

6 November 2025

The Hon Lia Finocchiaro
Chief Minister of the Northern Territory
GPO Box 3146, Darwin
Northern Territory 0801
By email – chief.minister@nt.gov.au

Cc: Public Accounts Committee
C/- Julia Knight
Committee Secretary
GPO Box 3721
Darwin NT 0801
Cc: Julia.knight@nt.gov.au

Dear Chief Minister

INTEGRITY AND ETHICS COMMISSIONER BILL 2025, PERTAINING TO THE NORTHERN TERRITORY'S AUDITOR-GENERAL'S OFFICE

On behalf all Australian members of the Australasian Council of Auditors General (ACAG), I enclose a submission for your consideration, regarding the Integrity and Ethics Commissioner Bill 2025.

ACAG was established over 60 years ago to facilitate the sharing of information and intelligence between Auditors-General in a time of increasing complexity and rapid change. The work of ACAG is underpinned by four strategic pillars; knowledge sharing and collaboration, a collective voice, capability development and maximising the value of ACAG as an organisation.

We have contributed to several Parliamentary Inquiries into public sector audit legislation, presenting the views of members on opportunities to strengthen the independence, accountability, and operational effectiveness of Auditors-General.

Now that the Integrity and Ethics Commissioner Bill 2025 ('the Bill') has been introduced into the Northern Territory Parliament, ACAG has had the opportunity to review the provisions. The Bill raises a number of concerns, and ACAG wishes to make the following points:

- Independence is absolutely critical for an Auditor-General because it underpins accountability, transparency and public trust. Independence enables an Auditor-General to conduct an audit without fear or favour, ensuring findings are based solely on evidence and professional judgment and can be trusted by citizens and stakeholders.
- The most effective model of accountability for an Auditor-General is a well-functioning Parliamentary oversight committee or Public Accounts Committee (PAC).
- The Northern Territory's independence frameworks as they apply to the Auditor-General have not kept pace with those in ACAG member jurisdictions across Australia, New Zealand, Fiji or Papua New Guinea. The Bill further erodes the Auditor-General's independence by:
 - providing that the Inspector may at his or her discretion evaluate the performance of the Auditor-General's functions or any aspect of the Auditor-General's operations. There are already provisions in the *Audit Act 1995* ('the Act') providing for reasonable oversight of the Auditor-General, right up to termination if necessary. The Parliament currently plays a key oversight function in the Act.

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- Introducing a mechanism to enable any person to complain to the Inspector about the Auditor-General, staff of the Auditor-General's Office (including employees of contracted audit firms) or the Auditor-General's Office about their questionable conduct, providing the Inspector with much wider scope than is available under the current anti-corruption arrangements. It is not appropriate for complaints against an individual employee of the Auditor-General's office or contracted private sector firms (rather than against the office or the firm, unless they engaged in improper conduct) to be the subject of an external investigation. This again creates a significant threat to the independence of the Office, and could, in practice expose Auditor-General's staff or staff of contracted private sector firms subject to threats or intimidation regarding potential complaints.

Further details are included in the attached for your consideration as a matter of urgency. Should you require any further information, or would like to discuss this further please contact our Executive Director, Jenni Tierney, on 0460 696 496 or at jenni.tierney@acag.org.au.

Yours sincerely



Bola Oyetunji

Convenor

Australasian Council of Auditors General

AUSTRALASIAN COUNCIL OF AUDITORS GENERAL INTEGRITY AND ETHICS COMMISSIONER BILL 2025

This submission is limited to those Australasian Council of Auditors General (ACAG) members referred to in the attached covering letter. Any reference to ACAG relates only to those members participating in this submission.

Introduction

In every Australian jurisdiction, the Auditor-General is a key part of the public sector's integrity and accountability system ensuring the accountability of the Government and its agencies to Parliament and the public. It is therefore important that legislation governing the Auditor-General is designed to achieve the highest level of accountability and transparency and adequate governance structures and operational processes are in place to enable delivery of the Auditor-General's mandate.

