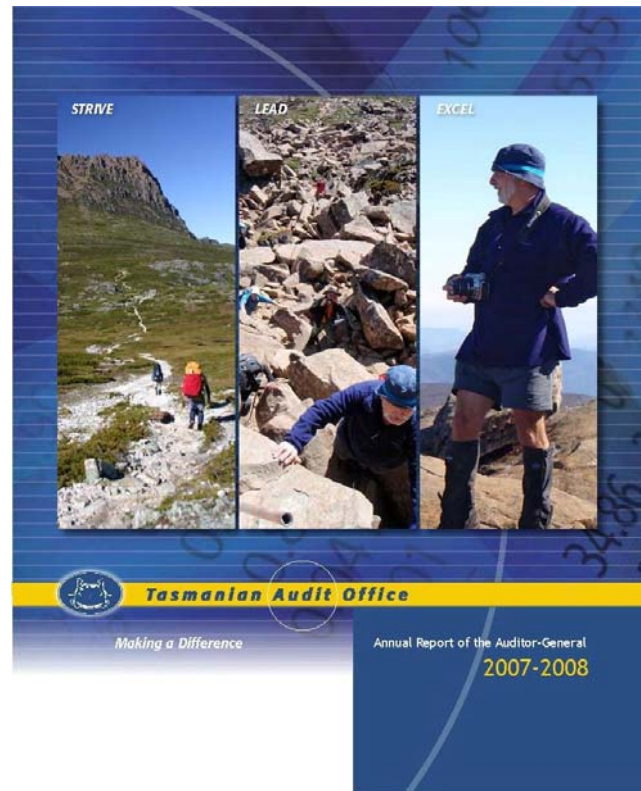


# Tasmanian Audit Office

## Concise Annual Report

for 2007 – 08



## Foreword

This year the Office has only produced copies of the full annual report to fulfil our Parliamentary tabling and archival requirements. As a result this concise annual report for 2007-08 has been produced. The report summarises our corporate and financial performance. The full annual report can be downloaded from our website [www.audit.tas.gov.au](http://www.audit.tas.gov.au).

The layout of this concise report is similar to the full report to allow navigation between the reports if you seek additional information about a topic within this report.

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## 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

The full 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 please 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 the 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 the 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.



H M Blake

Auditor-General

30 September 2008

## TAO at a Glance

### We constantly challenge ourselves

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#### 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](http://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" (available on our website) outlines how we meet our responsibilities, and contains long-term strategic objectives and critical success factors setting the future direction for the Office.

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## Highlights of 2007-08

### The rewards from improved processes and committed, motivated staff

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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.
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## Operational Performance Summary 2007-08

### Accountability is a key to improved performance

Measuring our operational performance for 2007-08 is under-pinned by our balanced scorecard reporting framework and the following report on our performance is in that format, addressing each of our four strategic objectives.

#### Providing value for money

Our objective is that we provide value for money to the public sector and internally. We have therefore identified the following two objectives and related measures, targets and outcomes:

#### Improved public sector entity accountability, outcomes and processes

Measure	Target	Actual
Recommendations agreed and acted upon by clients within 2 years of tabling performance audit outcomes	70%	<b>94%</b>
Number of performance reports tabled in Parliament (our Tasmania Together benchmark is four reports per annum)	8	<b>8</b>
Tabled reports in Parliament on outcomes of financial audits (legislative requirement is one report per annum)	2	<b>2</b>

Our reports to Parliament are aimed at improving accountability of public sector entities and the high number of reports and the strong uptake of recommendations made should translate to better accountability, outcomes and process.

#### Efficient and effective audit office operations

Measure	Target	Actual
Annual report tabled in Parliament by statutory date	Achieved	<b>Achieved</b>
Achieve prescribed chargeable activity – FAS	100%	<b>94%</b>
Achieve prescribed chargeable activity – PAS	100%	<b>88%</b>
Break-even result for financial audit-cycle	Within 5%	<b>1% profit</b>
Achieve revenue target for performance audit activity	100%	<b>85%</b>
Completion of performance audits with 8 months	100%	<b>88%</b>
Overall financial result for the Office	Break-even	<b>5% loss</b>
Financial Performance Index	> 80	<b>83</b>
Cash balance at year-end is positive	Achieved	<b>Achieved</b>
Overhead budget accuracy	Within 5%	<b>6% under</b>

In the main these targets were not achieved primarily due to the major and lengthy recruitment exercise referred to elsewhere in this annual report. Despite this, our internal performance was satisfactory in a number of areas and we achieved our legislated and primary external objectives.

