

**INDEPENDENT AUDITOR'S REPORT TO THE CHIEF MINISTER OF THE NORTHERN TERRITORY AND THE AUDITOR-GENERAL FOR THE NORTHERN TERRITORY**

**Report on the Audit of the Financial Report**

***Opinion***

We have audited the financial report of the Northern Territory Auditor-General's Office which comprises the balance sheet as at 30 June 2017, the comprehensive operating statement, statement of changes in equity, cash flow statement for the year then ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the certification of the financial statements.

In our opinion, the financial report of the Northern Territory Auditor-General's Office has been prepared in accordance with the Financial Management Act and Treasurer's Directions, including:

- (a) Giving a true and fair view of the entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

***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 entity in accordance with the auditor independence requirements of the ethical 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.

***Accountable Officer's Responsibility for the Financial Report***

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations), the Financial Management Act and Treasurer's Directions. The Accountable Officer's responsibility also includes such internal control as the Accountable Officer determines is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Accountable Officer is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Accountable Officer either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE CHIEF MINISTER OF THE NORTHERN TERRITORY AND THE AUDITOR-GENERAL FOR THE NORTHERN TERRITORY (CONTINUED)**

***Auditor's Responsibilities for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by entity.
- Conclude on the appropriateness of Accountable Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*MGI Assurance (SA)*

MGI Assurance (SA) Pty Ltd  
Chartered Accountants

Eastwood, South Australia  
5 September 2017



Clayton Lawrence  
Director

**APPENDIX A**

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE  
FINANCIAL REPORT**

**PRESCRIBED FORMAT OF AGENCY FINANCIAL STATEMENTS**

Consistent with the requirements of Treasurer's Directions Section R2.1 this Appendix provides agencies with the prescribed format for agency financial statements for 2016-17 and future financial years (unless amended).

Although the prescribed format has been developed to cover a wide range of agency circumstances and situations, in some situations agencies may need to include additional financial information and/or disclosures. Treasurer's Directions Section R2.1 and this Appendix provide this flexibility in certain circumstances. In this regard, agencies should refer to italicised comments within the prescribed format.

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE  
FINANCIAL REPORT**

**FINANCIAL STATEMENTS OVERVIEW**

**For the Year Ended 30 June 2017**

The Northern Territory Auditor-General's Office (the Office) provides support to the Auditor-General in the discharge of statutory obligations under the *Audit Act* and the *Public Information Act*.

That support includes:

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

Strategic issues facing the Office in 2016/17 included:

- sustaining effective and efficient audit activity to support decisions relating to the allocation of resources and investment;
- sustaining whole of government audit activity to improve the Legislative Assembly's oversight of public sector programs and financial management;
- contributing to enhanced public sector financial and performance reporting by audited entities; and
- contributing to increased compliance with relevant legislation through the provision of audit findings and recommendations.

Comparison of the 2016/17 financial results to the prior year provides the following observations.

- The Office had a net operating surplus for the year of \$0.238M (compared to \$0.029M in the prior year) primarily due to a number of anticipated audits not occurring following machinery of government changes affecting the audit plan in the second half of the year combined with an overall reduction in employee and operational expenses compared to the prior year.
- Actual income related to recoverable audit costs of \$1.846M is 27% higher than the budgeted amount of \$1.455M as a result of additional recoverable audit work during the year. Actual income from recoverable audit costs was \$0.314M lower than prior year of \$2.160M due to the increased prior year audit work conducted in relation to the restructured utilities government owned corporations.
- Total expenses for the period amounted to \$4.987M compared to the previous year of \$5.537M, and are approximately 2% over the approved budget of \$4.885M. The decrease in total expenses from prior year of \$0.550M was largely attributable to the decreased audit costs and decrease in overall employee expenses.



**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE  
FINANCIAL REPORT**

**FINANCIAL STATEMENTS OVERVIEW**

**For the Year Ended 30 June 2017**

- The net assets of the Office increased from \$0.499M to \$0.738M for the year, reflecting the surplus shown on the Comprehensive Operating Statement. When compared to the prior year, cash balances increased by \$0.648M, accounts and GST receivables decreased by \$0.196M and provisions also decreased by \$0.057M. The decrease in accounts receivable is due to lower outstanding recoverable audit charges at the end of the 2016-17 financial year. The decrease in provisions is attributable to employee leave entitlements being transferred to another agency upon the return of the temporarily transferred employee.

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE  
FINANCIAL REPORT**

**CERTIFICATION OF THE FINANCIAL STATEMENTS**

We certify that the attached financial statements for the Northern Territory Auditor-General's Office have been prepared from proper accounts and records in accordance with the prescribed format, the *Financial Management Act* 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 2017 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 agency are kept and that employees under our control observe the provisions of the *Financial Management Act*, the Financial Management Regulations and Treasurer's Directions;
- b) procedures within the agency 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*;
- 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*, the internal audit capacity available to the agency is adequate and the results of internal audits have been reported to the Auditor-General;
- e) the financial statements included in the annual report have been prepared from proper accounts and records and are in accordance with Treasurer's Directions;
- f) all employment instructions issued by the Commissioner for Public Employment have been satisfied; and
- g) the Office has implemented processes to achieve compliance with the archives and records management provisions as prescribed in Part 9 of the *Information Act*.



