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Communication objective

The Tasmanian Audit Office (TAO) Annual Report summarises our financial and corporate performance for 2007-08. In keeping with our vision, the report's theme is making a difference.

Last year the Office's Annual Report received a Bronze Award from the Australasian Reporting Awards Pty Ltd. Our aim is to provide an annual report that meets the needs of our stakeholders.

We welcome and value your feedback. Please send your comments to David Strong by

Email to: david.strong@audit.tas.gov.au or

Fax to: (03) 6226 0199 or

Mail to: General Manager – Strategy and Governance

Tasmanian Audit Office

GPO Box 851

HOBART Tasmania 7001

This report and past annual reports can be viewed on our website at www.audit.tas.gov.au. Electronic copies are also available on request.

Our vision

STRIVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

Our purpose

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

Our values

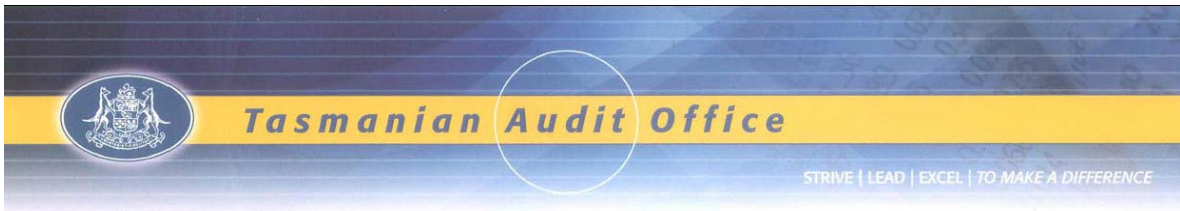
Professionalism - How we go about our work

Respect - How we treat others and expect to be treated

Customer Focus- How we deliver our services

Camaraderie - How we work together

Continuous Improvement - How we move forward and work better



01 October 2008

Hon Michael Aird MLC
Treasurer

Dear Treasurer

In accordance with the requirements of section 36 of the *State Service Act 2000* and section 27 of the *Financial Management and Audit Act 1990*, I am pleased to submit, for presentation to Parliament, the Annual Reports for the Tasmanian Audit Office for the year ended 30 June 2008.

The report has been prepared in accordance with the provisions of the *State Service Act 2000* and the *Financial Management and Audit Act 1990*.

Yours sincerely

A handwritten signature in black ink, appearing to read "H M Blake".

H M Blake
AUDITOR-GENERAL

Audit Office at a glance

We constantly challenge ourselves

What we do

The Tasmanian Audit Office undertakes audits, financial 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 has continued to play an important role in Tasmania. Since then there has been nineteen Auditors-General with Mike Blake being 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 public sector entities.

Through our audit and reporting activities we aim to make a difference to how the state public sector manages public sector funds and services by promoting and strengthening public sector accountability. Our principal legislation is the *Financial Management and Audit Act 1990*, which defines the powers and responsibilities of the Auditor-General. Our primary client is the Tasmanian Parliament.

We undertake 165 financial statement audits of a diverse range of public sector entities and report to Parliament on significant issues arising. We also undertake a minimum of eight performance audits each year and report to Parliament on the outcomes. Our reports are public documents and are accessible on our website: www.audit.tas.gov.au.

Our people

At 30 June 2008, we had a full-time equivalent staffing of 41.2 (38.6 in 2007). Our staff perform both financial and performance audits. The Auditor-General also contracts to eleven qualified private sector auditing firms to undertake audits on his behalf.

Our operations

We receive \$0.313m in funding from the government (\$0.301m), generated \$4.715m from fees for audit services (\$4.384m in 2006-07).

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.

Highlights 2007-08

The rewards from improved processes and committed, motivated staff

Our highlights for 2007-08 include:

- A staff satisfaction rating of 83%, an improvement of 18% from the previous staff survey conducted in 2006.
- Despite staff shortages, tabling eight performance audit reports in Parliament meeting our target, this compared favourably with nine reports in 2006-07.
- All financial audits were completed for the 2006-07 cycle where management had presented financial statements for audit and overall these audits were completed within 1% of budget.
- Despite significant disruption caused by a staff recruitment program, tabling two reports in Parliament on the outcomes of financial audits conducted.
- Improved governance arrangements with the appointment of an internal auditor, completion of an independent risk assessment and development of a three-year internal audit program commencing 2008-09.
- Full implementation of our new public sector financial audit methodology toolset, ipsam, developed by the Audit Offices of Victoria and Queensland.
- Completion of a comprehensive recruitment exercise.
- Receiving a bronze award from Australasian Reporting Awards Pty Ltd for our 2006-07 annual report.

Auditor-General's Report

Striving to Make a Difference



2007-08 has been a very challenging year for my Office. At the start of the year many staff faced uncertainty when their positions were advertised resulting in a number of new appointments.

In December we finalised a new four year strategic plan including a major revision of our vision, purpose and values. Despite these challenges, our performance was admirable in relation to our statutory responsibilities and staff satisfaction is at an all time high.

The remainder of this commentary reviews our 2007-08 performance under our four strategic objectives.

Provide value for money

Despite staff shortages and the impact of the major recruitment exercise already referred to, the financial and performance audit business units completed their statutory and internal obligations. The performance audit business unit achieved its primary key performance indicator by tabling eight reports in Parliament. In addition, it exceeded another indicator when reporting 94% implementation of recommendations made in performance audit reports tabled in 2005-06 – our target is 70%.