However, we cannot sustain deficits and our Executive Management Group has taken immediate steps to address this.

#### Highly satisfied Parliament and Clients

The Parliament is our main client and our reports and services are aimed at meeting its needs. Our audit work and reports are designed to inform the Parliament about the performance of public sector entities. A secondary but significant client is the public sector entities we audit. In their case our work is aimed at providing assurance regarding their financial reports and their financial and non-financial performance. As a result, our objectives are to:

**Produce appropriate reports**

**Provide positive, action focused, independent advice and**

**Ensure our audit role and scope match current and emerging needs.**

The measures below are aimed at addressing all three objectives and some overlap with our previous strategic objective.

Measure	Target	Actual
Overall satisfaction – Parliamentarians	75%	<b>95% (2007)</b>
Overall satisfaction – Financial audit clients	75%	<b>76% (2007)</b>
Number of performance reports tabled in Parliament (our Tasmania Together benchmark is four reports per annum)	8	<b>8</b>
Tabled reports in Parliament on outcomes of financial audits (legislative requirement is one report per annum)	2	<b>2</b>
Annual report tabled in Parliament by statutory date	Achieved	<b>Achieved</b>
Effective Client seminar	75%	<b>91%</b>

Our assessment of client satisfaction is made by conducting biennial independent surveys and by independent triennial peer reviews. The actual outcomes reported above are based on the most recent surveys and in both cases our targets were exceeded.

We achieved our planned reporting objectives and our annual client seminar continues to be strongly supported by public sector entities.

#### Rigorous methodology and processes relevant to context

For us to meet the previous strategic objectives, we need to apply effective processes and methodologies that are rigorous and proven. And, we need to practice what we preach. In order to achieve this, our process and methodology objectives are:

**Appropriate delivery, methodology and processes**

**Optimal resource planning and allocation and**

**High quality business decisions and processes.**

The seven measures reported in the table below in combination indicate whether or not our internal processes and methodologies satisfy these three objectives.

Measure	Target	Actual
Outcome of independent quality control reviews of audit working papers	Positive	<b>Positive</b>
Performance audits completed within 8 months	100%	<b>88%</b>
Financial audit milestones met	90%	<b>87%</b>
Audit reports issued within 30 days of receipt of signed financial statements	85%	<b>61%</b>
Audits completed within 3.5 months of financial reports balance dates for government departments, government business enterprises, state owned companies and the University	85%	<b>58%</b>
All other audits completed with 4 months of financial reports balance dates	85%	<b>60%</b>
Unqualified audit report on TAO's audited financial report	Achieved	<b>Achieved</b>

To assure the adequateness of our quality control processes, independent reviews are conducted annually. In the case of financial audits, the reviewer is external to TAO while for performance audits, the reviewer is from the financial audit business unit. As noted in the table, conclusions made by the reviewers were positive in that audit work performed supported opinions and reports issued.

While our "timeliness" measures were not achieved in financial audit, these are tighter than legislative reporting timeframes which were all satisfied. However, we recognise the need to achieve these targets, all of which require a close working relationship with audit clients.

Our "timeliness" measures for performance audits are internal only. The eight month completion target is important if our reports about the topics selected for audit are to be relevant to users.

An 88% achievement was good considering our staff shortages. Our achievement of completing our targeted eight reports for the year outweighs our under-achievement for this measure.

Our own financial report was issued with an unqualified audit opinion and our external auditors noted that there have been significant improvements in our accounting processes and associated internal controls.

#### Strongly performing teams

Like most organisations, we rely on our staff to achieve our corporate objectives. Our staff must be engaged, work effectively in teams and be valued for business outcomes to be realised. Our objectives are:

**Having a skills profile that matches our business needs and**

**Having people who are engaged with our objectives and values and motivated to perform.**

The table below details the measures applied to assessing our achievements in relation to both objectives.

Measure	Target	Actual
Training days per full time equivalent employee	10	11.9
Completion of performance appraisals	100%	100%
Staff satisfaction	75	83
Well being index	80	88

All targets were achieved or exceeded.

## Organisational Framework for 2008-09 onwards

### Strong strategic planning and processes lead to the achievement of our goals

#### Our vision and purpose

As a result of consultation with employees our Vision and Purpose have been changed to reflect our collective view of what we wish to achieve through the services we provide and products we produce.