Signed:

Julie Crisp

Auditor-General for the Northern Territory

30 August 2017



Signed:

Kathryn Carbajosa

Manager Finance and Corporate

30 August 2017

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE  
COMPREHENSIVE OPERATING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$000	2016 \$000
<b>INCOME</b>			
Appropriation			
Output	3	3,152	3,178
Sales of goods and services (audit costs recovered)	4	1,846	2,160
Goods and services received free of charge	5	227	228
<b>TOTAL INCOME</b>	3	<b>5,225</b>	<b>5,566</b>
<b>EXPENSES</b>			
Employee expenses	6	(903)	(992)
Administrative expenses			
Purchases of goods and services	7	(3,857)	(4,315)
Repairs and maintenance		-	(2)
Other administrative expenses	5	(227)	(228)
<b>TOTAL EXPENSES</b>	3	<b>(4,987)</b>	<b>(5,537)</b>
<b>NET SURPLUS</b>		<b>238</b>	<b>29</b>
<b>COMPREHENSIVE RESULT</b>		<b>238</b>	<b>29</b>

*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 2017**

	Note	2017 \$000	2016 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and deposits	9	876	228
Receivables	10	238	484
Prepayments		1	-
<b>Total Current Assets</b>		<b>1,115</b>	<b>712</b>
<b>TOTAL ASSETS</b>		<b>1,115</b>	<b>712</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	11	283	62
Provisions	12	94	103
<b>Total Current Liabilities</b>		<b>377</b>	<b>165</b>
<b>Non-Current Liabilities</b>			
Provisions	12	-	48
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>48</b>
<b>TOTAL LIABILITIES</b>		<b>377</b>	<b>213</b>
<b>NET ASSETS</b>		<b>738</b>	<b>499</b>
<b>EQUITY</b>			
Capital		570	570
Accumulated funds		168	(71)
<b>TOTAL EQUITY</b>		<b>738</b>	<b>499</b>

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



**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Equity at 1 July	Comprehensive result	Transactions with owners in their capacity as owners	Equity at 30 June
		\$000	\$000	\$000	\$000
<b>2016-17</b>					
<b>Accumulated Funds</b>		(71)	238	-	168
		(71)	238	-	168
<b>Capital – Transactions with Owners</b>					
Equity injections					
Capital appropriation		26	-	-	26
Equity transfers in		53	-	-	53
Other equity injections		801	-	-	801
Equity withdrawals					
Capital withdrawal		(310)	-	-	(310)
Equity transfers out		-	-	-	-
		570	-	-	570
<b>Total Equity at End of Financial Year</b>		<b>499</b>	<b>238</b>	<b>-</b>	<b>738</b>
<b>2015-16</b>					
<b>Accumulated Funds</b>		(100)	29	-	(71)
		(100)	29	-	(71)
<b>Capital – Transactions with Owners</b>					
Equity injections					
Capital appropriation		26	-	-	26
Equity transfers in		53	-	-	53
Other equity injections	14	601	-	200	801
Equity withdrawals					
Capital withdrawal		(310)	-	-	(310)
Equity transfers out		-	-	-	-
		370	-	200	570
<b>Total Equity at End of Financial Year</b>		<b>270</b>	<b>29</b>	<b>200</b>	<b>499</b>

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

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017	2016
		\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Receipts			
Appropriation			
Output		3,152	3,178
Receipts from sales of goods and services		2,479	2,140
<b>Total Operating Receipts</b>		<b>5,631</b>	<b>5,318</b>
Operating Payments			
Payments to employees		(958)	(943)
Payments for goods and services		(4,025)	(4,704)
<b>Total Operating Payments</b>		<b>(4,983)</b>	<b>(5,647)</b>
<b>Net Cash From/(Used in) Operating Activities</b>	15	<b>648</b>	<b>(329)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Financing Receipts			
Equity injections			
Other equity injections		-	200
<b>Total Financing Receipts</b>		<b>-</b>	<b>200</b>
<b>Net Cash From Financing Activities</b>		<b>-</b>	<b>200</b>
Net increase/(decrease) in cash held		648	(129)
Cash at beginning of financial year		228	357
<b>CASH AT END OF FINANCIAL YEAR</b>	9	<b>876</b>	<b>228</b>

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

NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2017**

**1. OBJECTIVES AND FUNDING**

The Northern Territory Auditor-General's Office (the Office) is an Agency established under Administrative Arrangements Order 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* and to report to the Legislative Assembly at least once in each year.

The Office is predominantly funded by, and is dependent upon, the receipt of Parliamentary appropriations in accordance with the provisions of the *Appropriation Act*.

These financial statements report on all funds that were controlled by the Office during the year and through which the Office was able to perform its functions and deliver the outputs specified in the Budget Papers.

For reporting purposes, outputs delivered by the Office are summarised into two output groups: Audits and Reviews and Corporate and Governance.

The Office was not affected by Machinery of Government Changes during the year.

**2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Statement of Compliance**

The financial statements have been prepared in accordance with the requirements of the *Financial Management Act* and related Treasurer's Directions. The *Financial Management Act* 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 is to 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.

The form of the agency financial statements is also consistent with the requirements of Australian Accounting Standards. The effects of all relevant new and revised Standards and

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

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **For the year ended 30 June 2017**

Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period have been evaluated.

The following new and revised accounting standards and interpretations were effective for the first time in 2016-17:

#### **AASB 124 Related Party Disclosures**

This standard applies to not-for-profit sector for the first time in 2016-17. The accounting standard requires disclosures about the remuneration of key management personnel, transactions with related parties, and relationships between parent and controlled entities. For any such transactions, disclosures will include the nature of the related party relationship, as well as information about those transactions' terms/conditions and amounts, any guarantees given/received, outstanding receivables/payables, commitments, and any receivables where collection has been assessed as being doubtful.

