, the number of which cannot be estimated with certainty, Budget Paper 3 identifies the work program for the forthcoming year which includes the delivery of 110 audit related tasks. The decrease in the number of audit tasks takes into account the effects of increased costs of audit services associated with higher Consumer Price Index (CPI) escalation of rates under the panel period contract for outsourced audit services.

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. As increased costs can presently only be recovered from some entities who require audits of their financial statements, much of the cost increase must be managed within budget by reducing the audit program.

Auditor-General's Foreword cont.

For the financial years 2020-21 to 2022-23, the reduction in the audit program has largely been contained to reducing the number of performance management system audits and removing elements of the agency compliance audits that do not have a direct correlation to the financial balances reported in the Treasurer's Annual Financial Statement. As an example, agencies are no longer assessed for compliance with Treasurer's Directions relating to information and communication technology.

With no approved increase in appropriation, the significant inflationary pressures over the past two years have necessitated a heavily reduced audit program for the forthcoming year. Elements of the audit program that will be reduced include performance management system audits and information technology audits. Performance management system audits are often directed at major capital projects, management of financially significant service provision contracts, grants programs and internal control frameworks. In addition to the audit of existing systems, information technology audits also seek to gain assurance over the design and implementation of new information technology systems that are significant in terms of across-government impact and cost. Given the Northern Territory Government's significant financial investment in information technology systems, major projects, grant programs and National Partnership Arrangements, the removal of these audits significantly increases the risk of fraud, error and financial loss occurring and remaining undetected.

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.

Acknowledgement

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.

During the financial year, Juliette Chenais and Cindy Nielsen temporarily filled positions in the Office while roles were restructured and permanent staff took leave and I place on record my thanks to them for their contribution during their temporary employment. I welcome Bernadette Guiang Esteban to the role of Administrative Officer.

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. Over 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.

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



Julie Crisp
Auditor-General
25 October 2023

Our Organisation

2022-23 Highlights and Statistics

Deliverables to Parliament				
August 2022 Legislative Assembly Report	November 2022 Legislative Assembly Report	February 2023 Legislative Assembly Report	Audited Financial Statements 2021-22	
Audits and Reviews				
56	40	4	12	1
Financial Statement Audits	Compliance Audits	Performance Management System Audits	Other Assignments	<i>Public Information Act 2010</i> Referral
Stakeholder Engagement				
3 Public Accounts Committee Appearances	37 Audit Committee Meetings Attended	Annual Evaluation held with 6 Authorised Auditor Firms	33 NTG Agencies Consulted for Feedback	
Finance				
\$0.040 million Operating Surplus	98% Invoices Paid within NT Government Policy terms		6 Local Audit Firms	
People				
5	100%		100%	
Full Time Personnel	Employee Performance Plans Completed		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

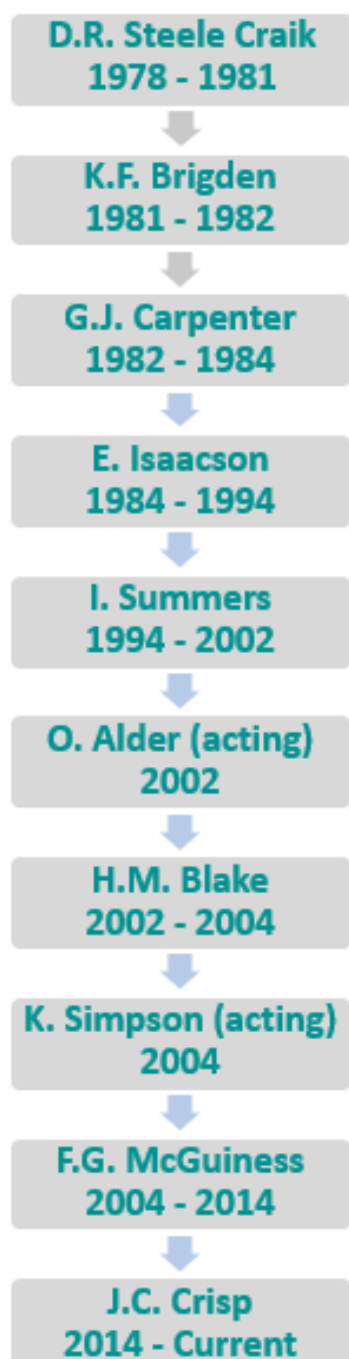
Section 12A of the Act provides for safeguards to ensure the Auditor-General remains independent and is not actually, or perceived to be, influenced by anyone. These safeguards are intended to ensure that work conducted is independent, impartial and within the public interest.

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:

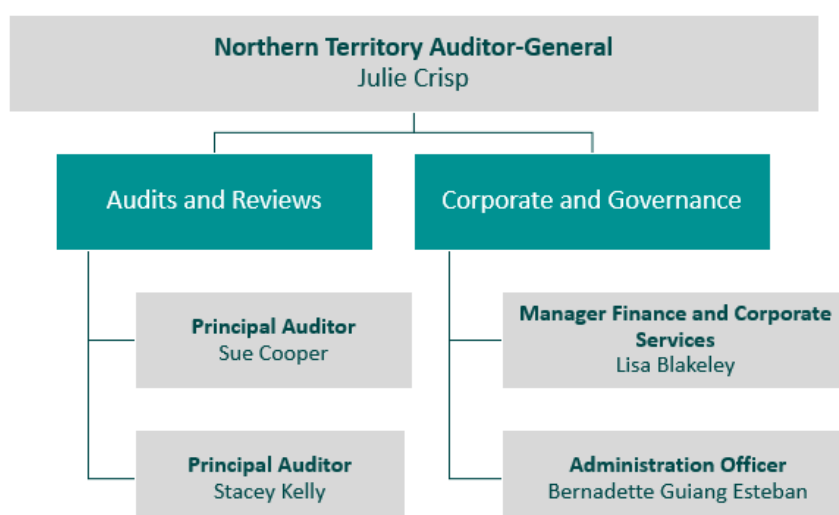
Figure 2 Output Groups and operational responsibilities

Audits and Reviews	Corporate and Governance
• Financial Statement Audits	• Financial Management
• Compliance Audits	• Corporate, Governance and Risk Management
• Performance Management System Audits	• Work Health and Safety
• <i>Public Information Act 2010</i> Referrals	• Human Resources
• Data Analytics	• Procurement
• Other Reviews	• Information, Communications and Technology
• Reporting to the Legislative Assembly	• Records Management
• Maintenance of audit systems	• Travel

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 CVO 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

Our people cont.



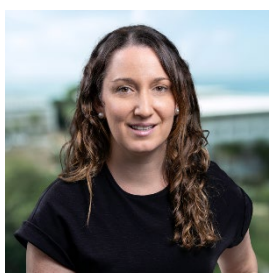
Sue Cooper **Principal Auditor**

Sue Cooper was appointed on contract as a Principal Auditor in 2004. Sue is a Chartered Accountant 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 Fellow of Chartered Accountants Australia and New Zealand 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 Regional and Rural Advisory Committee and member of the Northern Territory Chartered Accountant's Panel.

Stacey's qualifications include:

- Fellow, Chartered Accountants Australia and New Zealand
- Professional Member, Institute of Internal Auditors (Certified Internal Auditor)
- Bachelor of Commerce (Major: Accounting, Minor: International Business), Flinders University Australia

Our people cont.



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 Administration Officer.

Lisa's qualifications include:

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



Bernadette Guiang Esteban

Administration Officer

Bernadette commenced with the Northern Territory Government in August 2022 and joined the Office in February 2023. Prior to joining the public sector, Bernadette worked in a variety of private sector positions in administrative and bookkeeping 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, Bernadette provides support with electronic and manual records relating to audits and the Office. Bernadette is responsible for maintaining and updating the Office records management systems and processes. Bernadette is currently undergoing in-house training and providing assistance in the preparation of policy and procedural documents.

Bernadette's qualifications include:

- Bachelor of Science in Accountancy and Commerce, Saint Louis University, Philippines

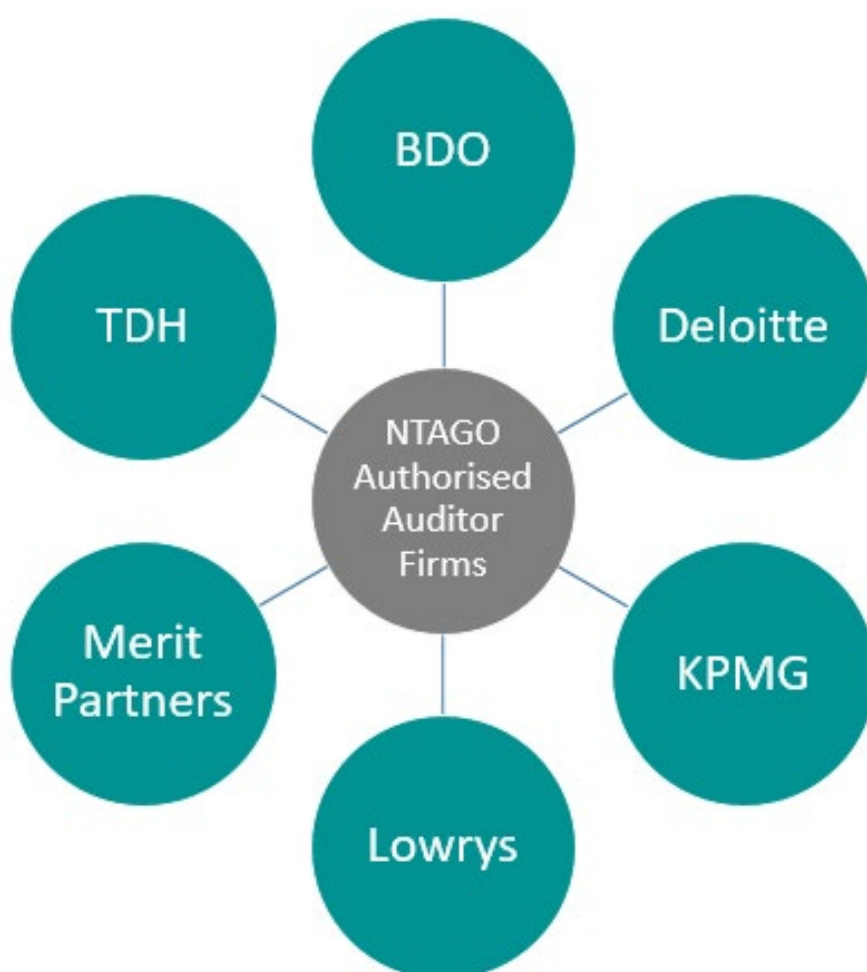
Outsourcing Model

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 173 personnel recognised as Authorised Auditors of the Auditor-General within the Northern Territory-based firms listed below as at 30 June 2023.

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 the Office's strategic plan. The framework addresses communication objectives for stakeholder groups and is the basis for regular communication with all stakeholder groups.

Figure 5 Communication framework



Output Group: Audits and Reviews

Business Plan

Objective

To discharge the responsibilities of the *Audit Act 1995*, independently, impartially and in the public interest by delivering the audit program and reporting to the Legislative Assembly, and auditing the Treasurer's Annual Financial Statement and reporting to the Treasurer.

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 Statement.
- 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*.

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.

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);
- the annual audit of the Treasurer's Annual Financial Statement (section 25); and
- audits of the accounts of an organisation in which the Territory, an Agency or a Territory controlled entity has an interest (section 28).

Audits are conducted with regard to Australian Auditing Standards issued by the Australian Auditing and Assurance Standards Board, a Commonwealth statutory body established under the *Australian Securities and Investments Commission Act 2001*. 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 financial reporting.

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.

Key Performance Indicators (KPIs)

The Office commenced 113 audit tasks in 2022-23, of which 107 were outsourced and 6 were allocated to internal resources. Planned activity during the 2022-23 financial year, as presented in Budget Paper 3, was for the commencement of 111 audit tasks.

Figure 6 Reporting of KPIs as presented in Budget Paper 3

Audits and Reviews	2022-23 Budget	2022-23 Actual	Variance
Financial statement audits	56	56	-
Compliance audits ⁽¹⁾	39	40	1
Performance management system audits ⁽²⁾	6	4	-2
Other assignments ⁽³⁾	7	12	5
<i>Public Information Act 2010</i> referrals ⁽⁴⁾	3	1	-2
Total	111	113	2

The following changes impacted the planned audit program as presented in Budget Paper 3.

- (1) One compliance audit directed at the SerPro information technology system was cancelled at the request of the Department of Corporate and Digital Development as the design and implementation of the system was not sufficiently advanced to enable the objectives of the audit to be achieved. The resources scheduled for the cancelled audit were redirected to undertake a Post Implementation Review of the CARE System (as part of the Client Management Service Alignment project). One additional compliance audit assessing the controls in place at the Department of the Chief Minister and Cabinet to support claims under the Commonwealth's Disaster Relief Funding Arrangements was added.
- (2) Performance management system audits are undertaken pursuant to section 15 of the *Audit Act 1995*. The resources originally intended for two performance management system audits were reallocated to other audits of the Public Account addressing specific risks associated with implementation of the government's wages policy and the valuation of government assets.
- (3) Other assignments include data analytics tasks and audits required as a result of funding arrangements entered into by the Territory Government. The 2022-23 budget line 'Other assignments' included the audits of seven financial acquittal statements. The audit of the acquittal of expenditure under the Commonwealth's Disaster Relief Funding Arrangements was added and then cancelled for 2022-23 upon notification by the Department of the Chief Minister and Cabinet. Six additional other assignments were undertaken and included:
 - the audit of the Regional Health Services Funding Acquittal;
 - data analysis of Flex-time;
 - data analysis of Executive Contract Officer – Christmas Closedown Leave;
 - review of specific salary underpayments;
 - the audit of the implementation of the Wages Policy and Lump Sum Payments at selected agencies (using resources redirected from the performance management system audit program); and
 - the audit of the processes and controls applicable to Asset Valuations at selected agencies (using resources redirected from the performance management system audit program).
- (4) 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 2022-23.

