



Tasmanian  
Audit Office



# Annual Report 2013-14

October 2014

Strive • Lead • Excel | To Make a Difference

## THE TASMANIAN AUDIT OFFICE

The Tasmanian Audit Office is a State entity which assists the Auditor-General to provide an independent view of the financial and operational performance of State entities. This is done by conducting financial (attest) and performance, or other audits and investigations and by reporting to Parliament.

### Vision

Strive | Lead | Excel  
To make a difference.

### 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.

### Our Logo

- Strong emergence - the whole is greater than the sum of its parts
- Synergy - collaborating to achieve more together than we can as individuals



Each element of the logo represents an element of auditing (standards, regulations and legislation; client information and evidence; analysis and reporting). Through analysis of these elements, we are able to envision the bigger picture - in our auditing work, how we report outcomes and as the way forward for the Office.

### Our History

Since the appointment of the first Colonial Auditor in 1826, the role of the Auditor-General has been to provide impartial and independent scrutiny of government practices. This tradition is as relevant today as it was in 1826, and since then the role of the Auditor-General has been strengthened and clarified by successive legislation.



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Hon Peter Gutwein MHA

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 Report for the Tasmanian Audit Office for the year ended 30 June 2014.

Yours sincerely

H M Blake  
**Auditor-General**

17 October 2014

cc Public Accounts Committee

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.  
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

*Strive | Lead | Excel | To Make a Difference*



## EXECUTIVE MANAGEMENT GROUP

Back: Assistant Auditor-General, Financial Audit Services (FAS) Jara Dean, Assistant Auditor-General, Performance Audit Services (PAS) Geoff Driscoll, Deputy Auditor-General/Chief Operating Officer (COO) Ric De Santi, Auditor-General Mike Blake Front: Director, Corporate Support Services (CSS) Patty Johnson, Director, Technical and Quality Jeff Tongs

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## AUDITOR-GENERAL'S MESSAGE

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Every financial year brings fresh and exciting opportunities and challenges. 2013-14 was no exception. Of significance is how we respond. My report this year summarises how and why we responded the way we have.

Overall, I concluded we have had another successful year serving Parliamentarians and audit clients. This could not have been achieved without a dedicated team effort for which I thank all staff and our contractors.

### Strategic plans

At a planning session in March 2014 involving all staff, we reviewed progress against our 2012-15 strategic plan and revisited its on-going relevance. This had been preceded by a planning session involving senior staff only in December 2013 at which two key audit client executives shared with us their views about our performance and strategic plan. The March planning session was also informed by the Nexia Australia report to which I refer later.

We concluded that progress was suitable but that our current strategic plan had lost some relevance, in particular due to structural and other changes in our audit base. This resulted in the preparation and issue of our Supplementary Strategic Plan 2012-15. However, importantly, our vision, purpose and values remain unchanged.

The Supplementary Plan switches our focus from the seven Ps of profit, price, product, premises, people, partnerships and planet to four pillars being sustainable, independent and reputable, adaptable and relevant. Objectives, performance measures and responsibilities for each pillar were agreed and documented. My report looks at the past 12 months in the context of our four pillars.

### Sustainable

This pillar requires us to adopt practices that enable us to do what we do without adverse effect on our finances, people, the environment and society. In relation to each I note:

- Our financial sustainability has received much attention in recent years with a focus on costs, efficiency and revenue including assessment of impacts of declining parliamentary appropriations. This focus resulted in surpluses in each of the past three years including 2013-14, improved equity and cash flows and, consequently, containing for the time being our sustainability risk.
- Our key person dependency risk was reduced following transitioning of Information and Communications Technology (ICT) functions to the Department of Justice under our service level agreement with them.
- Our biennial staff survey, completed in June 2014, noted a 73% overall staff satisfaction which nearly achieved our target.
- We continue to contribute strongly to society via our pro-bono audits and charitable fundraising activities.

I am pleased with progress under this pillar and look forward to two important, and related, initiatives for 2014-15:

- work is required to address our impact on our environment, and
- completion of a five-year financial plan.

## Independent and reputable

This pillar requires that we must preserve our independence and reputation to ensure that we maintain the confidence of our stakeholders and audit clients. Our achievements are demonstrated by:

- internal independence declarations by all staff to me annually
- internal independence declarations on each audit
- on occasions these internal declarations highlight actual or perceived conflicts which are then managed
- external independence declarations on audits of the financial statements of government businesses
- biennial independent surveys of Parliamentarians and audit clients. The most recent surveys were in 2012-13 which reported 96% satisfaction by Parliamentarians and 79% satisfaction for PAS reports, and 77% satisfaction for FAS reports by audit clients
- the Nexia Australia review of us noted positive feedback from Parliamentarians about how we go about our work but audit clients interviewed by them suggested a need to address skills shortages in some areas
- survey results of participants at our Audit Committee Information Session for members of audit committees were generally very positive
- introduction of, and on-going commitment to, enhanced quality assurance arrangements for all audits.

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***“...we have had another successful year serving Parliamentarians and audit clients. This could not have been achieved without a dedicated team effort.”***

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My, and our, appetite for risk regarding our independence and reputation is very low. While the achievements above remain relevant, ensuring independence and reputation is very much a state of mind that we must constantly address.

## Adaptable

This pillar requires that we be nimble and responsive in the face of an ever-changing environment and that we take advantage of opportunities as they arise. It lines up with our continuous improvement value and requires that we anticipate change and be part of it rather than have it done to us.

In the past 12 months we have anticipated and initiated change by:

- developing documentation, initiating and participating in discussions and developments associated with energy and water reform and financial reporting
- revisited our planning framework aimed at ensuring its relevance
- engaged with key stakeholders so as to ensure our understanding of changes ahead
- adapting audit projects to take into account changing circumstances at audit clients and in some cases influencing requests of us
- providing CSS staff with the scope to identify opportunities for improvement very amply demonstrated by functions and advice they now provide in public reporting, workplace health and safety (WHS) and ICT responsiveness
- responding to additional audit work particularly in the energy sector
- responding to changes brought about by the March 2014 State election.

The environment in which we work changes frequently. To date we have been on the front foot and adapted when needed. However, change is constant and we must, and will, be prepared.

## Relevant

Relevance for us is about remaining contemporary, competitive and customer focused in meeting the needs of our staff, stakeholders, audit clients and being true to our mandate. We know that failure to be relevant means failure to exist.

Despite our small size, my Office's relevance is evident by:

- timely completion of a challenging financial audit cycle
- engagement with management and audit committees about internal and external audit, governance and risk management
- preparation for the Parliament of five volumes covering financial audit outcomes, and at least seven performance audit reports, that consistently receive high ratings for relevance
- provision of technical updates, training and advice to audit clients and members of audit committees and making presentations at a number of external conferences or functions
- engagement with Parliamentarians and responding to their suggestions
- engagement with other relevant stakeholders
- continuing to explore opportunities for improvement by better reporting key performance indicators by us and the general government sector
- implementing a much improved website for the benefit of interested stakeholders
- ongoing contribution to financial sustainability assessments in various sectors
- preparation of, and acquittal against, a relevant annual plan of work.

I am confident we are relevant but we can never take our eye off the need to continue to remain so. Relevant projects under way include the development of a communications strategy and identification of relevant probity and performance audit assignments.

Another ongoing focus for the Office in 2013-14 was updating our compliance with WHS laws. This includes information sessions and training for all staff and development of tighter policies in areas of higher safety risk.

My thanks for the support and suggestions from the Public Accounts Committee (PAC) and the many other Parliamentarians that we have the opportunity to interact with. It is after all, them that we serve by providing independent assurance regarding the performance and accountability of the Tasmanian public sector. Doing so helps our on-going journey of always making a difference.



H M Blake  
**Auditor-General**



## CHIEF OPERATING OFFICER'S MESSAGE

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This year has been significant in that not only did the Tasmanian Audit Office (TAO) meet the majority of its performance expectations in 2013–14, in doing so it delivered 338 audit opinions and grant acquittal certifications and 13 reports. This is an excellent result, especially in a time of transition, with some of our back-office functions of finance, human resources and information technology transferring to the Department of Justice under a Service Level Agreement (SLA).

Financially the TAO produced another good result with a Net Result of \$0.553m (2013, \$0.399m). This result in part reflected our ongoing efforts to minimise our costs but was also impacted by a number of non-recurring events such as:

- delays in replacing staff that had resigned
- the flow on effect of outsourcing some corporate support staffing functions from 1 July 2013 with resulting resource requirements being below budget
- savings made in information technology (IT) costs, including lease costs, due to the later than expected transfer of IT support to the Department of Justice.

Our financial position was strong at year end, benefitting from these factors. Our cash position was sound being \$2.071m (2013, \$1.485m), as was our Total Equity of \$1.736m (2013, \$1.183m). This will allow us to address improvement suggestions arising from our external review, fund a move to new accommodation, further enhance our systems and invest in the ongoing development of our staff.

During the year, myself and Geoff Driscoll, Assistant Auditor-General, PAS, were offered the opportunity to represent the Office at a Performance Audit Symposium and a forum of Auditors-General from Australia and Canada held in Toronto. This was a unique privilege which provided a valuable source of ideas, expertise, material and contacts as well as being an excellent developmental opportunity. Further details can be found on [page 44](#).

### Auditing the auditors

During the year we were subject to a performance review. This was the first such review conducted under the *Audit Act 2008*. These performance reviews are conducted at least once in every five years and are aimed at determining whether the Auditor-General and TAO are achieving their objectives effectively and doing so economically and efficiently and in compliance with the Act.

The reviewer, Nexia Australia, concluded:

*“In terms of efficiency, we believe that the Office currently performs credibly and is proactively taking steps (continuous improvement) to improve efficiency across the organisation.*

*In terms of effectiveness, we believe the Auditor-General properly fulfills the role of the independent auditor in a Westminster style democracy, delivering assurance regarding the financial accounts of the public sector and conducting a range of performance audits.*

*In terms of economy, we suggest that economy is best measured by comparing efficiency and effectiveness and ensuring both are achieved, but each not at the expense of the other. We believe that the TAO achieves economy through achieving efficiency and effectiveness in relatively equal measures.”*

Our external auditor issued an unqualified audit report on our financial statements, see page 70.

Our internal auditors, under the guidance of the Office's Audit Committee, completed three projects with no high risk findings identified. Details can be found on page 31.

### A focus on quality

TAO has a very strong focus on audit quality. Our audit methodologies are the foundation of our work. Our attest audit methodology, developed by the Victorian and Queensland Audit Offices, is used in a number of other Australian jurisdictions.

This year, TAO continued to encourage the local government and departmental sectors to improve their performance reporting. In local government we continued to report on sustainability measures in our Report to Parliament. It is particularly pleasing the Minister for Local Government issued Ministerial Orders in February 2014 which included the requirement for councils to report in their financial statements a suite of sustainability indicators based on those we have been producing. In Volume 5 Report to Parliament in June 2014, we reported a series of performance measures aimed at departments. These were part of a pilot study aimed at promoting the benefits of reporting indicators of efficiency. The report recommended a number of efficiency indicators that could be considered for inclusion in annual reports and was initiated following three performance audits about key performance indicators which resulted in little action by departments as it relates to their efficiency. The Office plans to build on this work in future years.

Within the Office there have been a number of significant achievements including:

- installation of a wireless network
- the seamless roll-out of a new leased laptop fleet
- implementation of Microsoft Lync to improve inter-Office communications and reduce travel
- upgrades to a range of office equipment
- significant progress towards completion of our WHS System
- a new Excess Hours Agreement for staff
- development of a new business unit planning framework
- the launch of our new website
- review and simplification of a large number of corporate policies and procedures.

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***“TAO has a very strong focus on audit quality. Our audit methodologies are the foundation of our work.”***

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### Dedicated and qualified staff

Our achievements are due in no small part to the staff of TAO. The Office is made up of dedicated professionals who are highly skilled and trained, and who are committed to producing quality work.

Our biennial staff survey, which was conducted during the year, showed staff have a strong sense of achievement and that their work is interesting, challenging, meaningful and makes a difference. At the same time, the survey provides the Office with a number of opportunities to further improve staff satisfaction levels.

As can be seen on page 58, our staff are highly qualified. 91 per cent of staff hold tertiary qualifications. As an organisation, we have a strong commitment to ongoing training and development. In 2013–14, this included a range of audit technical training to boost workforce skills and capacity. During the year we were pleased to be reaccredited by CPA Australia as a Recognised Employer.

We have an excellent Executive Management Group (EMG) leading four units. Our two operational audit units, FAS and PAS are well supported by the CSS unit and the Office of the Auditor-General (OAG). EMG is striving to deliver against the objectives in our new

Supplementary Strategic Plan, including a focus on working more cohesively as one Office. We have successfully encouraged movement between our units to build knowledge transfer and communication, and we are seeing great results as a consequence.

#### The year ahead

The year ahead will be business as usual, as we continue to deliver a diverse array of audits while our corporate support staff will continue to facilitate this by providing sound corporate systems and simple yet effective policy and procedural frameworks. Our ongoing drive to minimise operating costs will enable us to further invest in the Office, including delivering against the external review recommendations, but also ensure our clients benefit with audit fees not increasing in real terms.

The year will also include significant upgrades to our financial audit methodology, the Office relocating to more cost effective premises, finalisation of our WHS System and redevelopment of our staff performance management processes.

In our financial audit reports to Parliament we will further enhance our departmental performance information and will commence identification of efficiency measures for local government. Our performance audit reports will again cover a wide range of important topics.

Thank you to all the staff of the Office for their commitment, hard work and support during the year. It has been a pleasure to work with all of them. Without their efforts we would be unable to achieve the results we have, particularly when you consider the small scale of the Office.



Ric De Santi  
**Chief Operating Officer/Deputy Auditor-General**

# HIGHLIGHTS FOR 2013-14

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	Page
<b>Governance and Risk</b>	<b>17</b>
Three internal audits conducted during the year with no major findings.	
Positive outcomes from S.44 external audit review by Nexia Australia with some recommendations on improving the operations of the Office moving forward.	
<b>People</b>	<b>39</b>
At 30 June 2014, we had 40 (39.4 staff in 2013) full-time equivalent employees (FTE).	
New Excess Hours Agreement was reached between the Office and the CPSU.	
Due to new agreement, the average number of accrued in lieu of overtime (ILOT) days per employee at year end and the total ILOT days accrued at year end were nil (2012-13, 1.4, 61 respectively).	
During the year seven staff left the Office (10 in 2012-13) with 11 joining (six in 2012-13).	
Development and ongoing implementation of the Office's WHS plans and system.	
<b>Performance</b>	<b>52</b>
Seven performance audit reports tabled in Parliament.	
98% of financial audit opinions issued within 45 days of receipt of financial statements.	
Higher satisfaction by financial audit clients.	
The Auditor-General can contract private sector auditing firms to undertake audits on his behalf once they have met our qualification criteria. To date, there are 13 private sector auditing firms on our audit register and they are detailed in Appendix 6.	
The 30 June 2014 financial statements audited with a clear audit opinion being issued within required timeframes.	
Unqualified review opinion issued on our key performance indicators (KPIs).	
<b>Finances</b>	<b>64</b>
Received \$2.233m in funding from the Government (\$2.408m in 2012-13).	
Generated \$5.329m in fees for audit services (\$4.797m in 2012-13).	
Incurred costs totalling \$7.233m (\$6.744m in 2012-13).	
Achieved a comprehensive result of \$0.553m (\$0.399m in 2012-13).	
Cash and deposits balance was \$2.071m (\$1.485m in 2012-13).	

## ACHIEVEMENTS AND REFLECTIONS ON 2013-14

The Office addressed a number of initiatives in 2013-14. Progress on these is detailed in the table below.

Initiative	Outcome
Undertake audits of the State Service employer function under the <i>State Service Act 2000</i> .	Audits conducted.
Implement and update the Office's Strategic Plan 2012-15.	Supplementary Strategic Plan in place from 1 July 2014.
Ongoing development and improvement of Statutory Reports to Parliament on outcomes of financial audits through the enhancement of reported information, report style and readability, financial report analysis, and more informed commentary.	Completed.
Continuous improvement to financial audit processes and engagement with State entities to ensure financial statements, and audit reports thereon, are issued in a timely manner and in accordance with the requirements of the <i>Audit Act 2008</i> .	Completed but ongoing.
Ongoing development of a forward program of performance and compliance audits for inclusion in annual plans of work.	Completed.
Respond to new and revised accounting and auditing standards and contribute to their development at exposure draft stages.	Continuing to respond as they arise.
Continue to establish systems facilitating measurement of the Office's carbon emissions and then take action to reduce the Office's impact.	Ongoing reporting to relevant Government agencies and implementing strategies where appropriate to reduce carbon emissions. For example, less printing of reports from 2013-14 onwards.
Continue to be financially sustainable operating under a business model that minimises financial risk and results in a build up of free cash facilitating operational flexibility and greater independence. This includes the Office operating under its own enterprise, or equivalent, agreement aimed at managing our industrial environment in the best interests of the Office, staff and Parliament.	Continuing discussions with Government.
Examine options related to Office accommodation including co-location with other similar bodies.	Options examined with relocation to occur in 2014-15.
Continue to review all the Office's policies and procedures to ensure changes to structures are accurately reflected and that all Staff understand and are aware of them.	Ongoing with major policies and procedures being reviewed and communicated, or will be in 2014-15.
Respond to and action agreed recommendations arising from the external review of the Office in November 2013.	Ongoing.

Initiative	Outcome
<p>PAS will:</p> <ul style="list-style-type: none"> <li>fulfill the Plan of Work 2013-14 including at least seven reports to Parliament.</li> </ul>	Completed.
<p>FAS will:</p> <ul style="list-style-type: none"> <li>complete a review of the operational costs of the unit</li> <li>continue to meet, at least biannually, with those charged with governance and to present audit strategies and completion, or equivalent, reports. As part of this process, we will explain our audit methodology. Where an audit strategy has been issued, completion or equivalent reports should commence with the 2013-14 cycle</li> <li>complete a follow-up audit in conjunction with performance audit staff and at least one other cross-sector review or project</li> <li>take over management of contracted financial audits from the Director, Technical and Quality</li> <li>implement latest version of the audit toolset, Integrated Public Sector Audit Methodology (IPSAM).</li> </ul>	<p>No longer required.</p> <p>Completed and ongoing.</p> <p>Completed. Follow up report tabled in September 2014. Cross sector review is underway.</p> <p>Completed.</p> <p>Carried forward to 2014-15.</p>
<p>CSS will:</p> <ul style="list-style-type: none"> <li>develop a longer-term financial plan covering at least the next five years</li> <li>continue the redevelopment of the Office's website to ensure that it meets all relevant standards and requirements and is contemporary</li> <li>evaluate the quantum of the Office's compliance costs</li> <li>reconstitute the Office's "Green Team" with the aim of identifying and implementing the best tools for measuring and reporting our carbon footprint including a green procurement guide for staff</li> <li>finalise the transition of some back office functions to Justice. This will include implementing and reporting of key performance indicators</li> <li>upgrade the audit toolset, IPSAM to version 4. This will be completed in conjunction with FAS and will encompass training for all relevant staff.</li> </ul>	<p>To be completed in 2014-15.</p> <p>Completed in December 2013.</p> <p>Not required.</p> <p>Now called "Corporate Social Responsibility" - deferred until 2015-16 in light of other priorities.</p> <p>Completed.</p> <p>Carried forward to 2014-15.</p>
<p>OAG will:</p> <ul style="list-style-type: none"> <li>initiate meetings with Parliamentarians</li> <li>all audit methodologies are to be evaluated annually to ensure they remain current. The Director, Technical and Quality to complete this exercise with the Victorian Auditor-General's Office (VAGO)/Queensland Audit Office (QAO) annually with a report to the Auditor-General</li> <li>fully implement the quality assurance framework developed in 2012-13.</li> </ul>	<p>Completed and ongoing.</p> <p>Completed.</p> <p>Partially implemented. To be finalised in 2014-15.</p>



Initiative	Outcome
<p>The Human Resources Committee (HRC) will*:</p> <ul style="list-style-type: none"> <li>finalise the review and update of the Office's performance management system</li> <li>continue with periodic pulse surveys - the objective is to assess staff engagement and identify matters of concern and best practice promptly</li> <li>ensure compliance with the WHS legislation</li> <li>review the Office's grievance policy and procedures</li> <li>develop and complete an office-wide communications strategy (including social media)</li> <li>re-implement and reinforce the Office values</li> <li>implement integrity training program for all staff utilising modules developed by the Integrity Commission</li> <li>conduct a biennial staff survey.</li> </ul>	<p>To be completed in 2014-15. Plan templates finalised in 2013-14.</p> <p>No longer required following transition to SLA.</p> <p>WHS plan and system developed. Ongoing updates and review to occur in 2014-15.</p> <p>To be finalised in 2014-15.</p> <p>To be finalised in 2014-15.</p> <p>All staff have been reminded that values and behaviours are to be evident in everything we do.</p> <p>Completed.</p> <p>Completed.</p>
<p>The Information Management Committee (IMC) will*:</p> <ul style="list-style-type: none"> <li>continue the review of the Business Continuity Plan (BCP) and ensure testing has taken place</li> <li>review the ICT Strategic Plan for changes due to outsourcing some back office functions</li> <li>finalise and implement the Information Security Plan</li> <li>review, update and re-implement the Office's electronic records system TRIM</li> <li>ensure the ongoing flexibility of the Office's work environment, investigate and assess the usefulness of various technologies such as tablets and wireless networking keeping in mind information security issues.</li> </ul>	<p>Completed with testing to be undertaken in 2014-15.</p> <p>To be completed in 2014-15</p> <p>Policy completed in 2013-14 with plan to be finalised in 2014-15.</p> <p>Ongoing.</p> <p>Wireless has been implemented. New portable small laptops leased.</p>

\* During the year the HRC and IMC were disbanded with the functions being transferred to the EMG.

## GOALS FOR 2014-15

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Our initiatives for 2014-15 include the following:

- The Office will respond to new and revised accounting and auditing standards and contribute to their development at exposure draft stages.
- We will continue to, with everything we do, take action to reduce the Office's impact on the environment and to be a good corporate citizen through participation in fundraising activities and community programs.
- The Office will relocate to new premises with a smaller footprint to minimise cost and reduce our impact on the environment.
- Continue to be financially sustainable operating under a business model that minimises financial risk and results in a build-up of free cash facilitating operational flexibility and greater independence. This includes the Office operating under its own enterprise, or equivalent, agreement aimed at managing our industrial environment in the best interests of the Office, staff and Parliament.
- FAS will implement the latest version of the audit toolset, IPSAM Version 4. In addition, other audit improvement systems will be introduced such as computer aided auditing techniques (CAAT's), a leadsheet system and the ability for external audit providers to provide electronic audit files directly into IPSAM.
- The Office will respond to and action agreed recommendations to plan that arose from the Nexia Australia review held in November 2013.
- PAS will fulfil the Plan of Work 2014-15 including at least seven reports to Parliament.
- FAS will continue to meet, at least, biennially, with those charged with governance and to present audit strategies and completion, or equivalent, reports. As part of this process, we will explain our audit methodology.



Senior Financial Auditors Sashi Ram, Hanna Jones and Suzanne Xue, and Principal Financial Auditor Debbie Scott

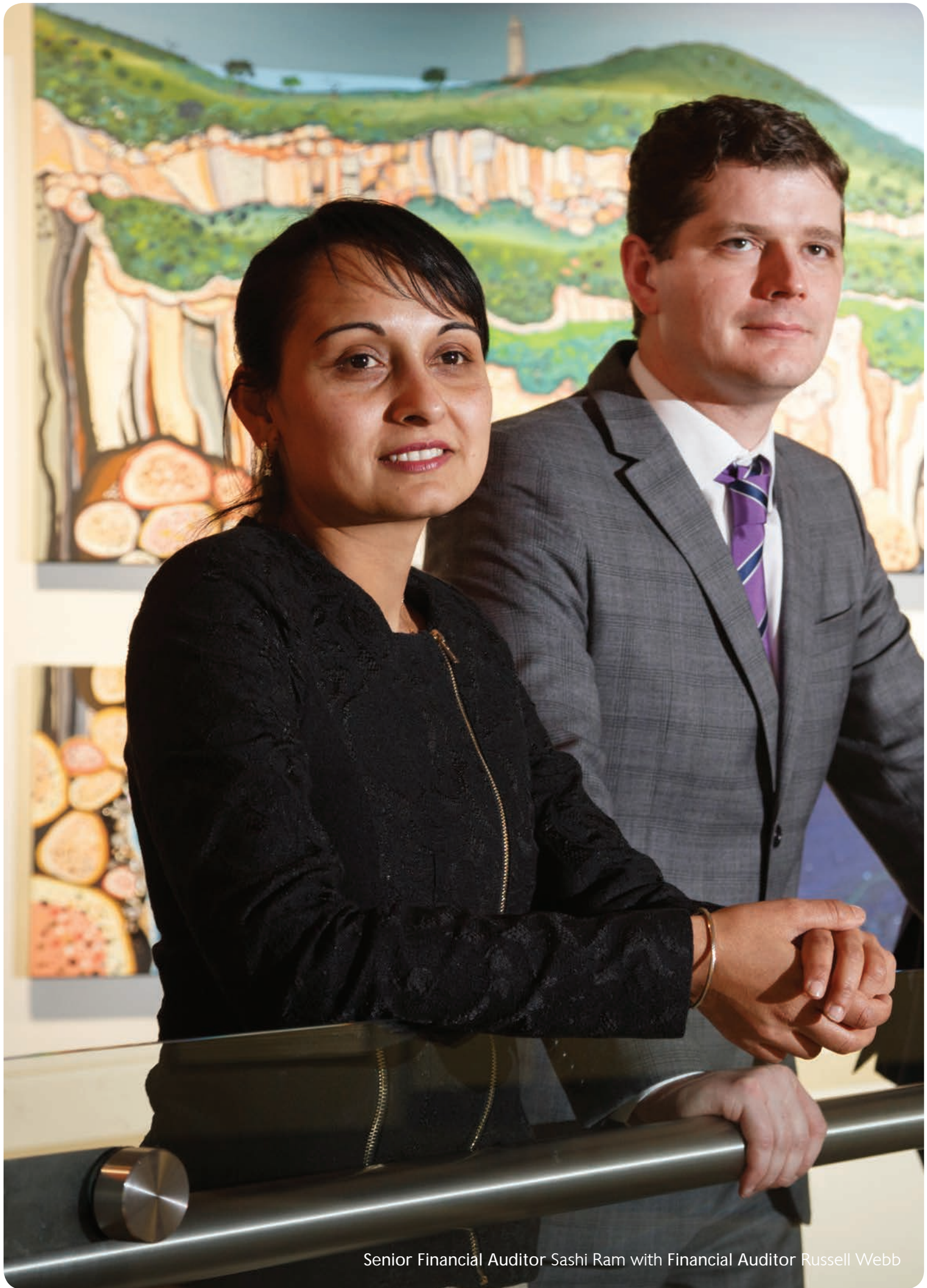
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***“The Office will commence capturing of lost time to aid in the calculation of a Lost Time Index. The target measure will be zero.”***

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- FAS will introduce completion reports for all higher risk audits.
- FAS and PAS will complete a follow-up audit and FAS will conduct at least one other cross-sector review or project.
- CSS to finalise a 5 year budget.
- OAG will initiate meetings with Parliamentarians based on an annual plan which is to be developed.
- OAG will evaluate the audit methodology to ensure it remains current. This is to be conducted by the Director, Technical and Quality with support from VAGO and the QAO.
- OAG will finish the implementation of the quality assurance framework developed in 2012-13.
- Continue to review all the Office’s policies and procedures to ensure changes to structures are accurately reflected and that all staff understand and are aware of them. Examples of major policies and procedures are detailed below.
  - CSS to finalise the review and update of the Office’s performance management system along with the development of a centralised learning and development plan.
  - CSS to finalise the WHS plan for 2014-15 and to finalise the WHS system. This will include the review of the Office’s Health and Wellbeing program.
  - CSS to finalise the grievance and diversity policy and procedures.
  - CSS to finalise and communicate an Alcohol and Drugs Policy and Procedures.
  - CSS to finalise and communicate the Office’s Motor Vehicle Policy and Procedures.
  - CSS to review the Office’s existing recruitment and selection policy and procedures.
  - Implement the disability action plan and the Whole of Government Carers Action Plan.
- CSS to develop and complete a Communications Strategy (including a social media strategy).
- Our internal auditors will review our BCP and ensure it is suitable for the size and nature of our Office.
- Finalise and implement the Information Security Plan as per Whole of Government timelines.
- Review, update and re-implement the Office’s electronic records system TRIM.
- FAS will improve its processes to ensure it reaches the 100% target of issuing financial audit opinions within 45 days of accepting signed financial statements from clients.
- PAS will meet the average time of nine months to complete each performance audit.
- The Office will develop an audit quality manual in line with recommendations arising from the Nexia Australia report.
- In our financial audit reports to Parliament we will further develop efficiency KPIs for departments and commence identifying a series of similar measures for local government.
- Continue to provide information sessions annually for clients and audit committees.
- The Auditor-General will issue two “employee” performance audit reports, one on recruitment practices and the other on absenteeism.
- The Office will commence capturing lost time to aid in the calculation of a Lost Time Index. The target measure will be zero.