##### 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. To make 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 outcomes 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 strategic objectives and associated critical success factors

With our outcome and outputs in mind, we designed the following Strategic Objectives:

- Confidence in the performance and accountability of public sector entities and
- Improved service delivery by public sector entities.
- To enable us to achieve these objectives, and to measure our performance, we established four Critical Success Factors:
  - Sustainable Business Performance
    - Efficient and effective office operations
    - Financial sustainability
  - Highly Regarded Products and Services
    - Soundly based, credible and balanced reports and opinions
    - Reports and opinions that lead to improved public sector performance and accountability
    - Undertaking audits/investigations on the right topics at the right time

- Continuously Improving Operational Performance
  - Effective business systems
  - Contemporary audit methodologies
  - Effective quality assurance
- Motivated Employees
  - Capable, motivated and satisfied employees
  - Effective teams

Our Strategic Plan 2008-11 “Making A Difference” brings together our vision, purpose, strategic objectives and critical success factors and how we will measure our performance through our balanced scorecard. The BSC reports will present our performance as measured by actual result versus target result for each identified key performance indicator. The data for establishing the actual results will be gathered from:

- Stakeholder feedback particularly from Parliamentarians and PAC
- Achievements against annual plans
- Benchmarking our performance over time and against our peers
- Acceptance and implementation of our recommendations
- Timeliness of all the work we do
- Employee feedback.

## Our People

### A dynamic and diverse workforce of highly skilled and motivated people

#### Staff profile

As at 30 June 2008 we had an effective workforce of 41.2 full-time equivalents (FTE). Our staff numbers increased from 39 last year to 42 this year but the mix of employees changed as a result of our major recruitment exercise during the year.

Temporary and contract staff continue to meet absences due to secondments, unfilled vacancies and peak workload. During the year one employee took voluntary early retirement. Two staff were on secondment to other agencies during 2007-08.

Staffing	2003-04	2004-05	2005-06	2006-07	2007-08
Size of workforce at 30 June - FTE	35.0	38.0	34.6	38.6	41.2
Workforce at 30 June - Headcount	35.0	38.0	35.0	39.0	42.0
Number of staff who left TAO	5	1	6	2	6
Number of staff who joined TAO	1	4	3	6	8
Number of part-time staff	0	0	2	2	2
Average age of workforce at 30 June	42.9	43.5	41.9	42.3	40.8

A breakdown of the distribution of the workforce by organisational unit at 30 June was as follows:

Unit	2003-04	2004-05	2005-06	2006-07	2007-08
Financial Audit Services	65%	62%	56%	58%	63%
Performance Audit Services	18%	19%	24%	24%	18%
Support Services	17%	19%	20%	18%	19%

A breakdown of the workforce based on gender is as follows:

Workforce	2003-04	2004-05	2005-06	2006-07	2007-08
Number of Males as %	67.7%	64.9%	57.1%	51.3%	53.7%
Number of Females as %	32.3%	35.1%	42.9%	48.7%	46.3%
Average Age – Male	45.1	46.2	45.5	46.0	46.1
Average Age – Female	38.3	38.4	37.3	38.5	37.9
Average Salary – Male	\$67 228	\$67 989	\$66 469	\$69 533	\$75 599
Average Salary – Female	\$59 268	\$58 919	\$55 061	\$62 563	\$57 093
Part-time – No. of Males	0	0	0	0	0
Part-time – No. of Females	0	0	2	3	3

The full annual report provides details on leave management, recruitment and selection, cadetships, professional development, study assistance, performance management, occupational health, safety and welfare, employee assistance program, workplace diversity and staff survey results.

## Operational Summary - Financial Audit Services

### Overview

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27 FTE staff, 21.5 in Hobart and 5.5 in Launceston

- Undertakes the statutory responsibility to examine 154 annual financial statements of government agencies and public bodies in 2007-08.
- 88 audits undertaken in-house and 31 audits dispensed with.
- Revenue is generated from fees for audits conducted, \$ 3.359m for 2007-08.
- Contracted to private sector audit firms 35 financial audits valued at \$0.751m and specialist work, taxation and information technology, valued at \$0.150m.
- Tabled in Parliament two reports on the outcomes of the financial audits, costing \$0.295m to produce.
- 1 qualified audit opinion issued.