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

Key Performance Indicator	Results for 2022-23
Number of reports to the Legislative Assembly (at least one a year)	3 reports were delivered to the Legislative Assembly and tabled in August 2022, November 2022 and February 2023.
Number of presentations delivered to the Public Accounts Committee (PAC)	The Auditor-General provides a presentation to the Public Accounts Committee (PAC) on the key findings included in each of the reports delivered to the Legislative Assembly. The Auditor-General appeared on 3 occasions before the PAC during the year.
Conduct annual surveys from PAC, Authorised Auditors and audited entities.	Feedback was sought from 43 entities and 6 audit firms following the conclusion of the financial year. Members of the PAC provide feedback to the Auditor-General throughout the year.
Conduct annual briefings to Authorised Auditors and audited entities	The following annual briefings and training were provided during the 2022-23 financial year: February 2023: <ul style="list-style-type: none"> • New Authorised Auditor training (21 Attendees) • Senior Authorised Auditor briefing (30 Attendees) • NTG Agency briefings (24 Attendees)
Inductions provided to new Members of the Legislative Assembly and PAC	The Auditor-General was not invited to induct newly elected Members during the 2022-23 financial year.
Inductions provided to new Accountable Officers of Northern Territory Government (NTG) agencies	There were no introductory meetings held between the Auditor-General and newly appointed Accountable Officers during the 2022-23 financial year.
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 2022-23

During 2022-23, the Office finalised 11 of the 12 audit tasks carried forward from the 2021-22 financial year. These audits were:

- 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 Chief Minister and Cabinet – Darwin City Deal Management
- Performance Management System Audit – Department of Chief Minister and Cabinet – Local Jobs Fund
- Performance Management System Audit – Department of 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

The following audit commenced in February 2020 and is currently being completed however has been significantly delayed due to resourcing constraints:

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

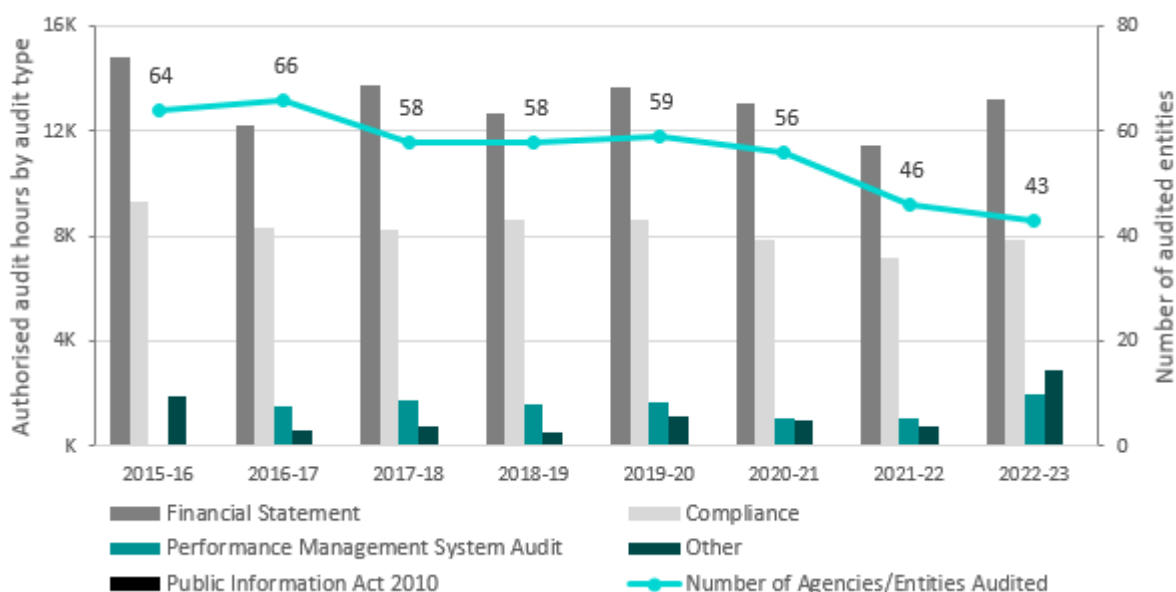
Of the 113 new audits and reviews that commenced during the 2022-23 year, 104 audit tasks were finalised by 30 June 2023. Three were substantially complete with associated reporting being finalised in July 2023. The following outstanding audit tasks will be finalised in 2023-24:

- Financial Statement Audit – Interim – Batchelor Institute of Indigenous Tertiary Education
- Financial Statement Audit – Batchelor Institute of Indigenous Tertiary Education
- Performance Management System Audit – Department of Infrastructure, Planning and Logistics – Infrastructure Program Development, Budgeting and Reporting
- Compliance Audit – Department of Chief Minister and Cabinet – Assurance Engagement of Controls – Disaster Recovery Funding Arrangements
- Other Audit – Selected Agencies – Asset Valuations
- *Public Information Act 2010* referral – Department of the Chief Minister and Cabinet.

Delays in the completion of audits reflect resourcing constraints in the audited entities, audit firms and the Office.

Reflection on 2022-23 cont.

Figure 8 Number of audited entities and outsourced audit hours by audit type



During the 2022-23 financial year, 43 entities were audited, three less than the number of entities audited in the 2021-22 period. The decrease reflects machinery of government changes during the year ended 30 June 2022 which meant that the following entities no longer require financial statement audits as they were amalgamated into the Department of Health effective from 1 July 2023:

- Central Australia Health Service
- Top End Health Service

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

- Charles Darwin University Foundation Limited

Of the 113 new audits, reviews and audit related tasks conducted through the Office during the 2022-23 financial year, six 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 2022-23 for Authorised Auditors as a result of the Office's outsourcing arrangements with private audit firms amounted to \$4.065 million compared to \$3.770 million for the 2021-22 year.

Where increased costs were incurred on financial statements audits of entities subject to the cost recovery model, the costs were recovered from those entities. Of the \$0.295 million in additional costs, \$0.222 million was recovered as demonstrated by the corresponding increase in income from sales of goods and services.

Outsourced information technology audits, performance management system audits, agency compliance audits and end of year reviews conducted at NTG agencies and the audits of the Treasurer's Annual Financial Statement and the Northern Territory Police Supplementary Scheme are funded through appropriation. Where increased costs are incurred with these audits, the Office must reduce elements of the audit program to remain within budget.

Reflection on 2022-23 cont.

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

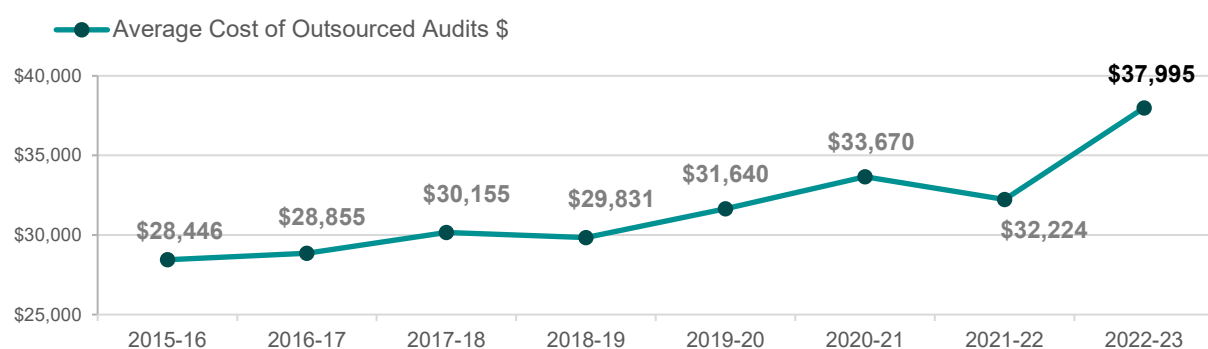
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Total Cost of Outsourced Audits \$'000	4,210	3,780	3,890	3,699	4,145	3,939	3,770	4,065
No. of Audits	158	141	136	136	139	125	120	113
In-house Audits	10	10	7	12	8	8	3	6
Outsourced Audits	148	131	129	124	131	117	117	107
Average Cost of Outsourced Audits \$	28,446	28,855	30,155	29,831	31,640	33,670	32,224	37,995

The above figure demonstrates the substantially higher cost per audit and the decreasing number of audits being undertaken. The average cost per outsourced audit increased by 18% in 2022-23 when compared to 2021-22. Costs associated with audits are identified and variances between years explained from page 44 in the narrative accompanying Figure 35. The increase in average cost is the result of higher charge-out rates to outsourced audit service providers; the use of more experienced auditors to understand and test increasingly complex accounting estimates prepared by audited entities; increased time required to respond to growing auditing standard requirements; and more time spent because entities are not adequately prepared for audits and need to amend and resubmit information provided for audit.

Inflationary pressures have caused a significant overall annual cost escalation for the second year in a row. The uplift applied to contracted rates in January 2022 was 7.6% and the uplift applied in January 2023 was a further 6.4%.

A total of 26,281 hours of audit activity was delivered in 2022-23 compared to 20,422 hours in 2021-22.

Figure 10 Average outsourced audit cost trend



The Office conducts its audits using an outsourcing model involving local audit firms. The 2023 calendar year is the final year of the panel contract for the period from 2 January 2021 to 1 January 2024. Subsequent to 30 June 2023, the Office undertook procurement activity to award the period panel contract which will come into effect as of 2 January 2024. The panel contract will run for a three year period from 2 January 2024 to 1 January 2026.

Reflection on 2022-23 cont.

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. As increased costs can presently only be recovered from those entities who require audits of their financial statements, much of the cost increase must be managed within budget by reducing the audit program.

For the financial years 2020-21 to 2022-23, the reduction in the audit program has largely been contained to reducing the number of performance management system audits and removing elements of agency compliance audits that do not have a direct correlation to the financial balances reported in the Treasurer's Annual Financial Statement. As an example, agencies are no longer assessed for compliance with Treasurer's Directions relating to information and communication technology.

With no substantial approved increase in appropriation, significant inflationary pressures have necessitated a heavily reduced audit program for the forthcoming year. Elements of the audit program that will be reduced include audits of performance management systems and information technology systems. Performance management system audits are often directed at major capital projects, management of financially significant service provision contracts, grants programs and internal control frameworks. Many information technology audits seek to gain assurance over the design and implementation of new information technology systems that have significant across-government impact and high cost. Given the NTG's significant financial investment in information technology systems, major projects, grant programs and service contracts, the removal of these audits significantly increases the risk of financial loss and fraud and error occurring and remaining undetected.

The figure below demonstrates the movement in output appropriation in the years since the cost recovery model was approved in 2015 by the then government of the day.

Figure 11 Output appropriation

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Output appropriation \$'000	3,178	3,152	3,077	3,060	3,053	3,088	3,091	3,098

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 addressed to the Accountable Officer which 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
- Charles Darwin University
- 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
- 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
- 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

Financial Statement Audits

Financial statement audits include the audits of statutory financial statements and audits of information technology systems used to record and report financial transactions. This class of activity relates to the Auditor-General's statutory duty to carry out audits of financial statements prepared by the Treasurer, statutory bodies, Government Business Divisions and Government Owned Corporations.

The Treasurer's Annual Financial Statement provides information about the financial performance and position of the NTG. The Auditor-General is required to audit the Treasurer's Annual Financial Statement in accordance with section 25 of the Act. The Treasurer's Annual Financial Statement consists of the consolidated figures from:

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

Statutory bodies, Government Owned Corporations and Government Business Divisions are required by various Acts of Parliament to prepare annual financial statements and to submit those statements to the Auditor-General for audit. Those statements are audited and audit opinions issued accordingly. The opinions are included in the 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 2022-23 and are not consolidated into the Treasurer's Annual Financial Statement include:

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

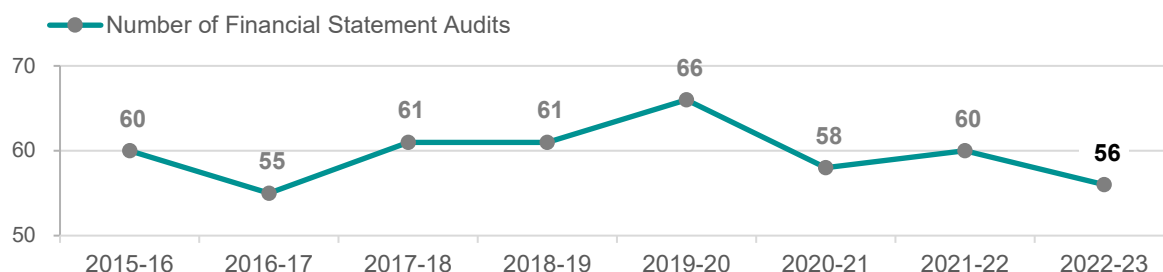
Financial Statement Audits cont.

The financial statements of the following Government Owned Corporations, Government Business Divisions are individually subject to audit and are also 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
- 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

In 2022-23, 56 audits were undertaken in order to provide audit opinions on statutory financial statements. There was a decrease of four audits from the prior year's total of 60 new financial statement audits.

Figure 12 Number of new financial statement audit task assignments issued



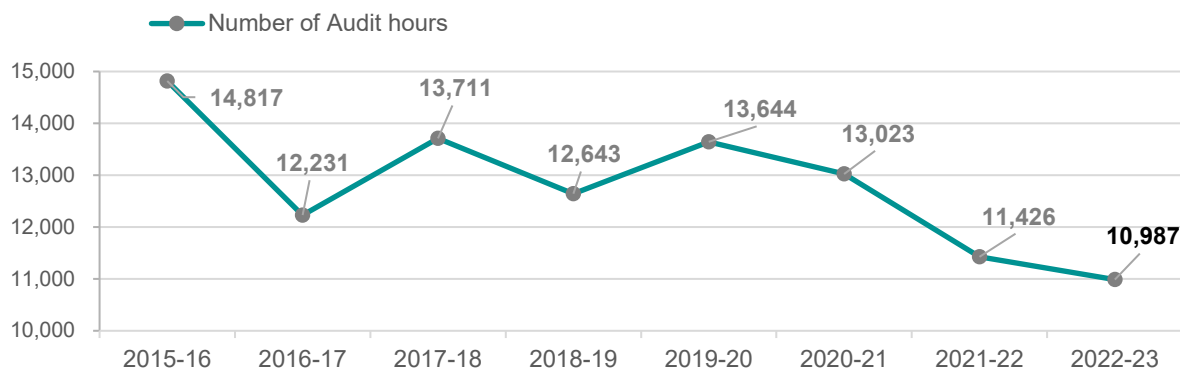
The net decrease of four financial statements audits when compared to the prior year results from:

- The cessation of Central Australia Health Service and Top End Health Service.
- The dissolution of one subsidiary of Charles Darwin University, being Charles Darwin University Foundation Limited.
- The winding up of the Jabiru Town Development Authority.

Financial Statement Audits cont.

In 2022-23, audit hours attributable to financial statement audits totalled 10,987 hours, a decrease of 439 hours (4%) from the 2021-22 financial year.

Figure 13 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.

Four financial statements audits were not required in the 2022-23 financial year. In the prior year, these four audits required approximately 600 audit hours however there were some offsetting increases in hours from the prior year.

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.

Revisions to Australian Auditing Standard ASA 540 *Auditing Accounting Estimates and Related Disclosures* became operative for financial reporting periods beginning on or after 15 December 2021. In practice, this means for reporting periods commencing on or after 1 July 2022, ASA 540 increased the requirements for auditors when undertaking audit procedures relating to risk assessment procedures and related activities; identifying and assessing the risks of material misstatement; responses to the assessed risks of material misstatement; disclosures related to accounting estimates; indicators of possible management bias; overall evaluation based on audit procedures performed; written representations; and communication with those charged with governance, management or other relevant parties. Additional documentation requirements were also prescribed.

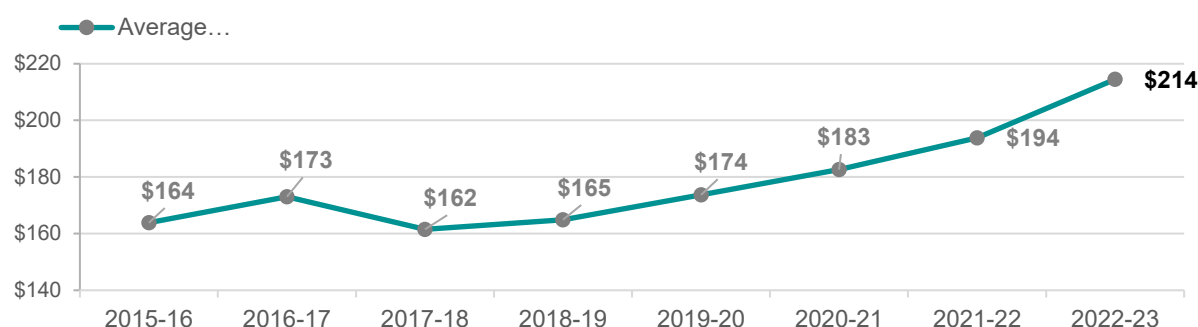
As communicated in my August 2023 report to Parliament, I was unable to form an opinion on the audit of the financial statements of the Batchelor Institute of Indigenous Tertiary Education for the year ended 31 December 2021 despite a significant increase in the hours allocated to the audit which concluded during the 2022-23 financial year.