Senior Financial Auditor Sashi Ram with Financial Auditor Russell Webb

# GOVERNANCE

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## THE OFFICE

TAO is an independent State entity which assists the Auditor-General to provide an independent view of the financial and operational performance of State entities. This is done by conducting financial (attest), performance and compliance, or other audits and investigations and reporting these to Parliament.

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* (the Audit Act), which defines the powers and responsibilities of the Auditor-General. We undertake approximately 170 financial statement audits of the diverse range of State entities referred to in Appendix 5 and report to Parliament on significant issues arising. We also undertake up to seven performance audits each year and report the outcomes to Parliament. Our reports are public documents when tabled in Parliament and are accessible on our website: [www.audit.tas.gov.au](http://www.audit.tas.gov.au). In addition, in 2012-13 the Auditor-General commenced undertaking State Service employer reviews and investigations with the first report being tabled in Parliament in August 2014. During 2013-14, the Auditor-General also conducted the State Service Annual Report Review for the 2012-13 financial year.

## 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 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 preparation by State entities of annual financial statements. The information in these statements needs to be audited by a suitably qualified independent person to ensure that they fairly present financial performance. The Auditor-General is responsible for ensuring that this is done.

The accountability of State entities is also assessed by the Auditor-General's discretionary mandate to conduct compliance and performance audits and special investigations.

The Auditor-General offers briefings to all members of Parliament about the role of the Office and the Audit Act. In addition, our website includes a presentation video on the Auditor-General discussing the role of the Office.

## Vision

Strive | Lead | Excel - To make a difference.

## 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.



## Strategic Objectives

With our purpose, outcome and outputs in mind, we apply the following strategic objectives:

- confidence in the performance and accountability of State entities
- improved service delivery by State entities.

## Critical Success Factors

To enable us to achieve these objectives, and to measure our performance, during 2013-14 we apply four critical success factors:

1. Influential Products and Services
  - preparing soundly based, credible, balanced and timely reports and opinions that lead to improved performance and accountability
  - undertaking audits/investigations on the right topics at the right time
  - ensuring our stakeholders understand and recognise the value of the Office's people, products and services in contributing to improving public administration.
2. Financial Sustainability
  - effective financial operations.
3. Effective Operational Performance
  - efficient and effective Office operations
  - effective quality assurance
  - effective business processes, systems and management practices that meet our business needs.
4. Motivated and Capable Employees
  - motivated and satisfied employees
  - employee capability that matches our business needs
  - employee well-being.

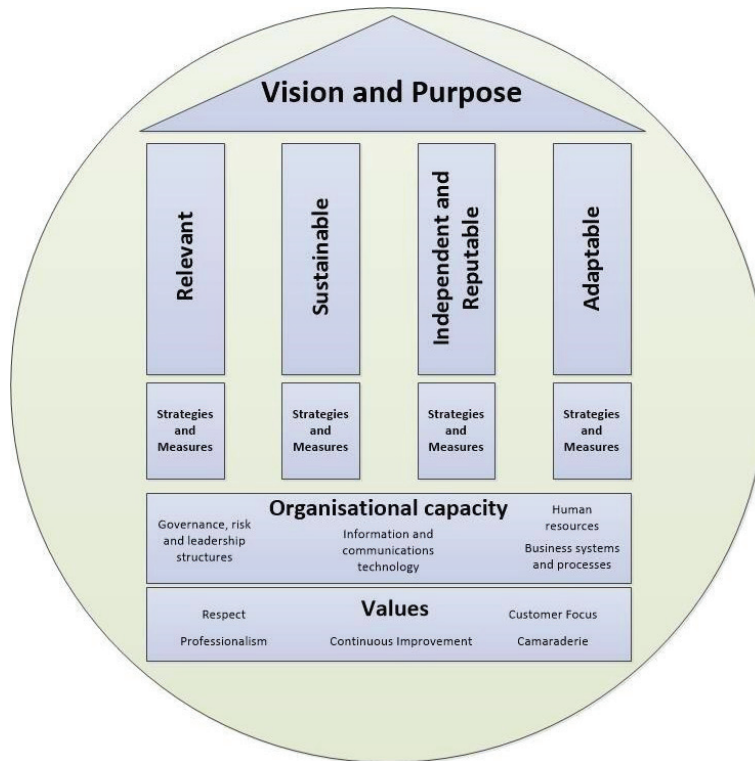


Senior Administration Officer Anne Cunningham, Audit Admin Support Officer Mathew Nichols, Director, CSS Patty Johnson, Publications Officer Catherine Rogers

## Supplementary Strategic Plan

During 2013-14, the Office undertook a significant review of the 2012-15 Strategic Plan. This resulted in the development of a Supplementary Strategic Plan.

From 1 July 2014, the Office will be following the 'Pillars' methodology as detailed in the Auditor-General's message on page 4. The Pillars are as follows:



The pillars represent:

### Relevant

We remain contemporary, competitive and customer focused to meet the needs of our staff, stakeholders, clients and mandate.

### Sustainable

We adopt practices that will enable us to continue to do what we do without adverse effect on our finances, people, the environment or society.

### Independent and Reputable

We preserve our independence and reputation to ensure that we maintain the confidence of our stakeholders and clients.

### Adaptable

We are nimble and responsive in the face of an ever-changing environment and take advantage of opportunities as they arise.

### Organisational capacity

Relevant organisational capacity underpins our strategic plan without which achievement of our goals would be impossible. Existing organisational capacity is based on our governance and leadership structures, systems and processes in particular our:

- legislative mandate
- financial and human resources

- business systems and processes
- information and communications technology
- management of risk.

These factors are constantly under review with strategies and actions taken to improve capacity when necessary.

## ORGANISATIONAL STRUCTURE

Due to increasing costs and funding pressures, during the 2012-13 financial year the Office undertook discussions with two State government agencies for them to provide a number of back office functions for a fee under a SLA. After assessing each proposal, the Office selected the Department of Justice and in June 2013 entered into a SLA for services in relation to some functions of information technology, finance, human resources and information management. The SLA was effective from 1 July 2013 and is reflected in the Office's operations for the full 2013-14 financial year.

A detailed organisation chart as at 30 June 2014 is included at [Appendix 1 of this Report](#).

## HOW WE ARE FUNDED

The Office charges fees for financial audit services. Since 1 July 2008 the Office has been funded by a direct Parliamentary Appropriation for undertaking performance and compliance audits, special investigations, and the preparation and publishing of statutory reports to Parliament. The Office is also funded through a Parliamentary Appropriation (Reserved By Law) for the Auditor-General's salary and associated allowances. From 2013 the Auditor-General has been provided the powers to audit State service employer functions the cost of which is reimbursed, on a cost recovery basis, via invoice to the Department of Premier and Cabinet (DPAC). The cost of these functions was up to initially a limit of \$0.185m per annum but reduced to \$0.105m from 1 July 2014.

## OUR OUTCOME AND OUTPUTS

### Budgetary Framework

Our budget was included in Chapter 20 of Budget Paper No 2, Volume 2 in the 2013-14 Budget Papers. Outcomes of our financial performance against budget are comprehensively dealt with in the audited financial statements in the Our Finances section of this Report.

### Outcome and Outputs

Our budget identified one outcome supported by two outputs that are consistent with our vision and purpose. The outcome is:

*“To provide independent assurance to the Parliament and community 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 State entity activities including scope for improving economy, efficiency, and effectiveness.
- Audit Assurance – independent assurance of Tasmanian public sector financial reporting, administration, control and accountability.

Our outcome and outputs are linked to our previously stated Vision, Purpose and Strategic Objectives.

### Performance Against our Outputs

Our performance targets, set out in Chapter 20 of Budget Paper No 2, Volume 2, are detailed in our Performance Report.

Our goals are included and reported on [pages 14-15](#) of this annual report.

## LEGISLATIVE AND REGULATORY FRAMEWORK

### Legislation

From 1 March 2009 the Audit Act became the main legislation governing the appointment, tenure, duties, responsibilities and authority of the Auditor-General. This Act provides a legal basis for the Auditor-General to access all government information and the freedom to report findings arising from audits to Parliament.

The Auditor-General is responsible for the audits of financial information prepared 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*. We also audit acquittal statements associated with Commonwealth grants and payments to the State under Commonwealth legislation.

Performance and compliance projects and special investigations are designed by the Auditor-General under a 24 to 30 month period which is summarised in our Annual Plan of Work.

In 2012-13 the *State Service Act 2000* was amended to provide the Auditor-General with powers to conduct an investigation into any matter which relates to the administration or management of the State Service. This power has been provided under *State Service Act 2000* section 18 and by amendment to the Audit Act.

The 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 he may engage private sector firms as his agents.

### Independence

The Office is not part of the government itself. This independence from the Executive Government is vital if we are to perform our work effectively and make independent 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 of legislation. This independence ensures that findings arising from financial, performance and compliance audits and investigations are communicated regularly to the Parliament without interference.

### Mandate

The Auditor-General has a broad scope mandate for comprehensive auditing that embodies the components generally referred to as financial audit, performance audit and compliance 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 State entities, and on components of the Treasurer's Annual Financial Report including the Total State Financial Statements. 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.

As noted previously, the Auditor-General may also undertake additional functions around the *State Service Act 2000* as follows:

- conduct an annual review or audit of the State Service Employer Report prepared by the Secretary, DPAC which occurred during 2013-14
- investigations referred by the Employer under the *State Service Act 2000* which the Auditor-General agrees to conduct and/or
- own-motion investigations, audits or reviews initiated by the Auditor-General.

## CORPORATE GOVERNANCE FRAMEWORK

The Office's governance arrangements are facilitated by a number of important committees comprising:

- Audit Committee
- Strategic Leadership Group
- Executive Management Group:
  - Remuneration Committee
  - Procurement Review Committee.

Details of the objectives and composition of each of these committees is detailed below. The committee arrangements are supplemented by various working groups that may be constituted for specific purposes from time to time.

### Office Committees

#### Audit Committee

The objective of the Audit Committee is to provide independent assurance and advice to the Auditor-General and to the Office on our risk, control and compliance framework, external accountabilities and our efficiency and effectiveness.

The Committee comprises two independent members, Sue Baker and Tony Pedder, and one internal appointment being Geoff Driscoll, Assistant Auditor-General, PAS. Sue Baker is Chair of the Committee. Matters considered by the Committee in 2013-14 included:

- SLA
- Annual Plan of Work for 2014-15
- assessment of the internal and external auditor's performance
- strategic internal audit plan
- external audit plan
- review of management letters prepared by the external auditor and of actions taken by management on matters raised
- internal audits conducted, reports issued and actions taken by management
- monitor and review the effectiveness of the systems of internal control including information systems
- risk management plan and Office policies
- review of the Office's financial statements and the annual report
- high risk transactions and projects undertaken during the year.

#### Strategic Leadership Group (SLG)

The SLG's primary purpose is to develop processes and monitoring arrangements and to implement actions to achieve the TAO's strategic objectives. The focus of this Committee is the Office's strategic plan and associated risk management.

The objectives of the SLG are to:

- review and monitor the office's risk management framework
- report to the Auditor-General on progress against the Office's strategic plan including developing, refining and implementing associated action plans
- provide an advisory forum for the Auditor-General to raise operational or strategic matters she/he consider relevant.
- promote greater integration and collaboration between business units and support services to facilitate consistency and ensure achievement of the Office's strategic objectives.



- openly discuss all matters that may affect the strategic direction of the Office, its people and reputation and make decisions in the best interest of the Office and its people
- endorse and promote the Office's values in all aspects that affect the strategic direction of the Office
- monitor and respond to the effects on the Office's strategic direction of changes in government policy and statutory requirements or the Office's risk profile.

This group is chaired by the Auditor-General and comprises the EMG together with financial and performance audit managers. The performance of SLG is evaluated annually by means of an internal survey and self assessment.

### Executive Management Group (EMG)

This Committee's primary purpose is establishing processes and monitoring arrangements to implement action to achieve TAO's agreed corporate objectives, compliance with agreed values and external requirements as well as management of the Office's risks.

The objectives of the EMG are to:

- discuss strategic application of financial, physical, information and human resources across the Office
- set and mandate operational directions which are consistent with the Office's strategic goals, risks and values
- promote greater integration and collaboration between business units and support services to facilitate consistency and improve performance in the profitability and service delivery of the Office
- openly discuss all matters that may affect the operations of the Office, its people and reputation and make decisions in the best interest of the Office and its people
- endorse and promote the Office's values in all aspects that affect the operations of the Office
- review and approve implementation of the Office's improvements register
- monitor and approve WHS strategies and implementation
- oversight of information, records and technology resources
- provide a forum to which employees feel that they can direct issues for consideration, review, discussion and be notified of outcomes through the appropriate member of the EMG
- monitor major projects or acquisitions to ensure they meet needs of users, are affordable, comply with legislative requirements and align with and support TAO's strategic directions, priorities and values
- review and endorse operational policies
- monitor the Office's performance against annual plans
- oversee compliance with policies and other legislative requirements
- ensure agreed actions arising from internal and external reviews are implemented
- provide a forum for communication of directions and queries from the Auditor-General
- monitor and respond to the effects of changes in government policy and statutory requirements
- oversight of Human Resources Management (HRM) and the promotion of health, safety and wellbeing of staff while meeting our legal obligations.

The group is chaired by the Chief Operating Officer (COO) and comprises the Director, CSS, Assistant Auditor-General, PAS, Assistant Auditor-General, FAS, and the Director, Technical and Quality representing OAG. The performance of EMG is evaluated annually by means of an internal survey and self assessment.

### Operational Committees

In addition to the two groups referred to previously, our governance arrangements included the operation of the following sub-committees during 2013-14.



## Human Resources Committee (HRC) / Information Management Committee (IMC)

After consideration, the operational committees, HRC and IMC were disbanded in December 2013. The EMG undertakes these Committees' duties and responsibilities.

## Procurement Review Committee

This Committee is chaired by the Assistant Auditor-General, PAS and comprises the Director, Technical and Quality, Assistant Auditor-General, FAS and the Director, CSS. The purpose of this committee is to review tender evaluations for the purchase (and lease) of goods and services valued in excess of \$50 000, including selective tenders. The Committee ensures that a fair and equitable process has been followed and that the Purchasing Principles, as outlined in the Office's Procurement Policy, are complied with.

## Remuneration Committee

This Committee is a sub-set of the EMG and is chaired by the COO. It also comprises other members of EMG. The purpose of this Committee is to ensure consistent application of Office's performance management policies and that decisions relating to salary progressions, including advanced assessments, are supported by appropriate evidence.

## Quality Review Steering Committee

This Committee was established to oversee the implementation of quality assurance review recommendations and to ensure the Office was prepared for the external review which was held in November 2013. The Committee was disbanded in October 2013 upon completion of these tasks.

Details of members of each committee can be found in [Appendix 3](#).

## Quality Manual Working Group

The Quality Manual Working Group was established in early 2014 as a result of the Nexia Australia review. The aim of the working group is to develop an audit quality manual. The working group will report to the EMG. It is expected that the working group completes its work in December 2015.

Audit Committee: Assistant Auditor-General, PAS Geoff Driscoll, Chair Sue Baker, Committee member Tony Pedder





Financial Auditor Reece Munnings, Chief Operating Officer/Deputy Auditor-General Ric De Santi and Assistant Auditor-General, FAS Jara Dean



# REPORTS TO PARLIAMENT

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Strategic plan 2012-15	34
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## OUTPUT - PARLIAMENTARY REPORTS AND SERVICES

Parliamentarians were invited to presentations on the day of tabling. If Parliament was not sitting when issued, presentations were offered on non-sitting days in both Hobart and Launceston. Informal feedback on the usefulness of these volumes was positive.

These reports can be viewed and/or downloaded from our website:  
[www.audit.tas.gov.au/publications](http://www.audit.tas.gov.au/publications).

### Reports to Parliament on the Outcomes of Financial Audits

In 2013-14 the FAS unit tabled the following:

November 2013:

- Volume 1 - Executive and Legislature, Government Departments, Tasmanian Health Organisations, Other General Government Sector State entities, Other State entities and Superannuation Funds 2012-13
- Volume 2 - Government Businesses, Other Public Non-Financial Corporations and Water Corporations 2012-13

December 2013:

- Volume 3 - Parts 1 and 2 - Local Government Authorities 2012-13
- Infrastructure Financial Accounting in Local Government

February 2014:

- Volume 4 - Analysis of the Treasurer's Annual Financial Report 2012-13

May 2014:

- Volume 5 - State entities 30 June and 31 December 2013, matters relating to 2012-13 audits and key performance indicators.

These volumes are prepared by our FAS business unit which manages our financial audit program. Audits conducted are aimed at providing assurance on financial statements of accountable authorities.

### Reports to Parliament on the Outcomes of Performance and Compliance Audits and Special Investigations

During 2013-14, seven performance audit reports were completed and tabled in Parliament:

- Fraud control in local government
- Redevelopment of the Royal Hobart Hospital: governance and project management
- Police responses to serious crime
- Government radio communications
- Compliance with the Alcohol, Tobacco and Other Drugs Plan 2008-13
- Quality of Metro services
- Teacher quality in public high schools

### Services Provided to Parliamentarians and State Entities

Our reports and audit activities are complemented by providing a range of other services to Parliament and State entities. These services foster enhanced accountability and performance while promoting better practice in the public sector. They include:

- advice and assistance to Parliament, including submissions to Parliamentary committees on matters relevant to their inquiries
- responding to inquiries from Members of Parliament, State entities and the public, which sometimes lead to the conduct of audits
- comment to central agencies and other State entities in such areas as draft Treasurer’s Instructions, financial management proposals and the development of accountability proposals such as audit committee charters
- guidance to State entities, arising from our audit work, in specific areas of governance, management and accountability
- comment to external bodies on emerging developments associated with the public sector including commentary on draft accounting and auditing pronouncements
- advice to Members of Parliament on our role
- briefings to Members of Parliament about our reports
- regular meetings with the PAC.

## OUTPUT - AUDIT ASSURANCE

### Financial Audit Services

Part 4 of the Audit Act deals with the Auditor-General’s financial statement auditing functions with sections 16 to 22 detailing the statutory financial audit requirements. FAS is responsible for the annual audit of the financial statements of approximately 170 State entities (a complete listing is provided in [Appendix 5](#)). FAS is also responsible for the audit of the General Government Sector Financial Statements, the Public Account Statements and the Total State Financial Statements as well as the audit of in excess of 100 acquittal statements. FAS’ role includes conducting financial audits, managing financial audits contracted to the private sector and managing financial audits dispensed with.

Whilst not a legislative requirement, when conducting audits of financial statements, regard is had to whether there has been any lack of probity or prudence in the management or application of public resources.

Section 17 of the Audit Act requires accountable authorities to submit:

- financial statements for their State entities to the Auditor-General within 45 days of the end of the financial year
- financial statements that are “complete in all material respects”.

We have determined that ‘complete in all material respects’ means that the financial statements must:

- be signed by the accountable authority at the time they are submitted
- comply with relevant legislative requirements
- comply with Australian Accounting Standards. In the case of government departments, compliance with the Department of Treasury and Finance’s model financial statements will satisfy this requirement.

Having carried out an audit of the financial statements of a State entity, section 19 requires the Auditor-General to prepare and sign an opinion based on that audit and provide it to the State entity’s responsible Minister, with a copy to the relevant accountable authority. Section 19 also requires the Auditor-General to finalise the audit opinion for a State entity, or an audited subsidiary of a State entity, within 45 days of receiving the financial statements from the accountable authority. We are also required to provide the Minister with a copy of any formal communication of audit findings. FAS works closely with clients to address various accounting matters during the course of its financial audit work and provides input into the development of Treasury’s model

financial statements. We also continued to produce our model financial statements for local government, aimed at assisting councils in meeting their statutory financial reporting obligations.

When conducting its audits, FAS uses the IPSAM toolset which complies with Australian Auditing Standards (AAS) issued by the Australian Auditing and Assurance Standards Board (AUASB).

Close links have been developed with other audit offices, in relation to IPSAM, mainly the VAGO and the QAO. FAS participates in the IPSAM user group to help ensure the methodology remains current and provides the most efficient and effective means for completing audits.

## Management of Financial Audits

While the Auditor-General is responsible for auditing all State entities, under the Audit Act there is discretionary power as to who will conduct the audits. Under section 33 the Auditor-General discharges his responsibility by appointing officers within the Office, or some other suitably qualified persons to carry out the whole or a part of an audit or investigation. We have established a panel of external audit service providers that is updated from time to time and it is from this panel that suitably qualified persons are selected to conduct contracted audits. In the 2013-14 financial year, we outsourced 10 financial audits to the private sector. Details of the outsourced audits and of external audit service providers are included on our website and in [Appendix 6](#).

Under section 18(2) of the Audit Act, following consultation with the Treasurer, the Auditor-General can dispense with audits after consideration of alternative accountability arrangements for the State entities concerned. When dispensing with an audit we require:

- adequate alternative audit arrangements
- review by us of the financial statements annually.

Audits dispensed with are detailed in reports to Parliament previously referred to and are noted in the list of clients in [Appendix 5](#).

## Performance Audit Services

Section 23 of the Audit Act allows the Auditor-General to carry out examinations and investigations. Such work is usually undertaken as a performance audit with the results reported to Parliament.

Our PAS unit delivers agency-specific performance audits. The objectives of a performance audit are twofold. The first is to provide Parliament with assurance relating to the administration of Government entities and programs. The second is to assist public sector managers by identifying and promoting better administrative and management practices.

Performance audits can include an examination of one or more of the following:

- economy (minimising costs)
- efficiency (maximising the ratio of outputs to inputs)
- effectiveness (the extent to which intended outcomes are achieved)
- legislative and policy compliance.

In developing our Program, we adopt an ongoing and integrated approach to planning financial statement and performance audits. In this context, we endeavour to maintain a balance between planning and delivering audits that address the key risks and challenges facing the Tasmanian public sector and individual entities while also embarking on contemporary audits that are responsive to the changing environment, stakeholder requests and cover matters of the public interest.



When developing the Program, we undertake a process that involves:

- consulting Parliamentarians and entities
- conducting an environmental scan of key risks and challenges to public administration
- understanding the operations of agencies and identifying areas that could potentially improve performance.

From the rolling program of potential performance audit topics, cross agency audits, and other ad-hoc requests from stakeholders, the selection and conduct (including timing, scope and method) of audits is at the discretion of the Auditor-General. In choosing which audits to undertake a number of factors are taken into account, including the:

- potential benefits
- financial materiality
- risks to service delivery
- extent of previous audit and review coverage.

Audits are carried out using our own methodology which is consistent with requirements of auditing standards and methodologies used by other audit offices. We utilise the IPSAM toolset to document work completed.

The Auditor-General may also undertake additional audits under the *State Service Act 2000*. Our target is at least seven audits per year.

## INDEPENDENT SCRUTINY - EXTERNAL AND INTERNAL

We participate in internal and external reviews and independent benchmarking to gauge our performance and seek to improve where we can.

Along with a range of probity/waste type projects, the elements of this independent scrutiny include:

- our Audit Committee
- our internal audit function
- quality assurance reviews
- independent peer reviews
- external audit
- benchmarking.

### Internal Audit

Our internal auditors, Moore Stephens, Melbourne, carried out the following audits in 2013-14 in accordance with our three year strategic audit plan:

**Business Performance Review** – this review assessed the adequacy and effectiveness of TAO’s systems, processes and controls surrounding performance reporting and management towards the achievement of organisational strategic objectives.

**Targeted Interface Transactional Review** – this review assessed the effectiveness of internal interface controls between the TAO and Department of Justice.

**Procurement Compliance Review** – this review examined procurements that the Office had undertaken against compliance with the Treasurer’s Instructions.

Summary of Findings and Recommendations from 2013-14 internal audits are provided below.

Audit	Rating <sup>1</sup>			Management awareness point
	High	Moderate	Low	
Procurement Compliance Review	-	-	-	-
Business Performance Review	-	-	4	-
Targeted Interface Transactional Review	-	1	1	1
<b>Total</b>	<b>-</b>	<b>1</b>	<b>5</b>	<b>1</b>

<sup>1</sup> Rating:

- High rating within topic/area due to key serious control weaknesses and/or ineffective processes.
- Moderate rating within topic/area due to key control weaknesses and/or ineffective processes.
- Low rating within topic/area due to inefficiencies.
- Management awareness point.

The Audit Committee monitors management action on recommendations made from internal audits with the internal auditor providing periodic updates on these as well. Management has addressed or is in the process of addressing all previous recommendations.

## QUALITY ASSURANCE REVIEWS

### Independent Peer Reviews

ACAG has developed an approach to help individual Audit Offices demonstrate to internal and external stakeholders that they meet relevant legal and professional standards. The last peer review was conducted during 2011-12. No Independent Review was conducted during 2013-14.

### External Review

The *Audit Act 2008*, section 44, requires TAO to be subject to a review of the efficiency, effectiveness and economy of its operations at least once in every period of five years. Nexia Australia, was appointed to carry out the review.

The review was conducted in November 2013 with a final report submitted to the PAC in February 2014. PAC tabled the report in Parliament in August 2014. A link to the report including TAO responses can be found on our website at [www.audit.tas.gov.au/publications](http://www.audit.tas.gov.au/publications). In terms of efficiency, Nexia Australia concluded that the Office currently performs credibly and is proactively taking steps (continuous improvement) to improve efficiency across the organisation. In terms of effectiveness, they believe the Auditor-General properly fulfils the role of the independent auditor in a Westminster style of democracy, delivering assurance regarding the financial accounts of the public sector and conducting a range of performance audits. In terms of economy, Nexia Australia suggested that economy is best measured by comparing efficiency and effectiveness and ensuring both are being achieved, but each not at the expense of the other. Nexia Australia concluded that the TAO achieves economy through achieving efficiency and effectiveness in relatively equal measures.

Nexia Australia noted that the TAO governance structure has developed over a number of years and was influenced by internal and external reviews, management meetings and programs, and continuous improvement initiatives instigated by TAO. During Nexia Australia's review, they noticed that a significant effort has been made to implement a significant number of improvements to the overall conduct and systems of TAO. Nexia Australia's overall review of the change in the organisation

structure was very positive. They believe that the proposed and implemented structure will prompt more accountability and better awareness of roles and responsibilities.