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

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

#### **AASB 16 Leases**

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

For lessees with operating leases, a right-of-use asset will now come onto the balance sheet together with a lease liability for all leases with a term of more than 12 months, unless the underlying assets are of low value. The Comprehensive Operating Statement will no longer report operating lease rental payments, instead a depreciation expense will be recognised relating to the right-to-use asset and interest expense relating to the lease liability.

For lessors, the finance and operating lease distinction remains largely unchanged. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

Operating lease commitments will be required to be recognised in the balance sheet through a lease liability and corresponding right to use asset from 2019-20 in accordance with AASB 16 Leases. In the Comprehensive Operating Statement, the operating lease expense will be replaced with a depreciation expense relating to the right to use asset and interest expense relating to the lease liability. These cannot be quantified at this time.



## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

AASB 1058 Income for Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers are effective for annual reporting periods beginning on or after 1 January 2019 and will be reported in these financial statements for the first time in 2019-20.

Under the new AASB 1058 Income for Not-for-Profit Entities, revenue from grants and donations will be recognised when any associated performance obligation to provide goods or services is satisfied, and not immediately upon receipt as currently occurs. Consequently, more liabilities will be recognised in the balance sheet after adoption of this standard.

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

While the full impacts are yet to be determined, potential impacts identified include:

- Grants received to construct or acquire a non-financial asset will be recognised as a liability, and subsequently recognised as revenue as the performance obligations under the grant are satisfied. At present, such grants are recognised as revenue on receipt.
- Grants with an enforceable agreement and sufficiently specific performance obligations will be recognised as revenue progressively as the associated performance obligations are satisfied. At present, such grants are recognised as revenue on receipt.
- Grants that have an enforceable agreement but no specific performance obligations but have restrictions on the timing of expenditure will also continue to be recognised on receipt as time restriction on the use of funds is not sufficiently specific to create a performance obligation.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled.

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

#### **c) Reporting Entity**

The financial statements also serve to meet the Office's reporting requirement to prepare financial statements in accordance with section 27 of the *Audit Act* and present the financial statements for audit. The principal place of business of the Office is Level 12, 22 Mitchell Street, Darwin NT 0800.

#### **d) Agency and Territory Items**

The financial statements of the Office include income, expenses, assets, liabilities and equity over which the Office has control. Certain items, while managed by the Office, are controlled and recorded by the Territory rather than the agency (Territory items). Territory items are recognised and recorded in the Central Holding Authority as discussed below.

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

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2017**

#### **Central Holding Authority**

The Central Holding Authority is the 'parent body' that represents the Government's ownership interest in Government-controlled entities.

The Central Holding Authority also records all Territory items, such as income, expenses, assets and liabilities controlled by the Government and managed by agencies on behalf of the Government. The main Territory item is Territory income, which includes taxation and royalty revenue, Commonwealth general purpose funding (such as GST revenue), fines, and statutory fees and charges.

The Central Holding Authority also holds certain Territory assets not assigned to agencies as well as certain Territory liabilities that are not practical or effective to assign to individual agencies such as unfunded superannuation and long service leave.

The Central Holding Authority recognises and records all Territory items, and as such, these items are not included in the agency's financial statements. The Office is not accountable for any Territory items managed on behalf of Government, as disclosed in Note 21 – Schedule of Administered Territory Items.

#### **e) Comparatives**

Where necessary, comparative information for the 2015-16 financial year has been reclassified to provide consistency with current year disclosures.

#### **f) Presentation and Rounding of Amounts**

Amounts in the financial statements and notes to the financial statements are presented in Australian dollars and have been rounded to the nearest thousand dollars, with amounts of \$500 or 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 2016-17 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.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

#### **i) Goods and Services Tax**

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

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

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

#### **j) Contributions by and Distributions to Government**

The Office may receive contributions from Government where the Government is acting as owner of the agency. Conversely, the Office may make distributions to Government. In accordance with the *Financial Management Act* and Treasurer's Directions, certain types of contributions and distributions, including those relating to administrative restructures, have been designated as contributions by, and distributions to, Government. These designated contributions and distributions are treated by the agency as adjustments to equity.

The Statement of Changes in Equity provides additional information in relation to contributions by, and distributions to, Government.

#### **k) Revaluations and Impairment**

The Office held only financial assets during the period of consideration and did not purchase or own any non-financial assets during this period or the prior comparative period.