The financial audit business unit continues the need to address the ever changing financial reporting framework being implemented by clients and, despite this, completed its statutory financial audit program on time enabling clients to meet their annual reporting objectives. In addition, this business unit continues to table two reports, being one more than required by statute, in the Parliament detailing the outcomes from the financial audit program.

However, regarding our own financial performance it is disappointing to report that we did not meet our revenue targets for the year and, while corporate overhead expenditure was under budget, this did not prevent an operating loss of \$0.271m. I estimate that the recruitment process referred to previously cost \$0.102m in lost revenue and \$0.085m in costs directly associated with this process. In addition, new staff recruited resulted in the transfer to us of leave provisions totalling \$0.035m. I am confident that this investment in re-structuring and recruitment will pay dividends in future years.

Satisfied Parliament and Clients

We survey Parliamentarians and audit clients every two years with the most recent survey conducted in 2006-07 and reported in that financial year. During 2007-08 we continued our practice of providing presentation to Parliamentarians about tabled reports with informal feedback about these being positive. In addition, we continue to:

- Meet with the Public Accounts Committee and to provide them with details of our proposed business plans for the year ahead including performance audit topics selected and

-
- Run audit client seminars on developments in accounting standards and matters of topical relevance.

Also, I initiated a presentation this year to Heads of Government Departments about performance audit topics selected covering the next 12 to 18 months.

These initiatives are all aimed at keeping Parliamentarians and agencies informed while at the same time allowing opportunities for feedback. Our next formal client surveys will be conducted in late 2008/early 2009.

Improved processes

During the year the financial audit services business unit completed the implementation its new financial audit methodology. This is already resulting in enhanced and more risk focussed audit strategies and improved reporting to audit clients and to Parliament. An independent quality assurance review of our financial audit practices confirmed these and other improvements while noting areas for further development.

The performance audit business unit, while continuing to apply existing methodologies, following an internal quality assurance review, is updating its approaches to address new auditing and assurance standards and it will shortly investigate application of the financial methodology to its practices.

Our Support Services unit lead significant changes to processes within the Office this year. These included:

- Responding to recommendations made by the Advisory, Audit and Review Committee
- Conduct of an Office wide risk assessment facilitated by our newly appointed internal auditors and implementing recommendations made. This assessment also resulted in an approved three-year internal audit plan
- Continuing to develop, and when ready implement, new or revised policies relating to financial systems, human resources and information management
- Leading strategic planning workshops which resulted in the development of our four year (2008 to 2011) strategic plan, one year business plans and associated vision, mission and values
- Continuing the implementation of recommendations made by external and internal reviewers. In this regard our external auditors reported that we made significant improvements to our accounting functions and associated internal control frameworks and
- Implementing upgrades to financial and information technology systems.

A significant contributor to improved processes this year was the work by all staff, but particularly by the MAD Team who lead the development of processes and documentation supporting the successful launch and implementation of our new values.

Motivated staff

As reported earlier our staff faced a difficult year but despite this overall staff satisfaction, as recorded in a staff survey conducted in April 2008 and reported in June, is at 83 percentage points an increase of 18 points compared to the previous survey reported in 2006. This is a much improved result and I commend all staff for their positive and effective contributions to changes implemented this year.

Staff participated in professional development opportunities during the year. In the main professional development was aligned with our competency framework and consistent with

performance assessments. However, each business unit will continue to identify and address skill gaps consistent with personal requirements as well as the need to meet strategic objectives.

Our cadetship program continues to be highly successful with cadets integrating well into Office operations and achieving sound results in their studies. Staff undertaking post graduate studies, in particular those associated professional accounting and auditing courses, continue to make steady progress.

Our health and well-being programs continue with an increase in the uptake of influenza vaccinations and much higher participation in the walking challenges. These initiatives have led to a decrease in the average number of days per full-time equivalent taken as sick leave; for the past two years the decrease is 50% from 13.2 days to 6.58 days.

Achievements against our 2004-08 Corporate Plan

This annual report provides a report on the extent to which we have achieved the initiatives spelt out in the corporate plan developed and approved four years ago. I am pleased to report a high level of achievement.

Government's 10 point plan for enhancing accountability and transparency

I have noted that one of these initiatives flagged the possibility of additional resources for my Office. At the time of writing this annual report, discussions with Government had still to be held although I am confident that these discussions are imminent.

The Audit Bill

At the time of writing this annual report the Audit Bill was about to be discussed in the Parliament. I have been pleased by the level of consultation made by the Department of Treasury and Finance as the draft Bill has progressed and I look forward to seeing it progress.

The future

My Office operates in a time of constant change and one where financial and performance reporting grows evermore complex requiring the need for new approaches to auditing. In anticipation of this we will:

- Consider implementing a new performance audit methodology
- Conduct another independent Office-wide peer review in 2008-09
- Complete independent surveys of Parliamentarians and audit Clients
- Continue our quality assurance programs
- Continue to modernise our governance frameworks
- Prepare for changes resulting from the new Audit Act
- Continue to pursue options for relocating to new premises and
- Live our values.

Thank you to my staff for the manner in which you have accepted the challenges in 2007-08 and your preparedness for the challenges ahead.

Mike Blake
AUDITOR-GENERAL
30 September 2008