### Outlook for 2008-09

- Improve the timeliness of completion of financial audits
  - Implementation of a new Audit Act which will require, inter alia, a large proportion of financial audits to be completed one month earlier
  - Staffing levels to be adjusted to deal with the shorter completion timeframe
  - Build on the implementation of our audit methodology, ipsam
  - Ongoing improvements to our process of managing contracted audits
  - Continue to provide updates on new accounting and auditing standards to staff and clients
  - Ensure we maintain a customer focus at the same time adopting a more commercial focus in relation to the management of audit fees.
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## Operational Summary - Performance Audit Services

### Overview

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7.5 FTE staff, 7 in Hobart and 0.5 in Launceston

- The PAS unit undertook the statutory responsibility of conducting performance audits, compliance audits and special investigations and reported findings to the Parliament.
- Eight reports were tabled in Parliament.
- Revenue of \$1.061m was generated from hours spent on audits based on an hourly rate.
- Two audits, valued at \$0.146m, were contracted to private sector audit firms.

### Outlook for 2008-09

- New Audit Act will broaden our mandate with respect to performance audits and we need to prepare for this impact
  - Continue to increase the readability of our reports and expand our reader base
  - Consider a new audit methodology
  - Increase the efficiency of our internal processes
  - Build on the working relationship with the Public Accounts Committee.
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## Operational Summary - Support Services

### Overview

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6.7 FTE staff all in Hobart

Provided the following services to the Auditor-General and Business Units:

- human resources
-

- finance and administrative services
- risk management
- information technology
- information management
- strategic management and governance.

**Outlook for 2008-09**

We will:

- lift operational effectiveness and service levels
- assess how TAO can use the technology we have acquired to improve existing services, add new services and reduce costs
- increase the efficiency of our internal processes
- build on the working relationship with our stakeholders.

## Governance

### We take governance seriously

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.

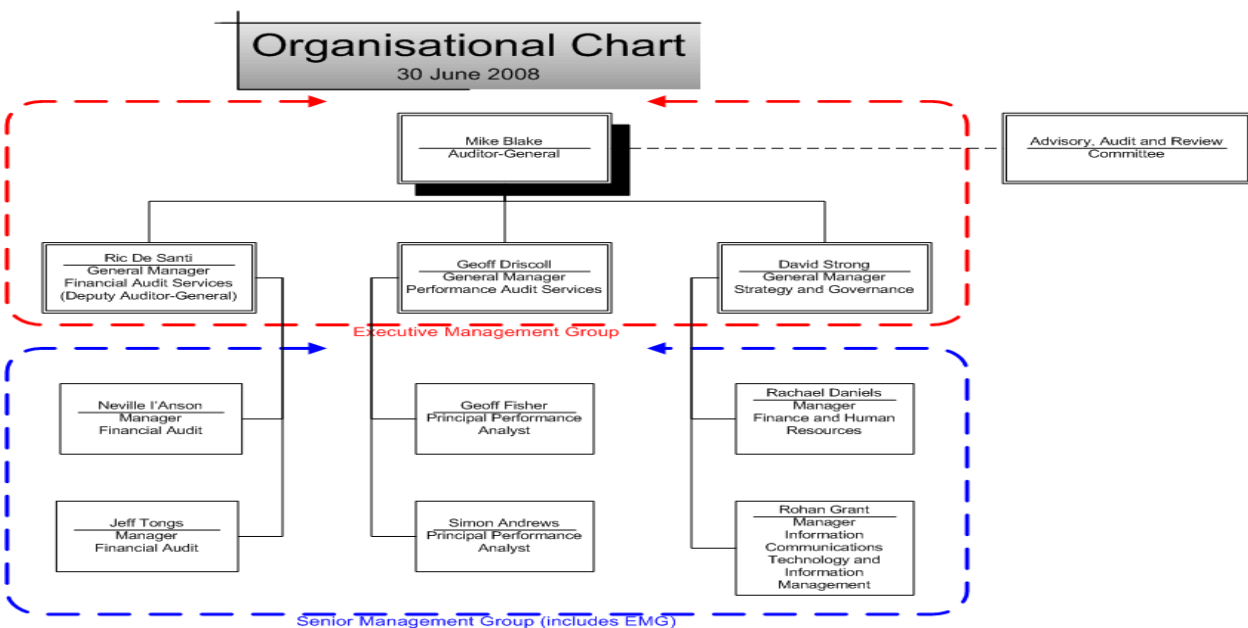
Our governance is based on being accountable and transparent for our performance and operations. It requires:

- effective management oversight including setting our direction, goals and values
- appropriate leadership, ethics, culture and responsible decision-making
- safeguards for assuring integrity in both internal and external financial reporting
- effective approaches to managing external stakeholder relationships
- that we recognise and manage risks
- appropriate processes to ensure integrity in monitoring and reporting performance against goals and
- safeguards for assuring that we are complying with the law.