Independence is absolutely critical for an Auditor-General because it underpins the credibility, integrity, and effectiveness of their role. Here's why:

- **Ensures Objectivity and Impartiality**

An Auditor-General must be free from influence—especially political or organizational—to provide unbiased assessments of government operations. Independence allows audits to be conducted without fear or favour, ensuring findings are based solely on evidence and professional judgment.

- **Strengthens Public Trust**

Citizens and stakeholders are more likely to trust audit reports when they know the Auditor-General operates independently. This trust is essential for maintaining confidence in public institutions and democratic accountability.

- **Supports Accountability and Transparency**

An independent Auditor-General can hold government departments and agencies accountable for their use of public resources. This contributes to transparency in governance and helps deter corruption, mismanagement, and inefficiency.

The International Organisation of Supreme Audit Institutions (INTOSAI) is the umbrella organisation of Supreme Audit Institutions (SAI) of countries that belong to the United Nations. It is an autonomous, independent, and non-political organisation with special consultative status with the Economic and Social Council of the United Nations. INTOSAI aims to reinforce the independence and professionalism of external Government auditing.

INTOSAI has declared that eight core independence principles¹ are essential requirements for effective public sector auditing.

¹ **Principles:** (1): An effective statutory legal framework; (2): Independence and security of tenure for the head of the audit institution; (3): Full discretion to exercise a broad audit mandate; (4): Unrestricted access to information; (5): A right and obligation to report on audit work; (6): Freedom to decide the content and timing of audit reports and to publish them; (7): Appropriate mechanisms to follow-up on audit recommendations; and (8): Financial, managerial, and administrative autonomy and availability of appropriate resources.

This submission by ACAG is based on these principles, which we believe are essential to the role of the Auditor-General.

In 2009, the Victorian Auditor-General's Office (VAGO) commissioned a survey on behalf of ACAG to identify and compare the range of independence safeguards for Auditors-General in the legislative frameworks that then existed in New Zealand, in the Commonwealth of Australia and in each Australian State and Territory. The survey was based upon the eight core independence principles listed above.

The 2009 survey identified 60 key legislative components or 'factors' that contributed to each INTOSAI independence principle and the extent to which each factor was subject to the control of Executive government was assessed. That survey found that all jurisdictions had well established legislative frameworks governing their respective Auditors-General. However, there was considerable variation in the independence safeguards provided for Auditors-General and in the extent to which they, or the role they performed, could be influenced by the Executive government of the jurisdictions concerned.

The survey was repeated in 2013, 2020 and again in 2025. The aim of these more recent surveys was to identify and compare the range of safeguards that existed to support the independence of Auditors General. A copy of the full report *Independence of Auditors General: A 2020 update of a survey of Australian and New Zealand legislation* ("Independence Report") is included as an attachment to this submission.

The 2025 Report, due to be published shortly includes Papua New Guinea and Fiji for the first time.

Overall, the Northern Territory's independence frameworks have not kept pace. It was ranked 9th out of nine in 2009, 2013, 2020 and based on the 2025 draft Report results, will be ranked 12th of twelve. The 2025 Report identified particular vulnerabilities for the Northern Territory's independence as follows:

- Principle 3 - *Full discretion to exercise a broad audit mandate*. The Northern Territory received a score of 29 per cent, as compared to the ACAG median of 83 per cent.
- Principle 8 - *Financial, managerial, and administrative autonomy and availability of appropriate resources*. The Northern Territory received a score of 31 per cent as compared to an ACAG median of 64 per cent.

ACAG will share a copy of the *2025 Independence of the Auditor-General Report* as soon as it's available for publication in the coming month or so.