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 3. COMPREHENSIVE OPERATING STATEMENT BY OUTPUT GROUP

	Note	Audits and Reviews		Corporate and Governance		Total	
		2017	2016	2017	2016	2017	2016
		\$000	\$000	\$000	\$000	\$000	\$000
<b>INCOME<sup>(i)</sup></b>							
Appropriation							
Output <sup>(ii)</sup>		2,817	2,806	335	372	3,152	3,178
Sales of goods and services <sup>(iii)</sup>	4	1,846	2,160	-	-	1,846	2,160
Goods and services received free of charge	5	-	-	227	228	227	228
<b>TOTAL INCOME</b>		<b>4,663</b>	<b>4,966</b>	<b>562</b>	<b>600</b>	<b>5,225</b>	<b>5,566</b>
<b>EXPENSES</b>							
Employee expenses	6	(619)	(675)	(284)	(317)	(903)	(992)
Administrative expenses							
Purchases of goods and services	7	(3,806)	(4,262)	(51)	(53)	(3,857)	(4,315)
Repairs and maintenance		-	-	-	(2)	-	(2)
Other administrative expenses	5	-	-	(227)	(228)	(227)	(228)
<b>TOTAL EXPENSES</b>		<b>(4,425)</b>	<b>(4,937)</b>	<b>(562)</b>	<b>(600)</b>	<b>(4,987)</b>	<b>(5,537)</b>
<b>NET SURPLUS</b>		<b>238</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>238</b>	<b>29</b>
<b>OTHER COMPREHENSIVE INCOME</b>							
Items that will not be reclassified to net surplus/deficit							
Changes in accounting policies		-	-	-	-	-	-
Correction of prior period errors		-	-	-	-	-	-
Changes in asset revaluation surplus		-	-	-	-	-	-
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COMPREHENSIVE RESULT</b>		<b>238</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>238</b>	<b>29</b>

*This Comprehensive Operating Statement by Output Group is to be read in conjunction with the notes to the financial statements.*

#### i. Income

Income encompasses both revenue and gains. Income is recognised at the fair value of the consideration received, exclusive of the amount of GST. Exchanges of goods or services of the same nature and value without any cash consideration being exchanged are not recognised as income.

#### ii. Appropriation

Output appropriation is the operating payment to each agency for the outputs they provide and is calculated as the net cost of agency outputs after taking into account funding from agency income. It does not include any allowance for major non-cash costs such as depreciation. The Office does not receive Commonwealth appropriation. Revenue in respect of appropriation is recognised in the period in which the Office gains control of the funds.

#### iii. Sales of goods and services

Sales from goods and services constitute recoveries of audit costs in relation to the audits of statutory entities. Revenue from rendering services is recognised by reference to the state of completion of the contract. The revenue is recognised when:

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

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 4. SALES OF GOODS AND SERVICES

	2017	2016
	\$000	\$000
<b>AUDIT COSTS RECOVERED</b>		
Batchelor Institute of Indigenous Tertiary Education	78	67
Board of the Museum and Art Gallery of the Northern Territory	16	20
CDU Amenities Limited	43	6
Central Australia Health Service	27	30
Charles Darwin University	163	140
Charles Darwin University Foundation	8	8
Cobourg Peninsula Sanctuary and Marine Park Board	14	14
Darwin Bus Service	-	15
Darwin Port Corporation	-	52
Darwin Waterfront Corporation	41	41
Data Centre Services	23	18
Department of Health	22	26
Department of Local Government and Community Services ( <i>former</i> )	9	9
Department of Trade, Business and Innovation	11	19
Department of Transport ( <i>former</i> )	15	16
Department of Treasury and Finance	9	9
Desert Knowledge Australia	31	21
Indigenous Essential Services Pty Ltd	59	181
Jabiru Town Development Authority	9	9
Jacana Energy	88	118
Land Development Corporation	50	50
Menzies School of Health Research	54	45
Motor Accidents (Compensation) Commission	274	131
Nitmiluk (Katherine Gorge) National Park Board	16	16
Northern Territory Grants Commission	4	4
Northern Territory Legal Aid Commission	16	18
Northern Territory Major Events Company Pty Ltd	36	27
Northern Territory Treasury Corporation	72	73
NT Build	22	18
NT Fleet	34	34
NT Home Ownership	45	45
Office of the Public Trustee for the Northern Territory	30	30
Power and Water Corporation	384	681
Surveyors Board of the Northern Territory of Australia	6	7
Territory Generation	83	110
Territory Wildlife Parks	21	20
Top End Health Service	33	32
	<b>1,846</b>	<b>2,160</b>



# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

	2017	2016
	\$000	\$000
Corporate and information services	227	228
	<b>227</b>	<b>228</b>

Services are provided by the Department of Corporate and Information Services. The service charges are recognised within 'Other administrative expenses'.

### 6. EMPLOYEE EXPENSES

The net surplus has been derived after charging the following expenses:

Salaries	713	711
Recreation Leave	55	116
Superannuation	69	90
Payroll Tax <sup>1</sup>	40	58
Other Benefits <sup>2</sup>	13	6
Fringe Benefit Tax	8	9
Allowances	2	-
Recreation Leave Loading	3	2
	<b>903</b>	<b>992</b>

1. Includes on-costs expense

2. Includes salary sacrifice and vehicle contributions

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 7. PURCHASES OF GOODS AND SERVICES

	2017	2016
	\$000	\$000
The net surplus has been arrived at after charging the following expenses:		
<b>Goods and services expenses:</b>		
Authorised Auditors' fees	3,780	4,210
Audit expense	11	10
Information technology and communication expenses	23	23
Property expenses	5	14
Motor vehicle expenses	11	11
Consultants <sup>(1)</sup>	-	27
Advertising <sup>(2)</sup>	-	-
Marketing and promotion <sup>(3)</sup>	-	-
Document production	1	-
Legal expenses <sup>(4)</sup>	-	-
Recruitment <sup>(5)</sup>	-	-
Training and study	6	3
Official duty fares	2	2
Travelling allowance	-	-
Other expenses	18	15
	<b>3,857</b>	<b>4,315</b>

<sup>(1)</sup> Strategic review for the Office in 2016. Also Includes (if any) marketing, promotion and IT consultants.