The Office has internal committees and engages in independent scrutiny both internally and externally. This is achieved by reviews of our operations and participating in external benchmarking. The results are published in our full annual report.

### Organisational structure

Our organisational structure at 30 June 2008 is recorded in the Chart below.



## Managing Risk

### A structured approach to risk management

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Reviewing key business risks is fundamental to our strategic and business processes. We also apply risk management to all major projects undertaken including those relating to our financial and performance auditing services, and to key corporate service functions.

An independently facilitated risk management assessment identified that our key business risks are:

- Inadequate management of risks
- Issuance of an inappropriate audit opinion/parliamentary report
- Inappropriate governance structure
- Inappropriate or unauthorised use of client information
- Inadequate business continuity plan or disaster recovery plan
- Loss of key resources/inability to maintain appropriate staff levels
- Injury or harm to employees
- Poor financial budgeting leading to a cash deficiency and
- Financial fraud.

We maintain strategic and operational risk registers, which provide a detailed assessment of the likelihood and consequences of various risks, and actions taken to mitigate these risks. Each year the registers are reviewed, evaluated and updated.

A report on the status of risk treatments identified on the registers is presented to the EMG regularly.

We address our risks through steps such as:

- identifying audit topics of public interest
- regularly meeting with Parliamentarians and key clients
- quality assurance reviews
- peer reviews
- allocating responsibility for managing risks to appropriate staff and in business plans
- continuing to improve the quality, readability and balance in our reporting
- ensuring we have a workplace that attracts and retains the staff we need
- as noted in the governance section of this report, ensuring we are properly governed.

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## Regulatory and Legislative Framework

### Our mandate is clear as a result of a strong legislative framework

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#### The Role of the Auditor-General.....

The Office is part of the accountability framework where we assist the Parliament in holding the Government accountable for fulfilling its responsibilities.

The Government is obliged to account to the citizens of Tasmania, through the Parliament, for its management of public funds and in the achievement of agreed outputs. It must ensure that funds are properly raised, protected from loss and spent with maximum efficiency and effectiveness for the purposes approved by the Parliament. This duty to account is discharged in part by the production of annual financial statements. The information in these statements needs to be examined by a suitably qualified independent person to ensure that it is sound, accurate and complete. The Auditor-General is responsible for ensuring that this is done.

#### Is Enshrined in Legislation.....

The Financial Management and Audit Act 1990 is the main legislation governing the appointment, tenure, duties, responsibilities and authority of the Auditor-General. This Act provides the legal basis for the Auditor-General's access to all government information and the freedom to report findings arising from audits to Parliament.

The Auditor-General is responsible for audits under the Financial Management and Audit Act 1990, Government Business Enterprises Act 1995, Local Government Act 1993 and other relevant legislation such as the Corporations Act 2001. The Auditor-General also has audit responsibilities in respect of Commonwealth grants and payments to the State under Commonwealth legislation.

The Tasmanian Audit Office is a government department established to assist the Auditor-General in meeting his statutory requirements. The Auditor-General is the administrative head of the Office and the Auditor-General may engage private sector firms as his agents.

#### That Ensures His Independence.....

The Audit Office is responsible for the administration of the Financial Management and Audit Act 1990 in so far as it relates to audit matters and it is not part of the Government itself. This independence from the Executive Government of the day is vital if the Audit Office is to perform its work effectively and make independent and unbiased judgments.

The Auditor-General is an independent Officer appointed by the Governor and is not subject to control or direction either by the Parliament or the Government.

The independence of the Auditor-General is assured by wide powers assigned by legislation. This independence ensures that findings that arise from a range of financial and wider performance audits are communicated regularly to the Parliament without interference.

#### And Defines His Mandate .....

The Auditor-General has a broad-scope mandate for comprehensive auditing that embodies the components generally referred to as financial audit, compliance audit and performance audit. The areas subject to examination under these audit components can include the management of financial, human and other resources. The Auditor-General reports the results of audits directly to Parliament.