Key points

The stated objectives of the *Integrity and Ethics Commission Bill 2025* (the Bill) are to promote integrity and ethics in the Northern Territory's public sector. However, ACAG believes the Bill, if passed could further weaken the independence of the Auditor-General and undermine the important role the Parliament plays. ACAG wishes to make the following points:

- The best model of accountability for an Auditor-General is a well-functioning Parliamentary oversight committee or Public Accounts Committee (PAC).
- There is a lack of accountability of the Inspector built into the model. For example, an examination of the Inspector's annual report by the Standing Committee on ICAC is not the appropriate mechanism to oversee the Inspector's activities as they relate to the Auditor-General.

Evaluation of the Auditor-General's Office

- The Bill proposes an evaluation of Auditor-General's Office. The Bill provides that the Inspector may, at any time, evaluate the performance of the Auditor-General's functions or any aspect of the Auditor-General's operations (s. 43). However, there are already provisions in the *Audit Act 1995* (the Act) providing reasonable parliamentary oversight of the Auditor-General, right up to termination.

Specifically, the Act deals with the evaluation of the Auditor-General's performance by:

- requiring that the Auditor-General reports to the Legislative Assembly on matters arising for the performance of his or her functions or the exercise of his or her powers at least once a year.
 - mandating that the financial statements of the Auditor-General's Office be independently audited each year, being the only agency currently required to have its financial statements independently audited.
 - requiring that the independent auditor be appointed by the Administrator.
 - requiring the independent auditor to report to the Chief Minister who must then table the report in the Legislative Assembly.
 - requiring an independent review of the Auditor-General's Office be undertaken every 3 years (to be changed to an annual review under the Bill). The reviewer must report to the Chief Minister who must then table the report in the Legislative Assembly.
 - as the CEO of an agency, the Auditor-General must prepare an annual report and submit the report to the Chief Minister who must then table the report in the Legislative Assembly.
 - the Auditor-General's term is limited to 5 years. Both the initial appointment and a reappointment is on recommendation by the Legislative Assembly.
- The Bill takes this oversight function away from Parliament.

Complaints about the Auditor-General

- The Bill proposes to introduce a mechanism to enable any person to complain about the Auditor-General, staff of the Auditor-General's Office (including employees of contracted audit firms) or the Auditor-General's Office about their improper conduct (same meaning as under s. 9 of the *Independent Commissioner Against Corruption Act 2017*) or questionable conduct.
- While the transfer of the function of handling complaints about the conduct of the Auditor-General from the Integrity and Ethics Commissioner to the Inspector may be a reasonable approach to avoid perceived conflicts of interest under the proposed shared services structure, the scope and powers given to the Inspector in relation to the Auditor-General are broad and based on those currently contained in the *Independent Commissioner Against Corruption Act 2017*. The role of the Auditor-General and his or her statutory powers, including information-gathering powers, are fundamentally different to those of the Independent Commissioner Against Corruption or the proposed Integrity and Ethics Commissioner.
- The Bill does not propose that the Parliament or PAC oversee the Inspector's investigations. Without independent oversight, there is scope for politicized complaints about the actions and decisions of the Auditor-General. Further, the Report may not include a full account of the Auditor-General's views/responses.
- It is not appropriate for complaints against an individual employee of the Auditor-General's office or contracted private sector firms (rather than against the office or the firm) to be subject of an external investigation. This again creates a significant threat to the independence of the office, and could, in practice see Auditor-General's staff or staff of contracted private sector firms subject to threats or intimidation regarding potential complaints.
- In Victoria, Integrity Oversight Victoria (IOV) oversees the Victorian Auditor-Generals' Office in relation to the use of coercive powers only. IOV also oversees the Victorian Independent Broad-based Anti-Corruption Commission (IBAC) and Ombudsman Victoria. This is considered an effective model.

Shared Services

- The Bill proposes an extension of the shared corporate service model to the Auditor-General which is inconsistent with the principle of the Auditor-General having independent staffing and managerial resources. It is critical that the Auditor-General retains operational independence as recommended in the *Report for the Review into the Structural Models for Statutory Integrity Office*