Financial Statement Audits cont.

The weighted average cost per hour of providing financial statement assurance for 2022-23 was \$214 per hour (2021-22: \$194 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 which impacted the costs associated with the six month period from 1 July 2022 to 31 December 2022 by approximately 7.6%. The subsequent annual escalation in January 2023 saw rates rise by a further 6.4% as applicable to the audit program undertaken between 1 January 2023 and 30 June 2023.

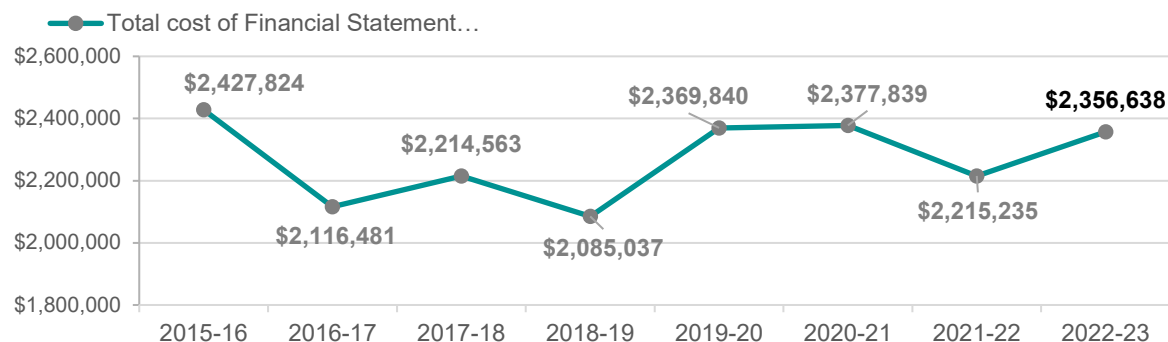
Costs of audits are dependent on the allocation of hours across the professional levels of Authorised Auditors required for each audit, the hourly contracted rate, the inclusion of supplementary expenses for travel disbursements (related to visiting specialists) and the number of hours an audit may take 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.

Figure 14 Weighted average cost per hour for new financial statement audits each financial year



The total cost related to undertaking new financial statement audits for 2022-23 was \$2.357 million, an increase of \$0.142 million from \$2.215 million in the 2021-22 financial year. The two most significant influencing factors were the CPI-based rate escalation and the increased requirements on auditors arising from the revised Australian Auditing Standard ASA 540 *Auditing Accounting Estimates and Related Disclosures*.

Figure 15 Cost of undertaking new financial statement audits each financial year

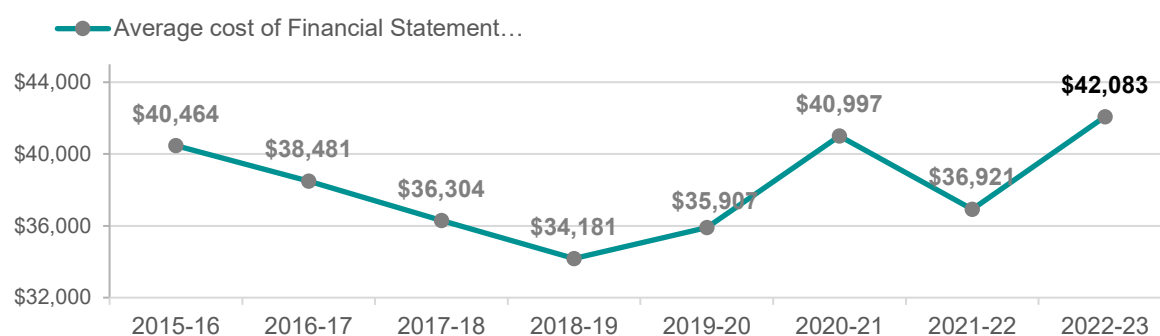


The significantly higher average cost of audits in 2015-16 was attributable to additional resources required to audit the utility sector entities following structural separation in the prior year.

Financial Statement Audits cont.

Average cost then declined consistently until 2019-20 where a further 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. These decreases were partially offset by increases in hourly rates. The increase in cost per audit in 2022-23 reflects the further CPI-based rate escalation and the increased requirements on auditors arising from the revised Australian Auditing Standard ASA 540.

Figure 16 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 and end of year reviews are performed by the Auditor-General to establish the extent to which agencies have implemented systems and controls to ensure compliance with the prescribed financial management and accountability requirements. These audits are undertaken primarily to support the audit of the Treasurer's Annual Financial Statement.

The number of agency compliance audits undertaken is directly affected by the number of agencies consolidated into the Treasurer's Annual Financial Statement. Consistent with the prior year, the following agencies were subject to compliance audits and year end reviews during 2022-23 (as part of the audit of the Treasurer's Annual Financial Statement):

- Aboriginal Areas Protection Authority
- 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 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
- Northern Territory Electoral Commission
- Northern Territory Police, Fire and Emergency Services
- Office of the Independent Commissioner Against Corruption
- Ombudsman's Office

A number of compliance audits are directed at critical information technology systems. These are undertaken at the Department of Corporate and Digital Development. Four compliance audits relating to information technology systems were undertaken compared to eight in the previous year. The four audits were undertaken in respect of:

- Payroll Information Processing System
- Government Accounting System.
- Post Implementation Review of HPSM/ePASS replacement
- Post Implementation Review of the CARE System (as part of the Client Management Service Alignment project).

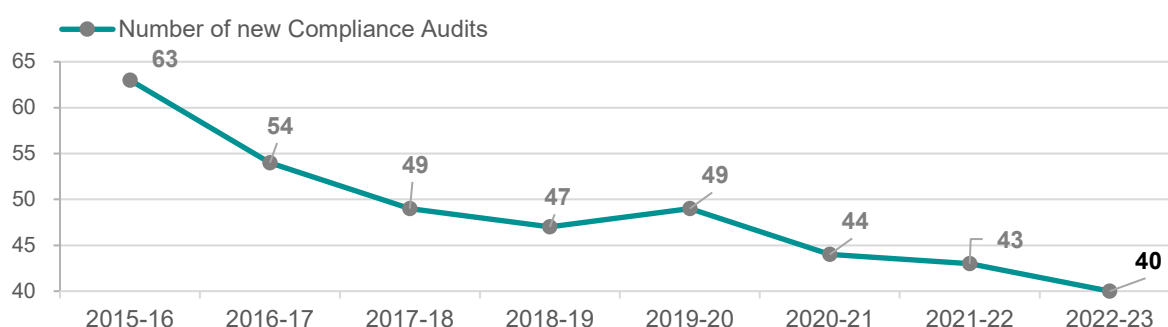
Compliance Audits cont.

An audit of the SerPro system was scheduled to be undertaken at the Department of Corporate and Digital Development however the stage of completion of the design and implementation of the SerPro system was not sufficiently advanced to conduct the audit.

One additional compliance audit commenced at the Department of the Chief Minister and Cabinet. This audit related to the internal controls environment in place to support the Disaster Recovery Funding Arrangements.

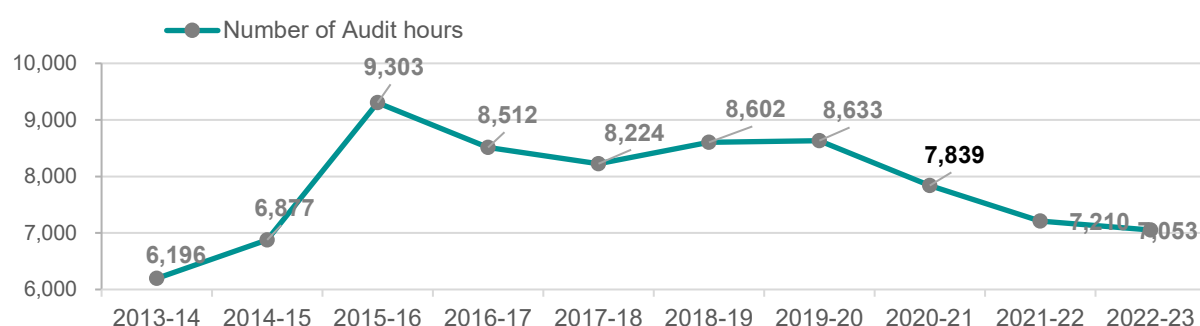
Two compliance audits occurred at the Motor Accidents (Compensation) Commission consistent with prior years.

Figure 17 Number of new compliance audit task assignments issued



During the 2022-23 year, compliance audit activity utilised 7,053 audit hours, compared to 7,210 hours in the previous year. The hours required to complete each audit are affected by the nature of the audit and the size and complexity of the audit subject. The reduced number of compliance audits associated with information technology systems led to the expected reduction in hours and cost in order to stay within the approved output appropriation budget.

Figure 18 Audit hours allocated to new compliance audits

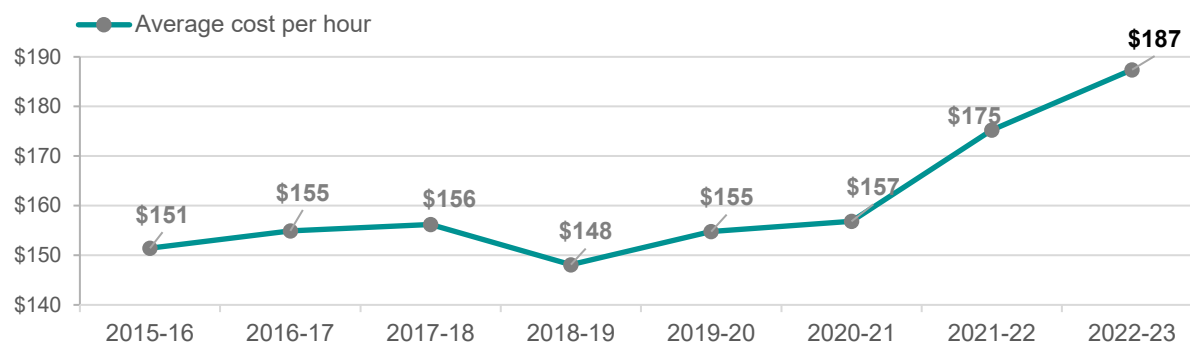


The weighted average cost of a compliance audit is consistently less than the cost of a financial statement audit. Compliance audits are generally non-complex and can largely be completed by less experienced Authorised Auditors.

Notwithstanding a lesser number of audits, higher costs associated with compliance audits were anticipated in the 2021-22 and 2022-23 financial years as a result of period panel contract rate reviews in January 2022 and January 2023 which resulted in a rate escalation of 7.6%. This is the reason for the increase in the weighted average cost per hour which increased from \$175 to \$187.

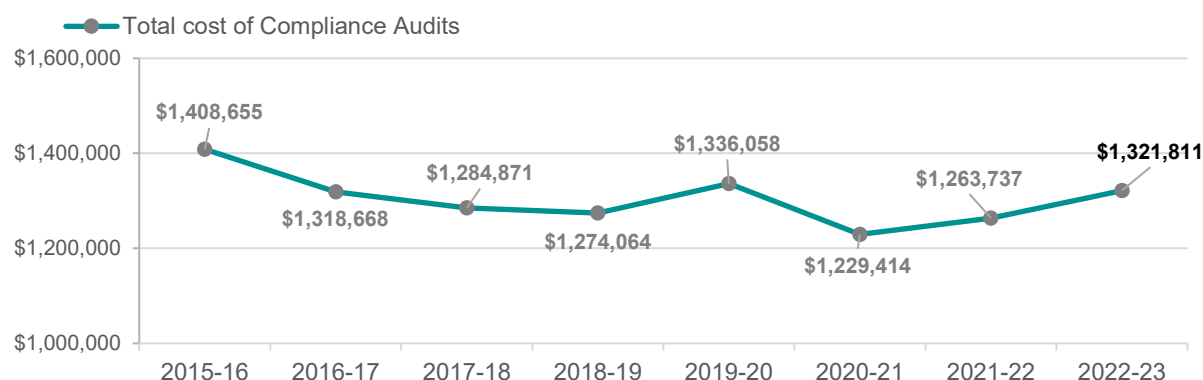
Compliance Audits cont.

Figure 19 Weighted average cost per hour for new compliance audits



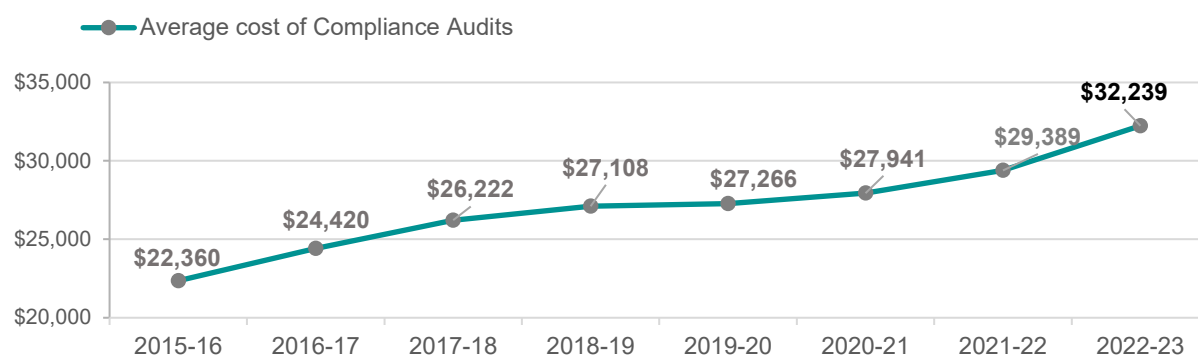
Machinery of government changes over the years have been the primary cause for the reduction in the number of compliance audits from a high of 63 in 2015-16 to 40 in 2022-23. Whilst the cost to undertake the total number of audits has reduced to some extent, the amount of audit work required to be performed 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 20 Total cost of undertaking new compliance audits



The average cost per new compliance audit has increased by from \$29,389 in 2021-22 to \$32,239 in 2022-23 consistent with the escalation of hourly rates.