The Auditor-General must provide an audit opinion on the annual financial statements of all audited agencies, on components of the Treasurer's Annual Financial Report and on the Consolidated Financial Statements of the State. The Auditor-General may also investigate instances of waste, impropriety or lack of financial prudence in the use of public resources, and has the power to investigate whether the government and its agencies effectively, efficiently and economically use public resources.

#### And Strengthen With New Audit Act.

Strengthening and modernising the role of the Auditor-General is the aim of initiatives proposed in Treasury's review of Tasmania's Financial Management Framework.

Announced by the Premier in the State of the State Address in 2006, the initiatives involve replacing the current combined Financial Management and Audit Act 1990 with a separate Financial Management Bill and a separate Audit Bill. The proposed separate Audit Act will give the Auditor-General additional powers to oversight all government entities, whether they be government departments, government businesses or statutory bodies. The proposed Audit Act would also provide the sole authority for audit functions across the state and local government sectors and make it explicit that the Auditor-General has the same powers in relation to local government that he has in relation to the state sector.

Other changes to be included in the new Audit Bill are:

- changes to the appointment arrangements for the Auditor-General;
- an enhanced role for the Parliament, through the Public Accounts Committee;
- a requirement for the Auditor-General to prepare an Annual Work Plan;
- enhancements to the Auditor-General's independence;
- changes to audit fee setting arrangements; and
- enhanced accountability arrangements in regard to the Tasmanian Audit Office.

The new Audit Act will be our enabling legislation and is expected to be introduced into Parliament during the 2008 Spring session.

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## Communication

### We communicate with openness, accountability and transparency

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We pride ourselves on being open and transparent with all our stakeholders, clients and employees. Over the years we have continually improved our communications and regularly assess our performance by seeking feedback from clients, employees and other stakeholders such as suppliers.

The Office's full annual report is our major accountability publication and last year the Office received a Bronze award for its 2006-07 annual report from the Australasian Reporting Awards. The report details freedom of information requests, public interest disclosures and privacy of information.

## Corporate Social Responsibility

### Being a responsible corporate citizen is important to us

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In our full annual report we have for the first occasion reported our social responsibilities. In doing so we have adopted the criteria applied by Global Reporting Initiative [www.globalreporting.org](http://www.globalreporting.org). Our report shows our organisational performance against the minimum criteria and highlights areas for improvement.

#### Social

##### Workforce capacity and diversity

Our demographics match the broader Australian community in that we are an ageing workforce where the average age for a male is 46.1 years and female 37.9 years. The ratio of male to female employees has improved over the last five years. Over 90% of our employees are bachelor degree qualified and the average number of days for professional development has been 12.5 days in the last two years with the financial investment per FTE on average \$2 500. The performance of our employees is assessed biannually with an outcome being agreed professional development plans.

##### Workforce health and safety

During the year we continued our health and well being programme with the objective of ongoing support for the health and wellbeing of all employees. The programme included seminars, workshops, active participation and health assessments. We continued our influenza vaccination programme and encouraged employees to participate walking events conducted by the 10 000 Steps Organisation and the Corporate Global Challenge. These initiatives have seen a reduction in the number of days absenteeism due to sickness and work related injury. The number of reported minor incidents reduced and there was no time lost to injuries. Employees accessed our employee assistance program during the year when they required assistance with work related or personal issues. Our health and safety committee has 50/50 representation of management and staff.

##### Workforce and community committees and bodies

We encourage our employees to actively participate in all aspects of their work and professional lives. We have several committees where there is a cross section of staff representation and there are employees who hold positions on professional bodies. Representation on both internal and external committees is detailed in the Appendices of this report.

##### Community involvement and support

We participate in community fund raising events and adopted the Council Cancer as our major charity. Our major event is the Cancer Council's Relay for Life which occurs each year in February and is one where teams walk for 24 hours non-stop and raise money via sponsorship for cancer research. We raised in excess of \$3 000 for the relay.

#### Environmental

We are committed to recycling the consumables we used such as paper, printer cartridges and general waste. We use recycled paper for the reports we produce and we encourage staff to print on both sides of paper.

#### Economic

In 2007-08 we generated financial turnover of \$5.048m, an increase from \$4.793m on the previous financial year. This turnover enables us to pay the salaries for our workforce which is fed back into local, regional, state and national economies with flow on effects to other individuals and organisations.