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

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

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

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

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

	Agency 2017 \$000	No. of Trans.	Agency 2016 \$000	No. of Trans.
<b>Write-offs, Postponements and Waivers Under the <i>Financial Management Act</i></b>	-	-	-	-
Represented by:				
<i>Amounts written off, postponed and waived by Delegates</i>	-	-	-	-
<b>Total Written Off, Postponed and Waived by Delegates</b>	-	-	-	-
<i>Amounts written off, postponed and waived by the Treasurer</i>	-	-	-	-
<b>Total Written Off, Postponed and Waived by the Treasurer</b>	-	-	-	-
<b>Write-offs, Postponements and Waivers Authorised Under Other Legislation</b>	-	-	-	-
<b>Gifts Under the <i>Financial Management Act</i></b>	-	-	-	-
<b>Gifts Authorised Under Other Legislation</b>	-	-	-	-
<b>Ex Gratia Payments Under the <i>Financial Management Act</i></b>	-	-	-	-

### 9. CASH AND DEPOSITS

	2017 \$000	2016 \$000
Cash on hand	-	-
Cash at bank	876	228
	<b>876</b>	<b>228</b>

### 10. RECEIVABLES

<b>Current</b>		
Accounts receivable	176	386
Less: Allowance for impairment losses	-	-
Accrued revenue	34	84
GST receivables	28	14
<b>Total Receivables</b>	<b>238</b>	<b>484</b>

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**11. PAYABLES**

	2017	2016
	\$000	\$000
Accounts payable	255	2
Accrued expenses	28	60
<b>Total Payables</b>	<b>283</b>	<b>62</b>

**12. PROVISIONS**

**Current**

*Employee benefits*

Recreation leave	75	69
Leave loading	4	4
Other employee benefits <sup>1</sup>	15	30
	<b>94</b>	<b>103</b>

**Non-Current**

*Employee benefits*

Recreation leave	-	48
	<b>-</b>	<b>48</b>

**Total Provisions**

<b>94</b>	<b>151</b>
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The Office employed 5 employees as at 30 June 2017 (5 employees as at 30 June 2016).

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

**Employee Benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and recreation leave. Liabilities arising in respect of wages and salaries, recreation leave and other employee benefit liabilities that fall due within twelve months of reporting date are classified as current liabilities and are measured at amounts expected to be paid. Non-current employee benefit liabilities that fall due after twelve months of the reporting date are measured at present value, calculated using the Government long-term bond rate. The Office has assessed that all employee provisions are classified as current liabilities as at 30 June 2017.

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, sick leave and other leave entitlements; and
- other types of employee benefits.

As part of the financial management framework, the Central Holding Authority assumes the long service leave liabilities of Government agencies, including the Office and as such no long service leave liability is recognised in agency financial statements.

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2017**

**Superannuation**

Employees' superannuation entitlements are provided through the:

- Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS);
- Commonwealth Superannuation Scheme (CSS); or
- non-government employee-nominated schemes for those employees commencing on or after 10 August 1999.

The Office makes superannuation contributions on behalf of its employees to the Central Holding Authority or non-government employee-nominated schemes. Superannuation liabilities related to government superannuation schemes are held by the Central Holding Authority and as such are not recognised in agency financial statements.

**13. COMMITMENTS**

	2017		2016	
	Internal	External	Internal	External
	\$000	\$000	\$000	\$000
<b>(i) Authorised Auditor Commitments</b>				
The model under which the NTAGO operates relies upon the use of auditors who are drawn from private accounting firms and appointed by the Auditor-General pursuant to section 17 of the <i>Audit Act</i> . A number of firms are appointed against the contract, which is executed every three years. The current contract will expire on 31 December 2017. The minimum legal commitment to accounting firms for the remaining term of the current contract, is as follows:				
Within one year	-	1,168	-	2,334
Later than one year and not later than five years	-	-	-	1,168
Later than five years	-	-	-	-
	-	1,168	-	3,502

*Note: Contract from 1/01/15 to 31/12/17 - with rate increases based on CPI 1 January each year.*

*1. The Office determines its contract commitment with the Audit firms based upon the terms of the contract (ex CPI). As the CPI is not known, an escalation value is not applied. The calculation is based therefore on the actual split of the costs/hours of the audit contract across the 3 year period. The costs/hours of the contract reflect the minimum agreed commitment with the firms. The actual practice of the Office is to allocate in each period, more than the minimum required against the contract.*

**(ii) Operating Lease Commitments**

The Office currently does not have any operating lease commitments for the reporting period.

Within one year	-	-	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	-	-	-

*Restated 2016 comparatives to reflect nil operating lease commitments. This is because the multifunction device was purchased and owned by DCIS. The Office pays monthly subscription costs to use this multifunction device and does not have a lease agreement in place.*

*Internal commitments are to entities controlled by the NTG, whereas external commitments are to third parties external to the NTG.*



# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 14. EQUITY INJECTION

	2017	2016
	\$000	\$000
Equity injection	-	200
	-	200

On 30 June 2016, the Office received an equity injection of \$200,000 from the Northern Territory Government to ensure sufficient funds were available to meet cash payments. The Northern Territory Government has advised that this amount is not required to be returned as an equity withdrawal during the 30 June 2017 financial year to ensure that the Office will continue to meet cash payments and have sufficient cash balance.

