



SUMMARY 2008-09 ANNUAL REPORT

Foreword



It is my pleasure to present this Summary Annual Report for the Tasmanian Audit Office (TAO) for the financial year ended 30 June 2009. It summarises our highlights and achievements providing details of both our financial and non-financial performance.

I am pleased with the progress that we have made in two important respects – progress against our 2008-12 strategic plan and in the implementation of changes which arose when the *Audit Act 2008* took effect on 1 March 2009. The Act will have long lasting implications for the Office, State entities that we audit and our relationship with the Public Accounts Committee. Changes to date have been positive. We continue to be called on to respond to an increasing number of requests to conduct audits or investigations and our work grows ever more challenging as State entities respond to an increasingly complex service delivery environment. Our work in 2008-09 and our effective and committed staff provide a solid foundation for us to build on.

Independent Peer Reviewer

It is our policy to initiate an independent peer review of the Office once every three years with such a review conducted by Bob Sendt & Associates this financial year. Mr Sendt's review resulted in him making 26 recommendations all of which are being addressed. Importantly, he concluded:

"Overall I believe that the Tasmanian Audit Office is providing an important service in an efficient and effective manner, and the Parliament and people of Tasmania are achieving good value from the Office's use of the taxpayer's dollar. It achieves this notwithstanding the relatively small size of the Office, the complexity of its role and the demands on it. I found that the Office is open and accountable about its performance. It has a sound approach to determining its strategic objectives, in ensuring that its activities are consistent with those objectives and in managing its performance.

The Review identified a number of areas where improvements could be made that would further enhance the quality of its operations and relationships.

The full annual report can be downloaded from our website www.audit.tas.gov.au.

Mike Blake
9 October 2009

To the readers of this unaudited summary annual report of the TAO for the year ended 30 June 2009

In our opinion, the information reported in this concise annual report is consistent with the full annual report from which it is derived.

Mike Blake
Auditor-General
9 October 2009

Rohan Grant
Acting General Manager
Strategy & Governance
9 October 2009

Office Locations and Contacts

Office Locations

Main Office: Level 4 15 Murray Street
HOBART

Branch Office: Level 2 Henty House 1
Civic Square LAUNCESTON

Contact

Postal Address: GPO Box 851 HOBART 7001

Email Address: admin@audit.tas.gov.au

Phone: (03) 6226 0100

Fax: (03) 6226 0199

Highlights in 2008-09

- Tabled seven (eight in 2007-08) performance audit reports in Parliament.
- Completed all financial audits for the 2007-08 cycle where management had presented financial statements for audit and overall these audits were completed within 4% of budget.
- Tabled two reports in Parliament on the outcomes of financial audits conducted.
- Updated our performance audit manual and applied our integrated public sector audit methodology to compliance and performance audits.
- Introduction on 1 March 2009 of the *Audit Act 2008*. This necessitated a number of changes to the manner in which we do business with changes also needed by State entities. Implementation of these changes proceeded effectively.
- Maintained and in some cases improved levels of satisfaction by Parliamentarians and auditees regarding our reports and our financial and performance audit services.
- The following observation by the independent reviewer of the Office following their review this year – “Overall I believe that the Tasmanian Audit Office is providing an important service in an efficient and effective manner, and the Parliament and people of Tasmania are achieving good value from the office’s use of the taxpayer’s dollar. It achieves this notwithstanding the relatively small size of the Office, the complexity of its role and the demands on it”.
- Silver Award in the Australian Annual Reports award and Highly Commended Award in the Institute of Public Administration Tasmania Division Reporting Awards.

Performance against budget and major initiatives

Performance information against our outputs

Our performance targets, set out in Chapter 19 of Budget Paper No 2, Volume 2 along with our achievements are detailed in the table below.

Performance Measure	Unit of measure	'05-06 Actual	'06-07 Actual	'07-08 Actual	'08-09 Target	'08-09 Actual
Parliamentary Reports and Services						
Parliamentarian General Satisfaction Index ¹	%	na	95	na	75	92
Number of Performance Audit Reports Tabled	Number	9	9	8	8	7
Number of Statutory Reports on Outcomes of Financial Audits	Number	2	2	2	2	2
Audit Assurance						
Financial statement audits completed within 30 days of receipt of signed financial statements	%	78	93	61	90	77
Client General Satisfaction Index ¹	%	93	76	na	75	72
Number of clients in portfolio	Number	158	158	154	158	170

¹ The satisfaction index is calculated when the bi-annual Parliamentarian and Client surveys are conducted.

Our target of completing 77% of our financial audits within 30 days of receipt of signed financial statements was not met but was a major improvement on 2007-08. Despite not achieving this, all of our statutory financial reporting responsibilities were satisfied.

High levels of general satisfaction with our reports and services, as indicated by Parliamentarians in surveys conducted this year, was particularly pleasing.