Nexia Australia believed that TAO has a Risk Management Framework in place that outlines the approach and rationale for managing risk within the organisation, including risk analysis and treatment, roles and responsibilities of staff, and regular monitoring and evaluation of risks. The risk register is appropriately focused on the key risks to the organisation with relevant detail added to support the general risk categories. There is clear evidence that the risks are reviewed and updated on a regular basis.

A number of ‘continuous improvement’ themes emerged from Nexia Australia’s work. Our summary of these is that we:

- can improve the efficiency of our financial and performance audit work by carrying out various activities including re-assessment of our approach to using the work of internal audit and greater use of computer assisted audit techniques
- focus particular attention on audit quality, including coverage of probity and waste
- improve how we organise ourselves including enhancement of skills allocated to audits and
- add even greater value to our financial audit clients by assessing and commenting on management control environments, financial information systems and control environments and the efficiency, effectiveness and economy of performance environments.

In addition, the review made recommendations which we support but which will require legislative change including recommendations we:

- assess, comment on and summarise the service performance environment for every audit client every year
- carry out full audits, and provide opinions on, the KPIs of every state entity each year
- develop ‘better practice guides’ to assist state entities in KPI setting and system development.

These recommendations are linked and will need legislation requiring every state entity to report appropriate KPIs each year. In the absence of legislation, we will continue a current project on this as it relates to departments.

The Nexia Australia report contained a number of recommendations aimed at improving the Office’s operations. The Office has commenced addressing the recommendations with a view to this work being completed by 31 December 2015. The current status of the recommendations is as follows:

Nexia Australia Report recommendations overall status (as at May 2014)	
Total	<b>64</b>
Completed	<b>23</b>
Percentage completed	<b>36%</b>
Commenced	<b>4</b>
Percentage commenced	<b>6%</b>
Percentage yet to be commenced	<b>58%</b>

## External Audit

Under the Audit Act, the Governor appoints an independent registered company auditor to perform an audit of our financial statements. Clements, Dunne & Bell (CDB), a Melbourne based firm, was initially appointed in 2008-09. The appointment was extended on 31 August 2010 to cover the 30 June 2012 and 2013 financial years. In January 2013, CDB merged with Hayes Knight (Audit) Pty Ltd and are now known as Hayes Knight (Audit) Pty Ltd. Hayes Knight (Audit) Pty Ltd were awarded the audit by the Governor for the next three years with an option to extend for another two.

In August 2014 the auditors completed their examination of our 2013-14 financial statements. Their unqualified audit report is attached to the financial statements contained in this annual report. The external auditors also reviewed our key performance indicators with their report included in the Performance Report section of this annual report.

## Benchmarking Against Other Audit Offices

We continue to participate in benchmarking coordinated by ACAG which covers our entire office operations and is referred to as the Australasian Council of Auditors-General (ACAG) Macro Benchmarking.

The ACAG Macro Benchmarking project is an annual exercise that has been conducted since 1994. The overall purpose of the project is to provide, to the extent practicable, comparable information about audit offices across Australia on qualitative and quantitative benchmarks of the operations of their offices while recognising the specific characteristics of each jurisdiction.

The information obtained identifies areas for improvement. The benchmarking is done in August/September each year based on the previous year's outcomes. From 2012-13 the outcomes were for the current year. Key benchmarks are reported annually in the [Performance Report section](#) of this Report.

## Parliamentary and Client Surveys

On a biennial basis we conduct independent surveys of Parliamentarians and audit clients relating to our financial and performance audit functions, the outcomes from which are reported in this annual report. This survey presents benchmarking comparisons of the survey results across six Audit Offices participating in the benchmarking process with the latest survey being conducted in 2012-13.

## STRATEGIC PLAN 2012-15

This four-year plan was developed in the context of significant current, and likely future, change faced by the Tasmanian Public Sector. The general government sector faces budgetary pressures with flow-on implications for us both in terms of our own funding and as actions are taken by clients to manage budgets.

During the year the Office conducted a review of the Strategic Plan 2012-15 and formulated a Supplementary Strategic Plan. This incorporates the use of 'pillars' with explanations detailed on [page 4](#) and [page 20](#) of this report.

## COMPLIANCE AND COMMUNICATION

We communicate with openness, accountability and transparency.

## Summary Annual Report

We have again issued a separate summary annual report. It is aimed at providing readers with a snapshot of our performance in 2013-14.

## Integrity

We are committed to ensuring the Office and its staff operate with the utmost of integrity. As part of this the Office adheres to the *Integrity Commission Act 2009*. In particular, the Office has implemented the Commission's first module titled Ethics and Integrity Training Program. The first module was delivered during 2013-14 for all Office staff. This will also help to ensure that the Office complies with Section 32 of the *Integrity Commission Act 2009*.

## Right to Information

We are committed to ensuring our administrative information is available to the public. The *Right to Information Act 2009* (RTI) gives the public, the media and members of Parliament the right to access information we hold, unless the information is exempt from release.

Under section 6 of the RTI the Auditor-General is exempt from providing any requested information unless it relates to our administration. Information relating to financial and performance audits conducted and reports to Parliament are regarded as exempt being classified as internal working information, as is information compiled in making preliminary assessments following receipt of referrals.

The Auditor-General is also required to comply with section 46 of the Audit Act the practical effect of which is to forbid him and any person employed in his Office or contracted by him from disclosing any confidential matter that comes to his or their knowledge in the course of employment or duties under either the Audit Act or another Act.

Because of this, the provision displaces any other duty or obligation to disclose information which might otherwise arise and only permits the disclosure of such information if that disclosure is required in connection with the administration of the Audit Act or in connection with the administration of that other Act.

In 2013-14, there was one RTI request.

## Protecting Privacy

We are committed to protecting each individual's privacy in the way we collect, use or disclose personal information. We also ensure that individuals have a degree of control over their own personal information.

When dealing with private information, we do so in accordance with the *Personal Information Protection Act 2004*.

There were requests in 2013-14 from a person seeking access to, or update of, personal information held by us pertaining to them. This information was provided.

## Public Interest Disclosures

The purpose of the *Public Interest Disclosures Act 2002* is to encourage and facilitate disclosures about the improper conduct of public officers or public bodies.

We are committed to the aims and objectives of the Act recognising the value of transparency and accountability in our administrative and management practices. Also, we support making disclosures that reveal corrupt conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

We do not tolerate improper conduct by our staff, or taking of reprisals against those who come forward to disclose such conduct. All reasonable steps are taken to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure.

We will also afford natural justice to any person who is the subject of a disclosure.

During 2013-14 we received no public interest disclosure requests.



## Speeches, Presentations, Representation on Other Committees and Publications

We encourage our staff to participate in events and committees relevant to the objectives of the Office.

Some of our external speeches and presentations are listed below.

Date	Event	Presenter
30 August 2013	CPA Australia - Public Sector Discussion Group - <i>'Audit committees and good governance - Your experiences'</i>	Ric De Santi
11-12 September 2013	Local Government Association Tasmania General Managers' Workshop - <i>'Fraud control in local government'</i>	Geoff Fisher
8 November 2013	CPA Australia - <i>'Fostering good governance in the public sector and the role of the Tasmanian Audit Office'</i>	Mike Blake
12 November 2013	CPA Australia - Public Sector Discussion Group - <i>'Fraud control in local government'</i>	Ric De Santi
20 November 2013	Dollars and Sense Local Government Financial Sustainability Forum - <i>'Infrastructure financial accounting in local government'</i>	Jara Dean
27 November 2013	Australian Public Sector Anti-Corruption Conference - <i>'The search for accountability in local government'</i>	Mike Blake
3 December 2013	CPA Australia - <i>'Fraud control in local government'</i>	Geoff Fisher
13 March 2014	CPA Australia - Public Sector Discussion Group - <i>'Best practice in integrity and ethics across the public sector'</i>	Ric De Santi
14 March 2014	Tasmanian Leaders Program - panel discussion on <i>'Accountability and related matters'</i>	Mike Blake
28 March 2014	CPA Australia - Northern Public Sector Discussion Group - chaired and presented <i>'Audit committees and good governance - Your experience'</i>	Rob Luciani
9 April 2014	Presentation to new members of Parliament - <i>'The role of the Tasmanian Audit Office'</i>	Mike Blake
5 May 2014	Presentation to media outlets - <i>'The role of the Tasmanian Audit Office'</i>	Mike Blake
8 May 2014	Client information session - <i>'Technical Update and Developments'</i>	Jeff Tongs
9 May 2014	Client information session - <i>'Technical Update and Developments'</i>	Jeff Tongs
22 May 2014	University of Tasmania (UTAS) Student Awards - Presented Tasmanian Audit Office award for best student in auditing	Ric De Santi
29 May 2014	CPA Australia - Discussion Group - <i>'Audit committees and good governance - Your experience'</i>	Ric De Santi
26 June 2014	Information session for members of audit committees - <i>'Developments in governance, including risk management'</i>	Mike Blake
26 June 2014	Information session for members of audit committees - <i>'Themes from recent performance and compliance audits'</i>	Geoff Driscoll
26 June 2014	Information session for members of audit committees - <i>'Developments in financial reporting'</i>	Jeff Tongs

Details of service on other committees are contained in [Appendix 4](#).

In addition to the above, each month we issue client newsletters, also available on our website, dealing with developments in accounting and auditing standards and regulation and recently issued performance audit reports and other matters relevant to them. We also issue internal newsletters. These are aimed at keeping staff informed about developments within our Office.

## **Annual Plan of Work**

The Audit Act also requires the preparation of an Annual Plan of Work for tabling with the President of the Legislative Council and the Speaker of the House of Assembly by no later than 30 June each year. We must consult with the PAC in developing this Plan and record within it any suggestions made by the committee and our responses to them. Our Annual Plan of Work for 2014-15 was submitted to the President and the Speaker on 26 June 2014.

## **Parliamentary Presentations, PAC Meetings and Information Sessions**

In line with our aim to be open and transparent, we continued our practice of making presentations to Parliamentarians when we table reports in Parliament.

These presentations provide Parliamentarians with briefings on our reports highlighting our approaches to the audits and key findings affording them the opportunity to seek clarification. These sessions continue to be well attended and feedback remains encouraging.

During the year the Auditor-General meets with the PAC to brief them on our audit plans and audit reports facilitating interaction between us and this important accountability committee.

Overseeing the annual audit process is a key responsibility of an audit committee. A regular dialogue between the chairperson of the audit committee and senior audit team members allows for fostering of ongoing, timely and open communication between the audit committee and the external auditor while respecting the responsibilities of each party. To help facilitate this, information sessions for members of client audit committees were held for the third year. The information session was held in June 2014 and included guest speakers from the NSW Independent Commission Against Corruption and the Integrity Commission who presented on minimising fraud and corruption risk, and internal audits, respectively. The Office provided information on developments in financial reporting, governance (including risk management) and themes from recent performance and compliance audits.

The Office also delivered annual client information sessions in Hobart and Launceston in May 2014. The information session included technical updates and developments, and topics on corruption and misconduct, procurement (tendering and contract management practices) and cyber security among others. We were grateful for the support of CPA Australia and a number of accounting firms that kindly provided speakers. Attendees found these sessions informative and worthwhile so the Office will continue to deliver them.





Cadet James Hay, Senior Financial Auditors Hanna Jones and Minyan Qiu, Principal Performance Analyst Danny Moore



# OUR PEOPLE

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## HUMAN RESOURCES STRATEGIC PLAN

Investment in our people is of significant importance requiring a strategic focus in human resource management. We are committed to a strategic approach to the management of our people through:

- providing a clear strategic focus for workforce management
- creating a safe, supportive and equitable work environment for employees which sustains high levels of satisfaction, empowerment, commitment and accountability
- supporting processes and practices which recognise and reward excellence and valuing the contribution people make to our success
- promoting leadership and coaching thereby supporting managers in effectively managing their employees
- ensuring our human resource policies and practices provide transparency, honesty and fairness in the management of our people
- maximising our return on our human investment.

Our EMG together with CSS staff are responsible for ensuring our HR strategic plan initiatives are implemented and the outcomes are measured.

## STAFF ETHICS

All our employees must adhere to the Tasmanian State Service Code of Conduct and the State Service Principles under the *State Service Act 2000*. We have developed our own values which we all adhere to.

Formal procedures require disclosure of any real or apparent conflict of interest and in this regard employees are required to take no part in decisions or audits where real or apparent conflicts of interest may arise.

All employees must sign an annual declaration stating that they will conduct their work in accordance with codes, policies and values and must state real or apparent conflicts of interest. Conflicts are also documented and assessed prior to the commencement of all audits.

Our annual performance appraisal process includes assessment of performance against our values.

## COMPLAINTS ABOUT EMPLOYEES

We maintain internal procedures for investigating complaints about how we behave and carry out our responsibilities; this includes formal inquiry and/or disciplinary procedures under the *State Service Act 2000*.

## EMPLOYEE PROFILE

Employees	2013-14	2012-13	2011-12
Size of the workforce at 30 June - head count	43	43	47
Size of the workforce at 30 June - FTE	40.0	39.4	43.7
Number of employees who left during the year	7	10	6
Number of employees who commenced during the year	11	6	12
Number of permanent part-time employees	1	1	2
Number of fixed-term part-time employees	2	N/a	N/a
Number of full-time employees working reduced hours	5	4	3
Average age of workforce at 30 June	41.0	41.5	41.5



A breakdown of our workforce based on head count by organisational unit at 30 June for the past three years is as follows:

Unit	2013-14 No.	2012-13 No.	2011-12 No.	2013-14 %	2012-13 %	2011-12 %
Office of the Auditor-General	4	4	4	9	9	9
FAS	25	25	27	58	59	57
PAS	8	8	8	19	16	17
CSS	6	7	8	14	16	17

A breakdown of our employees by salary, age and gender is set out in the table below:

Gender Profile and Age	2013-14	2012-13	2011-12
Number of males as a %	58.1	62.8	56.5
Number of females as a %	41.9	37.2	43.5
Average age – male (years)	43.4	41.6	44.3
Average age – females (years)	37.2	41.2	37.8
Average salary – male	\$107 416	\$100 561	\$99 644
Average salary – female	\$78 525	\$77 901	\$76 351
No. of males working agreed reduced hours	1	1	0
No. of females working agreed reduced hours	4	3	3



Our gender profile continues to change from prior years with the difference in the number of males and females employed in the Office narrowing again. The gap moved from 25.6% to 16.2%. The main reasons for the movement are the structural changes in CSS, combined with an increased number of female auditors applying for positions in the Office. Our age profile also shifted slightly with the average age of males increasing 1.8 years and the average age of females decreasing by 4 years.

The average male salary increased, primarily due to normal salary increments and the movement of staff with resulting remuneration changes as well as the nature of some roles performed by our female staff. The average salary for males is still higher than for females by \$28 891. The average salary for males is heavily influenced by the salary of the Auditor-General, one Senior Executive Service position, and the next six highest salaried positions in the Office being held by males.

The Office has one female senior manager, the Director, CSS, who also sits on the EMG and SLG. The Office continues to encourage female participation at senior management discussions by inviting them to senior management meetings. The Office supports females in the workplace by providing a wide range of family friendly benefits and flexible working conditions. A number of our female employees continue to work reduced hours after returning from maternity leave.

## LEAVE MANAGEMENT

A breakdown of leave is as follows:

Leave Profile	2013-14	2012-13	2011-12
Average sick leave days taken during the year per employee	<b>5.6</b>	5.1	8.4
Total number of sick leave days taken during the year	<b>241.8</b>	223	393
Average number of accrued recreation leave days per employee at year end	<b>13.9</b>	15.1	12.1
Total recreation leave days accrued at year end	<b>599.6</b>	650	568
Employees with >35 days accrued recreation leave at 30 June	<b>3</b>	5	2
Average number of accrued long service leave (LSL) days per employee at year end	<b>35.3</b>	36.6	36.6
Total LSL days accrued at year end	<b>1 518</b>	1 576	1 718
Employees with >100 days accrued LSL at 30 June	<b>0</b>	0	0
Average number of accrued ILOT days per employee at year end	<b>0</b>	1.4	3.1
Total ILOT days accrued at year end	<b>0</b>	61	145

The amount of sick leave taken by employees remains steady with only a 0.5 increase in the average sick leaves days taken during the year per employee.

The Office continues to promote a healthy work life balance for its employees and is pleased to note a decrease in the level of accrued recreational leave and ILOT. The number of employees with recreational leave balances exceeding 35 days has fallen from five to three. This decrease has occurred due to effective management of leave plans. Employees who have high recreational leave have completed leave management plans to ensure these balances are reduced during the 2014-15 financial year and are kept at an acceptable level going forward.

The average number of accrued in lieu of overtime days per employee has been reduced to zero. This is due to the negotiation and signing of a new excess hours agreement in the 2013 calendar year. This agreement means that employees are using time in lieu for breaks and holidays and is further promoting the Office's commitment to a healthy work life balance for all its employees.

## RECRUITMENT AND SELECTION

Our recruitment policies and procedures comply with the *State Service Act 2000*, including State Service Employment Directions. In line with these policies, all selection procedures reflect the merit principles. Merit principles ensure that all applicants are assessed in terms of who best meet the selection criteria for the primary competencies required for each position and, therefore, demonstrate the strongest capacity to undertake the required functions.

We continue to have strong links with UTAS, attending their Career Fair called The Big Meet, in early 2014 and participating in the UTAS Business Internship Program. The Office also works closely with two professional accountancy bodies and attends appropriate career events run by these bodies as they arise.

Our recruitment efforts this year were primarily directed at generating interest in internships, vacation work opportunities and brand awareness of the Office.

## GRADUATE, CADETSHIP AND INTERNSHIP PROGRAMS

We offer graduate and cadetship programs to potential and existing employees who are undertaking or have recently completed a bachelor degree in a relevant discipline at a recognised tertiary institution.

Our cadetship program provides participants with the opportunity to work and gain experience while studying part-time. The aim of the program is that cadets will work in all business units to enable them to gain broader experience. The program is normally six years, but may be shorter depending on studies completed before commencing the program.

The Office has a structured graduate program. The program is similar to the cadetship program in that while graduate employees work, they study part-time until their post-graduate course is complete. The post-graduate course may be any of the professional programs offered by the professional accounting bodies, or other bodies related to the employee's responsibilities, or a postgraduate degree at a recognised tertiary institution.

We continued to support the internship programs of CPA Australia, the Institute of Chartered Accountants Australia (ICAA) and UTAS. These programs provide students with invaluable work experience. This financial year we provided placements for Nathan Nikolai through UTAS, and James Palfrey through ICAA internship programs.

The following tables summaries the number of cadets and graduates employed at the Office.

	2013-14	2012-13	2011-12
Total no. of cadets at 30 June	1	3	3
Total no. of graduates at 30 June	3	1	1
Cadets employed in FAS	1	3	3
Graduates employed in FAS	3	1	1
Graduates employed in PAS	0	0	0



## PROFESSIONAL DEVELOPMENT

The Office is committed to providing high quality learning and development opportunities for our employees. All employees and their supervisors are encouraged to identify learning and development needs through the performance management process to continually seek additional learning opportunities as they may arise. As part of this process our employees' objectives and those of the Office are considered when identifying appropriate development opportunities.

The following table summarises our investment in staff training, development and coaching:

	2013-14	2012-13	2011-12
Average days per FTE	6.8	7.4	9.5
Average investment per FTE	\$1 300	\$1 740	\$858

The average days of training per FTE remained relatively stable at 6.8, with the target being 10 days. Costs fell slightly due to taking more advantage of training sessions in-house and early bird and membership discount rates.

During the year, one manager from each of FAS and PAS participated in a leadership development program through the Australian National Audit Office (ANAO) in Canberra. This program included a number of activities, two workplace simulations and a 360 degree survey exercise. Participants also took part in an Action Learning Project to research two topics - the use of social media to promote the ANAO and better ways to support new audit managers. The findings and recommendations were presented to the ANAO executive team for consideration and possible implementation.

The COO and the Assistant Auditor-General, PAS, attended the ACAG/Canadian Council of Legislative Auditors (CCOLA) Public Sector Audit Forum and Performance Audit Symposium in Toronto, Canada from 7 - 10 April 2014.

The Symposium was intended for senior staff from Performance Audit units, primarily from Canadian legislative audit offices, but - by invitation - extended to ACAG. The objectives of the symposium were

Delegates of the ACAG/CCOLA Public Sector Forum and Performance Audit Symposium



enhancing knowledge of performance auditing, hearing from experts, and networking with peers. The theme of the 2014 symposium was 'Back to Basics for a New Age'.

In 2007 ACAG initiated the concept of biennial meetings with CCOLA. The intent was that ACAG meet with CCOLA once every two years, rotating between Australia and Canada. Previous meetings have been in Melbourne (2008), Vancouver (2010) and Sydney (2012). The intent of these forums is to provide:

- an understanding of shared challenges faced by public sector auditors
- ideas for collaboration on shared issues
- stronger networks and opportunities for professional exchange.

Our delegates found both conferences provided a valuable source of ideas, expertise, material and contacts. They noted a number of areas for consideration (per key points above) that will be explored with the Office's EMG as well as the Auditor-General. Some of these have the potential to improve the effectiveness and efficiency of the Office.

Their attendance also offered an excellent developmental opportunity which is not always afforded to staff within an audit office.

Based on these observations, they strongly encouraged the Office to participate in such events in future. They also suggested that where economically feasible, the Office should look to involve other staff, especially when the ACAG-CCOLA forum is next held in Australia.

The Treasurer was provided with a report on 21 May 2014 and a presentation was made to all TAO staff on 1 July 2014.

## STUDY ASSISTANCE

Our study assistance program supports and encourages employees who wish to undertake studies consistent with their workplace requirements and career aspirations.

We support our employees by allowing them to take time off on full pay to study and prepare for examinations and we provide appropriate financial assistance for administrative costs and text books. Our employees are encouraged to undertake post-graduate study, such as the professional programs run by Australia's professional accounting bodies.

Employees undertook studies in the following areas:

- Bachelor Degrees – one employee continued their bachelor degree as part of the Office's Cadetship Program. Two employees continued their studies of Bachelor degrees while working part-time in the Office
- Professional Programs, such as the Certified Practising Accountant (CPA) (professional level) and the ICAA programs or honours degree – six employees are studying one of the accounting bodies' professional programs as part of the graduate program.

## PERFORMANCE MANAGEMENT

Our performance management process is currently being reviewed. During the year, changes were made aimed at simplifying the process of developing performance plans and undertaking performance assessments. The processes will continue to be reviewed. This review will be in line with Employment Direction No. 26 *Managing performance in the State Service*.

The EMG, in its role as the Remuneration Committee, oversees salary progression recommendations and approves salary progression involving advanced assessment.

We continue to recognise outstanding performance at business unit and Office level (see Rewards and Recognition section later in this Chapter).



## WORKPLACE HEALTH, SAFETY AND WELFARE

We continue to be active in managing workplace health, safety and welfare by identifying risks and addressing problems promptly.

Ergonomic assessments are conducted for employees on request or the need is identified by managers. Any recommendations from our independent assessor are acted upon within a reasonable timeframe.

The Office's Health and Wellbeing Program continued this year. We encouraged staff to participate in walking, running and cycling activities. The Office also participated in the Dragons Abreast Tasmania Corporate Race Day in March 2014, the City to Casino Fun Run in May and the Point to Pinnacle in November. Fresh fruit and an annual influenza vaccination program continued to be made available for staff.

Annual Warden training by the Tasmanian Fire Service was also conducted. Employees with legislative responsibilities will continue ongoing training in the coming year.

The Office provides employees who have been absent from the workplace for a period of time due to illness with return to work support. This may include reduced hours and/or a return to work officer to support their successful return to the Office. The process is in line with ED29 *Managing employees absent from the workplace*.

We continue to provide employees with access to independent employee assistance programs which they take advantage of seeking assistance with work related or personal matters.

The following measures are indicators of our success or indicators of areas for improvement in providing a safe and healthy work environment:

	2014	2013
No. of incidents reported	8	1
No. of workers' compensation claims*	1	1
No. of First Aid Officers	3	5

\* Ongoing, since completed in August 2014.

The number of incidents reported increased due to the introduction of a new online reporting tool and increased awareness by employees of risks and hazards in the workplace. Training on this online tool was provided to all employees, and included information on how to identify hazards and risks. We also implemented mandatory WHS training for all employees via an interactive e-module and additional WHS training for all managers. All staff had completed the interactive e-module by 30 June 2014.

## WORKPLACE DIVERSITY

We maintain our commitment to workplace diversity through our recruitment and selection practices, our performance management processes and the provision of training and development opportunities. Our Strategic Plan contains initiatives to promote our workplace diversity.

## INDUSTRIAL AND WORKPLACE RELATIONS

During the year, we continued to implement aspects of the Tasmanian State Service Award and the directions issued under that Act. Employment Directions are issued by the Minister administering the *State Service Act 2000* and relate to the administration of the State Service and employment matters relevant to the Act. For further information, refer to [www.dpac.tas.gov.au](http://www.dpac.tas.gov.au).

Employees have the right to lodge reviews under the State Service Act related to employment decisions that have an impact on them. During the year, no reviews were lodged.

During the year, union representatives visited our Office to provide information to members.

In February 2014, a new Employment Direction, ED 29 *Managing employees absent from the workplace*, came into effect prescribing how to manage employees absent from the workplace due to illness/injury, whether or not it is work related.

## INTERNAL GRIEVANCE PROCEDURE

The Office's policy on managing diversity and grievance and the associated procedures provide guidance on dealing with internal grievances and incorporate the principles of natural justice. It is designed to address grievances at the earliest possible opportunity to avoid escalation to a formal grievance process. It is hoped that through consultation, co-operation and mediation, amicable resolutions can be achieved.

We have an internal grievance process where employees can lodge a complaint. There were no complaints lodged in 2013-14.

## INDEPENDENT EMPLOYEE SATISFACTION SURVEY

We recognise that our people are the key to improving our overall efficiency and performance. To measure our internal organisational effectiveness we commenced measuring employee satisfaction nine years ago.

The following table summarises the employee rating on each surveyed category. In each case our target is a rating of 75%.

Category	2014	2012	2010
Co-operation between business units	67	68	65
Corporate communications	71	82	70
Equal Employment Opportunity	75	79	76
Involvement	79	82	75
Leadership	72	80	73
Motivation	75	80	75
Performance management	68	74	67
Personal satisfaction	75	79	75
Recruitment and selection	70	72	60
Rewards and recognition	79	71	73
Staff development	70	72	69
Supervision	69	77	69
Teamwork	73	75	62
Work environment	77	79	77
<b>Total average</b>	<b>73</b>	<b>76</b>	<b>70</b>

Our last survey, conducted in May 2014, had a participation rate of 95% with the results showing a decrease in employee satisfaction and morale compared with the previous survey in 2012. There has been significant turnover of staff across most of the Office which could result in the changes to ratings. Management will focus on improvements across the Office in the areas of performance management and development, and embedding a culture of continuous improvement. In addition, the Office will finalise a Communications Strategy and the review of the Diversity and Grievance Policies. This staff survey is conducted biennially with the next one scheduled to be held in 2015-16.



## TASMANIAN STATE SERVICE WORKFORCE SURVEY

The second State Service Workforce Survey was undertaken in May 2014 by the Head of the State Service through the State Service Management Office (SSMO). This survey gauges employee views about their employment, and in turn, gathers information about workforce behaviour, management and leadership, workforce performance, workplace health and safety, capability and development and employment matters of the Tasmanian State Service. The overall results for the Office were pleasing with the following measures (expressed as percentage of satisfaction) being higher than the whole of service percentage:

Workplace Health and Safety – 82%

Workforce Identity, Attitude and Principles – 79%

Shaping our Workforce – 78%

The areas that need attention are similar to those highlighted in the Independent Employee Satisfaction Survey. Increased focus by management on performance management (58%), work environment (62%) and developing people (66%).

