

Auditor-General for the Northern Territory

MEDIA STATEMENT

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Effectiveness of Internal Audit and Audit Committees in Government Departments

Auditor-General's Report to the Legislative Assembly No 3: 2025-26

The Auditor-General, Mr Jara Dean, tabled yesterday his report to the Legislative Assembly on the effectiveness of internal audit and audit committees in government departments.

This review was a high-level assessment of 20 Northern Territory government departments and agencies and covered:

- the adequacy of internal audit charters
- the lack of internal audit Quality Assurance and Improvement Program
- the inconsistent linkages of internal audit plans to strategic and operational risks
- the inefficiencies in internal audit
- the independence and composition of audit committees
- the oversight and self-assessment of audit committees.

The Department of Treasury and Finance, which regulates internal audit and audit committees in departments through treasurer's directions agreed to consider the 5 recommendations addressed to it in a new Treasurer's Direction on Internal Controls it is currently developing.

The report made a further 9 observations for consideration by government departments and audit committees to enhance the effectiveness of their internal audit function.

The review focused on two mandated elements of corporate governance in departments: the internal audit and audit committees, with some recommendations echoing those from a similar review in 2016.

The challenge is to avoid simply implementing internal audits and audit committees because they are mandated, but to ensure that they are coordinated, focus their attention and resources in the right areas and their roles are well articulated and understood throughout the department.

Delays in the completion of internal audit projects were noted in more than half of departments and it was difficult to assess the efficiency and effectiveness of internal audits and the value they add to their departments. The Auditor-General recommended that the cost of internal audit and key performance indicators be reported in departments' annual reports.

The linkage of internal audit plans to departments' strategic and operational risks was inconsistent and there was far too much focus on mandated compliance audits. 'While compliance is an important aspect of internal audit,' said Mr Dean, 'establishing a complimentary overarching internal audit function to oversee mandated audits, such as procurement or travel across multiple departments may enhance resource utilisation and consistency.'

'This would allow internal audit to shift its focus on strategic risks and take advantage of developments in technology, such as artificial intelligence, that can improve the efficiency of the audit process, reduce costs, reduce the audit workload, and deliver the results of the audit in a more timely manner.'

The report also highlighted the benefits of the independence of audit committee members from the broader Northern Territory public sector and proposed a cooling-off period for former public service employees before they can be appointed as members of audit committees.

The Auditor-General is a statutory position established under the *Audit Act 1995*. The Auditor-General and the Northern Territory Auditor-General's Office assist Parliament to hold Government accountable for its use of public resources by providing independent audits.

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