Figure 21 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 2022-23 year, four new performance management system audits were scheduled and 6 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 2022-23:

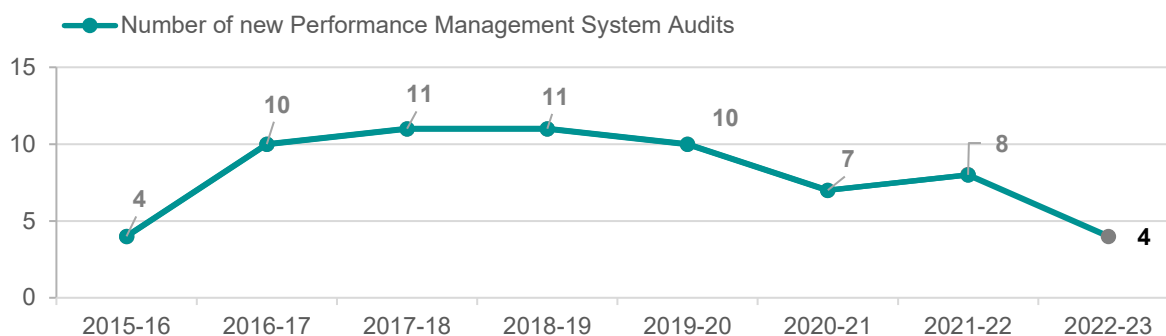
- Department of Infrastructure, Planning and Logistics – Infrastructure Program Development, Budgeting and Reporting
- Department of the Attorney-General and Justice – Grants – Achievement of outcomes/outputs
- Department of Education – Program Evaluation Framework
- Department of Health – Outsourcing – Achievement of outcomes/outputs

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 Statement, the completion of these audits took priority over the completion of the performance management system audits when the Office was faced with resourcing constraints during the financial year. Furthermore, resources originally intended to undertake performance management system audits were redirected to audits directed at two areas of significant risk of misstatement across government, those areas being revaluation of asset values and the application of the government's wages policy. One performance management system audit was yet to be completed at year end.

Performance Management System Audits cont.

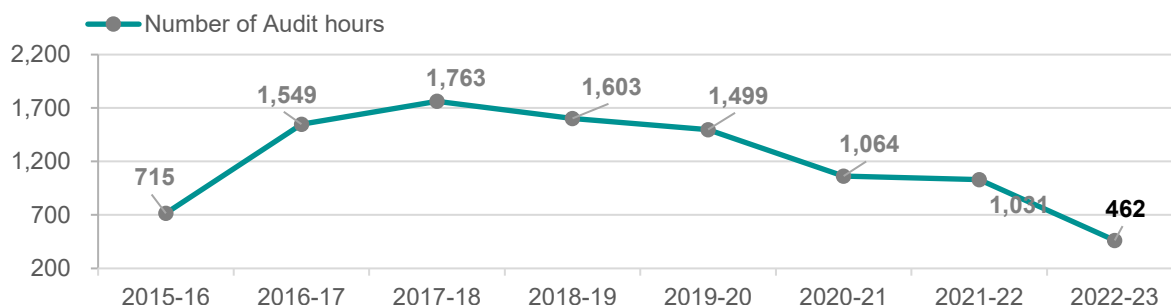
Of the four new performance management system audits scheduled in 2022-23, two were outsourced and two were conducted in-house. In 2021-22, seven were outsourced and one was conducted in-house. The ability to undertake performance management system audits is dependent upon the level of available financial resources and the capacity of Office personnel after prioritising the scheduling of the financial statement and compliance audits.

Figure 22 Number of new performance management system audit task assignments issued



During the 2022-23 period, actual performance management system audit hours, including hours spent by in-house personnel, totalled 462, less than half of the hours in the prior year. The reduction in the performance management system audits was primarily due to limited financial capacity and redirection of some resources to audits of areas of increased financial risk.

Figure 23 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 hourly cost for outsourced audits has, in past years, been consistently higher than the weighted average hourly cost of a financial statement audit or a compliance audit.

The following three figures and accompanying narrative analysis refer only to new performance management system audits conducted by outsourced audit service providers as the costs associated with audits that are performed in-house are captured within employee expenditure.

Performance Management System Audits cont.

Figure 24 Average cost of new outsourced performance management system audits

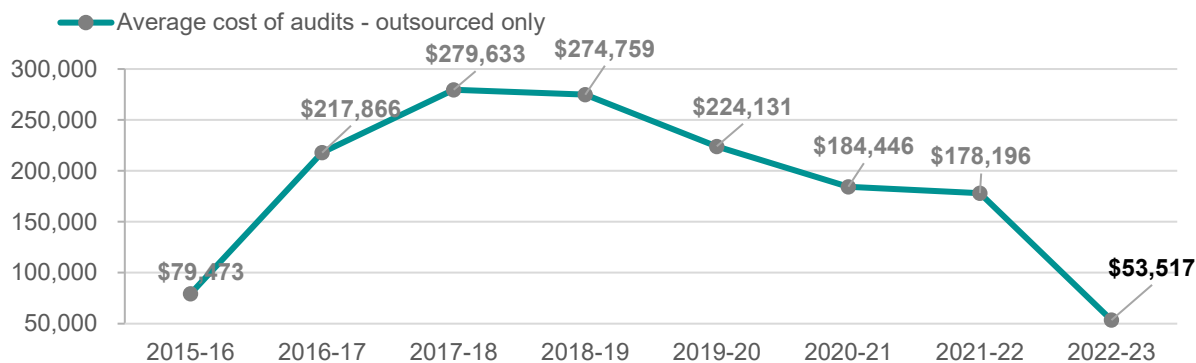
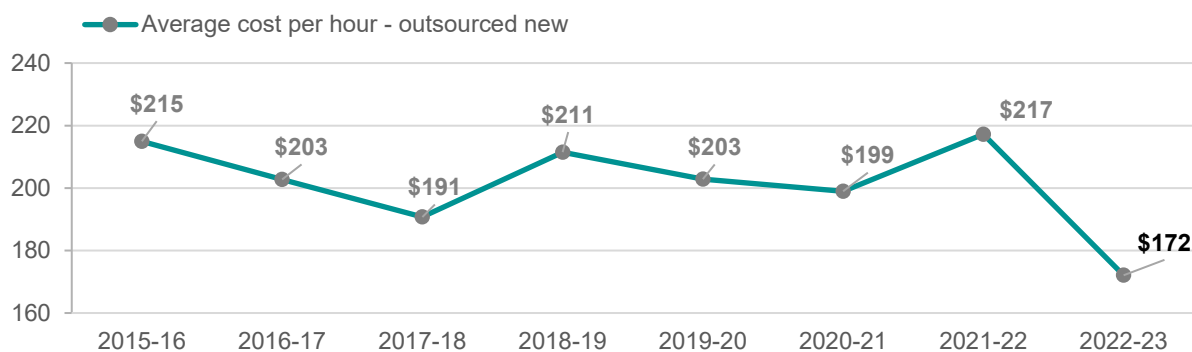
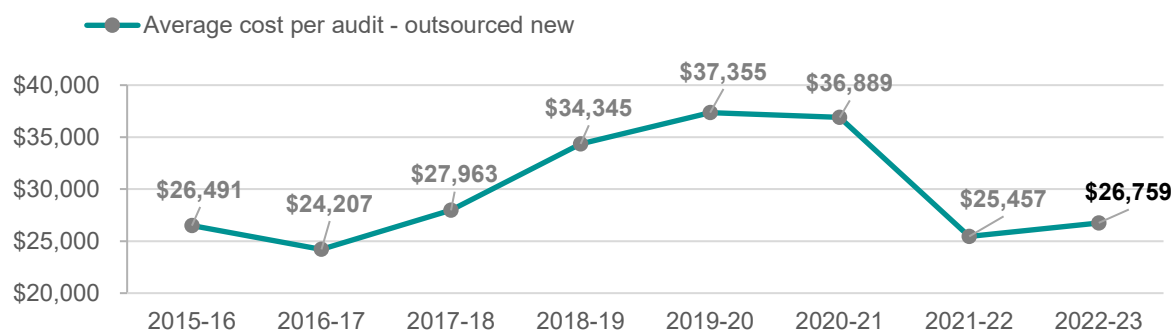


Figure 25 Weighted average cost per hour for new outsourced performance management system audits



The significant decrease in weighted average cost per hour is an anomaly. With only two outsourced audits conducted, each audit significantly influences the average. For one audit, the outsourced service provider waived the costs attributed to 47% of the hours spent on the audit which they considered a developmental opportunity for their staff. Without the waiver, the weighted average cost per hour would have been \$246.

Figure 26 Cost of undertaking new outsourced performance management system audits

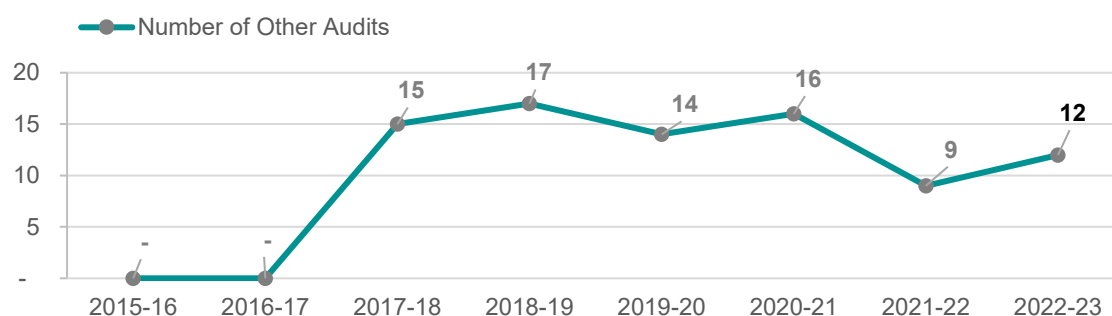


The average cost per performance management system audit in 2022-23 is largely consistent with four of the past seven years with the three higher costed years associated with the complexity of the audits conducted between 2018-19 and 2020-21. The average cost for 2022-23 would have been consistent with the higher years in the absence of the cost waiver.

Other Audits

The Office conducts other categories of audits including acquittals and reviews. During the 2022-23 year, the Office commenced audits of seven acquittal statements (2022: 6); three directed reviews (2022: nil); and two data analytic tasks (2022: 2).

Figure 27 Number of new other audit task assignments issued



Following the amalgamation of Central Australia Health Service and Top End Health Service into the Department of Health, there is a new requirement to audit a Regional Health Services Funding Acquittal prepared by the Department of Health and submitted to the Commonwealth.

As explained earlier in this report, resources originally intended to undertake performance management system audits were redirected to two audits directed at areas of significant risk of misstatement across government, those areas being revaluation of asset values and the application of the government's wages policy. A review of salary underpayments was undertaken in respect of one entity to determine the likelihood of additional or further underpayments having occurred and not being detected.

The Office undertook two data analytic exercises during the 2022-23 year. These were conducted on Flex Time (Taken) and Executive Contract Officers – Christmas Closedown Leave with the findings and observations from the analysis reported to relevant Accountable Officers.

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.

One review of referred information commenced in accordance with the *Public Information Act 2010* in the 2022-23 financial year, with the resultant report issued after the end of the financial year.

Reports to the Legislative Assembly

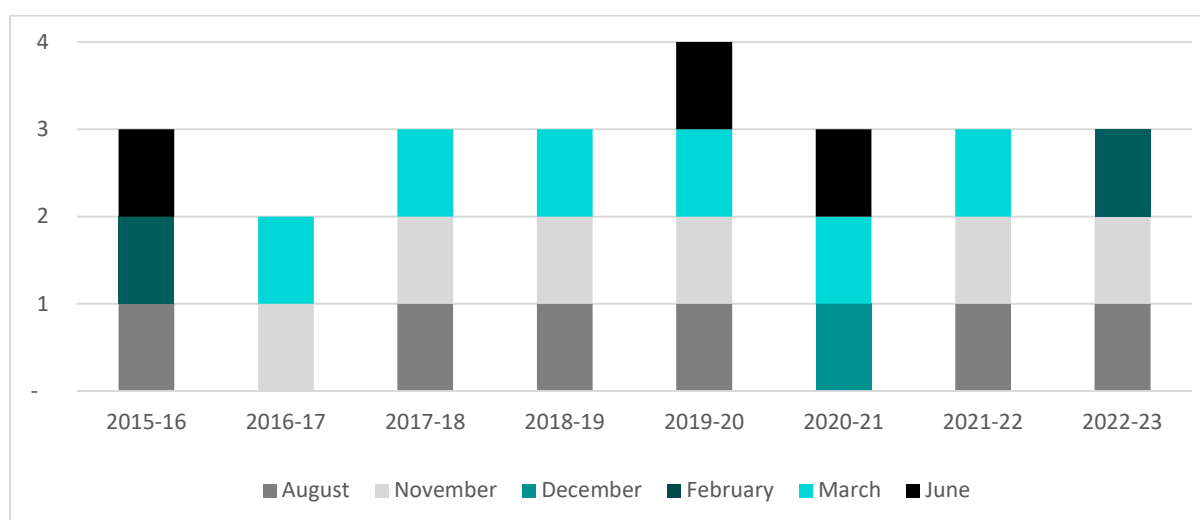
The Act requires the Auditor-General to report to the Legislative Assembly at least once each year. Each report (available online on the publications page of the Office's webpage) may contain findings from financial statement audits, information technology audits, controls and compliance audits, performance 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 system 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 2022-23 the following reports were submitted to the Legislative Assembly:

- August 2022 – This report presented the results of 29 separate audits and other tasks completed during the period 1 March 2022 to 31 July 2022.
- November 2022 – This report presented the results of 33 separate audits and other tasks completed during the period 1 August 2022 to 31 October 2022.
- February 2023 – This report presented the results of 11 separate audits and other tasks completed during the period 1 November 2022 to 27 January 2023.

Figure 28 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 2022-23 financial year:

Figure 29 Corporate and Governance KPIs

Key Performance Indicator	Results for 2022-23
100% of invoices paid within NT Government policy	98% of the 291 invoices were paid within payment policy.
Annual report delivered within the legislated timeframe	The 2022-23 Annual Report was tabled to Parliament in the October 2022 sittings.
Financial statements prepared and audited within the legislated timeframe	The NTAGO 2022-23 Financial Statements were prepared by the required due date with an unmodified audit opinion issued by the Office's external auditors on 15 August 2023 . (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 2023-24 has been prepared and submitted to Procurement NT by the due date.
Mandated internal audits undertaken within the specified timeframe	An internal review of the Office's travel transactions was conducted for the 2022/23 financial year and results have been reported. No procurements were undertaken therefore no audit was required to be undertaken for the Buy Local Industry Advocate. A nil response was notified to and accepted by the Buy Local Industry Advocate

Reflection on 2022-23

In 2022-23, the Corporate and Governance output group undertook the following activities in addition to its key financial and administrative responsibilities:

Figure 30 Key achievements for the Corporate and Governance output group

Key Achievements during the year	
1	Facilitate a review of the current NTAGO Strategic Plan and KPIs to align with the new Treasurer's Direction - Organisations performance and accountability.
2	Agency and Contractor feedback surveys prepared, sent out and responses analysed for contractor reporting and continual improvement purposes.
3	Completed updates to the Financial, Procurement and Human Resource delegations.
4	Coordinated NTAGO biannual internal Risk Management Workshops.
5	Completed the NTAGO Agency Procurement Management Plan 2023/24.
6	Facilitated the documentation and approvals required for the Tier-5 procurement activity for the renewal of the Authorised Auditor panel contract.
7	Completed the review of the Administrative Officer's role through the JAQ and JES process.
8	Reviewed and undertook training in the TRAX - Contract Management System, to ensure the Office complies with mandated procurement requirements.
9	Undertook significant analysis of future staffing and funding requirements for the Office to complete the annual audit program.
10	Facilitated the Mid-Year Budget Cabinet submission for the Office.
11	Facilitated the 2023-24 Budget Cabinet submission for the Office.
12	Undertook significant user acceptance testing of the NTG Pay system.
13	Completed new employee inductions, compulsory orientation training and probation reporting.
14	Finalised Disability Action Plan and Aboriginal Employment Action Plan reporting for the Office.
15	Facilitated 100% completion of the 2022-23 People Matter Survey for the Office.
16	Prepared and facilitated the tabling of the NTAGO 2021-22 Annual Report.
17	Facilitated the successful external audit of the NTAGO 2021-22 Financial statements.
18	Implemented a Special Measures Recruitment Plan for the NTAGO.