## EMPLOYEE PARTICIPATION

We recognise the importance of involving employees in decisions that affect them. In line with our values, we promote a culture that is based on mutual respect and trust facilitating innovation, customer focus and continual improvement.

Employee involvement and participation continues to be sought through ‘all staff’ emails, direct approaches, open Office discussions, communiques, committee consultation, and four staff information sessions which were facilitated by the use of Lync software so Launceston office employees were not required to travel on some occasions. In 2013-14, the internal Office newsletter was relaunched. This is a bi-monthly internal publication which promotes office news, policies, procedures, staff profiles and general information. We are currently reviewing the implementation of a new communications strategy which will encompass the best use of social media. In addition, a two day off-site staff information program was conducted for the whole office which included consideration and feedback on the new Supplementary Strategic Plan.

## SOCIAL INFORMATION

### Workforce and Community Committees and Bodies

We encourage our employees to actively participate in all aspects of their work and professional lives. This year a number of employees were represented on both internal and external committees. Further details can be found in [Appendix 3](#) and [4](#).

### Community Involvement and Support

The Office is an active supporter of many charities with the Office's Social Club taking on a key role in hosting a number of fundraising activities throughout the year. From January 2014, the Office formalised its support for charities by deciding to donate most fundraising monies to the Cancer Council for the calendar year. Funds are raised via free dress days and other activities from January to December 2014. The Office also participated in the following fundraising activities:

- Bake Sale for Cystic Fibrosis Tasmania (CFT)
- Salvation Army Red Shield Appeal
- Movember 2013
- Dragon's Abreast Tasmania Corporate Race Day Challenge (supporting fundraising for Breast Cancer)
- Harmony Day
- Cancer Council Biggest Morning Tea.

In addition, the Auditor-General participated in the Salvation Army 'CEO Sleep Out for the Salvos' and raised almost \$4 000. Of this amount, the Office contributed \$770.

The Office raised \$806 to our current charity of choice, the Cancer Council, \$325 for the Red Shield Appeal and \$205 for CFT.

## REWARDS AND RECOGNITION

We believe it important to congratulate employees who make an exceptional contribution to our work environment and the achievement of objectives. This recognition may be a simple verbal acknowledgement, written acknowledgement via newsletters, value cards, and other publications or formal recognition.

Our annual awards, presented by the Auditor-General, are:

- the Boyes Award, named after the first Auditor-General, recognises an employee who has consistently achieved outstanding and/or significant results against one or more criteria
- the Above and Beyond Award recognises employees who throughout the year achieved results consistent with one or more criteria.

Quarterly awards are also awarded as part of our rewards and recognition program. These are made by the business units to individuals or teams.

The objectives of our program include:

- recognising and rewarding outstanding contributions made by individuals, and teams of individuals
- promoting increased awareness of best practices and successful development strategies in ways that will assist us to achieve our vision, 'To make a difference'
- helping us foster an environment of shared success and commitment
- highlighting behaviours and activities that have benefited us and showcased our employees as role models

- being a fair and flexible practice that is woven into the fabric of our culture
- recognising that each individual, and each team, can make a difference.

Nominations were received for the Above and Beyond Award. This award recognises the contribution of staff in the workplace in a number of ways, such as leadership, innovation, exemplary performance, development and implementation of improvements and increased efficiencies.

In 2013-14, the Above and Beyond Award was awarded to:

- Simone Lee
- Minyan Qiu
- Debbie Scott
- Reece Munnings.

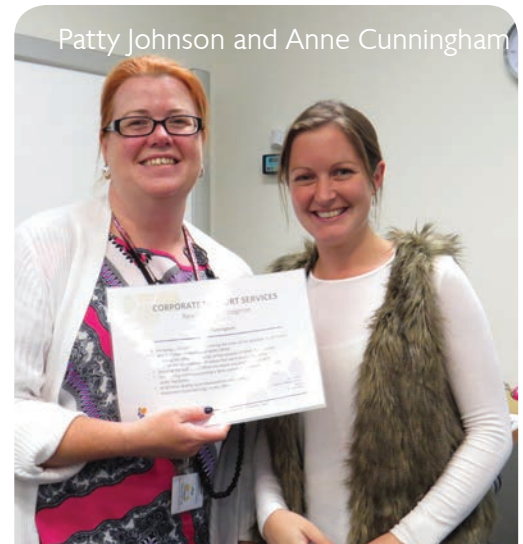
The following employees received quarterly recognition awards:

- Catherine Rogers
- Anne Cunningham
- Russell Webb
- Debbie Scott
- Jesse Penfold
- Derek Burns
- Simone Lee
- the Social Club (Kerry Conyard, Andrew Eiszele, Jesse Penfold, Beverley Pasanen, Minyan Qiu, Danny Moore).

Years of Service awards were also presented to members of staff.

Years of Service awards were awarded to:

- Geoff Fisher – 15 years of service
- Mike Blake – 10 years of service.







Executive Assistant Julie Bellette with Director, Technical and Quality Jeff Tong

# OUR PERFORMANCE

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

Principal Performance Analyst Beverley Pasanen with Manager Performance Audits Simon Andrews

## OUR PERFORMANCE REPORT

In this section we explain our performance for 2013–14 by reference to our KPIs.

Measuring our performance against our four Critical Success Factors (CSFs) is reported annually. The proposed KPIs reported were published in June 2013 in our Annual Plan of Work for 2013–14. Also, while not identified as performance measures against our CSFs, we include measures reported as benchmarks by ACAG in its annual Macro-Benchmarking Report. Our KPIs were independently assessed with the review opinion published at the end of this section. In the following tables we report our actual results and by use of the following symbols indicate our assessment of each result.

### KEY

Performance achieved  Performance not measured  Performance not achieved 

## INFLUENTIAL PRODUCTS AND SERVICES

The Parliament is our primary client and our reports and services are aimed at meeting its needs. Our audit work and reports provide information and assurance to Parliament about the performance of State entities we audit. Secondary but significant clients are the State entities we audit. In their case our work is aimed at providing assurance regarding financial reports as well as financial and non-financial performance. Our products and services are aimed at providing stakeholders with relevant information to evaluate the performance of State entities and the effectiveness of public administration.

Our objectives for this CSF are:

- preparing soundly based, credible, balanced and timely reports and opinions that lead to improved performance and accountability
- undertaking audits/investigations on the right topics at the right time
- ensuring our stakeholders understand and recognise the value of the Office's people, products and services in contributing to improving public administration.

Our KPIs are aimed at addressing these objectives and are reported in the following table.

Key Performance Indicators	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Result
<b>Soundly based, credible, balanced and timely reports and opinions that lead to improved performance and accountability</b>						
All financial audits opinions to be issued within 45 days of receipt of final signed financial statements (Audits complete within financial reporting year)*	N/a	96%	96%	100%	<b>98%</b>	<b>x</b>
Performance and compliance audits are completed on average within nine months	Achieved	Not Achieved	Not Achieved	Achieved	<b>Achieved</b>	<b>✓</b>
<b>Reports and opinions that lead to improved public sector performance and accountability</b>						
Survey of Parliamentarians by independent biennial survey:						
• Overall satisfaction with the Auditor-General's reports and services	96%	Nm	96%	Nm	<b>Nm</b>	<b>—</b>
• Provide valuable information on public sector performance	85%	Nm	95%	Nm	<b>Nm</b>	<b>—</b>
• Reports and services help to improve public sector administration	66%	Nm	85%	Nm	<b>Nm</b>	<b>—</b>
Percentage of recommendations agreed and acted upon 24 months since the tabling of a performance/compliance audit report	81%	82%	Nm	75%	<b>Nm</b>	<b>—</b>
Survey of audit clients by independent biennial survey:						
• Performance Audit - overall performance (process, reporting, value)	63%	Nm	79%	Nm	<b>Nm</b>	<b>—</b>
• Financial Audit - overall performance (process, reporting, value)	76%	Nm	77%	Nm	<b>Nm</b>	<b>—</b>
<b>Undertaking audits/investigations on the right topics at the right time</b>						
Survey of Parliamentarians by independent biennial survey:						
• High level of performance audits addressing key areas of interest	48%	Nm	85%	Nm	<b>Nm</b>	<b>—</b>



Key Performance Indicators	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Result
<b>Our stakeholders understand and recognise the value of our people, products and services in contributing to improving public administration</b>						
Survey of Parliamentarians by independent biennial survey:						
• Responsiveness of the Auditor-General or his Office	100%	Nm	100%	Nm	<b>Nm</b>	—
• Extent to which the advice/information provided by the Auditor-General or his Office addressed your needs	87%	Nm	100%	Nm	<b>Nm</b>	—

\* Measure commenced from 2011-12 as this was the first year new deadlines under the *Audit Act 2008* applied to all State entities.

For the 2013-14 audit cycle, 98% of financial audits were completed within 45 days of receipt of financial statements from clients. As at 1 October 2014, two audits were not completed on time and three other audits were still in progress but within our deadline.

We conduct biennial satisfaction surveys of Parliamentarians and State entities. The most recent survey in 2012-13 indicated high levels of satisfaction with our reports by Parliamentarians. The next survey is due in 2014-15.

We measure the implementation of agreed recommendations by conduct of follow-up of performance and compliance audits completed two to three years previously. The follow up audit planned for 2013-14 was delayed and not completed until 2014-15.

## FINANCIAL SUSTAINABILITY

Our objective is that we manage our finances sustainably and we operate in a cost efficient manner. Our objective, effective financial operations, is aimed at lessening the need for government support and minimising the level of audit fee increases. The KPIs in the following table are aimed at addressing these objectives.

Key Performance Indicators	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Result
<b>Effective financial operations*</b>						
Positive net operating result, that is $\geq 1\%$ of turnover	Achieved	Achieved	Achieved	Achieved	<b>Achieved</b>	✓
Positive cash flows with an End of Year (EOY) cash balance $> \$600\ 000$	Achieved	Achieved	Achieved	Achieved	<b>Achieved</b>	✓
Build cash reserves accumulative each year by \$150 000	Achieved	Achieved	Achieved	Achieved	<b>Achieved</b>	✓

\* New measures adopted from 2010-11.

For 2013-14 the Office achieved a net result of \$0.553m or 7.10% of revenue.



The Office's strong net result and cash balance of \$2.071m was higher than expected mainly due to:

- unanticipated savings obtained in relation to the timing of IT support being provided later than expected by the Department of Justice
- savings as a result of delays in replacing staff who resigned
- a minor restructure of management in our FAS section which resulted in reducing the number of managers from three to two
- the flow on effect of outsourcing some corporate support staffing functions from 1 July 2013 with resulting resource requirements being below budget.

## EFFECTIVE OPERATIONAL PERFORMANCE

For the Office to meet its strategic objectives it needs to have effective processes and methodologies that are proven and rigorous. Our objectives for this CSF are:

- efficient and effective office operations
- effective quality assurance
- effective business processes, systems and management practices that meet our business needs.

The KPIs in the following table are aimed at addressing these objectives.

Key Performance Indicators	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Result
<b>Efficient and effective office operations</b>						
Reports tabled in Parliament:						
• Performance and compliance audits and special investigations	8	7	7	7	7	✓
• Report of the Auditor-General on the outcomes of financial audits*	2	1	1	1	1	✓
Independent audit opinion on the financial statements of the Office	Unqualified	Unqualified	Unqualified	Unqualified	<b>Unqualified</b>	✓
<b>Effective quality assurance</b>						
Annual independent assessment of a selection of audit files that concludes that the Office is conducting audits in accordance with its audit methodology and Australian Auditing Standards:						
• Financial audits	Nm	Positive**	Nm	Positive	<b>Nm</b>	—
• Performance audits	Nm	Positive**	Nm	Positive	<b>Nm</b>	—

Key Performance Indicators	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Result
Number of major findings with significant impact/ramifications reported to the Office's Audit Committee by our internal auditor	None	None	None	None	None	✓
<b>Effective processes, systems and management practices that meet our business needs</b>						
Independent assessment that concludes that the Office is operating efficiently and effectively**	Nm	Achieved	Nm	Achieved	Nm	—

\* Changed from 2011-12 to one report annually comprising a number of volumes.

\*\* 2011-12 results were based on independent reviews utilising highly experienced staff from other jurisdictions under ACAG's audit review framework. In return the Office participated in the ACAG team that reviewed the NSW Audit Office.

We tabled a total of seven reports in Parliament on the outcomes of performance and compliance audits. We tabled one report on the outcomes of financial audits of State entities. This report comprised five volumes – two in November, one in December, and one in February and May 2014. We also tabled a report on Infrastructure Financial Accounting in Local Government in December 2013.

Three internal audit reviews were conducted in 2013-14 covering:

- Procurement Compliance Review
- Business Performance Review
- Targeted Interface Transactional Review

The results of the internal audits indicated we had effective systems and processes although recommendations were made suggesting further improvements which are being addressed.

## MOTIVATED AND CAPABLE EMPLOYEES

We rely on our staff to achieve our corporate goals and our objectives are to have:

- motivated and satisfied employees
- employee capability that matches our business needs
- employee wellbeing.

The KPIs in the following table are aimed at addressing these objectives.

Key Performance Indicators	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Result
<b>Motivated and satisfied employees</b>						
Employee satisfaction as measured by the Office's independent biennial employee survey	Nm	76%	Nm	75% or if not 75% then improving	73%	✗
Employee turnover rate	13%	11%	23%	<10%	15%	✗
Employees acknowledge our Office values and behaviours exhibited in our workplace (measured by surveys)	73%	74%	Nm	85%	79%	✗

Key Performance Indicators	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Result
<b>Employee capability that matches our business needs</b>						
Percentage of employees who have professional qualifications	79%	94%	88%	>85%	<b>91%</b>	✓
Percentage of employees who are members of professional bodies	81%	77%	72%	>85%	<b>72%</b>	✗
Percentage of employees who undertake 10 days of professional development per annum	29%	11%	33%	100%	<b>21%</b>	✗
Percentage of employee professional development plans implemented	Nm	32%	79%	100%	<b>93%</b>	✗
<b>Employee wellbeing</b>						
Employee participation in health and well-being initiatives	67%	80%	98%	75%	<b>98%</b>	✓
Sick leave taken by employees (average)	9.3	8.4	5.1	<5 days	<b>5.6</b>	✗
No excess leave balances	2%	2%	9%	<5%	<b>5%</b>	✓

An important part of our assessment of staff satisfaction is our biennial staff satisfaction surveys. During the 2013-14 year the biennial staff satisfaction survey was conducted. The next survey will be conducted during 2015-16.

The first State Service Workforce Survey (TSS Workforce Survey) was undertaken in May 2013 by the Head of the State Service through the SSMO. The survey results for 2014 will inform organisational workforce planning and development policies and initiatives. TSS Workforce Survey results and strategies to improve results are reported on [Page 48](#).

The increase in turnover was mainly due to staff being transferred to the Department of Justice as part of the SLA.

The percentage of employees with professional qualifications increased slightly due to the employment of an extra cadet/graduate during the year. As at 30 June 2014 we had six staff undertaking studies leading to full membership of professional bodies.

The slight increase in the number of employees accessing professional development opportunities is partly due to the improvement in the percentage of professional development plans being implemented. In addition, the Office is working collaboratively with professional associations. An example of such is the Office successfully maintaining its Recognised Employer status with CPA Australia. Management will continue to place emphasis on the requirement for professional development plans being implemented and actioned.

Employees participated in our health and wellbeing initiatives. Consulting with staff and then formalising these activities into our Health and Wellbeing Plan for 2011-2013 increased awareness and improved this rating significantly. The most popular initiative is the provision of fresh fruit for staff. A review of this initiative will be undertaken in 2014-15 it is aimed at improving health and wellbeing activities for all staff.

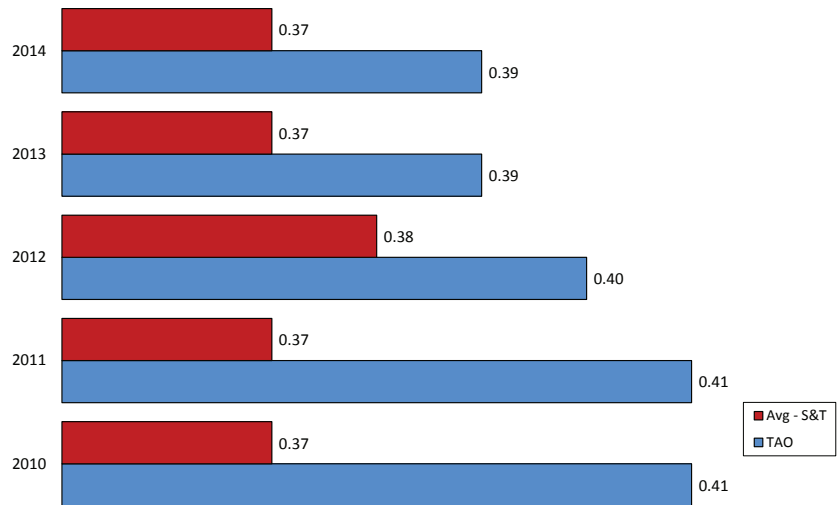
Two staff who make up the excessive leave balance percentage had leave management plans in place with their balances to be reduced by the end of September 2014.

## BENCHMARKING

To help us evaluate our performance we benchmark ourselves against the national average of other State and Territory audit offices as reported in the annual ACAG Macro-Benchmarking report. The following results cover the period 2010–2014.

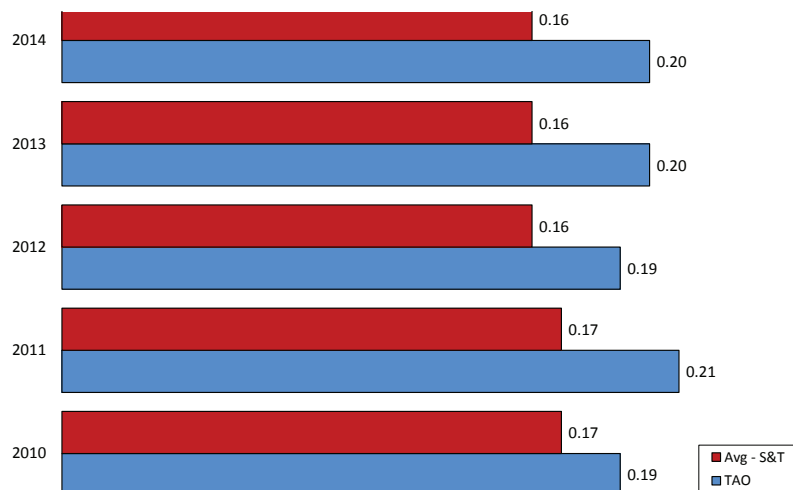
### Measure One:

Total audit costs per \$'000 of public sector transactions, expressed in cents



### Measure Two:

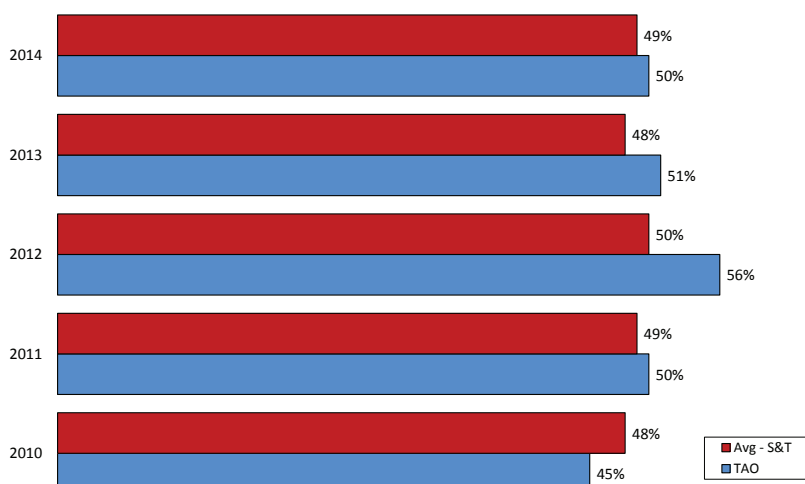
Total audit costs per \$'000 of public sector assets, expressed in cents



We expect our costs as a proportion of total state transactions and assets to be higher than most other states. Typically, State entities in Tasmania are smaller than their interstate counterparts as is our Office. Both measures confirm this expectation.

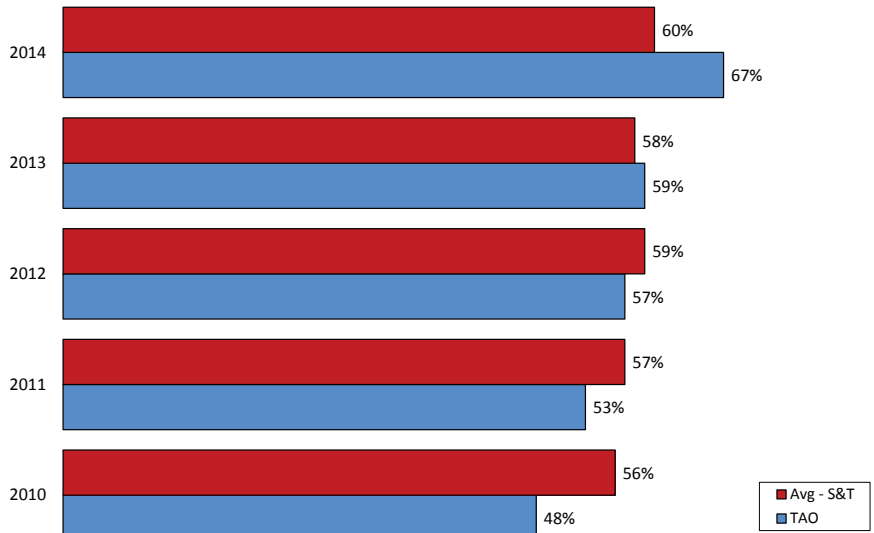
### Measure Three:

Percentage of total (whole of office) paid hours charged to audit activities



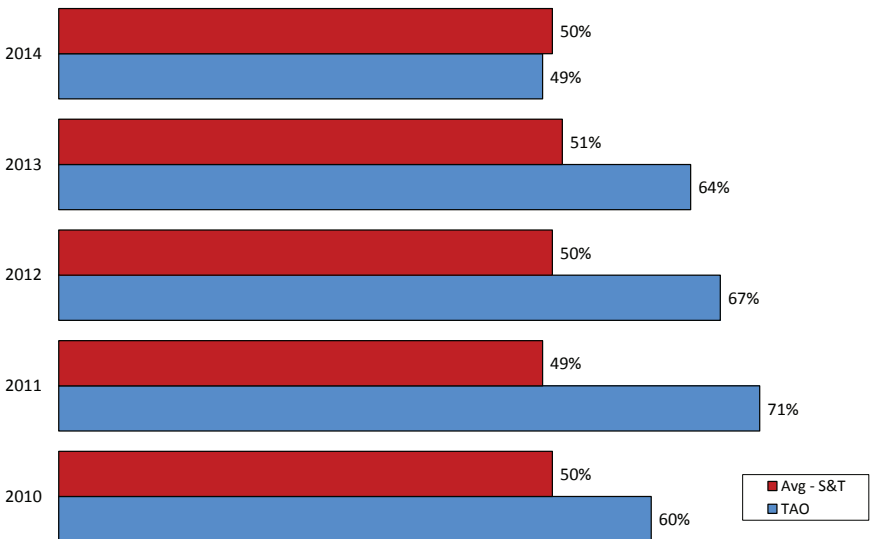
**Measure Four:**

Percentage of total paid hours of attest audit staff charged to attest audit activities



**Measure Five:**

Percentage of total paid hours of non-attest audit staff charged to non-attest audit activities



Productivity of our staff has a direct impact on our operating results. All auditors are expected to achieve a minimum level of billable hours after allowing for leave, professional development and administration. Total paid hours include the hours of our corporate staff as well as annual leave for all employees.

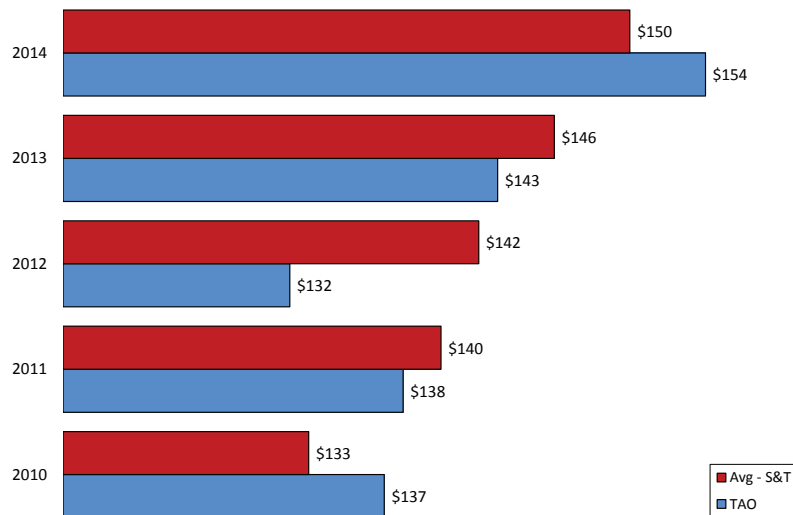
We continued to be pleased that Measure Three, the percentage of total paid hours charged to audit activities, on a par with States and Territories. Measures Four and Five remain consistent and are also on par or better than States and Territories.

The overall decline in Measure Five over the years is as a result of better recording and identification in relation to administrative costs versus chargeable costs due to the way funding has been provided from Government. The movement from 2013 to 2014 was due to higher leave taken by staff and some creep in administrative costs in relation to reporting functions and as such these duties have since been transferred to our Corporate Support Section.



**Measure Six:**

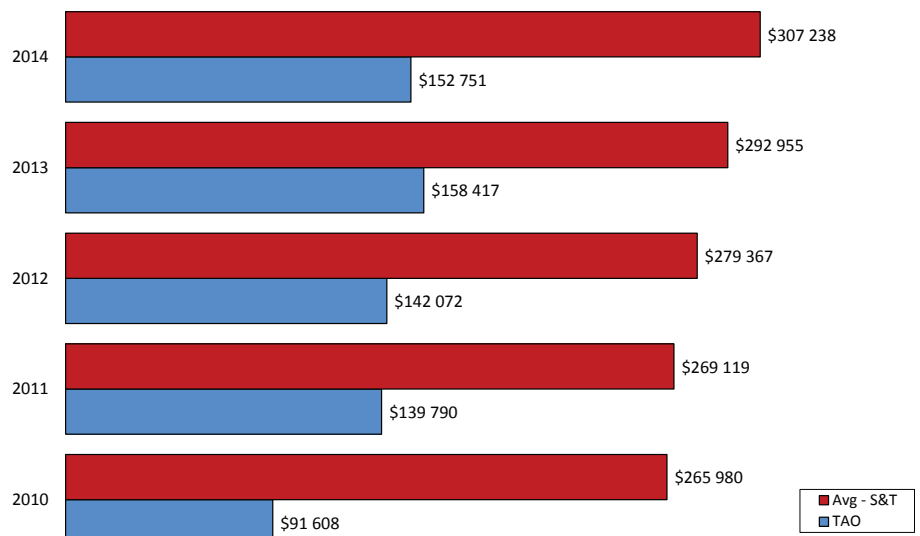
Cost per audit hour charged to audit activities



Hourly charge rates have a direct impact on the level of audit fees we charge. It is generally acknowledged that our hourly charge-out rates will be less than our mainland counterparts, as reflected. The movement from 2012 to 2013 reflects the increase in acquittals undertaken in 2012 which were one-offs. These related to Disaster Recovery Program acquittals. The increase in cost from 2013 to 2014 again represents fewer audits conducted in the 2014 year compared to previous years with associated costs remaining steady. Minimising the cost of our audit work remains an ongoing objective for the Office.