### 15. NOTES TO THE CASH FLOW STATEMENT

#### Reconciliation of Cash

The total of agency 'Cash and deposits' of \$876,677.96 recorded in the Balance Sheet is consistent with that recorded as 'Cash' in the Cash Flow Statement.

#### Reconciliation of Net Surplus to Net Cash from/(used in) Operating Activities

Net Surplus	238	29
<i>Changes in assets and liabilities:</i>		
Decrease/(Increase) in receivables	246	(443)
Decrease/(Increase) in prepayments	-	-
Increase in payables	221	14
(Decrease)/Increase in provision for employee benefits	(41)	56
(Decrease)/Increase in other provisions	(16)	15
<b>Net Cash from/(used in) Operating Activities</b>	<b>648</b>	<b>(329)</b>

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 16. 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 instruments held by the Office include cash and deposits, receivables, and payables. The Office has limited exposure to financial risks as discussed below.

Financial assets and liabilities are recognised on the Balance Sheet when the agency becomes a party to the contractual provisions of the financial instrument.

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 within AASB 132 Financial Instruments Presentation. These include statutory receivables arising from taxes including GST and penalties.

#### 1. Categorisation of Financial Instruments

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

##### 2016-17 Categorisation of Financial Instruments

	Financial assets - Other	Financial assets - Loans and receivables	Financial liabilities - amortised cost	Total
	\$000	\$000	\$000	\$000
Cash and deposits	877	-	-	877
Receivables <sup>1</sup>	-	160	-	160
<b>Total Financial Assets</b>	<b>877</b>	<b>160</b>	<b>-</b>	<b>1,037</b>
Payables <sup>1</sup>	-	-	232	232
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>232</b>	<b>232</b>

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

##### 2015-16 Categorisation of Financial Instruments

	Financial assets - Other	Financial assets - Loans and receivables	Financial liabilities - amortised cost	Total
	\$000	\$000	\$000	\$000
Cash and deposits	228	-	-	228
Receivables <sup>1</sup>	-	351	-	351
<b>Total Financial Assets</b>	<b>228</b>	<b>351</b>		<b>579</b>
Payables <sup>1</sup>	-	-	2	2
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>

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

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2017**

**16. FINANCIAL INSTRUMENTS (continued)**

**Classification of Financial Instruments**

AASB 7 Financial Instruments: Disclosures requires financial instruments to be classified and disclosed within specific categories depending on their nature and purpose.

Financial assets are classified into the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables; and
- available-for-sale financial assets.

Financial liabilities are classified into the following categories:

- financial liabilities at fair value through profit or loss (FVTPL); and
- financial liabilities at amortised cost.

**Financial Assets or Financial Liabilities at Fair Value through Profit or Loss**

Financial instruments are classified as at FVTPL when the instrument is either held for trading or is designated as at FVTPL.

An instrument is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term with an intention of making a profit; or
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

A financial instrument may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the instrument forms part of a group of financial instruments, which is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 Financial Instruments: Recognition and Measurement permits the contract to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss include deposits held excluding statutory deposits, accounts payable and accrued expenses. Financial assets at fair value through profit or loss include short-term securities and bonds. The Office holds no financial instruments classified as at FVTPL.

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

#### 16. FINANCIAL INSTRUMENTS (continued)

##### **Held-to-Maturity Investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the entity has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

##### **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those held for trading and available for sale. Loans and receivables exclude statutory receivables.

##### **Available-for-Sale Financial Assets**

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not classified as any of the three preceding categories. The Office had no available-for-sale financial assets at 30 June 2017 or at any time during the periods reported.

##### **Financial Liabilities at Amortised Cost**

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

#### **2. Credit Risk**

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

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

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 16. FINANCIAL INSTRUMENTS (continued)

#### Receivables

Receivable balances are monitored on an ongoing basis to ensure that exposure to bad debts is not significant. A reconciliation and aging analysis of receivables is presented below.

Internal Receivables	Aging of Receivables \$000	Aging of Impaired Receivables \$000	Net Receivables \$000
<b>2016-17</b>			
Not overdue	166	-	166
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
<b>Total</b>	<b>166</b>	<b>-</b>	<b>166</b>

#### Reconciliation of the Allowance for Impairment Losses

Opening	-
Written off during the year	-
Recovered during the year	-
Increase/(Decrease) in allowance recognised in profit or loss	-

#### Total

-

#### 2015-16

Not overdue	386	-	386
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
<b>Total</b>	<b>386</b>	<b>-</b>	<b>386</b>

#### Reconciliation of the Allowance for Impairment Losses

Opening	-
Written off during the year	-
Recovered during the year	-
Increase/(Decrease) in allowance recognised in profit or loss	-

#### Total

-



# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 16. FINANCIAL INSTRUMENTS (continued)

#### Receivables (continued)

External Receivables	Aging of Receivables	Aging of Impaired Receivables	Net Receivables
	\$000	\$000	\$000
<b>2016-17</b>			
Not overdue	10	-	10
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
<b>Total</b>	<b>10</b>	<b>-</b>	<b>10</b>

#### Reconciliation of the Allowance for Impairment Losses

Opening	-
Written off during the year	-
Recovered during the year	-
Increase/(Decrease) in allowance recognised in profit or loss	-
<b>Total</b>	<b>-</b>

#### 2015-16

Not overdue	-	-	-
Overdue for less than 30 days	-	-	-
Overdue for 30 to 60 days	-	-	-
Overdue for more than 60 days	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Reconciliation of the Allowance for Impairment Losses

Opening	-
Written off during the year	-
Recovered during the year	-
Increase/(Decrease) in allowance recognised in profit or loss	-
<b>Total</b>	<b>-</b>

### 3. Liquidity Risk

Liquidity risk is the risk that the agency will not be able to meet its financial obligations as they fall due. The Office's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due.