Financial Management

The Office's financial statement overview for the year ended 30 June 2023 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 expenditure by Output group against the 2022-23 budget and estimated results as published in Budget Paper 3.

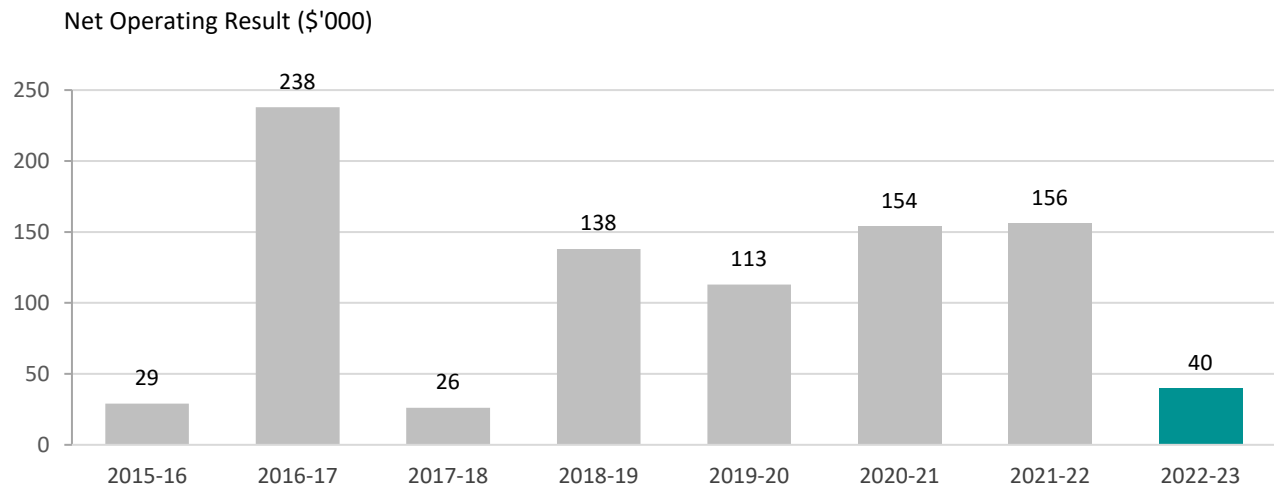
Figure 31 Output Group comparison of budget, estimate and actual results

Output Group	Actual 2021-22 \$'000	Budget 2022-23 \$'000	Estimate 2022-23 \$'000	Actual 2022-23 \$'000	Variance to Original Budget 2022-23 \$'000
Audits and Reviews	4,511	4,662	4,857	4,822	160
Corporate and Governance	550	589	589	594	5
Total	5,061	5,251	5,446	5,416	165

Refer to Note 23 *Budgetary information* for further details on variations to the Office's actual outcome compared to budget for revenue and expenses.

The following graph presents the net operating surplus comparatively for the last eight financial years. In 2022-23, the Office continued to operate at a surplus with a net surplus at the end of the year of \$0.040 million, following a surplus in the prior year of \$0.156 million.

Figure 32 Office net operating results (\$'000)



Part of the surplus for the year ended 30 June 2023 is attributable to a number of scheduled audits which 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 appropriation is retained to cover any overrun in costs associated with audit activity and to ensure that the Office does not record a deficit.

The surplus in the 2021-22 financial year reflects delays in completing the annual audit program by 30 June 2022 as well as savings on travel by Office personnel and specialist Authorised Auditors as a result of COVID-19 restrictions.

Financial Management cont.

Revenue

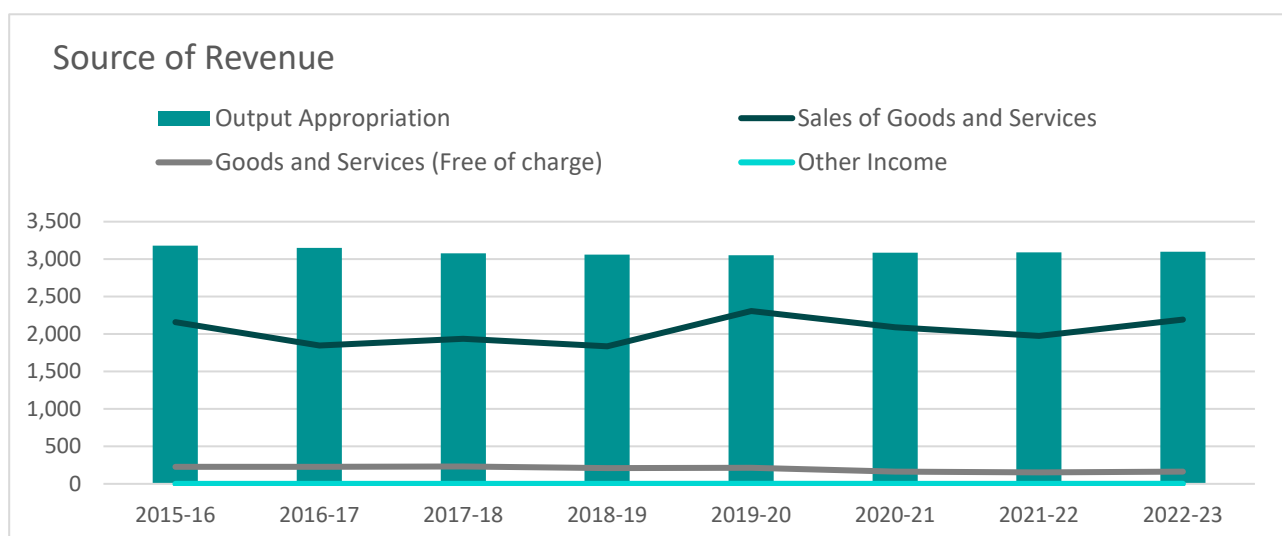
Revenue for the Office comprises output appropriation and sales of goods and services income derived from the recovery of audit costs from statutory entities and costs associated with audits mandated to be undertaken by the Auditor-General through requirements stipulated in agreements or legislation. 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 57% of its total revenue in 2022-23. Output appropriation increased by \$7,000 representing adjustments to across-government budget parameters adjustments and efficiency dividends and funding to meet the NTPS lump sum payments to employees and payment of Workers Compensation premiums for the 2022-23 and 2023-24 financial years. Future Workers Compensation premiums are to be funded from the Office's existing budget, meaning funding available for the audit program will be further reduced.

Figure 33 Office source of revenue summary for the last eight financial years

Source of Revenue	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Output appropriation	3,178	3,152	3,077	3,060	3,053	3,088	3,091	3,098
Sales of goods and services	2,160	1,847	1,935	1,836	2,307	2,090	1,973	2,195
Goods and services (free of charge)	227	227	232	209	214	165	153	162
Other Income	0	0	0	0	1	0	0	1
Total	5,565	5,226	5,244	5,105	5,575	5,343	5,217	5,456

Figure 34 Source of revenues (\$'000)



A total of 28 (2021-22: 32) 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 35 Agencies subject to recovery of audit costs

Entity	2023	2022	Movement
Batchelor Institute of Indigenous Tertiary Education ⁽¹⁾	135,029	62,624	72,405
Board of the Museum and Art Gallery of the Northern Territory	16,059	14,545	1,514
Bridging the Gap Foundation	18,478	13,930	4,548
Central Australia Health Service ⁽²⁾	-	33,750	(33,750)
Charles Darwin University ⁽³⁾	228,951	174,586	54,365
Charles Darwin University Foundation ⁽⁴⁾	-	15,159	(15,159)
Cobourg Peninsula Sanctuary and Marine Park Board	19,218	17,913	1,305
Darwin Waterfront Corporation	48,581	45,222	3,359
Data Centre Services	27,437	25,787	1,650
Department of the Chief Minister and Cabinet ⁽⁵⁾	15,838	8,773	7,065
Department of Health ⁽²⁾	93,647	26,471	67,177
Department of Infrastructure, Planning and Logistics	27,831	24,055	3,776
Desert Knowledge Australia	23,511	28,657	(5,146)
Indigenous Essential Services Pty Ltd ⁽⁶⁾	77,425	67,085	10,340
Jabiru Town Development Authority ⁽⁷⁾	-	14,547	(14,547)
Land Development Corporation	49,389	45,652	3,737
Menzies School of Health Research ⁽⁸⁾	78,197	66,083	12,114
Motor Accidents (Compensation) Commission	357,490	356,806	684
Nitmiluk (Katherine Gorge) National Park Board	21,376	20,682	694
Northern Territory Grants Commission	4,791	3,659	1,132
Northern Territory Legal Aid Commission	17,961	16,645	1,316
Northern Territory Major Events Company Pty Ltd	29,788	27,823	1,965
Northern Territory Treasury Corporation	84,182	76,709	7,473
NT Build	26,493	23,803	2,690
NT Fleet	48,082	44,750	3,332
NT Home Ownership	44,771	40,811	3,960
Office of the Public Trustee for the Northern Territory	38,641	43,602	(4,961)
Power and Water Corporation ⁽⁹⁾	306,149	271,599	34,550
Power Generation Corporation (Territory Generation) ⁽¹⁰⁾	175,194	158,588	16,606
Power Retail Corporation (Jacana Energy) ⁽¹¹⁾	153,205	142,766	10,439
Territory Wildlife Parks	27,492	25,796	1,696
Top End Health Service ⁽²⁾	-	33,989	(33,989)
Total	2,195,206	1,972,868	222,338

Financial Management cont.

In addition to the significant increase in Authorised Audit rates from the prior year, additional explanations as to the causes of variances greater than \$10,000 are provided below:

- (1) Delays in the completion of the audit of the financial statements for the year ended 31 December 2021 meant the audit of the financial statement for the year ended 31 December 2022 was not completed prior to 30 June 2023. Completion of the audit has been scheduled in October 2023. The significant increase in audit costs reflects the state of preparation of information produced for audit and additional time to audit financial records.
- (2) Central Australia Health Service and Top End Health Service were merged into the Department of Health effective from 1 July 2021.
- (3) Evaluation of the extent of audit procedures required to produce a sufficient level of assurance over the 3 underlying information technology systems at Charles Darwin University identified that additional hours were required in comparison to the prior year. The revised requirements of Australian Auditing Standard ASA 540 *Auditing Accounting Estimates and Related Disclosures* (ASA 540) also imposed additional audit procedures.
- (4) Charles Darwin University Foundation was dissolved during the year and no audit was required during the year ended 30 June 2023.
- (5) An audit of the internal control environment supporting claims under the Disaster Recovery Funding Arrangements was commenced at the Department of the Chief Minister and Cabinet during the year ended 30 June 2023. No equivalent audit was required in the prior year.
- (6) Additional audit costs were incurred for and recovered from Indigenous Essential Services Pty Ltd due to increased audit procedures required to comply with the revised requirements of Australian Auditing Standard ASA 540.
- (7) No audit of the Jabiru Town Development Authority was required during the year following changes in legislation and the cessation of the Authority as a statutory body.
- (8) Additional audit costs were incurred for and recovered from Menzies School of Health Research due to increased audit procedures required to comply with the revised requirements of Australian Auditing Standard ASA 540.
- (9) Additional audit costs were incurred for and recovered from Power and Water Corporation due to increased audit procedures required to comply with the revised requirements of Australian Auditing Standard ASA 540.
- (10) Additional audit costs were incurred for and recovered from Power Generation Corporation due to increased audit procedures required to comply with the revised requirements of Australian Auditing Standard ASA 540.
- (11) Additional audit costs were incurred for and recovered from Power Retail Corporation due to increased audit procedures required to comply with the revised requirements of Australian Auditing Standard ASA 540.

Expenses

Expenses for the Office are classified into four categories as presented below.

Figure 36 Comparison of major categories of expenses

Expenses	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000
Employee expenses ⁽¹⁾	992	903	1,017	971	1,030	1,011	1,042	1,103
Authorised Auditor Costs ⁽²⁾	4,210	3,780	3,893	3,711	4,145	3,939	3,786	4,065
DCDD Shared Services FOC	228	227	232	209	214	165	153	162
Other Admin Costs ⁽³⁾	107	78	76	76	73	74	80	86
Total	5,536	4,987	5,217	4,967	5,462	5,189	5,061	5,416

- (1) Employee expenditure increased by \$0.061 million due to the transfer in of high recreation leave balances for temporary staff backfilling personnel on paid leave and increases in the superannuation guarantee levy.
- (2) Figure 9 explains the increase in 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.

Financial Management cont.

Figure 37 Major categories of expenses (\$'000)