Operational Performance Summary 2008-09

We measure four critical success factors. Our performance against these was:

Sustainable business performance

Our objective is that we manage our finances sustainably and we operate efficiently and effectively.

Financial sustainability

Measure	Target	Actual
Net operating result for Financial Audit Services (FAS) business unit	> break-even	- 3.95%
Budgeted net operating result achieved	>=0	Operating deficit
Maintain positive cash flow	Positive	Positive
Financial ratios achieved	100%	100%
Unqualified audit report	Unqualified	Achieved

We managed our cash well but, to assure sustainability, we need to improve our profitability.

Efficient and effective audit office operations

Measure	Target	Actual
Number of compliance and performance audits tabled in Parliament	8	7
Number of statutory reports to Parliament following financial statements audits of State entities	2	2
Compliance and performance audits completed within eight months	100%	43%
Percentage compliance and performance audit recommendations agreed and acted on	70%	74%

The high level of take up of recommendations made in reports is a positive reflection of the value of our reports. The low percentage for completing reports was caused by two projects that exceeded time frames but subject matters were not time critical.

Highly regarded products and services

The Parliament is our main client and our reports and services are aimed at meeting its needs.

Soundly based, credible, balanced and timely reports and opinions leading to improved performance and accountability

Measure	Target	Actual
All financial audit opinions issued within 45 days of receipt of signed financial statements	100%	80%
Overall satisfaction by Parliamentarians on our performance and compliance audit reports regarding the usefulness and validity of opinions and recommendations	75%	92%
Overall satisfaction by financial audit clients regarding financial audit services provided	75%	72%
Overall satisfaction by Parliamentarians as to the readability of the Office's annual report and its description of our role	75%	75%

Our performance against this CSF was satisfactory.

Undertaking audits and investigations on the right topics at the right time

Measure	Target	Actual
Overall satisfaction by Parliamentarians on our performance and compliance audit reports	75%	92%
- worthwhile topics	75%	92%
- style and readability of reports	75%	92%
- usefulness		

Parliamentarians rate our reports strongly finding them useful and easy to read. We are also taking on the right projects.

Continuously improving operational performance

For us to meet our strategic objectives, we need to apply effective processes and methodologies that are rigorous and proven.

Measure	Target	Actual
Contemporary audit methodologies: findings by external peer reviewer	Positive	Positive
Effective quality assurance findings following independent quality review of financial audit working papers	Positive	Positive but suggested improvements
findings following independent quality review of performance and compliance audit working papers	Positive	Positive but suggested improvements
Reports following conduct of internal audits	Positive	Positive but suggested improvements
Effective processes, systems and management practices External peer review	Positive	Positive but suggested improvements

While an independent reviewer concluded our methodologies to be sound, improvements in their applications are needed. Some improvements to processes were also identified.

Motivated employees

Like all organisations, we rely on our staff to achieve our corporate objectives. The measures below are aimed at addressing these objectives. References to ('08) are to the results of a staff satisfaction survey conducted in that calendar year.

Measure	Target	Actual
Measures of staff satisfaction in relation to:		
- Motivation	75%	81% ('08)
- Involvement	75%	80% ('08)
- Personal satisfaction	75%	80% ('08)
- Staff development	75%	77% ('08)
- Organisational commitment	75%	83% ('08)
- Rewards and recognition	75%	77% ('08)
Measures of team effectiveness:		
- Performance management	75%	75% ('08)
- Teamwork	75%	82% ('08)
- Supervision	75%	80% ('08)
Staff recognise their environmental responsibilities and our involvement in our community		
- Carbon footprint impact	Lower impact	Stable Increasing
- Support for and commitment to community activities and organisations	Increasing participations	
Staff are healthy and value our commitment to their well-being:		
- Participation in health and well-being initiatives	Improved participation	66% - an improvement 88%
- Well-being index	>= 80%	

Our staff satisfaction and team effectiveness targets were exceeded and our staff are committed to our environmental, community and well-being responsibilities.

Organisational Framework for 2008-09 onwards

Vision

STRIVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

Strive to make a difference by producing quality reports and services that enable the recipient to understand the recommendations made therein so they can be implemented to improve service delivery in the public sector. Making a difference by leading by example in that we practice what we say. Excel at what we do so that our recommendations are relevant, timely and accepted and, therefore, "make a difference".

Purpose

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public Sector.

Our outcome and outputs

Through the Tasmanian public sector budgetary process we identified one outcome supported by two outputs that are consistent with our vision and purpose. The outcome is:

Parliament and Community are well informed and value the Tasmanian Audit Office as a source of independent audit advice and assurance on the performance and accountability of the Tasmanian Public Sector.