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 16. FINANCIAL INSTRUMENTS (continued)

The following tables detail the Office's remaining contractual maturity for its financial assets and liabilities.

#### 2017 Maturity analysis for financial assets and liabilities

	Interest Bearing			Non-Interest Bearing	Total	Weighted Average
	Less than a Year	1 to 5 Years	More than 5 Years			
	\$000	\$000	\$000	\$000	\$000	%
<b>Assets</b>						
Cash and deposits	-	-	-	877	877	-
Receivables <sup>1</sup>	-	-	-	160	160	-
<b>Total Financial Assets</b>	-	-	-	<b>1,037</b>	<b>1,037</b>	-
<b>Liabilities</b>						
Payables <sup>1</sup>	-	-	-	232	232	-
<b>Total Financial Liabilities</b>	-	-	-	<b>232</b>	<b>232</b>	-

#### 2016 Maturity analysis for financial assets and liabilities

	Interest Bearing			Non-Interest Bearing	Total	Weighted Average
	Less than a Year	1 to 5 Years	More than 5 Years			
	\$000	\$000	\$000	\$000	\$000	%
<b>Assets</b>						
Cash and deposits	-	-	-	228	228	-
Receivables <sup>1</sup>	-	-	-	351	351	-
<b>Total Financial Assets</b>	-	-	-	<b>579</b>	<b>579</b>	-
<b>Liabilities</b>						
Payables <sup>1</sup>	-	-	-	2	2	-
<b>Total Financial Liabilities</b>	-	-	-	<b>2</b>	<b>2</b>	-

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

### 4. Market Risk

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

#### (i) Interest Rate Risk

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

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 16. FINANCIAL INSTRUMENTS (continued)

#### (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.

### 5. Net Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

When measuring fair value, the valuation techniques used maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the agency include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgments that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Such inputs include internal agency adjustments to observable data to take account of particular and potentially unique characteristics/functionality of assets/liabilities and assessments of physical condition and remaining useful life.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy based on the inputs used:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs are unobservable.

The fair value of financial instruments is determined on the following basis:

- the fair value of cash, deposits, advances, receivables and payables approximates their carrying amount, which is also their amortised cost;
- the fair value of derivative financial instruments are derived using current market yields and exchange rates appropriate to the instrument; and

## NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

#### 16. FINANCIAL INSTRUMENTS (continued)

- the fair value of other monetary financial assets and liabilities is based on discounting to present value the expected future cash flows by applying current market interest rates for assets and liabilities with similar risk profiles.

The Office had no non-financial assets as at 30 June 2017 or at any time during the periods reported.

#### 17. RELATED PARTIES

##### i) Related Parties

The Northern Territory Auditor-General's Office exists to provide support to the Auditor-General (an independent statutory officer) in the delivery of services mandated primarily by the *Audit Act*. Related parties of the Office include:

- spouses, children and dependants who are close family members of the key management personnel (KMP); and
- all public sector entities that are controlled and consolidated into the whole of government financial statements; and
- any entities controlled or jointly controlled by KMP or controlled or jointly controlled by their close family members.

Whilst for Administrative Arrangements purposes the Office is included as an agency within the portfolio of the Chief Minister, in practice, the Portfolio Minister does not have authority and responsibility for planning, directing and controlling the activities of the Agency beyond the authority established within the *Audit Act*.

##### ii) Key Management Personnel (KMP)

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

##### iii) Remuneration of Key Management Personnel

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

	2016-17
	\$000
Short-term benefits	297
Post-employment benefits	26
Other long-term employee benefits	-
Termination benefits	-
<b>Total</b>	<b>323</b>

**NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2017**

**17. RELATED PARTIES (continued)**

**iv) Related party transactions**

**Transactions with Northern Territory Government controlled entities**

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

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

Related Party	Revenue from related parties	Payments to related parties	Amounts owed by related parties	Amounts owed to related parties
	2017 \$000	2017 \$000	2017 \$000	2017 \$000
<i>All NTG Government departments</i>	1,593	307	209	5

The Office's transactions with other government entities are not individually significant. More information regarding revenue from related parties is disclosed in Note 4 – Sales of Goods and Services.

**Other related party transactions**

Given the breadth and depth of Territory Government activities, related parties will transact with the Territory Public sector in a manner consistent with other members of the public including paying stamp duty and other government fees and charges and therefore these transactions have not been disclosed. The Office had no other related party transactions in excess of \$10,000 or on non-standard terms and conditions that may be reported.

**18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Office had no contingent liabilities or contingent assets as at 30 June 2017 or 30 June 2016.

**19. 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.

**20. ACCOUNTABLE OFFICER'S TRUST ACCOUNT**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2017**

**21. SCHEDULE OF ADMINISTERED TERRITORY ITEMS**

The Office managed no Territory items on behalf of the Government during the current or prior year (refer Note 2(d)).