**Measure Seven:**

Cost per performance audit



Measure Seven confirms our expectation that the cost of preparing performance and compliance audit reports will be lower than the national average. This measure is largely affected by the scope and type of audits undertaken each year. This was the case in 2010 when we carried out a number of smaller audits, particularly special investigations. During the period 2011 to 2014 our program returned to normal resulting in a more typical average cost per audit. In 2014, more efficient internal processes were implemented which resulted in a slightly reduced cost per performance audit.

# INDEPENDENT AUDITOR'S REVIEW OF THE PERFORMANCE REPORT



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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE GOVERNOR OF TASMANIA IN RELATION TO THE TASMANIAN AUDIT OFFICE

### Report on the Performance Report

We have reviewed the accompanying performance report, as set out on pages 54 to 63, which comprises the key performance indicators for the 2014 financial year.

#### *Auditor-General's Responsibility for the Performance Report*

The Auditor-General is responsible for the preparation of the performance report. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the performance report to ensure that the report fairly represents the key performance indicators of efficiency and effectiveness.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the performance report based on our review. We conducted our review in accordance with Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the performance report does not present fairly the key performance indicators of efficiency and effectiveness. As the auditor of the entity, ASRE 2405 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a performance report consists of making enquiries, primarily of persons responsible for financial and accounting matters and applying other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the Australian professional ethical pronouncements.

#### *Conclusion*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the performance report does not present fairly the key performance indicators of efficiency and effectiveness for the year ended 30 June 2014.

  
Hayes Knight Audit Pty Ltd  
Melbourne

  
Geoff S. Parker  
Director

Dated this 6 day of October 2014

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Principal Financial Auditor Jesse Penfold and Graduate Financial Auditor Andrew Clark



# OUR FINANCES

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# FINANCIAL SUMMARY

## FINANCIAL PERFORMANCE

Key indicators of our financial performance in 2013-14 and position at 30 June 2014 include:

- A positive net operating balance for the financial year of \$0.552m (2012-13 positive net operating balance of \$0.611m), which was a healthy result in particular when compared to the budget of \$(0.055m). Significant contributors to this were the delay in timing of the transfer of IT support to Justice, delays in filling vacant positions, a minor restructure in our FAS unit resulting in two managers instead of three and the flow on effect of outsourcing some corporate support staffing functions from 1 July 2013 with resulting resource requirements being below budget.
- An increase in revenue from \$7.355m in 2012-13 to \$7.785m this year which was higher than our budget by \$0.391m predominantly due to additional user charges received for extra unanticipated audit related work conducted.
- An increase in expenditure from \$6.744m in 2012-13 to \$7.233m this year which was less than our budget by \$0.216m predominantly related to additional expenditure on audit contractors due to unanticipated client work. There were also savings in various areas of expenditure including information technology costs due to the delay in transferring IT support to Justice.
- Improvement in equity, and net assets, by \$0.553m compared to 2013, being the net surplus for the year, and by \$0.608m compared to budget – the budget had anticipated a small net surplus for the year. Net assets also improved due to one-off expenditure reductions.
- From a day to day operations point of view, management of the Office's net working capital is critical. Key components are cash and deposits, receivables, work in progress, payables and revenue received in advance the net of which were \$2.724m at 30 June 2014, \$1.966m at 30 June 2013 and \$1.158m budget. The improvement between 2013 and 2014 primarily related to the net operating balance of \$0.552m for the year and the reduction in revenue received in advance of \$0.200m.
- Non-financial assets decreased by \$0.081m compared to the position at 30 June 2013 mainly due annual depreciation and amortisation.

The following table details the movements in revenue for the past four years and for 2013-14:

Revenue	2013-14 (\$'000s)	2012-13 (\$'000)	2011-12 (\$'000s)	2010-11 (\$'000)	2009-10 ('000s)
User charges	5 329	4 797	4 723	4 691	4 157
Appropriations					
Reserve-by-law	455	430	385	377	391
Performance audits and reports	1 778	1 978	2 027	2 046	1 910
Other revenue	223	150	128	90	53
<b>Total</b>	<b>7 785</b>	<b>7 355</b>	<b>7 263</b>	<b>7 204</b>	<b>6 511</b>

During the 2011-12 budget process, Government advised us that our Appropriation funding for the next three years, through to 2013-14, would be reduced. Additional savings were required through the 2012-13 budget process such that the cumulative impact by 30 June 2016 will see our budget reduced by \$0.255m. These reductions relate to our Appropriation for performance audits and preparation of both financial and performance audit reports.

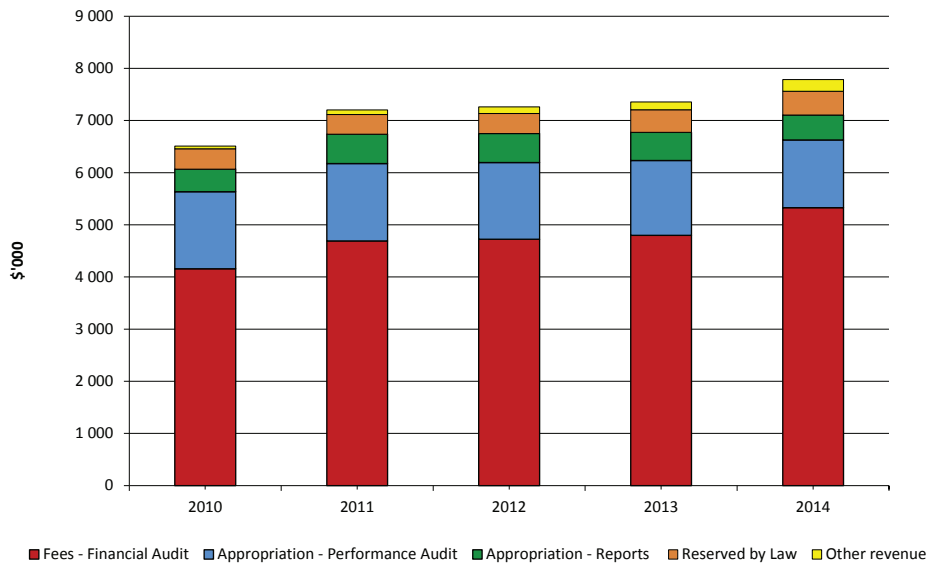


Our strategy to absorb the reduction in funding in 2011-12 was not to fill a vacant position within performance audit for that period. To address the longer term reduction, we completed:

- a zero based budget exercise, the main purpose of which was to examine all costs including levels of staffing
- a restructure in our performance audit unit which included completion of one fewer reports from 1 July 2012 and
- a review of our “back office” functions. As at 1 July 2013 a number of back office functions have been outsourced to Justice.

The following sections provide brief explanations for movements in revenues in recent years.

## Revenue, 2013-14 and previous four years



Comments below compare financial performance relating to revenue between 2012-13 and 2013-14.

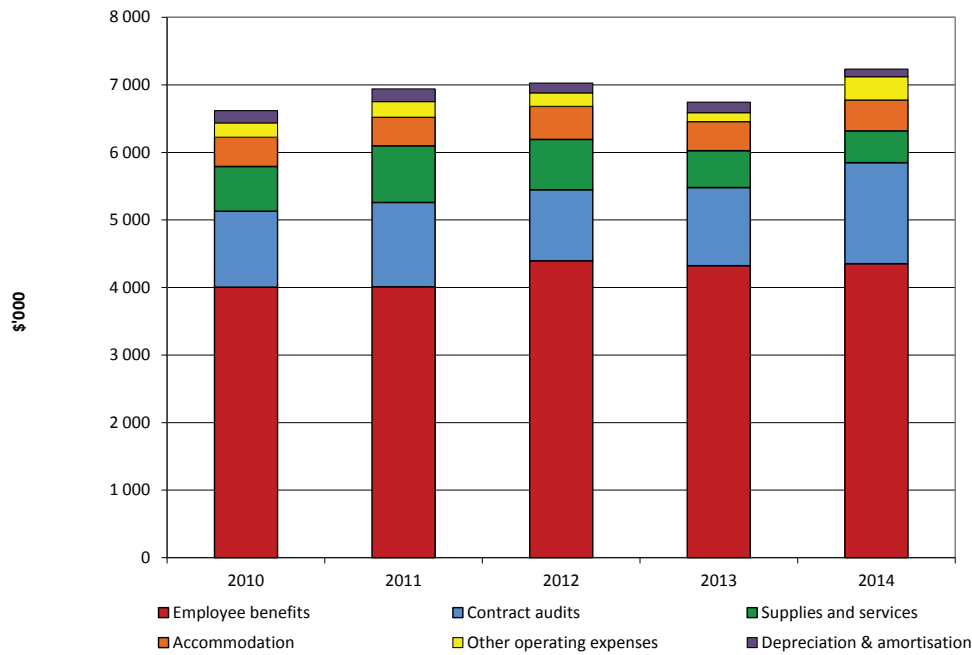
Our total revenue increased compared to the previous year. This year the revenue target for financial audit activity was exceeded due to unanticipated work conducted for clients by the Office and contractors (11.1%).

The following table details the movements in expenditure and our surplus/deficit for the past four years and for 2013-14.

Expenditure	2013-14 (\$'000s)	2012-13 (\$'000)	2011-12 (\$'000s)	2010-11 (\$'000)	2009-10 ('000s)
Employee benefits	4 353	4 324	4 395	4 012	4 006
Other expenses	664	521	828	902	754
Audit contractors	1 495	1 155	1 052	1 246	1 123
Information technology	152	156	116	171	121
Accommodation	456	431	491	421	433
Depreciation/Amortisation	113	157	144	188	180
<b>Total</b>	<b>7 233</b>	<b>6 744</b>	<b>7 026</b>	<b>6 940</b>	<b>6 617</b>
<b>Surplus/(Deficit)</b>	<b>552</b>	<b>611</b>	<b>237</b>	<b>264</b>	<b>(106)</b>

Commentary on movements in expenditure between 2012-13 and 2013-14 are noted in the next graph.

## Expenditure, 2013-14 and previous four years



Employee benefits was on par compared to last year and were \$0.687m lower than budget. This occurred as a result of delays in filling vacant positions, a minor restructure in our FAS unit resulting in two managers instead of three and the flow on effect of outsourcing some corporate support staffing functions from 1 July 2013 with resulting resource requirements being below budget.

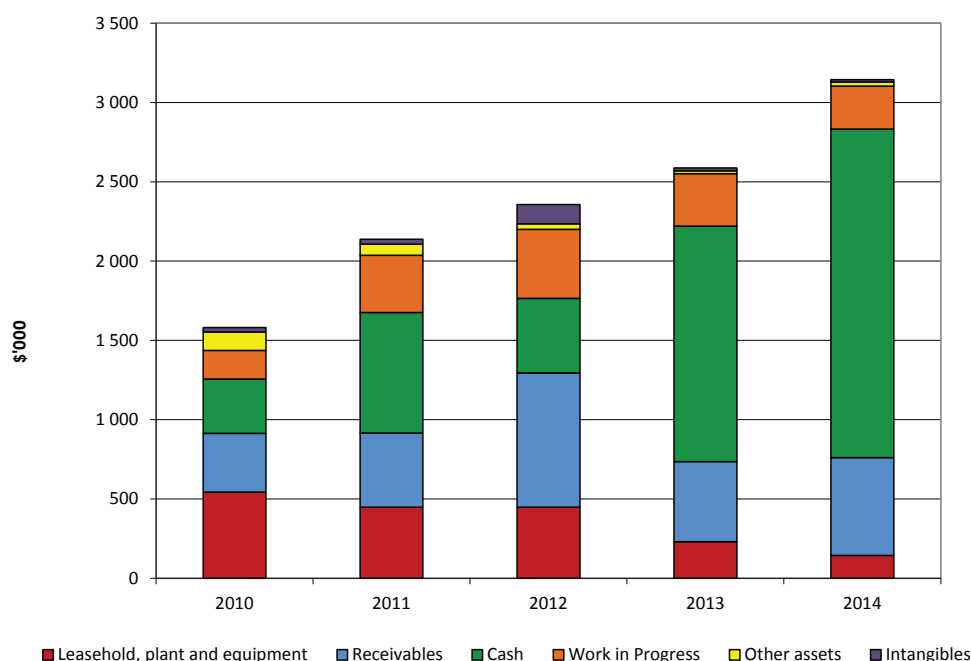
The main movement in expenditure was the increase in audit contractors as a result of additional unanticipated work being undertaken for Office clients. Another decrease in expenditure to budget was as a result of the delay in transfer of IT support to Justice.

## Financial Position

Our financial position is summarised in the tables and graphs below:

Assets	2013-14 (\$'000s)	2012-13 (\$'000)	2011-12 (\$'000s)	2010-11 (\$'000)	2009-10 ('000s)
Financial assets	2 959	2 321	1 752	1 589	894
Non-financial assets	185	266	604	548	687
<b>Total</b>	<b>3 144</b>	<b>2 587</b>	<b>2 356</b>	<b>2 137</b>	<b>1 581</b>

## Total assets by asset type presented graphically



Comments below compare assets between 30 June 2013 and 30 June 2014.

The primary change to our financial position since 30 June 2013 was an increase in our equity by \$0.552m (2012-13, increase of \$0.399m) to \$1.736m (2012-13, \$1.183m) being due to the positive net result of \$0.552m.

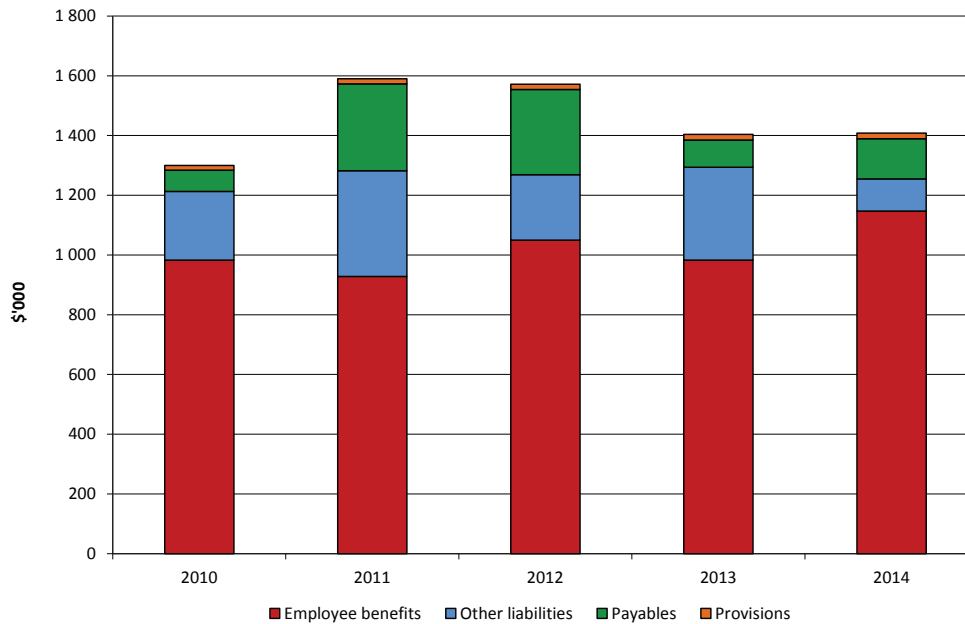
The \$0.638m increase in financial assets, comprising our bank balance, receivables and unbilled work-in-progress, was mainly as a result of a higher bank balance of \$0.586m.

Non-financial assets, comprising leasehold improvements, plant and equipment and intangibles, decreased by \$0.081m mainly due to depreciation and amortisation.

## Liabilities and net assets/equity

Liabilities	2013-14 (\$'000s)	2012-13 (\$'000)	2011-12 (\$'000s)	2010-11 (\$'000)	2009-10 ('000s)
Financial liabilities	153	110	303	308	87
Non-financial liabilities	1 255	1 294	1 269	1 282	1 213
<b>Total</b>	<b>1 408</b>	<b>1 404</b>	<b>1 572</b>	<b>1 590</b>	<b>1 300</b>
<b>Net Assets/Equity</b>	<b>1 736</b>	<b>1 183</b>	<b>784</b>	<b>547</b>	<b>281</b>

## Total liabilities by liability type presented graphically



Comments below compare liabilities between 30 June 2013 and 30 June 2014.

The majority of financial liabilities is creditors, \$0.134m (2012-13, \$0.091m), predominantly unpaid audit contractors.

The majority of non-financial liabilities were leave provisions and revenues received in advance. The latter decreased to \$0.101m at 30 June 2014 from \$0.301m at 30 June 2013 primarily due to improved matching of work to instalment billing.

Instalment billing assists the cash flows of both our Office and clients but can result in audit clients paying fees when audit work is incomplete resulting in the recognition of revenues received in advance.

Employee benefits increased by \$0.164m to \$1.147m at 30 June 2014 due to staff increments and state service salary rises. At 30 June 2014 days leave accrued balances were:

- Recreation leave, 600 days (2013, 650 days)
- Long service leave, 1 518 days (2013, 1 576 days)
- Excess hours agreement, 0 days (2013, 61 days).

# INDEPENDENT AUDITOR'S REPORT



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## Independent Auditor's Report to the Governor of Tasmania in relation to the Tasmanian Audit Office

### Report on the Financial Report

We have audited the accompanying financial report of the Tasmanian Audit Office ("the Office"), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Office's certification.

### *Auditor-General's Responsibility for the Financial Report*

The Auditor-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Financial Management and Audit Act 1990 and Audit Act 2008, and for such internal control as the Auditor-General determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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# INDEPENDENT AUDITOR'S REPORT

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## Independent Auditor's Report to the Governor of Tasmania in relation to the Tasmanian Audit Office

### *Independence*

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

### *Opinion*

In our opinion, the financial report of the Tasmanian Audit Office presents fairly, in all material respects, the financial position of the Tasmanian Audit Office as at 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Financial Management and Audit Act 1990 and Audit Act 2008.

*Hayes Knight Audit*  
Hayes Knight Audit Pty Ltd  
Melbourne

  
Geoff S. Parker  
Director

Dated this 12 day of August 2014

## CERTIFICATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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We certify that the accompanying financial statements of the Tasmanian Audit Office are in agreement with the relevant accounts and records and have been prepared in compliance with the Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990* to present fairly the financial transactions for the year ended 30 June 2014 and the financial position as at the end of that year.

At the date of signing, we are not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.



Mike Blake  
**Auditor-General**  
12 August 2014



Ric De Santi  
**Chief Operating Officer**  
12 August 2014

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 Budget \$'000	2014 Actual \$'000	2013 Actual \$'000
<b>Continuing operations</b>				
<b>Revenue and other income from transactions</b>				
Revenue from Government				
Appropriation revenue - RBL	1.6(a), 5.1	527	455	430
Appropriation revenue - recurrent	1.6(a), 5.1	1 778	1 778	1 978
User charges	1.6(b), 5.2	4 904	5 329	4 797
Other revenue	1.6(c), 5.3	185	223	150
<b>Total revenue and other income from transactions</b>		<b>7 394</b>	<b>7 785</b>	<b>7 355</b>
<b>Expenses from transactions</b>				
Employee benefits	1.7(a), 3.1(a), 6.1	5 040	4 353	4 324
Depreciation and amortisation	1.7(b), 6.2	94	113	157
Audit contractors	1.7, 3.1(b)	1 102	1 495	1 155
Supplies and consumables	1.7, 3.1(c), 6.3	1 180	928	977
Other expenses	1.7(c), 3.1(d), 6.4	33	344	131
<b>Total expenses from transactions</b>		<b>7 449</b>	<b>7 233</b>	<b>6 744</b>
<b>Net result from transactions (net operating balance)</b>		<b>(55)</b>	<b>552</b>	<b>611</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on write-off/sale of non-financial assets	1.8(a), 7.1	0	1	(212)
<b>Total other economic outflows included in net result</b>		<b>0</b>	<b>1</b>	<b>212</b>
<b>Net result</b>		<b>(55)</b>	<b>553</b>	<b>399</b>
<b>Comprehensive result</b>		<b>(55)</b>	<b>553</b>	<b>399</b>

This Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in Note 3 of the accompanying notes.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	2014 Budget \$'000	2014 Actual \$'000	2013 Actual \$'000
<b>Assets</b>				
<i>Financial assets</i>				
Cash and deposits	1.9(a), 3.2(a), 11.1	852	2 071	1 485
Receivables and work in progress	1.9(b), 3.2(b), 8.1	672	888	836
<i>Non-financial assets</i>				
Leasehold improvements, plant and equipment	1.9(d), 3.2(c), 8.2	492	144	230
Intangibles	1.9(e), 8.3	0	15	18
Other assets	1.9, 8.4	35	26	18
<b>Total assets</b>		<b>2 051</b>	<b>3 144</b>	<b>2 587</b>
<b>Liabilities</b>				
Payables	1.10(a), 9.1	129	134	91
Employee benefits	1.10(c), 9.2	1 052	1 147	983
Provisions	1.10(b), 9.3	0	19	19
Other liabilities	1.10, 3.2(d), 9.4	237	108	311
<b>Total liabilities</b>		<b>1 418</b>	<b>1 408</b>	<b>1 404</b>
<b>Net assets</b>		<b>633</b>	<b>1 736</b>	<b>1 183</b>
<b>Equity</b>				
Contributed capital		1 168	1 168	1 168
Accumulated surplus/(deficit)		(535)	583	15
<b>Total equity*</b>		<b>633</b>	<b>1 736</b>	<b>1 183</b>

\*The budget is formulated without regard to the actual financial position at any one point in time. It has historically overstated the changes in cash and equity.

This Statement of Financial Position should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in Note 3 of the accompanying notes.

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 Budget \$'000	2014 Actual \$'000	2013 Actual \$'000
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
<b>Cash flows from operating activities</b>				
<b>Cash inflows</b>				
Appropriation receipts - recurrent		1 778	1 778	1 978
Appropriation receipts - RBL		527	455	430
User charges		4 964	5 109	5 316
GST receipts		766	802	508
Other cash receipts		185	219	167
<b>Total cash inflows</b>		<b>8 220</b>	<b>8 363</b>	<b>8 399</b>
<b>Cash outflows</b>				
Employee benefits	3.3(a)	(5 070)	(4 167)	(4 459)
GST payments		(766)	(852)	(508)
Audit contractors	3.3(b)	(1 102)	(1 460)	(1 203)
Supplies and consumables	3.3(c)	(1 203)	(934)	(999)
Other cash payments	3.3(d)	(33)	(343)	(168)
<b>Total cash outflows</b>		<b>(8 174)</b>	<b>(7 756)</b>	<b>(7 337)</b>
<b>Net cash from operating activities</b>	<b>11.2</b>	<b>46</b>	<b>607</b>	<b>1 062</b>
<b>Cash flows from investing activities</b>				
<b>Cash inflows</b>				
Proceeds from the sale of non-financial assets		0	1	0
<b>Total cash inflows</b>		<b>0</b>	<b>1</b>	<b>0</b>
<b>Cash outflows</b>				
Payments for acquisition of non-financial assets		(81)	(22)	(47)
<b>Total cash outflows</b>		<b>(81)</b>	<b>(22)</b>	<b>(47)</b>
<b>Net cash from (used by) investing activities</b>		<b>(81)</b>	<b>(21)</b>	<b>(47)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(35)</b>	<b>586</b>	<b>1 015</b>
<b>Cash and deposits at the beginning of the reporting period</b>		<b>887</b>	<b>1 485</b>	<b>470</b>
<b>Cash and deposits at the end of the reporting period</b>	<b>11.1</b>	<b>852</b>	<b>2 071</b>	<b>1 485</b>

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in Note 3 of the accompanying notes.



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Contributed equity \$'000	Accumulated Surplus/ deficit \$'000	Total equity \$'000
<b>Balance as at 1 July 2013</b>	<b>1 168</b>	<b>15</b>	<b>1 183</b>
Total comprehensive result	0	553	553
<b>Balance as at 30 June 2014</b>	<b>1 168</b>	<b>568</b>	<b>1 736</b>
<b>Balance as at 1 July 2012</b>	<b>1 168</b>	<b>(384)</b>	<b>784</b>
Total comprehensive result	0	399	399
<b>Balance as at 30 June 2013</b>	<b>1 168</b>	<b>15</b>	<b>1 183</b>

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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## NOTE I SIGNIFICANT ACCOUNTING POLICIES

### I.1 Objectives and Funding

The Office is structured to provide audit assurances to Parliament concerning the Financial Statements of the Treasurer, and all state entities, and the economy, efficiency and effectiveness of those entities.

The Office charges fees for financial audit services. Since 1 July 2008 the Office has been funded by a direct Parliamentary appropriation for undertaking performance and compliance audits, special investigations and the publishing of statutory reports to Parliament. The Office is also funded through a Parliamentary appropriation for the Auditor-General's salary and associated allowances. Performance audits of Employer functions under the *State Service Act 2000* are funded by the Department of Premier and Cabinet.

These Financial statements encompass all funds through which the Office controls resources to carry on its functions.

During the 2012-13 financial year the Office undertook discussions with selected state government agencies to provide a number of back office functions for a fee under a SLA. Agreement was reached and the Office and the Department of Justice has entered into a SLA for services in relation to some functions of information technology, finance, human resources and information management. The SLA was effective from 1 July 2013. As a result, there are a number of minor presentation changes to the Office's financial statements for 2013-14, which are due to amalgamating the Office's finances within the Department of Justice's financial reporting structure. All comparatives have been adjusted to fit within this new presentation structure.

### I.2 Basis of Accounting

The Financial Statements are a general purpose financial report and have been prepared in accordance with:

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board; and
- The Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990*.

The Financial Statements were signed by the Auditor-General and the Chief Operating Officer on 12 August 2014. Compliance with Australian Accounting Standards may not result in compliance with International Financial Reporting Standards (IFRS), as the AAS include requirements and options available to not-for-profit organisations that are inconsistent with IFRS. The Office is considered to be not-for-profit and may adopt some accounting policies under the AAS that do not comply with IFRS.

The Financial Statements have been prepared on an accrual basis and, except where stated, are in accordance with the historical cost convention. The accounting policies are consistent with the previous year.

The Financial Statements have been prepared on the basis that the Office is a going concern. The continued existence of the Office in its present form, undertaking its current activities, is dependent on Government policy and partially on continuing appropriations by Parliament for the Office's performance and compliance audits and reporting to Parliament.

### I.3 Reporting Entity

All the Office's activities are classified as controlled with these Financial Statements including all controlled activities. The Office is a single reporting entity.

## 1.4 Functional and Presentation Currency

These Financial Statements are presented in Australian dollars, which is the Office's functional currency.

## 1.5 Changes in Accounting Policies

### (a) Impact of new and revised accounting standards

In the current year, the Office adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. These include:

- AASB 13 *Fair Value Measurement* (AASB 2011 8 *Amendments to Australian Accounting Standards arising from AASB 13*) – This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. AASB 13 sets out a new definition of 'fair value' as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Office's assets and liabilities (excluding leases), that are measured and/or disclosed at fair value or another measurement based on fair value. There is no financial impact as the Office does not currently have any assets and liabilities at fair value.
- AASB 119 *Employee Benefits* (2011 10 *Amendments to Australian Accounting Standards arising from AASB 119*) – This Standard supersedes AASB 119 *Employee Benefits*, introducing a number of changes to accounting treatments. The Standard was issued in September 2013. There is no material financial impact.
- 2012 2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* [AASB 7 and AASB 132] – This Standard makes amendments to AASB 7 and AASB 132 as a consequence of the issuance of amendments to IFRS 7 by the International Accounting Standards Board in December 2011. It is anticipated that there will not be any financial impact.
- 2012 6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* [AASB 9, AASB 2009 11, AASB 2010 7, AASB 2011 7 and AASB 2011 8] – This Standard makes amendments to various standards as a consequence of the issuance of International Financial Reporting Standard Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7) by the International Accounting Standards Board in December 2011. It is anticipated that there will not be any financial impact.