Our clients are the Parliament and public sector entities and the revenue generated is from them. We received \$0.313m in direct financial assistance from the Government, \$0.301m in the previous year.

#### Suppliers

Our supply chain includes over 100 suppliers in a variety of industries and covers products such as computers, stationery supplies, vehicles and fuel, subcontractors and consultants and utilities. Our suppliers range from some of Australia's largest companies to small locally operated businesses, and in 2007-08 we purchased over \$1.783m in products and services.

#### What we will do next year

We will:

- record and measure the impact of our vehicle usage
- record and measure energy usage
- consider offsetting our carbon emissions
- increase our awareness of the impacts we make on the environment
- reduce our report production runs
- review our practices with respect to internal printing and photocopying.

## Financial Summary

### Our goal is to break even over the medium-term

We apply financial performance monitoring practices including:

- preparation of full accrual monthly financial statements for consideration by the EMG
- preparation of full accrual monthly budget vs. actual reports for whole of office operations and at the business unit level
- variance analysis reports on job progress against audit fees weekly
- variance analysis reports on overhead recovery and productivity
- aged analysis reports for creditors and debtors
- leave entitlement reports quarterly.

#### Financial performance

Key indicators of our financial performance in 2007-08 include:

- a net deficit for the financial year of \$0.271m (2006-07 deficit of \$0.039m) thus reducing equity to \$0.166m
- revenue increased from \$4.793m in 2006-07 to \$5.048m this financial year which was short of budget by \$0.242m
- expenditure increased from \$4.832m in 2006-07 to \$5.319m this year which exceeded budget by \$0.073m.

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

	2007-08 (\$'000)	2006-07 (\$'000)	2005-06 (\$'000)	2004-05 (\$'000)	2003-04 (\$'000)
<b>Revenue</b>					
User charges	4 715	4 384	4 262	3 487	3 173
Appropriations	313	301	276	301	362
Other revenue	20	108	56	119	101
<b>Total</b>	<b>5 048</b>	<b>4 793</b>	<b>4 594</b>	<b>3 907</b>	<b>3 636</b>
<b>Expenditure</b>					
Employee benefits	3 187	3 022	2 805	2 542	2 542
Other expenses	824	670	507	581	516
Audit contractors	751	670	680	181	181
Information technology	117	129	90	117	184
Accommodation	253	201	198	176	153
Depreciation/Amortisation	184	140	149	146	117
WDV disposed assets	3	-	-	11	7
Income tax equivalence	-	-	-	294	8
<b>Total</b>	<b>5 319</b>	<b>4 832</b>	<b>4 429</b>	<b>4 323</b>	<b>3 618</b>
<b>Operating surplus/(deficit)</b>	<b>(271)</b>	<b>(39)</b>	<b>165</b>	<b>(416)</b>	<b>18</b>

Our revenue increased steadily over the past five years. This year the revenue target was not met due the chargeable activity of FAS (94%) and PAS (88%) not reaching 100%. This was due primarily to staffing shortages and disruption caused by the staff re-organisation and recruitment process undertaken in the six months to 31 December 2007.

The re-organisation and recruitment processes also resulted in higher costs including advertising, recruitment consulting expenses and costs incurred when external appointments resulted in our taking up existing leave provisions. Employee benefits increased as a result of an increase in FTE and an increase in salaries which has a flow on effect to leave provisions. We did not reach our optimal staff level during the year. Had we done so, employee expenditure would have increased but so would revenue.

Expenditure on audit contractors went up consistent with our decision to outsource more audit work, because audit fees increased generally and because we outsourced performance audit projects in line with staff shortages in that business unit.

The movements in other expenditure items relate to:

- Increased consultant expenditure related to recruitment and information technology - these were one-off costs
- Travel costs increased as a result of more travelling to clients and an additional leased car for a senior executive package
- Accommodation costs went up due to a rent review increasing the cost per square metre by 26%

- Information technology costs reduced due to a reduction in software licensing and
- Depreciation expense increased due to the full impact of our investment in computer hardware in the past two years.

As noted previously, a significant contributor to our deficit was the impact of the recruitment process during the year. This is estimated at \$222,000 comprising loss of revenue, \$102,000, recruitment consulting costs, \$85,000 and leave provision balances taken up of \$35,000.

The Auditor-General is confident that the re-organisation and recruitment exercise was in the best interests of the Office and these costs represent an effective investment in our future.