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 22. BUDGETARY INFORMATION

Comprehensive Operating Statement	2016-17 Actual	2016-17 Original Budget <sup>(a)</sup>	Variance	Note
	\$000	\$000	\$000	
<b>INCOME</b>				
Appropriation				
Output	3,152	3,152	-	
Sales of goods and services	1,846	1,455	391	1
Goods and services received free of charge	227	278	(51)	2
<b>TOTAL INCOME</b>	<b>5,225</b>	<b>4,885</b>	<b>340</b>	
<b>EXPENSES</b>				
Employee expenses	(903)	(955)	(52)	3
Administrative expenses				
Purchases of goods and services	(3,857)	(3,650)	207	4
Repairs and maintenance	-	(2)	(2)	
Other administrative expenses	(227)	(278)	(51)	2
<b>TOTAL EXPENSES</b>	<b>(4,987)</b>	<b>(4,885)</b>	<b>102</b>	
<b>NET SURPLUS</b>	<b>238</b>	<b>-</b>	<b>238</b>	
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will not be reclassified to net surplus/deficit</b>				
Changes in accounting policies	-	-	-	
Correction of prior period errors	-	-	-	
Changes in asset revaluation surplus	-	-	-	
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>COMPREHENSIVE RESULT</b>	<b>238</b>	<b>-</b>	<b>238</b>	

<sup>(a)</sup> Original budget amounts correspond to those disclosed in the NTG Budget 2016-17 BP3 Agency Budget Statements (May 2016), classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statement.

#### Notes:

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

1. Costs associated with statutory entities are permitted to be recovered. The increase from budgeted amount was due to additional recovered costs associated with audits of the Motor Accidents (Compensation) Commission and the Charles Darwin University group of entities.
2. The value of goods and services received free of charge was lower than originally determined and advised by the Office's shared service provider, DCIS.
3. Employee expenses were lower than budgeted primarily due to staff movements resulting in provision for employee leave entitlements being transferred to another agency upon the return of the transferred employee with a corresponding reduction in employee provisions and one employee taking leave without pay (at no cost to the Office) during the period.
4. Additional audit costs were incurred as a result of increased audit work required in order to issue audit opinions on the 2016 financial statements of the Motor Accidents (Compensation) Commission and the Charles Darwin University group of entities.

# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 22. BUDGETARY INFORMATION (continued)

Balance Sheet	2016-17 Actual	2016-17 Original Budget <sup>(a)</sup>	Variance	Note
	\$000	\$000	\$000	
<b>ASSETS</b>				
Cash and deposits	876	356	520	1
Receivables	238	41	197	2
Prepayments	1	1	-	
	<u>1,115</u>	<u>398</u>	<u>717</u>	
<b>TOTAL ASSETS</b>	<u>1,115</u>	<u>398</u>	<u>717</u>	
<b>LIABILITIES</b>				
Payables	283	48	235	3
Provisions	94	80	14	
	<u>377</u>	<u>128</u>	<u>249</u>	
<b>TOTAL LIABILITIES</b>	<u>377</u>	<u>128</u>	<u>249</u>	
<b>NET ASSETS</b>	<u>738</u>	<u>270</u>	<u>468</u>	
<b>EQUITY</b>				
Capital	570	370	200	4
Accumulated funds	168	(100)	268	
<b>TOTAL EQUITY</b>	<u>738</u>	<u>270</u>	<u>468</u>	

<sup>(a)</sup> Original budget amounts correspond to those disclosed in the NTG Budget 2016-17 BP3 Agency Budget Statements (May 2016), classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statement.

#### Notes:

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

1. Cash balances were \$520,000 more than budgeted as a result of increased revenue from recovered audit costs and decreased operational expenses, combined with the \$200,000 (refer to Note 4 below) which was not requested to be returned to Treasury as anticipated.
2. Represents six invoices outstanding as at 30 June 2017 primarily for recoverable audit costs.
3. The increase in payables reflects increased costs of outsourced audit services for which invoices were not paid prior to 30 June 2017.
4. The Government provided a \$200,000 cash injection on 30 June 2016 to ensure the cash balance during the end of the financial year was sufficient to meet outstanding invoices.



# NORTHERN TERRITORY AUDITOR-GENERAL'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 22. BUDGETARY INFORMATION (continued)

Cash Flow Statement	2016-17 Actual	2016-17 Original Budget <sup>(a)</sup>	Variance	Note
	\$000	\$000	\$000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Operating receipts</b>				
Appropriation				
Output	3,152	3,152	-	
Receipts from sales of goods and services	2,479	1,455	1,024	1
<b>Total operating receipts</b>	<b>5,631</b>	<b>4,607</b>	<b>1,024</b>	
<b>Operating payments</b>				
Payments to employees	(958)	(955)	3	
Payments for goods and services	(4,025)	(3,652)	373	2
<b>Total operating payments</b>	<b>(4,983)</b>	<b>(4,607)</b>	<b>376</b>	
<b>Net cash from operating activities</b>	<b>648</b>	<b>-</b>	<b>648</b>	
Net increase in cash held	648	-	648	
Cash at beginning of financial year	228	356	(128)	
<b>CASH AT END OF FINANCIAL YEAR</b>	<b>876</b>	<b>356</b>	<b>520</b>	

<sup>(a)</sup> Original budget amounts correspond to those disclosed in the NTG Budget 2016-17 BP3 Agency Budget Statements (May 2016), classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statement.

#### Notes:

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

1. Represents receipts of recoverable audit fees (GST inclusive) attributable to audits where actual costs were greater than budgeted. Additional receipts were also due to recoverable audit fees from the 2016 FY audit work.
2. The increase in payments of goods and services reflected the additional recoverable audit costs during the year.