### (b) Impact of new and revised accounting standards yet to be applied

The following applicable Standards have been issued by the AASB and are yet to be applied:

- AASB 9 *Financial Instruments* – This Standard supersedes AASB 139 *Financial Instruments: recognition and Measurement*, introducing a number of changes to accounting treatments. The Standard was reissued in December 2010. The Standard was issued in August 2011 and is available from 1 January 2017 for application by not for profit entities. The application or potential impact of the Standard has not yet been determined.
- AASB 2012 3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* [AASB 132] – This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of "currently has a legally enforceable right of set off" and that some gross settlement systems may be considered equivalent to net settlement. It is anticipated that there will not be any financial impact.
- AASB 2013 5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009 2011 Cycle* [AASB 1, AASB 101, AASB 116, AASB 132 and AASB 134 and Interpretation 2] – This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. It is anticipated that there will not be any financial impact.



## 1.6 Income from Transactions

Income is recognised in the Statement of Profit or Loss and Other Comprehensive Income when an increase in future economic benefits, related to an increase in an asset or a decrease of a liability, has arisen that can be measured reliably.

### (a) Revenue from Government

Appropriations, whether recurrent or capital, are recognised as revenues in the period in which the Office gains control of the appropriated funds.

### (b) User charges

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and calculated on the basis of actual hours spent to date on individual audits multiplied by the appropriate charge out rate per employee. Stage of completion is determined by assessing the extent of work performed to date as compared to total services to be performed. Revenue is recognised only to the extent that related costs are recoverable.

### (c) Other revenue

Revenue from sources other than those identified above is recognised when an increase in future economic benefits, related to an increase in an asset or a decrease of a liability, has arisen that can be measured reliably.

## 1.7 Expenses from Transactions

Expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when a decrease in future economic benefits, related to a decrease in an asset or an increase of a liability, has arisen that can be measured reliably.

### (a) Employee benefits

Employee benefits include, where applicable, entitlements to salaries, annual leave, sick leave, long service leave, superannuation and any other post-employment benefits.

### (b) Depreciation and amortisation

All non-financial assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential.

Depreciation is provided for on a straight line basis, using rates which are reviewed annually. Major depreciation periods are:

Furniture and fittings	4-10 years
Computer equipment - hardware	3-4 years
Office equipment	3-10 years

All intangible assets having a limited useful life are systematically amortised over their useful lives reflecting the pattern in which the asset's future economic benefits are expected to be consumed by the Office. Major amortisation rates are:

Computer equipment - software	3-5 years
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The cost of improvements to or on leased properties is amortised over the unexpired period of the lease or the estimated useful life of the improvements to the Office, whichever is the lesser. Major amortisation rates are:

Leased buildings - Hobart	14.28%
Leased buildings - Launceston	10.00%

### (c) Other expenses

Expenses, including accruals not yet invoiced, are recognised when the Office becomes obliged to make future payments or as a result of a purchase of goods and/or services.

## 1.8 Other Economic Flows Included in Net Result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

### (a) Gain/(loss) on sale of non-financial assets

Gains or losses from the sale of Non-financial assets are recognised when control of the assets has passed to the buyer.

### (b) Impairment – financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss, in respect of a financial asset measured at amortised cost, is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

### (c) Impairment – non financial assets

All non financial assets are assessed to determine whether any impairment exists. Impairment exists when the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. As the Office is not-for-profit, value in use is based on depreciated replacement cost where the asset would be replaced if deprived of it.

All impairment losses are recognised in Statement of Profit or Loss and Other Comprehensive Income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (d) Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows includes gains or losses from reclassifications of amounts from reserves and/or accumulated surplus to net result, and where material from the revaluation of the present values of the long service leave liability due to changes in the bond interest rate.

The Office calculated the impact of the revaluation of the present values of the long service leave liability due to changes in the bond interest rate. The impact was determined to be immaterial. The change in the present value of the long service leave liability is mainly due to the increase in accumulated balances and increases in salaries during 2013-14.

## 1.9 Assets

Assets are recognised in the Statement of Financial Position when it is probable that future economic benefits will flow to the Office and the asset has a cost or value that can be measured reliably.

### (a) Cash and deposits

Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund. Deposits are recognised at their nominal amounts.

### (b) Receivables

Receivables are recognised at amortised cost, less any impairment losses. Due to the short settlement period, receivables are not discounted back to their present value.

The Office has recognised a receivable for the Auditor-General's leave entitlement equivalent to the liability for those entitlements on the basis that they will be funded by Parliamentary appropriation.

### (c) Work in progress

Work in progress is determined with reference to the stage of completion of the transaction at the end of the reporting period and calculated on the basis of actual hours spent to date on individual audits multiplied by the appropriate charge out rate per employee. Impairment losses are recognised when there is an indication that there is a measurable decrease in the recoverability of work in progress.

### (d) Leasehold improvements, plant and equipment

#### (i) Valuation basis

All non-current physical assets are recorded at historic cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of leasehold improvements, plant and equipment have different useful lives, they are accounted for as separate items (major components) of relevant assets.

#### (ii) Subsequent costs

The cost of replacing part of an item of leasehold improvements, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Office and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day to day servicing of leasehold improvements, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Asset recognition threshold

The asset capitalisation threshold adopted by the Office is \$5 000. Assets valued at less than \$5 000 are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year of purchase.

### (e) Intangibles

An intangible asset is recognised where:

- it is probable that an expected future benefit attributable to the asset will flow to the Office; and
- the cost of the asset can be reliably measured.

Intangibles are reported at cost less any accumulated amortisation and any accumulated impairment loss.

The carrying amounts of intangibles are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

## **1.10 Liabilities**

Liabilities are recognised in the Statement of Financial Position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

### **(a) Payables**

Payables, including goods received and services incurred but not yet invoiced, are recognised at the nominal amount when the Office becomes obliged to make future payments as a result of a purchase of assets or services.

### **(b) Provisions**

A provision arises if, as a result of a past event, the Office has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any right to reimbursement relating to some or all of the provision is recognised as an asset when it is virtually certain that the reimbursement will be received.

### **(c) Employee benefits**

Liabilities for wages and salaries and annual leave are recognised when an employee becomes entitled to receive a benefit. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Other employee entitlements are measured as the present value of the benefit at 30 June 2014.

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

### **(d) Superannuation**

#### **(i) Defined contribution plans**

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense when they fall due.

#### **(ii) Defined benefit plans**

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

The Office does not recognise a liability for the accruing superannuation benefits of Office employees. This liability is held centrally and is recognised within the Finance General Division of the Department of Treasury and Finance.

### **(e) Revenue received in advance**

The Office invoices for financial audit work on an agreed instalment basis. Where work has been invoiced but work has not been undertaken, an amount is recognised as revenue in advance.

## 1.11 Leases

The Office has entered into a number of operating lease agreements for leasehold improvements, plant and equipment, where the lessors effectively retain all the risks and benefits incidental to ownership of the items leased. Equal instalments of lease payments are charged to the Statement of Profit or Loss and Other Comprehensive Income over the lease term, as this is representative of the pattern of benefits to be derived from the leased assets.

In respect of the lease for accommodation, the Office is required to restore the current premises to the original condition prior to fit out by the Office. A make-good provision provides for this work to be carried out at the expiry of the lease period in 2015. The provision represents the Office's estimate of the cost to restore the current premises. This estimate is reviewed annually.

The Office is prohibited by Treasurer's Instruction 502 Leases from holding finance leases.

## 1.12 Unrecognised Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables that are recognised at amortised cost. Difference between amortised cost and fair value are not recognised in the Statement of Financial Position being immaterial.

## 1.13 Judgements and Assumptions

In the application of Australian Accounting Standards, the Office is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The only areas where estimates and judgements of any material amount are made regularly relate to the carrying amount of receivables, refer note 1.9(b), work in progress, refer note 1.9(c), payables refer note 1.10(a), provisions for employee benefits, refer note 1.10(c) and revenue in advance, refer note 1.10(e).

### (i) Receivables

The Office has made an assumption, based on historical experience, that all user charges invoiced will be collected and it is therefore assumed there will be no impairment of receivables. A user charge is a debt due to the Crown and may be recovered by the Treasurer in a court.

### (ii) Work in progress and revenue in advance

The Management of Financial Audit Services reviews the work in progress balance of every audit using judgement as to the status of each audit as at 30 June each year having regard to the extent of work done to date. This review determines the recoverability of any debit balance, and where deemed unrecoverable in billings post 30 June, the amounts are taken as a write down of revenue.

Amounts billed in excess of that costed to the audits are reviewed to determine whether work to date has been completed under budget, resulting in surplus being taken to revenue as a write up, or whether work to date is behind schedule, indicating that the amounts have been billed in advance.

### (iii) Payables

The Office has a threshold of \$1 000 per creditor invoice for determining whether the expenditure will be accrued following the closure of creditors, which is two weeks post year-end.



## **1.14 Budget Information**

Budget information refers to original estimates as disclosed in the 2013-14 Budget Papers and is not subject to audit.

## **1.15 Rounding**

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the Financial Statements include a note expressing the amount to the nearest whole dollar.

## **1.16 Office Taxation**

The Office is exempt from all forms of taxation except Fringe Benefits Tax and the Goods and Services Tax. The Office is no longer required to pay payroll tax on employee benefits from 1 October 2012.

## **1.17 Goods and Services Tax**

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax, except where the GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST. The net amount recoverable, or payable, to the ATO is recognised as an asset or liability within the Statement of Financial Position.

In the Statement of Cash Flows, the GST component of cash flows arising from operating, investing or financing activities which is recoverable from, or payable to, the ATO is, in accordance with the Australian Accounting Standards, classified as operating cash flows.

## **NOTE 2 OFFICE OUTPUT SCHEDULES**

### **2.1 Output Group Information**

The Office only has a single output called Public Sector Management and Accountability to fulfil its Outcome Statement of ensuring that it provides independent assurance to the Parliament and community on the performance and accountability of the Tasmanian Public Sector. The summary of budgeted and actual revenues and expenses for this Output are the same as in the Statement of Profit or Loss and Other Comprehensive Income. Therefore, the inclusion of a separate Output Schedule is not necessary.

Explanations of material variances between budget and actual outcomes are provided in Note 3 below. A reconciliation of the net result of the Output Group to the net surplus on the Statement of Profit or Loss and Other Comprehensive Income is not necessary as the Office only has one output group. For the same reason there is no separate reconciliation between the total net assets deployed for the Output Group to net assets on the Statement of Financial Position.

## **NOTE 3 EXPLANATIONS OF MATERIAL VARIANCES BETWEEN BUDGET AND ACTUAL OUTCOMES**

The following are brief explanations of material variances between the original Budget estimates and actual outcomes. Variances are considered material where the variance exceeds the greater of 10 per cent of Budget estimate and \$100 000. The Statement of Comprehensive Income note 3.1 and Statement of Cash Flows note 3.3 include a revised budget column which depicts a change in allocation from the original budget as published in the Budget Papers. These changes were made to reflect actual anticipated cost allocations. The variance explanations are based upon original budget compared with actuals.

### 3.1 Statement of Profit or Loss and Other Comprehensive Income

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Employee benefits	(a)	5 040	4 353	687	14
Audit contractors	(b)	1 102	1 495	(393)	(36)
Supplies and consumables	(c)	1 180	928	252	21
Other expenses	(d)	33	344	(311)	<100

#### Notes to Statement of Profit or Loss and Other Comprehensive Income variances

- a. The decrease in Employee benefits was due to a combination of factors including:
  - delays in replacing staff who resigned
  - a minor restructure of management in our Financial Audit Services section which resulted in reducing the managers from three to two
  - the flow on effect of outsourcing some corporate support staffing functions from 1 July 2013 with resulting resource requirements being below budget.
- b. Audit contractors have increased as a result of additional work being undertaken. This included:
  - Additional audit fees and changes to the portfolio of outsourced audits
  - A portion of the movement in Revenue received in advance as a result of better matching of audit work performed to instalment billing.
- c. The decrease in supplies and consumables is mainly due to the savings made in IT costs, including lease costs, due to the later than expected transfer of IT support to the Department of Justice.
- d. The increase in other expenses is as a result of the payment of \$250 000 to the Department of Justice for support provided under a Service Level Agreement for the provision of some corporate support functions not budgeted.

### 3.2 Statement of Financial Position

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Cash and deposits	(a)	852	2 071	1 219	>100
Receivables and work in progress	(b)	672	888	216	32
Leasehold improvements, plant and equipment	(c)	492	144	(348)	(71)
Other liabilities	(d)	237	108	129	54
Accumulated surplus/(deficit)	(a)	(535)	568	1 103	>100

#### Notes to Statement of Financial Position variances

The Statement of Financial Position budget is formulated without regard to the actual financial position at any one point in time. It has historically understated the changes in cash and equity.

- a. The increases in cash and deposits was mainly due to the factors identified in 3.1(a) and unanticipated savings obtained in relation to the timing of IT support being provided later than expected by the Department of Justice. The cash and deposits improvement is also reflected in the better than anticipated accumulated surplus/(deficit) of \$568 000.

The budget for both cash and deposits and accumulated surplus/(deficit) does not properly reflect

significantly improved financial performance and cash flow management in the past two financial years which includes 2013-14. Details are:

- Net surpluses of \$952 000
  - Operating cash flows of \$1 669 000
- b. Receivables and work in progress are higher than budgeted due to the timing of financial audit invoices being sent later than normal in June 2014.
  - c. Leasehold improvements are lower than forecast as a result of no additional plant and equipment purchased as expected. An amount of approximately \$260 000 was expected to be spent on items such as information technology assets which would include laptops. Through the SLA with the Department of Justice all information technology assets are now leased.
  - d. The lower than expected balance in other liabilities is due to the lower revenue received in advance. This is as a result of better matching of audit work performed to instalment billing.

### 3.3 Statement of Cash Flows

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Employee benefits	(a)	5 070	4 167	903	18
Audit contractors	(b)	1 102	1 460	(358)	(32)
Supplies and consumables	(c)	1 203	934	269	22
Other cash payments	(d)	33	343	(310)	<100

#### Notes to Statement of Cash Flows variances

- a. Employee benefits are lower compared to budget as per 3.1(a).
- b. Audit contractors have increased as per 3.1(b).
- c. The decrease in supplies and consumables to budget is mainly due to the savings made in IT costs, including lease costs, due to the later than expected transfer of IT support to the Department of Justice.
- d. The increase in other expenses is as a result of the payment to the Department of Justice for support provided under a SLA for the provision of some corporate support functions not budgeted.

### Note 4 EVENTS OCCURRING AFTER BALANCE DATE

There have been no events subsequent to balance date which would have a material effect on the Office's Financial Statements as at 30 June 2014.

### Note 5 INCOME FROM TRANSACTIONS

#### 5.1 Revenue from Government

Revenue from Government includes revenue from appropriations, appropriations carried forward under section 8A(2) of the *Public Account Act 1986* and Items Reserved by Law.

The Budget information is based on original estimates and has not been subject to audit.

	2014 Budget \$'000	2014 Actual \$'000	2013 Actual \$'000
<b>Revenue from Government</b>			
Appropriation revenue – recurrent	1 778	1 778	1 978
Items Reserved by Law – Auditor General’s salary and associated allowances	527	455	430
<b>Total</b>	<b>2 305</b>	<b>2 233</b>	<b>2 408</b>

The movement in Appropriation revenue – recurrent reflects the reduction in appropriation for the Office no longer being required to pay payroll tax slightly offset by a request for additional funds received for an internal efficiency project of \$32 000 completed in 2012-13.

## 5.2 User Charges

	2014 \$'000	2013 \$'000
Financial Audit Services	5 329	4 797
<b>Total</b>	<b>5 329</b>	<b>4 797</b>

## 5.3 Other Revenue

	2014 \$'000	2013 \$'000
Reserved by law – Auditor-General leave provisions	(14)	27
Performance audits of employer functions	167	30
Miscellaneous	70	93
<b>Total</b>	<b>223</b>	<b>150</b>

## NOTE 6 EXPENSES FROM TRANSACTIONS

### 6.1 Employee Benefits

	2014 \$'000	2013 \$'000
Wages and salaries	3 820	3 682
Superannuation – defined contribution scheme	306	345
Superannuation – defined benefit scheme	147	166
Other employee expenses	80	131
<b>Total</b>	<b>4 353</b>	<b>4 324</b>

Superannuation expenses relating to defined benefits schemes relate to payments into the Consolidated Fund. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The employer contribution at 30 June 2014 is 12.5 per cent of salary (12.5 per cent at 30 June 2013). During 2012-13, the Australian Government introduced a phased increase in the superannuation guarantee rate from 9 per cent to 12 per cent over the seven years ending 2019-20.

This results in the Office's employer contribution rising to 13.0 per cent from 1 July 2014, and increasing 0.5 per cent per annum through to 15.5 per cent from 1 July 2019.

Superannuation expenses relating to defined contribution schemes are paid directly to the relevant superannuation fund at a rate of 9.25 per cent of salary. In addition, the Office is also required to pay to Treasury a "gap" payment equivalent to 3.5 per cent of salary in respect of employees who are members of the contribution schemes.

## 6.2 Depreciation and Amortisation

### (a) Depreciation

	2014 \$'000	2013 \$'000
Computer equipment - hardware	16	10
Office equipment, furniture and fittings	0	8
<b>Total</b>	<b>16</b>	<b>18</b>

### (b) Amortisation

	2014 \$'000	2013 \$'000
Intangibles – computer software	12	52
Leasehold improvements	83	84
Lease make-good	2	3
<b>Total</b>	<b>97</b>	<b>139</b>
<b>Total depreciation and amortisation</b>	<b>113</b>	<b>157</b>

## 6.3 Supplies and Consumables

	2014 \$'000	2013 \$'000
Audit fees – financial audit	16	20
Audit fees – internal audit	40	33
Operating lease costs	371	364
Consultants	20	91
Property services	85	67
Communications	15	19
Information technology	152	156
Travel and transport	101	122
Printing	45	57
Plant and Equipment	34	21
Office Requisites	35	10
Other supplies and consumables	14	17
<b>Total</b>	<b>928</b>	<b>977</b>



## 6.4 Other Expenses

	2014 \$'000	2013 \$'000
Salary on-costs	18	86
Corporate support provided by the Department of Justice	250	0
Finance Cost (unwinding of Make-good)	1	1
Other Expenses	75	44
<b>Total</b>	<b>344</b>	<b>131</b>

## NOTE 7 OTHER ECONOMIC OUTFLOWS INCLUDED IN NET RESULT

### 7.1 Net Loss on Non-financial Assets

	Notes	2014 \$'000	2013 \$'000
Gain on disposal of computer equipment		1	0
<b>Net loss on disposal of physical assets*:</b>			
Computer equipment - hardware	8.3(b)	0	(78)
Office equipment, furniture and fittings	8.3(b)	0	(23)
Intangibles – computer software	8.4(b)	0	(87)
Leasehold improvements	8.3(b)	0	(24)
<b>Total net loss on non-financial assets</b>		<b>1</b>	<b>(212)</b>

\* The Net loss on disposal of physical assets in 2013 reflects the write-off of assets as per the change in accounting policy whereby the capitalisation threshold increased from \$1 000 to \$5 000 and above.

## NOTE 8 ASSETS

### 8.1 Receivables and work in progress

	2014 \$'000	2013 \$'000
User charges	503	370
Work in progress	271	330
Reserved by law – Auditor-General long service leave receivable	114	128
Workers compensation receivable	0	8
<b>Total</b>	<b>888</b>	<b>836</b>
Settled within 12 months	774	708
Settled in more than 12 months	114	128
<b>Total</b>	<b>888</b>	<b>836</b>

## 8.2 Leasehold Improvements, Plant and Equipment

### (a) Carrying amount

	2014 \$'000	2013 \$'000
<b>Computer equipment - hardware</b>		
At cost	46	112
Less: Accumulated depreciation	(31)	(81)
<b>Total</b>	<b>15</b>	<b>31</b>
<b>Office equipment, furniture and fittings</b>		
At cost	13	72
Less: Accumulated depreciation	0	(72)
<b>Total</b>	<b>13</b>	<b>0</b>
<b>Leasehold improvements</b>		
At cost	500	500
Less: Accumulated amortisation	(384)	(301)
<b>Total</b>	<b>116</b>	<b>199</b>
<b>Total leasehold improvements, plant and equipment</b>	<b>144</b>	<b>230</b>

### (b) Reconciliation of movements

Reconciliations of the carrying amounts of each class of leasehold improvements, plant and equipment at the beginning and end of the current and previous financial year are set out below. Carrying value means the net amount after deducting accumulated depreciation and amortisation.

	Notes	Computer equipment \$'000	Office equipment, furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
<b>2014</b>					
<b>Carrying value at 1 July</b>		<b>31</b>	<b>0</b>	<b>199</b>	<b>230</b>
Additions		0	13	0	13
Write-off	7.1	0	0	0	0
Depreciation and amortisation		(16)	0	(83)	(99)
<b>Carrying value at 30 June</b>		<b>15</b>	<b>13</b>	<b>116</b>	<b>144</b>

	Notes	Computer equipment \$'000	Office equipment, furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
<b>2013</b>					
<b>Carrying value at 1 July</b>		<b>109</b>	<b>32</b>	<b>307</b>	<b>448</b>
Additions		10	0	0	10
Write-off	7.1	(78)	(23)	(24)	(125)
Depreciation and amortisation		(10)	(9)	(84)	(103)
<b>Carrying value at 30 June</b>		<b>31</b>	<b>0</b>	<b>199</b>	<b>230</b>

### 8.3 Intangibles

#### (a) Carrying amount

	2014 \$'000	2013 \$'000
<b>Intangibles with a finite useful life</b>		
Software at cost	52	104
Less: Accumulated amortisation	(37)	(86)
<b>Total intangibles</b>	<b>15</b>	<b>18</b>

#### (b) Reconciliation of movements

	Notes	2014 \$'000	2013 \$'000
<b>Carrying amount at 1 July</b>		<b>18</b>	<b>121</b>
Additions		9	37
Write-off	7.1	0	(87)
Amortisation expense		(12)	(53)
<b>Carrying amount at 30 June</b>		<b>15</b>	<b>18</b>

## 8.4 Other Assets

### (a) Carrying amount

	2014 \$'000	2013 \$'000
<b>Other current assets</b>		
Prepayments	24	13
<b>Total</b>	<b>24</b>	<b>13</b>
<b>Other non-current assets</b>		
Lease make-good	16	16
Less: Accumulated amortisation	(14)	(11)
<b>Total</b>	<b>2</b>	<b>5</b>
Utilised within 12 months	26	13
Utilised in more than 12 months	0	5
<b>Total other assets</b>	<b>26</b>	<b>18</b>

### (b) Reconciliation of movements in lease make-good

	2014 \$'000	2013 \$'000
<b>Carrying amount at 1 July</b>	<b>5</b>	<b>8</b>
Additions	0	0
Amortisation expense	(2)	(3)
<b>Carrying amount at 30 June</b>	<b>3</b>	<b>5</b>

## NOTE 9 LIABILITIES

### 9.1 Payables

	2014 \$'000	2013 \$'000
Creditors	134	91
<b>Total</b>	<b>134</b>	<b>91</b>
Settled within 12 months	134	91
<b>Total</b>	<b>134</b>	<b>91</b>

Settlement is usually made within 30 days.

## 9.2 Employee Benefits

	2014 \$'000	2013 \$'000
Accrued salaries	119	109
Annual leave	251	230
Long service leave	628	527
Superannuation	145	90
State service accumulated leave scheme	4	4
Leave in lieu of overtime	0	23
<b>Total</b>	<b>1 147</b>	<b>983</b>
Settled within 12 months	419	813
Settled in more than 12 months	728	170
<b>Total</b>	<b>1 147</b>	<b>983</b>

## 9.3 Provisions

### (a) Carrying amount

	2014 \$'000	2013 \$'000
Provision for lease make-good	19	19
<b>Total</b>	<b>19</b>	<b>19</b>
Settled within 12 months	19	0
Settled in more than 12 months	0	19
<b>Total</b>	<b>19</b>	<b>19</b>

### (b) Reconciliation of movements in provisions

	2014 \$'000	2013 \$'000
<b>Balance at 1 July</b>	<b>19</b>	<b>18</b>
Increases	0	1
<b>Balance at 30 June</b>	<b>19</b>	<b>19</b>

The lease make-good provision provides for work to be carried out at the expiry of the lease period in 2015, to restore the current premises to the original condition prior to fit out by the Office.



## 9.4 Other Liabilities

	2014 \$'000	2013 \$'000
<b>Other liabilities</b>		
Revenue received in advance	101	301
GST liability	7	10
<b>Total</b>	<b>108</b>	<b>311</b>
Settled within 12 months	108	311
<b>Total</b>	<b>108</b>	<b>311</b>

## NOTE 10 COMMITMENTS AND CONTINGENCIES

### 10.1 Schedule of Commitments

	2014 \$'000	2013 \$'000
<b>By type</b>		
<i>Lease Commitments</i>		
Operating leases	697	990
<b>Total lease commitments</b>	<b>697</b>	<b>990</b>
<i>Other commitments</i>		
Contract Audits	1 259	1 311
SLA with Department of Justice	283	0
External audit fees	75	0
Total other commitments	1 617	1 311
<b>Total by type</b>	<b>2 314</b>	<b>2 301</b>
<b>By maturity</b>		
<i>Operating lease commitments</i>		
One year or less	451	419
From one to five years	246	571
More than five years	0	0
<b>Total operating lease commitments</b>	<b>697</b>	<b>990</b>

	2014 \$'000	2013 \$'000
<i>Other commitments</i>		
One year or less	1 118	783
From one to five years	499	528
More than five years	0	0
<i>Total other commitments</i>	1 617	1 311
<b>Total</b>	<b>2 314</b>	<b>2 301</b>

#### (a) Operating Leases

Operating leases relate to Office accommodation and motor vehicles. For Launceston Office accommodation the remaining lease term is four years, with an option to extend for a further 10 years. For Hobart Office accommodation the remaining lease term is one year. All operating lease contracts contain certain market review clauses. The motor vehicle leases are governed by the Government's contract where vehicles are leased and replaced. Motor Vehicle Lease Commitments have been calculated based on the lease agreements entered into by the Office as at 30 June 2014 and the value and remaining term of the outstanding lease payments. All amounts shown are inclusive of GST.

#### (b) Other Commitments

Commitments exist for the payments of future auditing services under contract as at the reporting date, the SLA with the Department of Justice along with external audit fees with Hayes Knight (Audit) Pty Ltd (refer note 13).

## NOTE II CASH FLOW RECONCILIATION

### II.1 Cash and Deposits

Cash and deposits includes the balance of the Special Deposits and Trust Fund Accounts held by the Office.