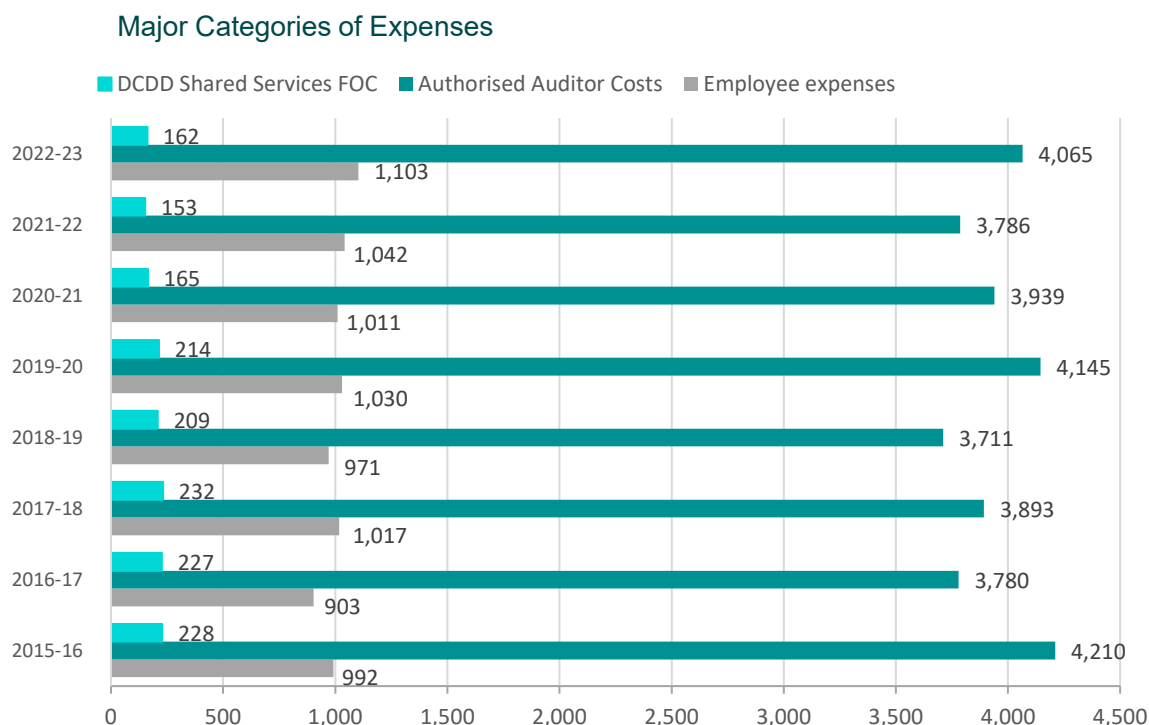
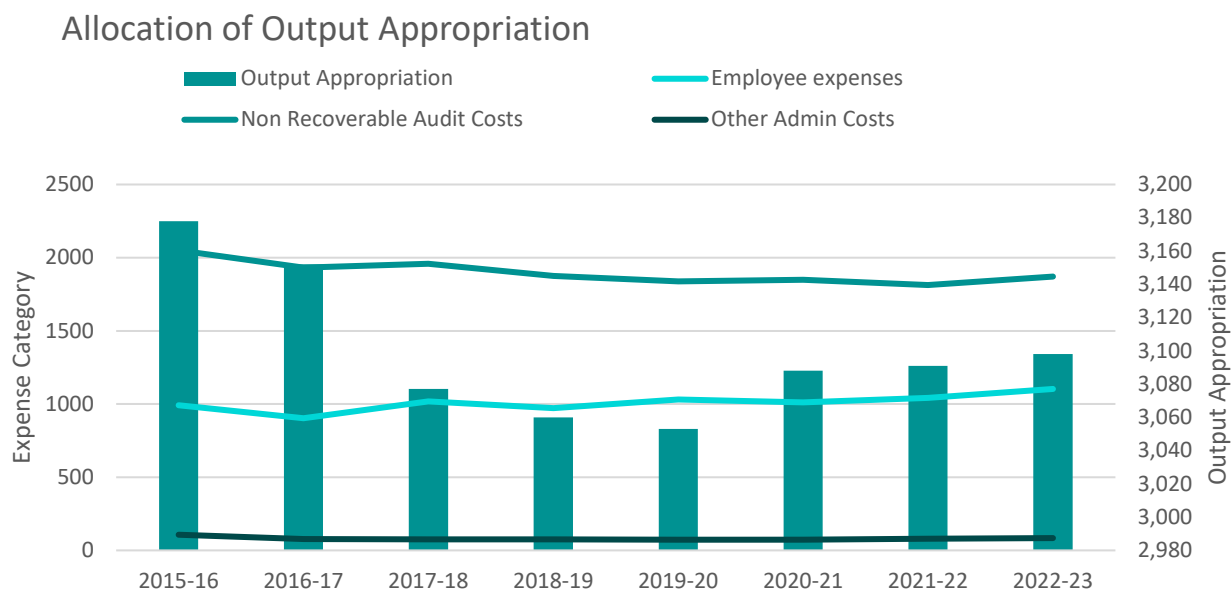


Figure 33 demonstrates that the Office's main source of revenue is output appropriation which, as shown in the table below, is used to fund employee expenses, fees paid to Authorised Auditors that are not recovered from audited entities and other administrative costs.

Figure 38 Allocation of output appropriation revenue



Financial Management cont.

Comparison of Results to 2022-23 Budget

The following table compares the actual operating results for the Office's 2022-23 financial year to its 2021-22 budgets as presented in Budget Paper 3 and the revised budget as presented to the Estimates Committee hearing held in June 2023. Analysis of variances between Actual and Budget is presented within Note 23 to the financial statements.

Figure 39 Comparison of 2022-23 Original Budget and Actuals

	Actual 2021-22	Original Budget 2022-23	Revised Budget 2022-23	Actual 2022-23
	\$000	\$000	\$000	\$000
INCOME				
Appropriation				
Output	3,091	3,098	3,098	3,098
Sales of goods and services (audit costs recovered)	1,973	1,990	2,185	2,195
Services free of charge (DCIS)	153	163	163	162
Other Income	-	-	-	1
TOTAL INCOME	5,217	5,251	5,446	5,456
EXPENSES				
Employee expenses	(1,042)	(1,083)	(1,083)	(1,103)
Administrative expenses				
Purchases of goods and services	(3,866)	(4,005)	(4,200)	(4,151)
Repairs and maintenance	(1)	(2)	(2)	(1)
Other administrative expenses	(152)	(161)	(161)	(161)
TOTAL EXPENSES	(5,061)	(5,251)	(5,446)	(5,416)
NET SURPLUS/(DEFICIT)	156	-	-	40
ASSETS				
Cash and deposits	1,091	945	1,091	1,035
Receivables	488	398	487	651
Prepayments	-	-	-	-
TOTAL ASSETS	1,579	1,343	1,578	1,686
LIABILITIES				
Payable	159	71	159	188
Provisions	95	103	94	133
TOTAL LIABILITIES	254	174	253	321
NET ASSETS	1,325	1,169	1,325	1,365
EQUITY				
Capital	570	570	570	570
ACCUMULATED FUNDS	755	599	755	795
TOTAL EQUITY	1,325	1,169	1,325	1,365

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 40 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, communicated to Authorised Auditors and audited entities and published on the Office's internet site. • Briefings are held with Authorised Auditors and training provided to newly appointed Authorised Auditors.
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. All staff provide an annual declaration of interest. • Authorised Auditors submit a weekly progress report to the Office 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 undertaken in October 2024.

Corporate Governance and Risk Management cont.

Figure 40 NTAGO Corporate Governance Framework 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. 	<ul style="list-style-type: none"> • Regular status updates and exit meetings are held with Authorised Auditors and representatives from audited entities. • Annual feedback sessions are held with the Authorised Audit Firms.
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 with detailed explanations provided for material variances are prepared by the Manager Finance and Corporate Services, reviewed by the Auditor-General and circulated to all staff members of the Office. 	<ul style="list-style-type: none"> • Management letters and audit reports are provided to the Accountable Officers of audited entities. • 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 and 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 2023. The financial statements are included in this report. • 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.
Informing	<ul style="list-style-type: none"> • The Office's internet page contains links to all relevant Office policy and guidance documents and corporate governance registers. 	<ul style="list-style-type: none"> • 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. • The Office's internet page contains past publications and information regarding current and past audit programs.

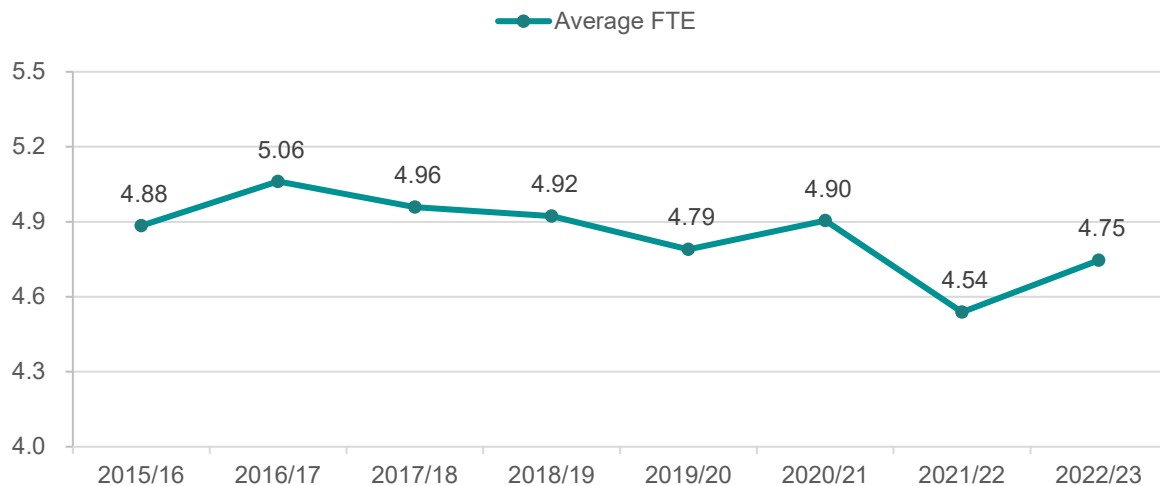
Human Resources

Employee Demographics

During the year ended 30 June 2023, the average full time equivalent (FTE) employees of the Office was 4.75 compared to an average of 4.54 for the previous financial year.

The head count for staffing has been 5.0 FTE across all years. The dips shown in the table below represent periods where positions have been vacant during recruitment periods or where personnel have taken temporary leave without pay. The period where the headcount exceeded 5.0 reflects the overlap upon appointment of new personnel to replace outgoing personnel.

Figure 41 Comparison of average FTE



The graph below 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. The additional positions (one ECO1 during the 2018 financial year and one AO6 in each of the 2016 and 2017 financial years) represent temporary coverage for staff who were on long leave or during recruitment processes.

Figure 42 Comparison of head count, gender and designation of NTAGO employees

Staff Numbers by classification



Human Resources cont.

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 43 NTAGO reporting on Employment Instructions

Employment Instruction	NTAGO Performance 2022-23
No. 1. Filling Vacancies	<p>The Records Officer position was filled on a temporary basis from June 2022 until January 2023. During the time of this temporary coverage, the position was reviewed and reassessed as an Administration Officer and filled on a permanent basis from February 2023.</p> <p>The Manager Finance and Corporation Services position was filled on a temporary basis from February to July 2023, while the nominal occupant took leave.</p>
No. 2. Probation	One probationary process was undertaken during the 2022-23 financial year.
No. 3. Natural Justice	The principles of natural justice are promoted within the Office and are included as part of the recruitment process. Employees can also access the Office of the Commissioner for Public Employment (OCPE) website for more information on natural justice.
No. 4. Employee Performance Management and Development Systems	<p>The Office reports to OCPE annually 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> <p>The Office continues to review and update its Performance Review and Development processes in line with changes to the NTPS Capability Framework.</p>
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	<p>The Office reports annually to OCPE on performance and inability.</p> <p>There were no performance or inability issues during the reporting period.</p>
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	<p>The Office reports annually to OCPE on internal agency complaints and grievance matters.</p> <p>There were no complaints or section 59 grievance matters for the reporting period.</p>

Human Resources cont.

Figure 43 NTAGO reporting on Employment Instructions cont.

Employment Instruction	NTAGO Performance 2022-23
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	<p>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.</p> <p>The Office has an Aboriginal Employment Career Development Strategy Action Plan and implemented a Special Measures Plan as a part of the action plan during 2022-23.</p> <p>The Office has a Disability Action Plan in place and successfully achieved all targets for the period.</p>
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. Work Health and Safety continues to be monitored as a standing item on the staff meeting agenda.
No. 12. Code of Conduct	<p>The Office has communicated its expectations and information regarding the guidelines and values associated with behaviour in the workplace within the induction process. Regular team meetings are used to reinforce and communicate information relating to gifts, benefits, independence, conflicts of interest and other agency, public sector or politically specific principles.</p> <p>All Office employees have undertaken the NTPS essential online Code of Conduct training.</p>
No. 13. Appropriate Workplace Behaviour	<p>Appropriate workplace behaviour for new employees is communicated 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.</p> <p>The Northern Territory Auditor-General's Office's <i>Code of Conduct Policy</i> incorporates the requirements of this Employment Instruction.</p>
No. 14. Redeployment and Redundancy Procedures	There were no redeployment or redundancy activities undertaken within the Office during the year.
No. 15 Special Measures	<p>A Special Measures plan was developed during the 2022-23 financial year, and applied to the recruitment actions undertaken after 1 January 2023.</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.

Human Resources cont.

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 2023.

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 2023, 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.

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 confirming that all Authorised Auditors employed by the firm will have read and understood the WHS Policy and will comply with the Policy.

WHS risks are considered within the Office's risk register which is reviewed on a regular basis. Workshops are held every six months to identify any emerging risks relating to the Office and consider the status of current risks which had previously been identified. Workshops were held in December 2022 and June 2023. Through this process there were no priority WHS risks identified.

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

The Manager Finance and Corporate Services participates in the fire warden training 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

Internal

- 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 creation of physical files.

External

- 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 vehicles from NT Fleet during the financial year for the Principal Auditor positions with one vehicle returned on 18 October 2022.

As at 30 June 2023, the Office had one vehicle leased from NT Fleet.

Corporate Social Responsibility cont.

Emissions reduction

The Manager Finance and Corporate Services attended the NT Government's operational emission reduction priorities workshop, held in February 2022, in order to better understand how our Office can assist in the NT Government's net-zero by 2030 goal and assist in the development of the NTG's emission reduction strategy.

Power Saving

Most electronic devices are powered down completely when not in use.

The Office has a "lights off" policy for parts of its tenancy that are temporarily not in use.

Power usage is monitored and recorded to assist in identifying areas for improvement.

Sustainability

When considering purchases of stationery requirements, the Office continues to recycle or purchase recycled options where possible.

All professional staff will be undertaking professional development during the coming financial year to ensure they are up-to-date on sustainability and environment, social and governance matters as they pertain to the upcoming changes in reporting.

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

Staff members are encouraged to contribute to their professions through involvement with professional bodies and community associations.

The Auditor-General is currently the Deputy Chair of the Australian Auditing Standards Board, a Commonwealth statutory organisation that constitutes the National Standard Setter for auditing standards in Australia.

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.

The Auditor-General regularly presents a session as part of the NTG *Foundations of Public Sector Governance* four-day residential program.

Community

Individual members of the Office are voluntarily involved with a range of community organisations, events and activities, including mentoring graduates and other emerging professionals.

Future priorities

The Office is committed to achieving the following:

Audits and Reviews

As presented in Budget Paper 3, the Audits and Reviews output group has committed to achieving the following key performance measures in the next 12 months:

	2023-24 Target
Completion of financial statement audits within statutory timeframes	56
Completion of audits within 6 months of commencement:	
– compliance audits	41
– performance management system audits	4
– other assignments	9
Financial statement audits completed within statutory timeframes	100%
Compliance audits completed within 6 months of commencement	100%
Performance management system audits completed within 6 months of commencement	100%
Other assignments completed within 6 months of commencement	100%
Prepare and submit one report to the Legislative Assembly	1
Treasurer's Annual Financial Statement audited within 2 months of receipt	1
Audit report prepared and submitted to the Treasurer	1

Corporate and Governance

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

- Review the Job Analysis Questionnaire (JAQ) for the two Principal Auditor positions in line with the JES Framework section 4.8.
- Review and update the Accounting and Property manual in line with changes to Treasurer's Directions.
- Plan for and facilitate the renewal of the Office's Strategic Plan.
- Plan for and facilitate the six monthly review of the Office's Risk Registers.
- Ensure work instructions for key administrative tasks are available and up-to-date to assist with future succession planning.
- Closely monitor Budget and Actual expenditure, providing timely management reports and information to support the efficient delivery of the audit program.

Financial statement overview for the year ended 30 June 2023

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 relating to human resources, financial management, information and communication technology and records management.

Strategic objectives of the Office in 2022-23

- Deliver effective, efficient and economical audit activities to provide assurance relating to the allocation of resources and investment.
- Deliver independent whole of government audit reporting to improve the Legislative Assembly's oversight of public sector programs and financial management.
- Enhance public sector financial and performance reporting by audited entities.
- Contribute to increased compliance with relevant legislation and improved public administration practices through the provision of audit findings and recommendations.
- Continue to engage with agencies' internal audit functions through attendance at audit committee meetings in order to minimise duplication of audit tasks.
- Promote the importance of managing conflicts of interest and maintaining independence.