### Financial position

Our financial position is summarised in the table below.

	2007-08 (\$'000)	2006-07 (\$'000)	2005-06 (\$'000)	2004-05 (\$'000)	2003-04 (\$'000)
<b>Assets</b>					
Financial assets	848	809	1 030	823	897
Non-financial assets	412	581	483	260	577
<b>Total</b>	<b>1 260</b>	<b>1 390</b>	<b>1 513</b>	<b>1 083</b>	<b>1 456</b>
<b>Liabilities</b>					
Financial liabilities	161	139	185	364	322
Non-financial liabilities	933	814	852	408	397
<b>Total</b>	<b>1 094</b>	<b>953</b>	<b>1 037</b>	<b>772</b>	<b>719</b>
<b>Net Assets/Equity</b>	<b>166</b>	<b>437</b>	<b>476</b>	<b>311</b>	<b>737</b>

The primary change to our financial position since 30 June 2007 was the reduction in our equity by \$271,000 to \$166,000 for the reasons spelt out previously.

The financial assets and liabilities are in line with that expected with financial assets primarily comprising our bank balance, receivables and unbilled work-in-progress. These easily cover our financial liabilities primarily being trade and other creditors.

Non-financial assets, primarily office equipment and leasehold improvements, reduced in 2007-08 in line with depreciation charges.

The majority of non-financial liabilities are leave provisions. This balance is unacceptably high and grew significantly in 2007-08 due to salary increases and an inability for staff to take much leave due to the staff shortages previously referred to. Steps are underway to address this.

### Financial outlook

We are:

- undertaking a review of all expenditure to identify savings
- ensuring productivity targets are met
- adopting a business-like approach to recovering audit cost over-runs
- ensuring timely completion of financial audits facilitating back-log catch-up and
- managing down accumulated leave balances.

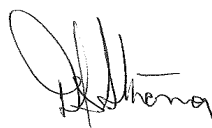
## To the readers of this unaudited concise annual report of the Tasmanian Audit Office for the year ended 30 June 2008

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

30 September 2008



David Strong  
General Manager  
Strategy and Governance

30 September 2008

## Five Year Summary

### Continuous improvement is our goal

The table below provides a more comprehensive summary of our performance over the five year period 2003 – 2008.

Measure	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Providing Value for Money</b>					
Achieve revenue target for financial audit services for the audit cycle completed during financial year	6.3% over	3.7% under	4.5% under	2.9% under	1.0% under
Achieve revenue target for performance audit services for the financial year	5.8% over	14.7% over	9.0% under	8.0% under	12% under
Break-even overall financial result	0.5% profit	9.6% loss	3.7% profit	0.1% loss	5% loss
<b>Highly Satisfied Parliament &amp; Client</b>					
Overall satisfaction - Parliamentarians	74%	96%	N/m	95%	N/m
Overall satisfaction - financial audit clients	N/m	68%	N/m	76%	N/m
Statutory reports tabled by due date	100%	100%	100%	100%	100%
Annual report tabled by due date	100%	100%	100%	100%	100%
<b>Rigorous Methodology and Processes Relevant to Context</b>					
Financial statement audits completed within 30 days of signed financial statements for the audit cycle ending during the financial year	92%	90%	78%	93%	61%
Financial statements for Agencies, GBEs & SOCs signed within 3.5 mths of year-end for the audit cycle ending during the financial year	N/m	N/m	65%	80%	58%
Financial statements for other public bodies signed within 4 mths of year-end for the audit cycle ending during the financial year	71%	79%	53%	74%	60%
Completion of performance audits within eight mths	50%	38%	33%	56%	88%
Unqualified audit report for our financial statements	Yes	Yes	Yes	Yes	Yes
<b>Strongly performing teams</b>					
Average number of days spent on training per FTE	9.7	14.5	7.9	12.3	12.9
Bi-annual performance appraisals completed	100%	100%	100%	100%	100%
Average days of sick leave per FTE	8.0	5.4	13.2	7.1	6.6
Number of workers compensation claims	0	0	1	1	0

N/m = Not measured in that year

Within the annual report is a detailed summary of the last four years of our operational performance that matches our corporate plan "Accountability on Behalf" for the period 1 July 2004 to 30 June 2008.

## Office Locations and Contacts

### Office Locations

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**Branch Office:** Level 2 Henty House 1 Civic Square LAUNCESTON

### Contact

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