	2014 \$'000	2013 \$'000
Special Deposits and Trust Fund balance		
Special Deposits and Trust Account T644	2 071	1 485
<b>Total cash and deposits</b>	<b>2 071</b>	<b>1 485</b>

## 11.2 Reconciliation of Net Result to Net Cash from Operating Activities

	2014 \$'000	2013 \$'000
Net result from transactions	552	611
Depreciation and amortisation	113	157
Decrease (increase) in Receivables and work in progress	(52)	446
Decrease (increase) in Prepayments	(26)	17
Increase (decrease) in Tax Liabilities	(3)	1
Increase (decrease) in Employee entitlements	180	(67)
Increase (decrease) in Payables	43	(194)
Increase (decrease) in Other liabilities	(200)	91
<b>Net cash from/(used in) operating activities</b>	<b>607</b>	<b>1 062</b>

## NOTE 12 FINANCIAL INSTRUMENTS

### 12.1 Risk Exposures

#### (a) Risk management policies

The Office has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Auditor-General has overall responsibility for the establishment and oversight of the Office's risk management framework. Risk management policies are established to identify and analyse risks faced by the Office, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

#### (b) Credit risk exposures

Credit risk is the risk of financial loss to the Office if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial Instrument	Accounting and strategic policies (including recognition criteria, measurement basis and credit quality of instrument)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
Receivables and work in progress (wip)	The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measures of maintaining unbilled wip at <\$200 000 and a 95% target of maintaining aged debtors at <30 days. The unbilled wip target was not met at 30 June 2014, however 99.2% of debtors at 30 June were <30 days.	Normal credit terms are 30 days.
Cash and deposits	The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measure of maintaining a positive cash balance of \$200 000. This target was met as at 30 June 2014.	Cash means notes, coins and any deposits held at call with a bank or financial institution.

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

There has been no change to credit risk policy since the previous reporting period.

The current user charges consist of 27 separate debtors, with 6 of these having balances in excess of \$20 000. Past history and the fact that user charges are a debt to the Crown, indicate there is no risk to the credit quality of these financial assets.

The following tables analyse financial assets that are past due but not impaired:

Analysis of financial assets that are past due at 30 June 2014 but not impaired			
	Past due 30 days \$'000	Past due 60 days \$'000	Total \$'000
<b>2014</b>			
User charges	0	4	4
<b>Total</b>	<b>0</b>	<b>4</b>	<b>4</b>

Analysis of financial assets that are past due at 30 June 2013 but not impaired			
	Past due 30 days \$'000	Past due 60 days \$'000	Total \$'000
<b>2013</b>			
User charges	60	16	76
<b>Total</b>	<b>60</b>	<b>16</b>	<b>76</b>

### (c) Liquidity risk

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

The Office, as part of its risk management plan, manages liquidity risk through processes that ensure effective audit operations, timely billing of work in progress and recovery of debtors and effective cash flow management. This includes managing annual and long service leave arrangements to minimise potential negative cash flow impacts.

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
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**Financial Liabilities**

Payables	The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measure of maintaining a positive cash balance of \$200 000, in order to have sufficient liquidity to meet its liabilities when they fall due. This target was met at 30 June 2014.	As per Treasurer's Instruction 1125 the Office pays within suppliers' credit terms. Where there are no credit terms specified Office policy is to pay within 30 days.
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The following tables detail the undiscounted cash flows payable by the Office by remaining contractual maturity for its financial liabilities. It should be noted that as these are undiscounted, totals may not reconcile to the carrying amounts presented in the Statement of Financial Position:

	Maturity analysis for financial liabilities		
	1 Year \$'000	Undiscounted Total \$'000	Carrying Amount \$'000
<b>2014</b>			
<b>Financial liabilities</b>			
Payables	134	134	134
<b>Total</b>	<b>134</b>	<b>134</b>	<b>134</b>
<b>2013</b>			
<b>Financial liabilities</b>			
Payables	91	91	91
<b>Total</b>	<b>91</b>	<b>91</b>	<b>91</b>

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. As of 1 July 2014, the Office does not have any interest bearing assets or liabilities. As a result, its exposure to market risk is minimal.



## 12.2 Categories of Financial Assets and Liabilities

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	2 071	1 485
Receivables and work in progress	888	836
<b>Total</b>	<b>2 959</b>	<b>2 321</b>
<b>Financial Liabilities</b>		
Payables	134	91
<b>Total</b>	<b>134</b>	<b>91</b>

## 12.3 Comparison between Carrying Amount and Net Fair Value of Financial Assets and Liabilities

	Carrying Amount 2014 \$'000	Net Fair Value 2014 \$'000	Carrying Amount 2013 \$'000	Net Fair Value 2013 \$'000
<b>Financial assets</b>				
Cash in Special Deposits and Trust Fund	2 071	2 071	1 485	1 485
Receivables and work in progress	888	888	873	873
<b>Total financial assets</b>	<b>2 959</b>	<b>2 959</b>	<b>2 358</b>	<b>2 358</b>
<b>Financial liabilities (Recognised)</b>				
Payables	134	134	91	91
<b>Total financial liabilities (Recognised)</b>	<b>134</b>	<b>134</b>	<b>91</b>	<b>91</b>

## 12.4 Net Fair Value of Financial Assets and Liabilities

The Office does not recognise any financial assets or financial liabilities at fair value.

### *Financial Assets*

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

### *Financial Liabilities*

The net fair values for trade creditors are approximated by their carrying amounts.

## NOTE 13 AUDITOR'S REMUNERATION

The Governor, on recommendation of the Treasurer, in accordance with the *Audit Act 2008*, appoints the Auditor of the TAO. Hayes Knight (Audit) Pty Ltd were appointed in 2014 for a period of up to five years.

	2014 \$'000	2013 \$'000
Financial audit fees	13	16
Other audit services	3	3
<b>Total</b>	<b>16</b>	<b>19</b>

Other audit services relate to the audit of the Office's key performance indicators.

## NOTE 14 KEY MANAGEMENT PERSONNEL COMPENSATION

### Key Management Personnel

The Office's remuneration policy is in line with the following:

Title	2014	2013
Auditor-General	Reserved by law	Reserved by law
Deputy Auditor-General/Chief Operating Officer (COO)	Senior Executive Service	Senior Executive Service
Assistant Auditor-General, Performance Audit Services (PAS)	State Service Award	Senior Executive Service and State Service Award
Assistant Auditor-General, Financial Audit Services (FAS)	State Service Award	State Service Award
Director, Technical and Quality, Office of the Auditor-General (OAG)	State Service Award	State Service Award
Director, Corporate Support Services (CSS) – Appointed Jan 2013	State Service Award	State Service Award

From 1 July 2012 the Executive Management Group consists of the Deputy-Auditor General/COO, Director, Technical and Quality – OAG, Assistant Auditor-General, FAS, Assistant Auditor-General, PAS and the Director, CSS.

The Deputy Auditor-General/COO and the Assistant Auditor-General, PAS (whilst Senior Executive Service for part 2013 year) – contracts allow for bonus arrangements designed to align key business unit objectives with the Office's strategic objectives and critical success factors. In the case of these two Executives and the Auditor-General, contractual arrangements also allow for the provision of a motor vehicle, superannuation contributions and reimbursement of reasonable expenses incurred on official business.

Further details of the Office's remuneration arrangements for its key management personnel are as follows:

- The remuneration policy is in line with statutory, Senior Executive Service and State Service arrangements.
- All key management personnel receive a base salary and superannuation payments. In the case of the Auditor-General, superannuation payments are at the rate of 15%. For the other three key management personnel, this is 12.5% with the remainder being 9.25%. Other than statutory annual and long-service leave arrangements, there are no other retirement benefits.
- The Auditor-General, Deputy Auditor-General/COO and Assistant Auditor-General - PAS (for part 2013 year) receive an executive vehicle for personal and business use and access to parking during business hours. The Assistant Auditor-General - FAS, Director, Technical and Quality - OAG and the Director, CSS were provided partly funded car parking (rate 50%).
- All key management personnel are provided with a mobile phone for business and limited personal use.
- Performance incentives for the Deputy Auditor-General/COO and Assistant Auditor-General - PAS (for part 2013 year) vary between nil, 5% and 10% and are generally only paid once predetermined key performance indicators have been met. The Auditor-General decides on bonuses to be paid based on annual performance assessments.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. In the event of any redundancy, key management personnel are paid in line with arrangements in force applying to Heads of Agencies, members of the Senior Executive Service or State Service employees as applicable.

#### ***Non-executive directors***

The Office has no non-executive directors. However, it does have two independent members on its Audit Committee including the Chair. Their remuneration is as follows:

Chair - \$6 000 per annum and Member - \$4 000 per annum.

The Assistant Auditor-General - PAS is a member of the Audit Committee and he receives no additional remuneration for this.

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the Office's key management personnel.

Table of Benefits and Payments for the Year Ended 30 June 2014							
		Short-term employment benefits			Long-term benefits		Total \$'000
		Salary and leave** \$'000	Bonus \$'000	Other* \$'000	Super-annuation \$'000	LSL** \$'000	
<b>Key Management Personnel</b>							
H M Blake, Auditor-General	2014	326	0	18	53	11	<b>408</b>
	2013	340	0	17	51	8	<b>416</b>
E R De Santi, Deputy Auditor-General/COO	2014	190	17	17	30	8	<b>262</b>
	2013	169	14	17	24	17	<b>241</b>
G A Driscoll, Assistant Auditor-General - PAS	2014	144	0	0	18	9	<b>171</b>
	2013	142	0	3	17	4	<b>166</b>
J J Tongs, Director, Technical and Quality	2014	144	0	2	17	2	<b>165</b>
	2013	138	0	1	16	3	<b>158</b>
J K Dean, Assistant Auditor-General - FAS	2014	147	0	2	13	8	<b>170</b>
	2013	142	0	2	12	3	<b>159</b>
P R Johnson, Director - CSS	2014	108	0	2	10	3	<b>123</b>
	2013	87	0	1	8	1	<b>97</b>
<b>Total Key Management Personnel</b>	2014	<b>1 059</b>	<b>17</b>	<b>41</b>	<b>141</b>	<b>41</b>	<b>1 299</b>
	2013	<b>1 018</b>	<b>14</b>	<b>41</b>	<b>128</b>	<b>36</b>	<b>1 237</b>

\*Other includes phone, car parking & car benefits.

\*\*Includes movements in recreation and long service leave entitlements.

The table does not include post-employment or termination benefits as none were paid during the year.

Note, the 2013 comparatives have been restated to reflect a change in reporting the movement in annual leave benefits for all Key Management Personnel. The 2014 benefits reflect the 2013 revisions.

During last year a spouse of one of the key management personnel was an employee of the Office. They received benefits and payments during the year of \$1 938 (2013, \$Nil).

## NOTE 15 PRINCIPAL ADDRESS AND REGISTERED OFFICE

Level 4  
15 Murray St  
Hobart TASMANIA 7000





Manager FAS Rob Luciani and Senior Financial Auditor Derek Burns



# APPENDICES

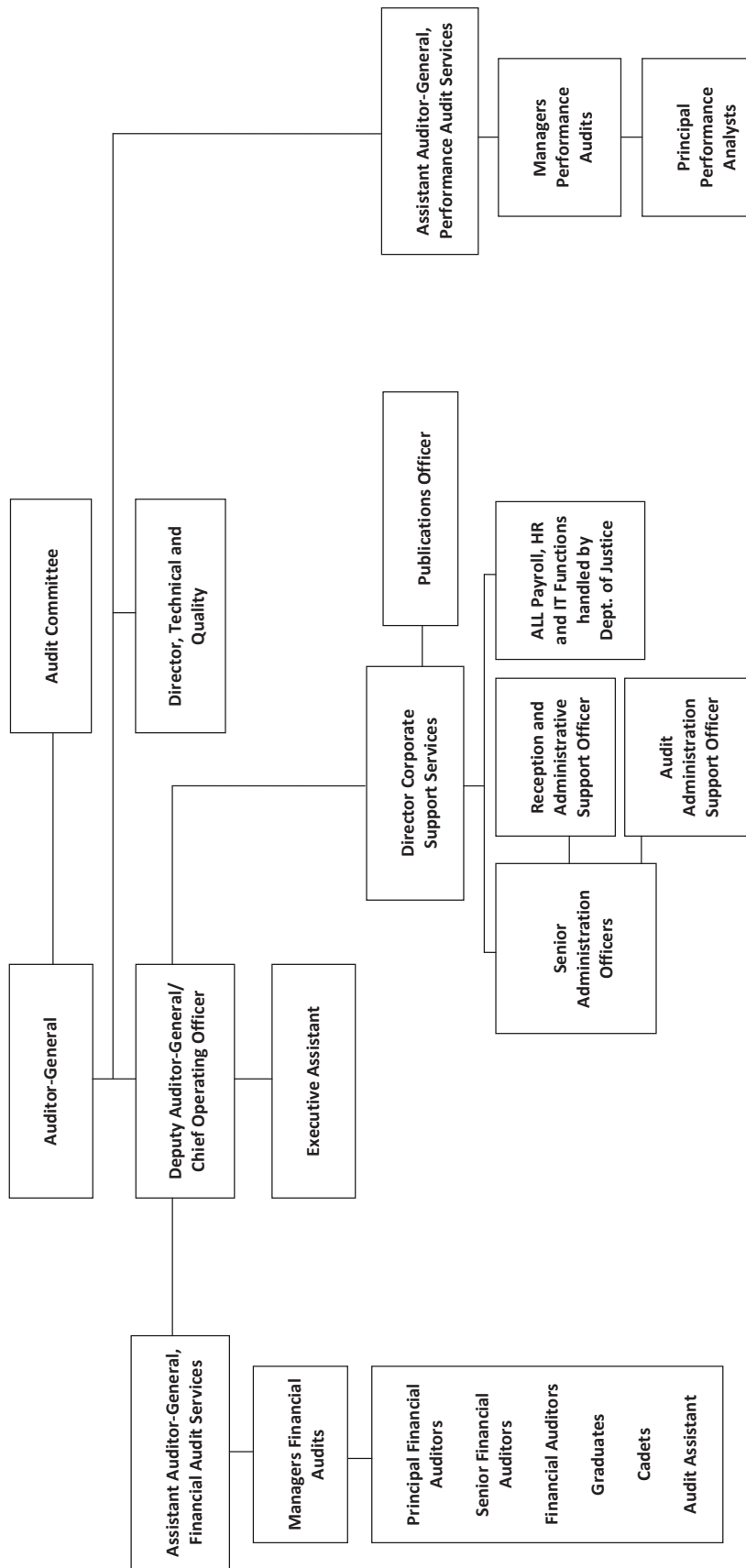
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# APPENDIX I: ORGANISATIONAL CHART



## APPENDIX 2: CORPORATE GOVERNANCE FRAMEWORK

### ASX GOVERNANCE PRINCIPLES

**Principle 1 Effective Management oversight** (ASX principle 1 – Lay solid foundations for management and oversight – Establish and disclose the respective roles and responsibilities; and ASX principle 2 – Structure the Board to add value).

The Auditor-General is a statutory appointment under the *Audit Act 2008* and the Head of Agency under the *State Service Act 2000*. He will guide and monitor the business and affairs of the Office on behalf of the Parliament. The TAO does not, therefore, operate under a Board which means there is a risk of no independent input into the operations of the TAO.

This is addressed by the existence of the Audit Committee (refer to committees on page 23) whose role is to provide independent assurance and assistance to the Auditor-General on the Office's governance, risk, control, and compliance framework, its external accountability responsibilities and in meeting the Office's corporate objectives.

The revised organisational structure from 1 January 2012 facilitated greater accountability of the Office against its strategic objectives by separating the Auditor-General from day to day administration of the Office. It also provides enhanced independence for the Director, Technical and Quality from the conduct of audits.

The performance of the Auditor-General is not separately evaluated other than by Parliamentary and Client surveys.

The Auditor-General is supported by:

- EMG
- SLG
- Audit Committee
- the appointment of selected individual staff to statutory positions that are provided with the training and resources necessary to fulfil their allocated functions. Their roles are outlined to them at the times of their appointment.

The Auditor-General delegates to EMG responsibility for the operation and administration of Office functions and activities to the COO and heads of the business units who ensure the efficiency of operations. Heads of business units report to EMG. The COO reports to the Auditor-General on a monthly basis.

The main responsibilities of EMG are satisfied by:

- EMG meetings – these are held on a regular basis usually once every month or whenever a need arises. Meetings are arranged administratively by the COO who will arrange an agenda, together with papers concerning items for discussion and minutes of discussions and actions
- items reviewed at each meeting include but are not limited to financial results for the period, performance against budgets, TAO and business unit objectives, reports from Business Unit Heads, risk management, workplace health and safety matters, continuous improvement registers, achievements against governance responsibilities and discussion on strategic matters
- discussions and decisions regarding recruitment, policy development, business cases and capital expenditure.

Outcomes from deliberations by EMG are communicated to all staff via communiqués issued within set timeframes.

The main responsibilities of the Heads of the Business Units, in addition to those detailed previously include:

- to effectively and efficiently manage their respective units in order to achieve respective business unit objectives
- to achieve budgeted revenue and operate within budgeted expenditure
- to ensure audits are completed to satisfactory levels of quality
- to manage risk.

For all major projects, as determined by SLG or EMG, a project team is established to provide oversight or progress and ensure that project deliverables are met. Project managers will report back to EMG as per the project's communication strategy.

The manner in which the TAO satisfies this principle is reported in the annual report under a 'governance' section.

**Principle 2 Appropriate leadership, ethics, culture and responsible decision-making** (ASX principle 3 Promote ethical and responsible decision-making – Actively promote ethical and responsible decision-making).

This principle is achieved by TAO implementing:

- relevant planning processes involving all staff. This includes agreement on strategic objectives and associated critical success factors and reporting mechanisms
- an effective code of conduct – TAO applies the code of conduct established in the *State Service Act 2000* details of which are available to all staff in TRIM in a document titled Guide to Conduct in the Tasmanian Audit Office
- its agreed values which are Professionalism, Respect, Camaraderie, Customer service and Continuous improvement. These values are embedded in EMG meeting arrangements and considered whenever decisions are made
- processes to ensure that TAO complies with its statutory obligations and the appointment of appropriate staff to fulfil statutory positions
- a requirement for staff to annually declare conflicts of interest (conflict of interest declarations are also made at the planning stages of all audits) and understanding of, and compliance with, the code of conduct and values
- relevant policies and procedures
- have an ongoing dialogue with the Integrity Commission through participation on its reference groups
- deliver training programs developed by the Integrity Commission, and by other relevant trainers on ethics and integrity, to all TAO staff
- prompt action to investigate reports of practices that are unethical or contrary to the Office's values.

The objective of this principle is for the Auditor-General and EMG to ensure that all staff in the Office act with utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Office.

All staff in the Office have a degree of responsibility for leadership. In this regard we will operate as one team supporting each other with the common objective of achieving individual and corporate objectives.

As required by its Charter, the Audit Committee assesses the effectiveness of the implementation of our ethics and cultural arrangements.

**Principle 3 Safeguard integrity in financial reporting** (ASX principle 4 – Safeguard integrity in financial reporting and ASX principle 5 – Make timely and balanced disclosure). There are two elements to this principle:

- Integrity in financial reporting – in this regard, the TAO will:
  - apply appropriate short and long term budgeting processes
  - prepare monthly financial reports within set timeframes which will include explanatory analysis, Business Unit reports and financial projections
  - ensure Heads of Business Units manage their financial performance so as to achieve allocated budgets
  - prepare annual financial statements consistent with Treasurer’s Instructions and, therefore, Australian Accounting Standards. These will be regarded as minimum requirements. Where relevant, additional disclosures will be made, consistent with the need to be fully transparent and accountable for our financial performance
  - the annual financial statements will be accompanied by representations of compliance by each member of the EMG and certification of the financial report by the COO and the Auditor-General. These representations and certifications will be completed by no later than 14 August each year
  - the annual financial statements will be independently audited.

Integrity in annual reporting – in this regard, TAO will:

- prepare an annual report that accounts to Parliament performance in achieving our strategic and corporate objectives at both a business unit and office wide level. This report will be prepared and submitted to the Treasurer in good time to facilitate tabling by the Treasurer prior to 31 October each year
- demonstrate leadership by including in the annual report:
  - an appropriate Management Discussion and Analysis
  - independently reviewed Key Performance Indicators
- disclosure of key management compensation
- include in the annual report details of the TAO’s governance and risk management practices
- prepare, and have independently reviewed, a concise annual report.

Consistent with its Charter, the Audit Committee reviews TAO’s financial statements before they are certified as well as the annual report, the latter being an “after the event” exercise.

The external auditors, who are appointed by the Governor for a three plus two year period, shall present their audit plan and audit findings to the Audit Committee for review. The Committee advises the Auditor-General on any significant matters that may arise from such review.

The development of true and fair financial reports and of reliable indicators of performance requires the existence of effective corporate policies and internal systems. These are the responsibility of the COO and the Director, CSS.

**Principle 4 External Stakeholder relationships** (ASX principle 6 – Respect the rights of shareholders).

The Auditor-General’s client is the Parliament of Tasmania. TAO’s clients are:

- the Auditor-General
- state entities as defined in the *Audit Act 2008* and any other entities where an audit engagement has been entered into by arrangement under the *Audit Act 2008*
- auditing firms engaged to conduct financial or performance audits on the Office’s behalf.

TAO's stakeholders include members of Parliament, the Public Accounts Committee, the media, the public, agency management and TAO staff.

Practices TAO will apply to ensure effective communication and relations with these stakeholders include:

- the Auditor-General will:
  - offer to meet with Members of Parliament from time to time (not less than biennially) to, amongst other things, gauge their assessment of our performance and assess their views on projects undertaken and reports tabled
  - meet with the Premier, Treasurer and Leaders of the Opposition parties biennially for the same reason
  - conduct independent surveys of Parliamentarians and Agencies aimed at assessing our performance
  - comply with the informal memorandum of understanding with the PAC aimed at maintaining and improving respective understanding each other's roles and improving public sector accountability
  - meet with Secretaries, CEOs and equivalent levels of management in Councils and other State entities from time to time to, amongst other things, gauge their assessment of our performance
  - meet with relevant media at least annually
  - meet with other interest groups as decided from time to time
  - meet with other Auditors-General at least biennially.
- The COO and heads of the FAS and PAS business units will:
  - meet with senior client management, including those charged with governance, as appropriate. The objectives will be to ensure strong understanding of client operations, effectively planned and completed audits and management of risk. Relevant surveys will be conducted from time to time
  - present audit findings to the appropriate forums including to Parliamentarians
  - meet with relevant media from time to time
  - arrange client training forums as required
  - arrange forums with members of audit committees from time to time.
- the Director, CSS, where relevant, and subject to advance approval of the COO, will participate in state-wide committees established to consider, review and manage corporate policies in the General Government Sector. Where such involvement may prejudice the Office's independence, approval will not be granted.
- the Assistant Auditor-General, FAS will also:
  - meet with contracted auditors as appropriate.
- In addition, the Office will:
  - on each occasion that plans for a FAS special project or a PAS audit are finalised, place such plans on the Office's website
  - on each occasion that a FAS or PAS report is tabled in the Parliament, offer to brief Parliamentarians on those reports and issue a media statement
  - all reports and media statements are placed on our website.

**Principle 5 Recognise and manage risk** (ASX principle 7 – Recognise and manage risk – Establish a sound system of risk oversight and management and internal control).



It is TAO policy that all risks be identified, assessed, monitored and managed. This is a responsibility the Auditor-General, SLG and members of the EMG. The approach applied is consistent with the Australian Risk Management Standard, which requires TAO to:

- establish a context
- identify the risk
- analyse the risk
- evaluate the risk
- treat the risk
- monitor and review the action
- communicate and consult with all parties.

To address this TAO has developed, approved and placed in TRIM, our risk management policy and the mechanisms applied to manage, report and regularly evaluate its risks.

These processes resulted in:

- the development of a risk based three year internal audit plan
- the risk management policy mentioned previously
- a Risk Register documenting all identified risks ranked with the first being extreme requiring management, regular assessment and reporting to the last being low level requiring only infrequent review
- the development of risk management plans for the 10 highest rated operational risks
- a reporting regime for the Auditor-General, SLG and EMG.

The TAO manages these risks in the following manner by:

- structuring SLG and EMG agendas to include a focus on managing identified risks
- regularly re-assessing our performance in managing risks and our rating of risks
- allocating risk management responsibilities
- requiring Business Units to take responsibility for risks relevant to them by including these in annual business plans
- including in the Charter of the Audit Committee a requirement for it to review TAO's risk management practices and its risk based internal audit program
- including in the three year internal audit program a requirement for TAO's internal auditor to assess our progress in managing risks
- requiring heads of business units to certify annually to the Auditor-General that they have complied with allocated responsibilities relating to managing risk
- including in TAO's annual report a summary of our risk management policies and any outcomes there-from.

In addition to the risk management policies and practices outlined, the COO and Director, CSS are required to:

- design internal controls and associated reporting mechanisms to ensure that, bearing in mind our small staff numbers and therefore the associated difficulty in ensuring adequate separation of responsibilities:
  - TAO's financial, human resource and information systems
  - controls operate effectively
  - TAO's business continuity and disaster recovery systems operate effectively and are regularly tested
  - effective internal reporting mechanisms are in place including relevant exception reporting.

To the extent, and without abrogating responsibility, relevant controls are included in the SLA with Justice.

**Principle 6 Remunerate fairly and responsibly** (ASX principle 8 – Remunerate fairly and responsibly – Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear).

The Auditor-General will assess on a regular basis the performance and salary packages where applicable of the COO, the Assistant Auditor-General, PAS and the Director, Technical and Quality. The COO will deal with other members of the EMG. This will be done within the context of the Tasmanian Public Sector.

TAO has established a Remuneration Committee being members of the EMG. Heads of Business units will evaluate the performance of respective staff in accordance with TAO's performance management system including the timely assessment of performance relating to annual salary progressions and advanced assessments.

In the absence of a TAO specific industrial agreement, the Remuneration Committee as part of EMG must ensure that the remuneration arrangements accord with the relevant Tasmanian Public Sector award(s). This Committee's deliberations will include comparative assessment of outcomes from the Office's performance management system as it relates to all staff.

## APPENDIX 3: COMPOSITION OF OFFICE COMMITTEES (as at 30 June 2014)

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### STRATEGIC LEADERSHIP GROUP

The members of the group are:

- Mike Blake – Chair
- Ric De Santi
- Geoff Driscoll
- Geoff Fisher
- Simon Andrews
- Jeff Tongs
- Jara Dean
- Anthony Knight
- Robert Luciani
- Patty Johnson

### EXECUTIVE MANAGEMENT GROUP AND REMUNERATION COMMITTEE

The members of the group are:

- Ric De Santi – Chair
- Geoff Driscoll
- Jeff Tongs
- Jara Dean
- Patty Johnson

### HUMAN RESOURCES COMMITTEE

The members of the committee are:

- Ric De Santi – Chair
- Simon Andrews
- Jesse Penfold
- Kerry Conyard
- Patty Johnson
- Reece Munnings
- Anne Cunningham

This committee was disbanded in December 2013.

### INFORMATION MANAGEMENT COMMITTEE

The members of the committee are:

- Jara Dean – Chair
- Ric De Santi
- Geoff Fisher
- Derek Burns
- Jeff Tongs
- Patty Johnson
- Kerry Conyard (from November 2013)

This committee was disbanded in December 2013.

### PROCUREMENT REVIEW COMMITTEE

The members of the committee are:

- Geoff Driscoll – Chair
- Jeff Tongs
- Jara Dean
- Patty Johnson

### QUALITY REVIEW STEERING COMMITTEE

The members of the committee are:

- Ric De Santi
- Simon Andrews
- Jeff Tongs

This committee completed its work in October 2013.