Strategic issues currently faced by the Office

- New and revised Australian Auditing Standards have increased the amount of work, and consequently the cost, of undertaking audits. In addition, costs associated with the delivery of the audit program increased due to Authorised Auditor hourly rates which are contractually linked to inflation. The uplift applied to contracted rates in January 2023 was 6.4% (January 2022: 7.6%). It has been necessary to plan a reduced audit program in order to keep expenditure within budget.
- In order to mitigate the risk that reducing the audit program will result in insufficient audit coverage to provide assurance over the Public Account, part of the budget for employee expenditure has been redirected to audit expenditure in future years. This will necessitate resourcing and positions within the Office to be restructured before 30 June 2024.
- The small number of personnel within the Office presents a risk that insufficient internal human resource capacity and capability will result in inability to deliver audit services; non-compliance with legislation; and/or loss of corporate knowledge.

Financial statement overview for the year ended 30 June 2023 cont.

Analysis of financial results

- The Office achieved a net operating surplus for the year of \$0.040 million compared to \$0.156 million in the prior year.
- Output appropriation was \$3.098 million compared to \$3.091 million in the prior year, an increase of \$0.007 million. The increase was provided to address the impact of the Northern Territory Government's wages policy. Recoverable audit fees increased by \$0.222 million from \$1.973 million in 2022 to \$2.195 million in 2023, due to the costs of completion of audits carried forward from the previous year and a consumer price indexed increase in Authorised Auditor rates in line with contract terms.
- Purchase of goods and services include payments for Authorised Auditors' fees of \$4.066 million (of which \$2.195 million was recoverable) and operational expenditure of \$0.085 million. The increase in total goods and services expense of \$0.285 million was largely attributable to the increase in Authorised Auditor costs (\$0.295 million).
- Employee expenditure increased by \$0.061 million. The increase results from:
 - all positions being filled in the current year (the prior year had one position only partially filled for some time);
 - increases in Superannuation Guarantee payments (\$0.011 million) following the statutory rate increases;
 - and an increase in staff recreation leave expenses (\$0.017 million) arising from the transfer into the Office of an existing public sector employee holding significant leave entitlements on a temporary basis to backfill the position of Manager, Finance and Corporate Services whilst the nominal position holder took extended leave.
- The net assets of the Office increased from \$1.325 million to \$1.365 million for the year, reflecting the surplus of \$0.040 million shown on the Comprehensive Operating Statement.
- Cash balances compared to the prior year decreased from \$1.091 million to \$1.035 million, while employee recreation leave provisions increased from \$0.074 million to \$0.103 million primarily due to transferred staff recreation leave balances as explained earlier.
- The increase in accounts receivable by \$0.163 million and accrued expenditure by \$0.023 million is reflective of the accrual for recoverable audit costs and outstanding audit costs at year end.
- A comparison of actual results to the Office's budget, as reported in Budget Paper 3 2022-23, is presented in Note 23 to the financial statements.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Chief Minister 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 2023, 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.

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: https://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: 15th August 2023

NTAGO Audited Financial Statements

Certification of the financial statements

Certification of the financial statements


We certify that the attached financial statements for the Northern Territory Auditor-General's Office have been prepared based on proper accounts and records in accordance with Australian Accounting Standards and with the requirements as prescribed in 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 2023 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
15 August 2023


Lisa Blakeley
Manager Finance and Corporate Services
15 August 2023

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE
COMPREHENSIVE OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$000	2022 \$000
INCOME			
Appropriation			
Output	4	3,098	3,091
Sales of goods and services	5	2,195	1,973
Goods and services received free of charge	6	162	153
Other income	7	1	-
TOTAL INCOME	3	5,456	5,217
EXPENSES			
Employee expenses	8	(1,103)	(1,042)
Administrative expenses			
Purchases of goods and services	9	(4,151)	(3,866)
Repairs and maintenance ⁽¹⁾	6	(1)	(1)
Other administrative expenses ⁽¹⁾	6	(161)	(152)
TOTAL EXPENSES	3	5,416	5,061
NET SURPLUS/(DEFICIT)		40	156
COMPREHENSIVE RESULT		40	156

⁽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 2023

	Note	2023	2022
		\$000	\$000
ASSETS			
Current assets			
Cash and deposits	11	1,035	1,091
Receivables	13	651	488
Total current assets		1,686	1,579
TOTAL ASSETS		1,686	1,579
LIABILITIES			
Current liabilities			
Payables	15	188	159
Provisions	16	133	95
Total current liabilities		321	254
TOTAL LIABILITIES		321	254
NET ASSETS		1,365	1,325
EQUITY			
Capital		570	570
Accumulated funds		795	755
TOTAL EQUITY		1,365	1,325

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 2023

	Note	Equity at 1 July	Comprehensive result	Transactions with owners in their capacity as owners	Equity at 30 June
		\$000	\$000	\$000	\$000
2022-23					
Accumulated funds		755	40	-	795
Capital – transactions with owners					
Equity injections					
Capital appropriation		26	-	-	26
Equity transfers in		53	-	-	53
Other equity injections		801	-	-	810
Equity withdrawals					
Capital withdrawal		(310)	-	-	(310)
Equity transfers out		-	-	-	-
		570	-	-	570
Total equity at end of financial year		1,325	40	-	1,365
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

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 2023

	Note	2023	2022
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating receipts			
Appropriation received			
Output	4	3,098	3,091
Receipts from sales of goods and services		2,438	2,265
Interest received			
Total operating receipts		5,536	5,356
Operating payments			
Payments to employees		(1,059)	(1,050)
Payments for goods and services		(4,533)	(4,160)
Total operating payments		(5,592)	(5,210)
Net cash from/(used in) operating activities	12	(56)	146
Net increase/(decrease) in cash held		(56)	146
Cash at beginning of financial year		1,091	945
CASH AT END OF FINANCIAL YEAR	11	1,035	1,091

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 2023****Index of notes to the financial statements**

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NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**Notes to the financial statements****For the year ended 30 June 2023****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 and therefore dependent, on the receipt of Parliamentary appropriations. The financial statements encompass all funds through which the Office controls resources to carry on its functions and deliver outputs. For reporting purposes, outputs delivered by the Office are summarised into two output groups: Audits and Reviews; and Corporate and Governance. Note 1 provides summarised financial information in the form of a comprehensive operating statement by the output group.

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 2023****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 2022-23 financial year

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 adopted early for 2022-23 financial year.

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 2022 and 30 June 2023.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**Notes to the financial statements****For the year ended 30 June 2023****2. Statement of significant accounting policies cont.****e) Comparatives**

Where necessary, comparative information for the financial year ended 30 June 2022 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 2023 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 2023****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.

3. Comprehensive operating statement by output group

	Note	Audits and Reviews		Corporate and Governance		Total	
		2023	2022	2023	2022	2023	2022
		\$000	\$000	\$000	\$000	\$000	\$000
INCOME							
Appropriation							
Output	4	2,666	2,695	432	396	3,098	3,091
Sales of goods and services	5	2,195	1,973	-	-	2,195	1,973
Goods and services received free of charge	6	-	-	162	153	162	153
Other income	7	1	-	-	-	1	-
TOTAL INCOME		4,862	4,668	594	549	5,456	5,217
EXPENSES							
Employee expenses	8	(723)	(706)	(380)	(336)	(1,103)	(1,042)
Administrative expenses							
Purchases of goods and services	9	(4,099)	(3,805)	(52)	(61)	(4,151)	(3,866)
Repairs and maintenance ⁽¹⁾	6	-	-	(1)	(1)	(1)	(1)
Other administrative expenses ⁽¹⁾	6	-	-	(161)	(152)	(161)	(152)
TOTAL EXPENSES		(4,822)	(4,511)	(594)	(550)	(5,416)	(5,061)
NET SURPLUS/(DEFICIT)		40	157	-	(1)	40	156
COMPREHENSIVE RESULT		40	157	-	(1)	40	156

⁽¹⁾ Includes DCDD service charges and DIPL repairs and maintenance service charges.

This comprehensive operating statement by output group 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 2023****3. Comprehensive operating statement by output group cont.**

The Northern Territory Auditor-General's Office is predominantly funded by parliamentary appropriations for the provision of outputs. Outputs are the services provided or goods produced by the Office for users external to the Office. They support the delivery of the Office's objectives and or statutory responsibilities. The above table disaggregates revenue and expenses that enable delivery of services by output group which form part of the balances of the Office.

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.

4. Appropriation

Appropriation recorded in the operating statement includes output appropriation received for the delivery of services.

	2023			2022		
	\$000	\$000	\$000	\$000	\$000	\$000
	Revenue from contracts with customers	Other	Total	Revenue from contracts with customers	Other	Total
Output	-	3,098	3,098	-	3,091	3,091
Total appropriation in the operating statement	-	3,098	3,098	-	3,091	3,091

The Office does not receive Commonwealth appropriation.

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 are recognised upon receipt of funds.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

4a. Summary of changes to budget appropriations

The following table presents changes to budgeted appropriations authorised during the current financial year together with explanations for significant changes. It compares the amounts originally identified in the *Appropriation (2022-2023) Act 2022* with revised appropriations as reported in *2023-24 Budget Paper No. 3 Agency Budget Statements* and the final end of year appropriation.

The changes within this table relate only to appropriation and do not include the Office's revenue (for example, goods and services revenue and grants received directly by the Office) or expenditure. Refer to Note 23 *Budgetary information* for detailed information on variations to the Office's actual outcome compared to budget for revenue and expenses.

	Original 2022-23 budget appropriation ^(a)	Revised 2022-23 budget appropriation ^(b)	Change to budget appropriation (b-a)	Note ^(f)	Final 2022-23 budget appropriation ^(c)	Change to budget appropriation (c-b)
	\$000	\$000	\$000		\$000	\$000
Output	3,098	3,098	-		3,098	-
Total appropriation	3,098	3,098	-		3,098	-

(a) *Appropriation as per the Appropriation (2022-23) Act 2022*

(b) *Appropriation as per the 2023-24 Budget Paper No. 3 Agency Budget Statements.*

(c) *Appropriation revenue as recognised in the comprehensive operating statement.*

Output appropriations reflect funding as a direct result of government-approved decisions, with actual funding received by the Office in line with the budgeted amounts.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

5. Sales of goods and services

	2023			2022		
	\$000	\$000	\$000	\$000	\$000	\$000
	Revenue from contracts with customers	Other	Total	Revenue from contracts with customers	Other	Total
Other goods and services revenue	-	2,195	2,195	-	1,973	1,973
Total sales of goods and services	-	2,195	2,195	-	1,973	1,973

Other goods and services revenue

Sales of goods and services constitute recoveries of audit costs in relation to the audits of statutory entities. Revenue from rendering services is recognized 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.

Revenue from the recovery of audit costs by entity

	2023	2022
	\$000	\$000
Batchelor Institute of Indigenous Tertiary Education	135	63
Board of the Museum and Art Gallery of the Northern Territory	16	14
Bridging the Gap Foundation	18	14
Central Australia Health Service	-	34
Charles Darwin University	229	174
Charles Darwin University Foundation	-	15
Cobourg Peninsula Sanctuary and Marine Park Board	19	18
Darwin Waterfront Corporation	49	45
Data Centre Services	27	26

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

5. Sales of goods and services cont.

Revenue from the recovery of audit costs by entity cont.

	2023	2022
	\$000	\$000
Department of the Chief Minister and Cabinet	16	9
Department of Health	94	26
Department of Infrastructure, Planning and Logistics	28	24
Desert Knowledge Australia	24	29
Indigenous Essential Services Pty Ltd	77	67
Jabiru Town Development Authority	-	14
Land Development Corporation	49	46
Menzies School of Health Research	78	66
Motor Accidents (Compensation) Commission	357	357
Nitmiluk (Katherine Gorge) National Park Board	21	21
Northern Territory Grants Commission	5	4
Northern Territory Legal Aid Commission	18	17
Northern Territory Major Events Company Pty Ltd	48	28
Northern Territory Treasury Corporation	66	77
NT Build	27	24
NT Fleet	48	45
NT Home Ownership	45	41
Office of the Public Trustee for the Northern Territory	39	43
Power and Water Corporation	306	271
Power Generation Corporation (Territory Generation)	175	158
Power Retail Corporation (Jacana Energy)	153	143
Territory Wildlife Parks	28	26
Top End Health Service	-	34
	2,195	1,973

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

6. Goods and services received free of charge

	2023	2022
	\$000	\$000
Corporate and information services	161	152
Repairs and maintenance	1	1
Total goods and services received free of charge	162	153

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 incurred on the Office's assets and costs associated with administration of these expenses are centralised in the Department of Infrastructure, Planning and Logistics on behalf of the Office, and form part of goods and services received free of charge by the Office.

In addition, the following corporate services staff and functions are centralised and provided by Department of Corporate and Digital Development on behalf of the Office and form part of goods and services received free of charge by the Office:

- financial services including accounts receivable, accounts payable and payroll
- employment and workforce services
- information management services
- procurement services
- property leasing services.

7. Other income

	2023			2022		
	\$000	\$000	\$000	\$000	\$000	\$000
	Revenue from contracts with customers	Other	Total	Revenue from contracts with customers	Other	Total
Miscellaneous revenue	-	1	1	-	-	-
Total other income	-	1	1	-	-	-

Miscellaneous revenue

Miscellaneous revenue includes reimbursements. Where funding is received for agreements that are enforceable and contain sufficiently specific performance obligations for the Office to transfer goods or services to the grantor or third-party beneficiary, the transaction is accounted for under AASB 15 as revenue from contracts with customers. Where this criteria is not met, revenue is generally accounted for under AASB 1058 and income is generally recognised upfront on receipt of funding.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

8. Employee Expenses

	2023	2022
	\$000	\$000
The net surplus has been arrived at after charging the following employee expenses:		
Salaries ⁽¹⁾	802	766
Recreation Leave ⁽¹⁾	109	92
Superannuation ⁽²⁾	93	82
Payroll Tax	57	54
Other Benefits ⁽³⁾	14	17
Fringe Benefits Tax	12	14
Allowances ⁽⁴⁾	12	17
Recreation Leave Loading ⁽⁵⁾	4	-
Total	1,103	1,042

⁽¹⁾ The increase in the net salaries and recreation leave of \$53,000 is due to delays in recruitment of staff in the prior year; the timing and recognition of leave taken by Office staff; and transfer in of employee leave balances.

⁽²⁾ The increase in Superannuation expenses of \$11,000 is partly due to the increase of the Superannuation Guarantee rate from 10% in 2021-22 to 10.5% in 2022-23. The Superannuation expense also includes on-cost expenses.

⁽³⁾ Includes salary sacrifice on executive vehicles and superannuation. Other Benefit expenses have decreased by \$3,000 partly due to the return of an executive officer's vehicle during the year.

⁽⁴⁾ Decrease due to lump sum payments to employees as per the 2021-2025 Enterprise Agreement reducing from \$4,000 in 2021-22 to \$2,000 in 2022-23.