The outputs we must deliver to enable achievement of our outcome are:

- Parliamentary Reports and Services – independent assessment of the performance of selected Tasmanian public sector activities including scope for improving economy and efficiency, and administrative effectiveness
- Audit Assurance – independent assurance of Tasmanian public sector financial reporting, administration, control and accountability.

Our Vision and Purpose are linked to our Outcome and Outputs.

At a glance

What we do

The Tasmanian Audit Office undertakes audits, financial, compliance and performance, and special investigations and reports the outcomes to Parliament.

Our organisation

Since the appointment of George Thomas William Blamey Boyes as Colonial Auditor (now titled Auditor-General) on 25 November 1826, the independent office of the Auditor-General continues to play an important role in Tasmania. Since then there have been nineteen Auditors-General with Mike Blake the incumbent.

The role of the Tasmanian Audit Office is to assist the Auditor-General in providing the Tasmanian Parliament and the community with quality independent audits of all State entities.

Through our audit and reporting activities we aim to make a difference to how State entities manage public

funds and provide services by promoting and strengthening public sector accountability. Our principal legislation is the *Audit Act 2008*, which defines the powers and responsibilities of the Auditor-General. Our primary client is the Tasmanian Parliament.

We undertake 170 financial statement audits of a diverse range of State entities and report to Parliament on significant issues arising. We also undertake a minimum of eight performance audits each year and report the outcomes to Parliament. Our reports are public documents and are accessible on our website:

www.audit.tas.gov.au.

Our people

At 30 June 2009, we had full-time equivalent staffing of 41.4 (41.2 in 2008). Our staff perform financial, compliance and performance audits and conduct investigations. The Auditor-General can contract up to 15 qualified private sector auditing firms who may undertake audits on his behalf.

Our operations

We received \$2.250m in funding from the government (\$0.313m in 2007-08) and generated \$3.755m from fees for audit services (\$4.715m in 2007-08).

Our *Strategic Plan 2008-2011 "Making A Difference"* outlines how we meet our responsibilities, and contains long-term strategic objectives and critical success factors setting the future direction for the Office.

Governance

Our aim is to manage the Office and our people in such a manner as to ensure that we maintain an effective and sustainable organisation.

This aim underpins all aspects of our operations: sustainable business performance, highly regarded products and services, continuously improving operational performance and motivated employees.

These aims are supported by a strong governance framework.

Our governance is based on being accountable and transparent for our performance and operations and is based on the following six principles:

1. Effective management oversight
2. Appropriate leadership, ethics, culture and responsible decision-making
3. Safeguard integrity in financial reporting
4. External stakeholder relationships
5. Recognise and manage risk
6. Remunerate fairly and responsibly.

The governance policy is aligned to our risk assessments with responsibilities allocated to members of the Executive Management Team for actioning.

Financial Summary

The following table details the movements in revenue and expenditure for the past five years:

	2004-05 (\$'000)	2005-06 (\$'000)	2006-07 (\$'000)	2007-08 (\$'000)	2008-09 (\$'000)
Revenue					
Use charges	3 487	4 262	4 384	4 715	3 755
Appropriations					
• Reserve-by-law	301	276	301	313	362
• Performance audits and reports	0	0	0	0	1 888
Other revenue	119	56	108	20	14
Total	3 907	4 594	4 793	5 048	6 035
Expenditure					
Employee benefits	2 542	2 805	3 022	3 187	3 639
Other expenses	581	507	670	824	850
Audit contractors	181	680	670	751	1 179
Information technology	117	90	129	117	124
Accommodation	176	198	201	253	223
Depreciation/Amortisation	146	149	140	184	122
WDV disposed assets	11	0	0	3	3
Income tax equivalence	294	0	0	0	0
Total	4 323	4 429	4 832	5 319	6 140
Operating surplus/(deficit)*	(416)	165	(39)	(271)	(105)

* This excludes receipt of \$350 000 as a contribution towards the Office's relocation to new premises.

Our costs and revenues increased significantly over the past five years due to a number of factors including new auditing and accounting standards, restructures leading to higher salaries, new awards also leading to higher salaries and more complex operating requirements for our clients, requiring additional audit effort.

Financial position

Our financial position is summarised in the table below:

	2004-05 (\$'000)	2005-06 (\$'000)	2006-07 (\$'000)	2007-08 (\$'000)	2008-09 (\$'000)
Assets					
Financial assets	823	1 030	809	848	1 501
Non-financial assets	260	483	581	412	283
Total	1 083	1 513	1 390	1 260	1 784
Liabilities					
Financial liabilities	364	185	139	161	212
Non-financial liabilities	408	852	814	933	1 229
Total	772	1 037	953	1 094	1 441
Net Assets/Equity	311	476	437	166	343

Our financial assets (cash, receivables and work-in-progress) remain strong but greater effort is needed to reduce our employee entitlements to annual and long-service leave. Stronger profitability will improve our equity.