Secretary to committees:

- Julie Bellette
- Rhiannon Steele

## APPENDIX 4: SERVICE ON OTHER COMMITTEES

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As at 30 June 2014, our executive staff/managers were members of the following committees, professional associations, panels, working parties and community organisations:

### MIKE BLAKE

- Australasian Council of Auditors-General (ACAG) - member
- New Implementation Committee (now Chartered Accountants Australia and New Zealand Board Designate) - member and chair of the Audit and Risk Committee
- National Board of the Institute of Chartered Accountants – member and chair of the Audit and Risk Committee
- Integrity Commission – ex-officio member
- On the expert panel supporting the Australian Accounting Standards Board
- Treasurer (honorary) of St George’s Anglican Church, Battery Point
- Latrobe University – Centre for Public Sector Governance, Accountability and Performance – advisory board member
- Diocesan Remuneration Commission - member
- St Michael’s Collegiate School - board member

### RIC DE SANTI

- ACAG - Financial Reporting and Auditing Committee (FRAC) - Tasmanian representative
- ACAG - FRAC Heads of Financial Audit Group - TAO representative
- CPA Australia - Tasmanian Divisional Council - Divisional Councillor
- CPA Australia - Public Sector Network - Tasmanian representative
- CPA Australia - Representative Council - member
- CPA Australia - External Reporting Centre of Excellence - member
- Tasmanian Catholic Education Office - Systemic Schools Budget Committee - Board representative

### PATTY JOHNSON

- ACAG - Practice Management Group - Tasmanian representative – (Group no longer exists)
- Cystic Fibrosis – Treasurer – resigned April 2014
- Procurement Reference Group - State Government – no longer a representative
- State Service Management Office (SSMO) Representative - vacancy control

### JARA DEAN

- ACAG - FRAC Heads of Financial Audit Group – Tasmanian Audit Office representative
- Rainbow Communities Tasmania Inc - Honorary Auditor

### JEFF TONGS

- ACAG - Financial Reporting and Auditing Committee - Tasmanian Audit Office representative
- ACAG - Quality Assurance Committee - Tasmanian Audit Office representative

### SIMON ANDREWS

- St Aloysius Catholic College Advisory Board - Deputy Chair

### ROB LUCIANI

- CPA Australia - Tasmanian Divisional Council - President
- Launceston City Football Club - Treasurer

## APPENDIX 5: LIST OF CLIENTS DURING 2013-14

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### STATE ENTITIES – EFFECTIVE AT 30 JUNE 2014

#### Executive and Legislature

Office of the Governor

House of Assembly

Legislative Council

Legislature-General

#### Ministerial Departments (including administered activities)

Department of Economic Development, Tourism and the Arts

    Tourism Tasmania

    Tasmania Development and Resources

    Tasmanian Museum and Art Gallery

Department of Education

    Schools Registration Board of Tasmania\*

Department of Health and Human Services

    Ambulance Tasmania

    Housing Tasmania

    Tasmanian Affordable Housing Limited

Department of Infrastructure, Energy and Resources

    Abt Railway Ministerial Corporation

Department of Justice

Department of Police and Emergency Management

Department of Premier and Cabinet

Department of Primary Industries, Parks, Water and Environment

Department of Treasury and Finance

Treasurer's Annual Financial Report

    General Government Financial Statements

    Public Account Statements

    Total State Financial Statements

#### Government Business Enterprises

Forestry Tasmania

    Newood Holdings Pty Ltd\*

Newood Energy Pty Ltd\*

Newood Huon Pty Ltd\*

Newood Smithton Pty Ltd\*

Hydro-Electric Corporation

AETV Pty Ltd

Bell Bay Power Pty Ltd\*

Bell Bay Three Pty Ltd\*

Hydro Tasmania Consulting (Holding) Pty Ltd\*

Hydro Tasmania Consulting India Private Limited\*

Hydro Tasmania South Africa (Pty) Ltd\*

Hydro Tasmania Neusberg (Pty) Ltd\*

HT Wind Operations Pty Ltd

Woolnorth Bluff Point Holdings Pty Ltd\*

Woolnorth Studland Bay Holdings Pty Ltd\*

Heemskirk Holdings Pty Ltd\*

HT Wind Developments Pty Ltd\*

HT Wind New Zealand Pty Ltd\*

Lofty Ranges Power Pty Ltd\*

Momentum Energy Pty Ltd

RE Storage Holding Pty Ltd\*

Macquarie Point Development Authority

Motor Accidents Insurance Board

Port Arthur Historic Site Management Authority

Private Forests Tasmania

Public Trustee

Tasmanian Public Finance Corporation

## **State Owned Companies**

Aurora Energy Pty Ltd

Auracom Pty Ltd\*

Ezikey Group Pty Ltd\*

Metro Tasmania Pty Ltd

Metro Coaches (Tas) Pty Ltd\*

Tasmanian Irrigation Pty Ltd



Tasmanian Ports Corporation Pty Ltd  
    Flinders Island Ports Corporation Pty Ltd\*  
    King Island Ports Corporation Pty Ltd\*  
Tasmanian Railway Pty Ltd  
Tasmanian Networks Pty Ltd\*  
Tasracing Pty Ltd  
Transend Networks Pty Ltd  
TT Line Company Pty Ltd

## **Local Government Councils**

Break O'Day Council  
Brighton Council  
    Brighton Industrial and Housing Corporation Pty Ltd  
    Microwise Australia Pty Ltd  
Burnie City Council  
    Burnie Airport Corporation Unit Trust  
    Burnie Sports and Events Unit Trust  
    Tasmanian Communications Unit Trust  
Central Coast Council  
Central Highlands Council  
Circular Head Council  
Clarence City Council  
Derwent Valley Council  
Devonport City Council  
    Devonport Maritime & Heritage Authority\*  
Dorset Council  
Flinders Council  
George Town Council  
Glamorgan Spring Bay Council  
Glenorchy City Council  
Hobart City Council  
Huon Valley Council  
Kentish Council  
King Island Council

Kingborough Council

Kingborough Waste Service Pty Ltd\*

Latrobe Council

Launceston City Council

York Park and Inveresk Precinct Authority

Launceston Flood Authority

Meander Valley Council

Northern Midlands Council

Sorell Council

Southern Midlands Council

Heritage Building Solutions Pty Ltd\*

Heritage Education and Skills Centre Pty Ltd\*

Tasman Council

Waratah-Wynyard Council

West Coast Council

West Tamar Council

## **Local Government Authorities**

Copping Refuse Disposal Site Joint Authority

Cradle Coast Authority

Dulverton Regional Waste Management Authority

Northern Tasmanian Regional Development Board Inc.

Southern Tasmanian Councils Association

Southern Waste Strategy Authority

## **Other State Entities**

Aboriginal Land Council of Tasmania

ANZAC Day Trust

Asbestos Compensation Fund

Board of Architects of Tasmania\*

Brittons Swamp District Water Board\*

Brittons Swamp Drainage Trust\*

Council of Law Reporting

Egg Lagoon Drainage Trust\*

Elizabeth Macquarie Irrigation Trust\*

Forest Practices Authority  
Forthside Irrigation Water Trust\*  
Integrity Commission  
Inland Fisheries Service  
Lake Nowhere-Else Dam / Whitemark Creek Irrigation Trust\*  
Lawrenny Irrigation Trust\*  
Legal Aid Commission of Tasmania  
Legal Profession Board  
Local Government Association of Tasmania  
Lower Georges River Works Trust\*  
Marine and Safety Tasmania  
Mowbray Swamp Drainage Trust\*  
National Trust of Australia (Tasmania)  
Office of the Director of Public Prosecutions  
Office of the Ombudsman and Health Complaints Commissioner  
Property Agents Board  
Property Agents Trust  
River Clyde Trust  
Retirement Benefits Fund Board  
    RBF Financial Planning Pty Ltd  
    66-80 Collins Street Pty Ltd\*  
    RBF Direct Property Pty Ltd\*  
Richmond Irrigation Trust\*  
Royal Tasmanian Botanical Gardens  
Solicitors' Trust  
State Fire Commission  
Tasmanian Beef Industry (Research and Development) Trust  
Tasmanian Building and Construction Industry Training Board  
Tasmanian Community Fund  
Tasmanian Dairy Industry Authority  
Tasmanian Early Years Foundation  
Tasmanian Economic Regulator  
Tasmanian Health Organisation - North  
Tasmanian Health Organisation - North West

Tasmanian Health Organisation - South  
Tasmanian Heritage Council  
Tasmanian Pharmacy Authority\*  
Tasmanian Qualifications Authority  
Tasmanian State Pool Account  
Tasmanian Water and Sewerage Corporation Pty Ltd  
TasTAFE  
Teachers Registration Board  
Theatre Royal Management Board  
The Nominal Insurer  
Togari Drainage Trust\*  
University of Tasmania  
    AMC Search Ltd  
    University of Tasmania Foundation Inc  
    UTASAT Pty Limited\*  
    TasTherapeutics Pty Ltd  
Tasmanian Timber Promotion Board\*  
Wellington Park Management Trust  
Workcover Tasmania Board

### **Honorary Audits**

University of Tasmania Foundations Inc.

### **Audits by Arrangement**

Common Ground Tasmania Limited

\* Audits Dispensed with

## APPENDIX 6: EXTERNAL AUDIT SERVICE PROVIDERS

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The Office can appoint contractors under Section 33 of the Audit Act to provide the following services:

- a. financial attest audits of Tasmanian State entities or subsidiaries of those State entities, of any part thereof; or
- b. performance audits examining the efficiency, effectiveness and economy of a State entity, a number of State entities, or a part of a State entity or a subsidiary of a State entity, or any part thereof; or
- c. examination into any matter relating to the accounts of the Treasurer, a State entity or a subsidiary of a State entity, or any part thereof; or
- d. examination into any matter relating to public money, other money or to public property or other property, or any part thereof; or
- e. compliance audits examining the compliance by a State entity or a subsidiary of a State entity with written laws or its own internal policies, or any part thereof;
- f. audits or reviews of the Employer functions under the *State Service Act 2000*; and
- g. draft reports to Parliament, or any part thereof on results of the above.

The following firms are on the Panel of External Audit Services Providers to provide the above services:

- BDO - Hobart
- Deloitte - Hobart and Launceston
- Ernst & Young - Melbourne
- Grant Thornton - Melbourne
- Hranynwhere - Hobart
- Kaizen Audit & Assurance Pty Ltd - Hobart
- KPMG - Hobart and Launceston
- PricewaterhouseCoopers - Melbourne
- RMS Bird Cameron - Melbourne
- Ruddicks - Launceston
- Synectic Audit and Assurance Pty Ltd - Devonport
- Crowe Horwath - Hobart and Launceston
- Wise Lord & Ferguson - Hobart

The following table sets out the commitments to external audit providers for 2013-14 financial statement audits.

Client	Contractor	Fee (\$'000) (excl. GST)
Aurora Energy Pty Ltd* (AFSL Licence, Regulatory Accounts and Agreed Upon Procedures)	Ernst & Young	283
Break O'Day Council	Synectic	25
Hydo Electric Corporation (including 2 subsidiaries*, AFSL Licence and Compliance Plan)	Deloitte	358
Tascorp	Deloitte	105
Tasmanian Affordable Housing Ltd	Deloitte	15
Retirement Benefits Fund Board (including 1 subsidiary)*	Wise Lord & Ferguson	185

\*Some subsidiaries were dispensed with.

Other official orders entered into during the 2013-14 financial year not associated with financial statement audits:

Client	Contractor	Fee (\$'000) (excl. GST)
Recruitment practices in the State Service	Crowe Horwath	137
Absenteeism and workers compensation management	KPMG	100
Review of State Service Annual Report - 2013	Wise Lord & Ferguson	35



# APPENDIX 7: ASSET MANAGEMENT, RISK AND PRICING POLICY, AND GOVERNMENT PROCUREMENT

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## ASSET MANAGEMENT

The financial statements for 2013-14 are reported on an accrual basis, and contain full details of our assets. Office assets are recorded in accordance with our accounting policies and procedures, and these amounts are disclosed in the statements, together with appropriate policies.

Details of our assets are recorded in the asset module of our financial management system. This provides a direct link between our asset register and the general ledger, thus enhancing financial reporting. In addition the Office tracks portable and attractive items on a register held in the Office's electronic record system TRIM. This register is reviewed annually.

## Major Capital Projects

By the very nature of our business we have limited investment in capital works. From time to time we undertake minor works associated with fit-outs of leased tenancies.

During 2013-14 the Office did not undertake any such works.

## MANAGING RISK

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.

During 2013-14 we continued to monitor our key risks and associated treatment plans. Our key business risks are:

- inadequate management of risk
- issuance of inappropriate audit opinion/Parliamentary report
- inappropriate governance structure and processes
- inappropriate use of client information and/or audit working papers or findings
- inability to respond to a business continuity event
- inability to recruit/retain competent and effective employees
- injury/harm to employees
- financial sustainability
- 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.

A report on the status of risk treatments identified on the registers is periodically presented to the EMG, SLG and to the Audit Committee.

Our strategic internal audit program is structured around our risks with internal audits generally being undertaken based on our risks.

In addition to internal audits, we address our risks through steps such as:

- identifying audit topics of public interest
- regularly meeting with Parliamentarians and key clients
- quality assurance reviews
- independent 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
- prompt monthly financial reporting inclusive of financial projections
- ensuring we are properly governed.

## Insurance

Our insurance arrangements are with the Tasmanian Risk Management Fund and our insurance cover is for travel, general property, personal accident, transit, motor vehicles, general liability and workers compensation.

## PRICING POLICIES

Audit fees for financial audits are our main source of revenue. The Office receives appropriation funding for performance and compliance audits and reports to Parliament on the result of financial audits. In addition, we receive a budget appropriation for the Auditor-General's salary and associated costs.

Fees and appropriations are determined on the basis of meeting the full cost of operating the Office.

The Auditor-General determines audit fees annually with details provided in a report to Parliament. Individual fees are determined by applying a number of criteria that include impact on Total State Financial Statements, size, history, risk, complexity, systems in place including strength of internal controls, organisation and accounting changes and location. Time spent on audits is charged using pre-determined hourly rates for each member of staff. Clients are billed on an instalment basis for base audit fees.

## GOVERNMENT PROCUREMENT

### Support for Local Business

The Tasmanian Audit Office ensures that Tasmanian businesses are given every opportunity to compete for Office business. It is the Office's policy to support Tasmanian business whenever it offers the best value for money for the Government. Periodically the Office calls for businesses to register for the provision of external audit services on behalf of the Auditor-General (see Appendix 6).

The following details are provided in accordance with Treasurer's Instruction 1111 and 1213 for all contracts awarded (excluding consultancies) and tenders called during 2013-14 with values in excess of \$50 000. Note that this table includes the External Audit Provider Panel for which no values have been assigned at 30 June 2014.

#### Summary of Participation by Local Business (for contracts, tenders and/or quotation processes with a value of \$50 000 or over, ex GST)

Total number of contracts awarded	3
Total number of contracts awarded to Tasmanian businesses	3
Value of contracts awarded	\$808 917
Value of contracts awarded to Tasmanian businesses	\$808 917
Total number of tenders called and/or quotation processes run	1
Total number of bids and/or written quotations received	5
Total number of bids and/or written quotations received from Tasmanian businesses	3

Includes official orders and quotations that have been entered into during the 2013–14 financial year from the external audit providers panel as referred in Appendix 6.

### Contracts with a value of \$50 000 or over (ex GST) and excluding consultancy contracts

Name of contractor	Location of contractor	Description of contract	Period of contract	Total value of contract \$
Wise Lord and Ferguson	Hobart	Financial Attest Audit Services for Retirement Benefits Fund	Three financial years - 2014, 2015 and 2016 with option to extend for another two years - 2017 and 2018	571 817
Crowe Horwath	Hobart	Audit on recruitment practices in the State Service	Completion of report according to specifications	137 500
KPMG	Hobart	Audit on absenteeism and workers compensation management	Completion of report according to specifications	99 600

### Consultancies over \$50 000

Nil.

### Goods and Services Exemption TI 1107

Nil.

### Contract extensions are detailed below and are in accordance with Instruction 1115(4).

Name of supplier	Description of the contract	Period of extension	Total value of contract \$
Moore Stephens	Internal audit services	31/12/2013 to 31/12/2015	Contract will be worth less than \$50 000 per year. Cost is dependent on internal audit schedule determined by the Office's audit committee

### Procurement Complaints

The Office did not receive any complaints from businesses in relation to its procurement practices or procedures.

## APPENDIX 8: SUPERANNUATION DECLARATION

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I, Howard Michael Blake, hereby certify that the Tasmanian Audit Office has met its obligations under the *Australian Government's Superannuation Guarantee (Administration) Act 1992* in respect of those employees of the Office who are members of the following complying superannuation schemes to which the Office contributes:

- AMP Flexible Lifetime Super
- HESTA Super Fund
- Host-Plus Superannuation
- Media Super
- MLC Wrap Super - Super Service
- Quadrant Superannuation
- RBF Accumulation Scheme
- RBF Contributory Scheme
- Rest Personal
- Russell Supersolution Master Trust
- Sunsuper Superannuation Fund
- Tasplan Super
- Vicsuper Futuresaver



H M Blake  
30 June 2014

## APPENDIX 9: RECENT PUBLICATIONS

Tabled	No.	Title
<b>2013</b>		
March	No 8 of 2012-13	National Partnership Agreement on Homelessness
March	No 9 of 2012-13	Royal Derwent Hospital: site sale
May	No 10 of 2012-13	Hospital bed management and primary preventative health
May	No. 11 of 2012-13	Financial Statements of State entities: Volume 5 - Other State entities
May	No. 11 of 2012-13	Department of Health and Human Services - Output based expenditure (included in Financial Statements of State entities: Volume 5 - Other State entities)
August	No. 1 of 2013-14	Fraud control in local government
November	No. 2 of 2013-14	Volume 1 - Executive and Legislature, Government Departments, Tasmanian Health Organisations, Other General Government Sector State entities, Other State entities and Superannuation Funds
November	No. 3 of 2013-14	Volume 2 - Government Businesses, Other Public Non-Financial Corporations and Water Corporations
December	No. 4 of 2013-14	Volume 3 - Local Government Authorities
December	No. 5 of 2013-14	Infrastructure Financial Accounting in Local Government
<b>2014</b>		
January	No. 6 of 2013-14	Redevelopment of the Royal Hobart Hospital: governance and project management
February	No. 7 of 2013-14	Police responses to serious crime
February	No. 8 of 2013-14	Volume 4 - Analysis of the Treasurer's Annual Financial Report 2012-13
May	No. 9 of 2013-14	Volume 5 - State entities 30 June and 31 December 2013, matters relating to 2012-13 audits and key performance indicators
May	No. 10 of 2013-14	Government radio communications
May	No. 11 of 2013-14	Compliance with the Alcohol, Tobacco and Other Drugs Plan 2008-13
June	No. 12 of 2013-14	Quality of Metro services
June	No. 13 of 2013-14	Teaching quality in public high schools
August	No. 1 of 2014-15	Recruitment practices in the State Service
September	No. 2 of 2014-15	Follow up of selected Auditor-General reports: October 2009 to September 2011
September	No. 3 of 2014-15	Motor vehicle fleet management in government departments

Auditor-General's reports are available from the Tasmanian Audit Office. These and other published reports can be accessed via the Office's website: [www.audit.tas.gov.au/publications](http://www.audit.tas.gov.au/publications).

# APPENDIX 10: COMPLIANCE INDEX AND DISCLOSURE REQUIREMENTS

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## SECTION AND COMPLIANCE

These columns refer to the statutory disclosure requirements in Tasmanian public sector legislation.

## DETAILS

This is a brief statement of the instruction, clause, section or subsection of the corresponding statutory disclosure requirement.

## PAGE

This states where in the Annual Report the requirement is satisfied. In some instances, the requirement is complied with by the report in its entirety.

Key	Act
AA	Audit Act 2008
FMAA	Financial Management and Audit Act 1990
RTI	Right to Information Act 2009
PID	Public Interest Disclosures Act 2002
PSSRA	Public Sector Superannuation Reform Act 1999
SSA	State Service Act 2000
SSR	State Service Regulations 2011
TI	Treasurer's Instructions



Section	Compliance	Page	Details
<b>General</b>			
Table of contents			
Alphabetical index			
Glossary			
<b>Overview</b>			
Strategic plan	SSR s9(a)(i)		An overview of the Office's Strategic Plan, including its aims, functions and related programs.
Performance report	SSA s36(1)(a) & (b) FMAA s27(1)(a)		A report on the performance of the functions and exercise of powers of the Auditor-General, under any written law.
Major initiatives	SSR s9(a)(v)		Details of major initiatives taken by the Office to develop and give effect to Government policy.
Major changes during the year	SSR s9(a)(iv)		Details of, and reasons for, any major changes which have taken place in relation to the programs, aims, functions or organisational structure of the Office.
Statement of compliance with TIs	TI 111 3(a)		
<b>Organisational Structure</b>			
Office organisation chart	SSR s9(a)(ii)		An organisational chart illustrating the Office's administrative structure, including regional locations, and officers.
Why we are structured this way	SSR s9(a)(iii)		A description of the relationship between the organisational structure and the program management structure of the Office.
<b>Performance Management</b>			
Performance summary	TI 201 (1)(a) & (e)		A narrative summary, together with quantitative measures where relevant of the objectives and functions of programs or activities, including significant outcomes, key efficiency measures, targets, proposed plans and any ministerial objectives.
Performance constraints	TI 201 (1)(b)		Economic or other factors that have affected the achievement of operational objectives.

Section	Compliance	Page	Details
Carbon emissions – climate change and environmental impact	Premier’s Agenda 2008 speech		Outlines our corporate social responsibility initiatives
<b>Legislation Administered</b>			
Legislation administered	SSR s9(d)		A list of legislation administered by the Office during the year.
Legislation enacted during the year	SSR s9(d)		A list of legislation enacted during the year for which the Office is responsible, including details of significant changes to legislation previously administered by the Office.
<b>Public Access and Awareness of Services Provided</b>			
Key contacts	SSR s9(c)(ii)		List of contact officers and points of public access in relation to services provided by the Office.
Community awareness	SSR s9(c)(i)		Details of activities undertaken to develop community awareness of the Office and the services it provides.
Agency publications	SSR s9(c)(i)		List of documents published by any internal or external body of the Office during the year.
Right to information requests	RTI		Right to information details for the year.
Public interest disclosure investigations	PID s86		List the number of public interest disclosures made to the Office and the procedures for making public interest disclosures to the Office.
<b>Human Resource Management</b>			
Recruitment and selection	SSR s9(b)(i)		Details of recruitment policies and program including statistical information for the year.
Staff development	SSR s9(b)(ii)		Information relating to employee training and development activities, including statistical information for the year.
Equal Employment Opportunities	SSR s9(b)(iii)		A description of the Office’s workplace diversity programs, including statistical information for the year.
Industrial democracy	SSR s9(b)(iv)		Details of the processes established to ensure employee participation in industrial relation matters within the Office.
Internal grievance procedures	SSR s9(b)(v)		Summary of internal grievance procedures.

Section	Compliance	Page	Details
Workplace health and safety	SSR s9(b)(vi)		Outline of workplace health and safety.
Appeals process	SSR s9(c)(iii)		An outline of the processes available for appeals against decisions made by the Office.
Performance management	SSA s36(1)(ba)		The Office's approach to the development and implementation of performance management.
Superannuation contributions	PSSRA s13		Certification by the relevant Office manager relating to contributions to non-RBF superannuation funds, including a report that the Office has met its obligations under the <i>Superannuation Guarantee (Administration) Act 1992</i> .
<b>Asset Management and Risk Management Policies</b>			
Pricing policies	TI 201 (1)(c)		Pricing policies of goods and services provided, the last review date, and reference to documents that contain the pricing information, with details of cost recovery policies and their application, as appropriate.
Major capital projects	TI 201 (1)(d)		Information on major capital projects or undertakings.
Risk management	TI 201 (1)(f)		Statement of risk management policies and an outline of significant risk management strategies and initiatives.
Asset management	TI 201 (1)(g)		Statement of asset management policies and an outline of asset management strategies and initiatives.

Section	Compliance	Page	Details
<b>Government Procurement</b>			
Support for local business	TI 1111 3(a) & (b)	107	<p>Narrative statement in introduction/overview by Head of Agency summarising support for local businesses.</p> <p>Table summarising the Office's support for local business, including the number of procurement contracts awarded, the number of tenders called and the number of bids received, and the extent of local participation in procurement activities.</p>
Contracts awarded during the year	TI 1111 3(b)(ii)	107-108	Detailed information on all contracts awarded including a description of the contract, the total value of the contract and the name and locality of contractors.
Consultancies awarded during the year	TI 1111 3(b)(ii)	108	Detailed information on all consultancies awarded including the name of the consultant, a description of the consultancies, the total value of the contract and locality of consultants.
Other matters	TI 201 (1)(l)	Annual Report	Any matters deemed relevant by the Auditor-General.
<b>Financial Statements</b>			
Financial statements	AA s17(3) FMAA s27(1)(c)   FMAA s27(2), (3) & (4) TI 201 (1)(j)	51-92	Financial statements of the Office for the year; including financial statements of any statutory or public body not required to report under another Act.
Audit opinion	AA s42(5) TI 201 (1)(k)	57-58	Independent Auditor's Report on the Office's Financial Statements.

## APPENDIX II: ACRONYMS AND ABBREVIATIONS

Abbreviation	Description
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ACAG	Australasian Council of Auditors-General
ANAO	Australian National Audit Office
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AUASB	Australian Auditing and Accounting Standards Board
Audit Act or AA	<i>Audit Act 2008</i>
BCP	Business Continuity Plan
CA	Chartered Accountant
CAAT	Computer Aided Auditing Technique
CCOLA	Canadian Council of Legislative Auditors
CDB	Clemens, Dunne and Bell
CFT	Cystic Fibrosis Tasmania
COO	Chief Operating Officer
CPA	Certified Practising Accountant
CPSU	Community and Public Sector Union
CSF	Critical Success Factor
CSS	Corporate Support Services
DPAC	Department of Premier and Cabinet
EMG	Executive Management Group
EOY	End of Year
FAS	Financial Audit Services
FMAA	Financial Management and Audit Act 1990
FTE	Full-time equivalent
GST	Goods and Services Tax
HRC	Human Resources Committee
HRM	Human Resource Management
ICAA	Institute of Chartered Accountants Australia
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
ILOT	In lieu of time
IMC	Information Management Committee

Abbreviation	Description
IPSAM	Integrated Public Sector Audit Methodology
IT	Information Technology
KPI	Key Performance Indicator
LSL	Long service leave
N/A	Not applicable
Nm	Not measured
OAG	Office of the Auditor-General
PAC	Public Accounts Committee
PAS	Performance Audit Services
PID	Public Interest Disclosures Act
PSSRA	Public Sector Superannuation Reform Act
QAO	Queensland Audit Office
RBF	Retirement Benefits Fund
RBL	Reserved by Law
RTI	Right to Information Act 2009
SLA	Service Level Agreement
SLG	Strategic Leadership Group
SSA	State Service Act
SSMO	State Service Management Office
SSR	State Service Regulations
TAO	Tasmanian Audit Office
TI	Treasurer's Instructions
TRIM	Total Records Information Management
TSS	Tasmanian State Service
UTAS	University of Tasmania
VAGO	Victorian Auditor-General's Office
WHS	Workplace health and safety
WIP	Work in progress



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## COMMUNICATION OBJECTIVE

The Tasmanian Audit Office's (TAO) Annual Report summarises our financial and corporate performance for 2013-14. In keeping with our vision, the report's theme is 'making a difference'.

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 Patty Johnson by either:

Email to: [\*admin@audit.tas.gov.au\*](mailto:admin@audit.tas.gov.au)

Fax to: (03) 6226 0199

Mail to: Director, Corporate Support Services  
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\*](http://www.audit.tas.gov.au).



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