⁽⁵⁾ Increase due to the balances transferred in for an employee from another agency in January 2023 temporarily employed to backfill the position of Manager Finance and Corporate Services for a six month period.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

9. Purchases of goods and services

	2023	2022
	\$000	\$000
The net surplus/(deficit) has been arrived at after charging the following expenses:	40	156
Goods and services expenses:		
Consultants ⁽¹⁾		
Authorised Auditor' fees (Non-recoverable audit costs)	1,870	1,797
Authorised Auditor' fees (Recoverable audit costs)	2,195	1,973
Other Consultancy fees	-	16
Total Consultants	4,065	3,786
Plus:		
Advertising ⁽²⁾	-	-
Audit expense (NTAGO Financial Statement Audit)	11	11
Document production	-	-
Legal expenses ⁽³⁾	-	-
Marketing and promotion ⁽⁴⁾	-	-
Motor vehicle expenses	12	13
Recruitment ⁽⁵⁾	-	-
Training and study	9	10
Official duty fares	2	-
Travelling allowance	-	-
Information technology charges and communications	21	21
Other	31	25
Total purchases of goods and services	4,151	3,866

⁽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 legal fees, claim and settlement costs.

⁽⁴⁾ Includes advertising for marketing and promotion but excludes marketing and promotion consultants' expenses, which are incorporated in the consultants' category.

⁽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 2023

10. 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 2022 and 30 June 2023.

11. Cash and deposits

	2023	2022
	\$000	\$000
Cash at bank	1,035	1,091
Total cash and deposits	1,035	1,091

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

12. Cash flow reconciliation

a) Reconciliation of cash

The total of the Office's 'Cash and deposits' of \$1,035,073 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

	2023	2022
	\$000	\$000
Net surplus/deficit	40	156
<i>Non-cash items:</i>	-	-
<i>Changes in assets and liabilities:</i>		
(Increase) in receivables	(163)	(89)
Increase in payables	29	86
Increase/(Decrease) in provision for employee benefits	31	(7)
Increase in other provisions	7	-
Net cash from/(used in) operating activities	(56)	146

b) Reconciliation of liabilities arising from financial activities

The Office does not engage in any financing activities.

c) Non-cash financing and investing activities

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

13. Receivables

	2023	2022
	\$000	\$000
Current		
Accounts receivable	448	257
Less: loss allowance	-	-
GST receivables	2	49
Other receivables	201	182
Total receivables	651	488

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, contract receivables and other receivables 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 Office applies the simplified approach to measuring expected credit losses. This approach recognises a loss allowance based on lifetime expected credit losses for all accounts receivable, other receivables and accrued 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 the 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 not reasonable expectation of recovery for reasons beyond the Office's control.

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

Internal receivables reflect amounts owing from entities controlled by the Northern Territory Government such as other agencies, government business divisions and government owned corporations. External receivables reflect amounts owing from third parties which are external to the Northern Territory Government.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

13. Receivables cont.

Ageing analysis

	2023				2022			
	Gross Receivables	Loss rate	Expected credit losses	Net receivables	Gross receivables	Loss rate	Expected credit losses	Net receivable s
	\$000	%	\$000	\$000	\$000	%	\$000	\$000
Internal receivables								
Not overdue	330	-	-	330	249	-	-	249
Overdue for less than 30 days	-	-	-	-	-	-	-	-
Overdue for 30 to 60 days	-	-	-	-	-	-	-	-
Overdue for more than 60 days	-	-	-	-	-	-	-	-
Total internal receivables	330	--	-	330	249	-	-	249
External receivables								
Not overdue	319	-	-	319	170	-	-	170
Overdue for less than 30 days	-	-	-	-	20	-	-	20
Overdue for 30 to 60 days	-	-	-	-	-	-	-	-
Overdue for more than 60 days	-	-	-	-	-	-	-	-
Total external receivables	319	-	-	319	190	-	-	190

Total amounts disclosed exclude statutory amounts as these do not meet the definition of a financial instrument and therefore will not reconcile to the receivables note.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

14. 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 Office applies the inter-governmental leases recognition exemption in accordance with 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 DCDD. Consequently all lease liabilities and right-of-use assets relating to these arrangement are recognised by DCDD and not disclosed within these financial statements.

15. Payables

	2023	2022
	\$000	\$000
Accounts payable	-	1
Accrued salaries and wages	24	17
Other accrued expenses	164	141
Total payables	188	159

Liabilities for accounts payable and other amounts payable are carried at amortised 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.

Salaries and wages that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the amounts expected to be paid.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

16. Provisions

	2023	2022
	\$000	\$000
Current		
<i>Employee benefits</i>		
Recreation leave	103	74
Leave loading	5	2
Other employee benefits ⁽¹⁾	25	19
Total provisions	133	95

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

The significant increase in the provision for recreation leave is due to a leave entitlement balance transferred to the Office associated with the temporary transfer of an employee from another agency to backfill the role of Manager Finance and Corporate Services whilst the nominal position holder was on extended leave.

The Office employed five employees as at 30 June 2023 (four employees as at 30 June 2022 with recruitment for the fifth position in progress at that date).

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and recreation leave. Liabilities arising in respect of recreation leave and other employee benefit liabilities that fall due within 12 months of reporting date are classified as current liabilities and are measured at amounts expected to be paid. Non-current employee benefit liabilities that fall due after 12 months of the reporting date are measured at present value of estimated future cash flows, calculated using the appropriate government bond rate and taking into consideration expected future salary and wage levels, experience of employee departures and periods of service.

All recreation leave is classified as a current liability.

No provision is made for sick leave, which is non-vesting, as the anticipated pattern of future sick leave to be taken is less than the entitlement accruing in each reporting period.

Employee benefit expenses are recognised on a net basis in respect of the following categories:

- wages and salaries, non-monetary benefits, recreation leave and other leave entitlements; and
- other types of employee benefits.

As part of the financial management framework, the Central Holding Authority assumes the long service leave liabilities of government agencies, including the Office and therefore no long service leave liability is recognised within these financial statements.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

17. Commitments

Commitments represent future obligations or cash outflows that can be reliably measured and arise out of a contractual arrangement and typically bind the Office to performance conditions. Commitments are not recognised as liabilities on the balance sheet.

Commitments may extend over multiple reporting periods and may result in payment of compensation or return of funds if obligations are breached.

Internal commitments reflect commitments with entities controlled by the Northern Territory Government such as other agencies, government business divisions and government owned corporations. External commitments reflect those to third parties which are external to the Northern Territory Government.

The Office has no capital commitments.

Other non-cancellable contract commitments predominantly comprise contractual service obligations with Authorised Auditors. 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.

	2023		2022	
	Internal	External	Internal	External
	\$000	\$000	\$000	\$000
Not later than one year	-	499	-	1,429
Later than one year and not later than five years	-	-	-	986
Later than five years	-	-	-	-
Total other non-cancellable contract commitments (exclusive of GST)	-	499	-	2,415
Plus: GST recoverable	-	50	-	242
Total other non-cancellable contract commitments (inclusive of GST)	-	549	-	2,657

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

18. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are recognised on the balance sheet when the Office becomes a party to the contractual provisions of the financial instrument. The Office's financial instruments include cash and deposits; receivables; and payables.

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

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

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

a) Categories of financial instruments

The carrying amounts of the 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	
	Mandatorily at fair value \$000	Designated at fair value \$000	Amortised cost \$000		Total \$000
2022-23					
Cash and deposits	-	-	1,035	-	1,035
Receivables ⁽¹⁾	-	-	649	-	649
Total financial assets	-	-	1,684	-	1,684

⁽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 2023

18. 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 \$000	Designated at fair value \$000	Amortised cost \$000	\$000	\$000
2021-22					
Cash and deposits	-	-	1,091	-	1,091
Receivables ⁽¹⁾	-	-	439	-	439
Total financial assets	-	-	1,530	-	1,530

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

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).

These classifications are based on the Office's business model for managing the financial assets and the contractual terms of the cash flows. Where assets are measured at fair value, gains and losses will either be recorded in profit or loss, or other comprehensive income.

Financial instruments are reclassified when and only when the Office's business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets at amortised cost

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

18. Financial instruments cont.

a) Categories of financial instruments cont.

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 Office'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 Office'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 2023

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

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

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 Office has adopted a policy of only dealing with credit-worthy organisations and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

Credit risk relating to receivables is disclosed in Note 13.

c) Liquidity risk

Liquidity risk is the risk 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 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 of the occurrence of one-off extraordinary expenditure items 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 2023

18. Financial instruments cont.

c) Liquidity risk cont.

2023 Maturity analysis for financial liabilities

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

2022 Maturity analysis for financial liabilities

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

⁽¹⁾ Amounts disclosed exclude statutory amounts and accruals (such as AOTA, accrued expenses, unearned revenue and provisions), as these do not meet the definition of financial instruments and therefore amounts will not be recognised in the balance sheet.

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 2023

19. 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 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 key management personnel or controlled or jointly controlled by their close family members.

b) Key management personnel

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:

	2023	2022
	\$000	\$000
Short-term benefits	298	302
Post-employment benefits	25	23
Long-term benefits	-	-
Termination benefits	-	-
Total	323	325

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 2023

19. Related parties cont.

d) Related party transactions cont.

2023

Related party	Revenue from related parties	Payments to related parties	Amounts owed by related parties	Amounts owed to related parties
	\$000	\$000	\$000	\$000
<i>All NTG Government departments</i>	2,358	261	341	18

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
<i>All Territory Government departments</i>	1,824	276	119	16

The Office'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 non-standard terms and conditions.

20. Contingent liabilities and contingent assets

The Office had no contingent liabilities or contingent assets as at 30 June 2023 or 30 June 2022.

21. 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

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 to Note 2d).

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

23. Budgetary information

The following tables present the variation between the 2022-23 original budgeted financial statements, as reported in *2022-23 Budget Paper No. 3 Agency Budget Statements*, and the 2022-23 actual amounts reported in the financial statements, together with explanations for significant variations.

Comprehensive operating statement	2022-23 Actual ^(a)	2022-23 Original budget ^(b)	Variance ^(c)	Note
	\$000	\$000	\$000	
INCOME				
Appropriation				
Output	3,098	3,098	-	
Sales of goods and services	2,195	1,990	205	1
Goods and services received free of charge	162	163	-1	
Other income	1	-	1	
TOTAL INCOME	5,456	5,251	205	
EXPENSES				
Employee expenses	1,103	1,083	20	2
Administrative expenses				
Purchases of goods and services	4,151	4,005	146	3
Repairs and maintenance	1	2	-1	
Other administrative expenses	161	161	-	
TOTAL EXPENSES	5,416	5,251	165	
NET SURPLUS/(DEFICIT)	40	-	40	
COMPREHENSIVE RESULT	40	-	40	

^(a) The line items and corresponding amounts duplicate those reported on the face of the comprehensive operating statement.

^(b) Original budget amounts correspond to those disclosed in the Northern Territory Government Budget 2022-23 BP3 Agency Budget Statements (May 2022), classified on a basis consistent with the presentation and classification adopted in the corresponding financial statement.

^(c) Variance = Actual amount – Budget amount.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

23. Budgetary information cont.

Notes:

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

1. 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, Charles Darwin University and Menzies School of Health Research. Refer Note 5 for further details.
2. Employee expenses are higher than budget due to a leave entitlement balance transferred to the Office associated with the temporary transfer of an employee from another agency to backfill the role of Manager Finance and Corporate Services whilst the nominal position holder was on extended leave.
3. Purchase of goods and services variance results partially from the timing of the completion of audits and level of audit work required as well as the increase in contract rates payables to Authorised Auditors, in line with contract terms.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

23. Budgetary information cont.

	2022-23	2022-23		
Balance Sheet	Actual ^(a)	Original budget ^(b)	Variance ^(c)	Note
	\$000	\$000	\$000	
ASSETS				
Current assets				
Cash and deposits	1,035	945	90	1
Receivables	651	398	253	2
Other assets	-	-	-	
TOTAL ASSETS	1,686	1,343	343	
LIABILITIES				
Current liabilities				
Payables	188	71	117	3
Provisions	133	103	30	4
TOTAL LIABILITIES	321	174	147	
NET ASSETS	1,365	1,169	196	
EQUITY				
Capital	570	570	-	
Reserves	795	599	196	
Accumulated funds	-	-	-	
TOTAL EQUITY	1,365	1,169	196	

^(a) The line items and corresponding amounts duplicate those reported on the face of the balance sheet.

^(b) Original budget amounts correspond to those disclosed in the NTG Budget 2022-23 BP3 Agency Budget Statements (May 2022), classified on a basis consistent with the presentation and classification adopted in the corresponding financial statement.

^(c) Variance = Actual amount – Budget amount.

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 2022-23 financial year as well as a timing variance in the recognition and payment of expenses and receipt of cash from receivables.
2. Receivables were higher than budget by \$0.253 million due to the timing of the completion and level of audit work required and the resultant invoicing of recoverable audit fees.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

23. Budgetary information cont.

3. Payables represent accrued expenses at year end and were higher than budgeted by \$0.117 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 2023.
4. Provisions represent the recognition of employee related expenses as at 30 June 2023. The significant increase in the provision for recreation leave is due to a leave entitlement balance transferred to the Office associated with the temporary transfer of an employee from another agency to backfill the role of Manager Finance and Corporate Services whilst the nominal position holder was on extended leave.

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

Notes to the financial statements

For the year ended 30 June 2023

23. Budgetary information cont.

Cash flow statement	2022-23 Actual ^(a)	2022-23 Original budget ^(b)	Variance ^(c)	Note
	\$000	\$000	\$000	
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating receipts				
Appropriation				
Output	3,098	3,098	-	
Receipts from sales of goods and services	2,438	1,990	448	1
Total operating receipts	5,536	5,088	448	
Operating payments				
Payments to employees	1,059	1,083	(24)	
Payments for goods and services	4,533	4,005	528	2
Total operating payments	5,592	5,088	504	
Net cash from/(used in) operating activities	(56)	-	(56)	
Net cash from/(used in) financing activities				
Net increase/(decrease) in cash held	(56)	-	(56)	
Cash at beginning of financial year	1,091	945	146	
CASH AT END OF FINANCIAL YEAR	1,035	945	90	

^(a) The line items and corresponding amounts duplicate those reported on the face of the balance sheet.

^(b) Original budget amounts correspond to those disclosed in the NTG Budget 2022-23 BP3 Agency Budget Statements (May 2022), classified on a basis consistent with the presentation and classification adopted in the corresponding financial statement.

^(c) Variance = Actual amount – Budget amount.

Notes:

- Represents the receipt of recoverable audit fees attributable to the current and prior year in excess of the budget value. Recoverable audit fees were \$0.222 higher than budgeted during the year. Receivables as at 30 June 2023 were higher than budgeted due to timing of invoicing and collection of invoiced amounts. Receipts are reported inclusive of GST in accordance with Australian Accounting Standards.
- The variance in payments for goods and services is related to the timing of recognition of 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
ATO	Australian Taxation Office
CDU	Charles Darwin University
CEO	Chief Executive Officer
COVID-19	Coronavirus Disease 2019
DCDD	Department of Corporate and Digital Development
DCDD FOC	Department of Corporate and Digital Development, services received free of charge
FTE	Full time equivalent employee
FVTPL	Fair Value Through Profit and Loss
KPI	Key Performance Indicator
NTAGO	Northern Territory Auditor-General's Office
NTG	Northern Territory Government
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>
TERC	Territory Economic Reconstruction Commission
TRM	Territory Records Manager
WHS	Work Health and Safety