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FOREWORD

BY THE

AUDITOR-GENERAL

As this Annual Report is my fifth, it seems appropriate to look at what has been achieved by the Tasmanian Audit Office during those years.

Some of the issues raised in my first Annual Report are still current albeit in a slightly different form. Audit methodology continues to evolve and progress although the changes now require a larger investment in computer hardware and software. Staff turnover continues to be quite high. Total staff numbers continue to decline as the Office becomes more efficient and as a result of the restructure of government and local government.

The Office continues to move towards the goal of earlier completion of financial audits to assist auditee management generally and specifically to enable the orderly production of agency annual reports incorporating these financial statements. No figures are given in the 1991-92 report but this report shows the progress that has been achieved in recent years from 46% of audits completed by 31 October in 1992-93 to 78% in 1995-96. Further progress will require comparable effort by the government departments in producing their financial statements more promptly - a considerable task given the need to move to full accrual reporting in 1996-97 and beyond.

However the achievement of which the Office can take most pride is the production of the "performance audit" reports. In 1991-92 two performance audits were commenced - none were tabled in that year. Since then, a steady stream has been tabled in Parliament; 14 to date, funded not out of an increased appropriation or charged to the relevant agencies, but from more efficient functioning of the Office. Staff are to be commended both for their efforts in producing the required resources and for their ability to adapt to the demands of auditing for efficiency, effectiveness and economy beyond the conventional bounds of financial auditing.

In short, staff have adapted to the changed circumstances with considerable success.

I am confident that the Office will continue to evolve to meet the expectations of stakeholders.

YEAR IN REVIEW

Some of the significant events for the Office in 1995-96 were:

Tabling in Parliament of the following Reports:

- Report on Heritage Collection Management August 1995. The Report examined the management of heritage collections at the Tasmanian Museum and Art Gallery.
- Report on the Audit of the Public Account September 1995. The Report noted that an unqualified audit report had been issued on the Treasurer's Financial Statements for the 1994-95 financial year. The Report also commented on some major issues including the sale of the TDA's housing loans, redundancy costs involved in closing the Department of Construction, funding for the Retirement Benefits Fund Scheme and growth in the unfunded claims liability of the Tasmanian State Service Workers' Compensation Scheme.
- Report on Office Accommodation Management September 1995. The Report found that strategic planning had not progressed very far, there were maintenance and other problems identified with some buildings and usage of space per person seemed high.
- Report on Recording and Reporting by Government Departments on their Non-current Physical Assets September 1995. The Report collated information from government departments and found total real estate of \$969m, infrastructure \$4.3bn and \$220m "other". The infrastructure was mostly roads managed by the Department of Transport. The Report found that departments needed to improve the recording and verification of assets and to make more use of the information outside financial reporting.
- Report on Tendered Works November 1995. The Report examined controls over tendered works of the Schools Program in the Department of Education and the Arts, the Housing Program of the Department of Community and Health Services and the Roads Program of the Department of Transport. The Report suggested the need to develop uniform policies for contracting and contract management including the development of a Code of Ethics, a Code of Business Practice and a Code of Tendering. The Report suggested that the tender threshold of \$20 000 for buildings and civil construction projects needed to be reviewed.
- Report on Government Departments and Public Bodies November 1995. This Report provided a general overview of the financial audits conducted for the 1994-95 financial year.

- Report on Nursing Costs in Tasmania April 1996. The Report examined nursing costs at the Royal Hobart Hospital and the Launceston General Hospital and compared these costs with some hospitals on the mainland. The Report included recommendations related to improvements in information systems, staffing based on demand, coding of patient morbidity and measurement and analysis of nursing time distribution within wards together with many other related matters having an impact on costs.
- Report on Performance Indicators in Government Departments June 1996. This Report was a preliminary study into the extent to which departments were preparing, using and publishing relevant performance indicators and whether they were based on reliable systems. Most departments are at an early developmental stage. The Report recommended that the publication of performance indicators be made mandatory from 1996-97.

Production of reports and services to government was at a comparable level to previous years despite agreed and phased reductions in appropriations from the Consolidated Fund. Total funding of recurrent services less revenue returned to the Consolidated fund was \$457 000 in 1995-96 compared to \$517 000 in 1994-95. Savings from efficiencies enabled the reduction not to affect adversely the output of the Office.

The Office provided auditees with a reduction in aggregate financial audit fees in real terms over the previous year. Fees expressed on continuing audit basis showed aggregate fee reductions of 0.55% in nominal dollar terms and approximately 4.83% in real terms (using the CPI change of 4.5% between September 1994 and September 1995). Nearly all auditees received at least a 1% reduction of audit fees reckoned in real terms.

Employees received bonus payments of approximately 7.04% under the Office's Industrial Agreement during the year. The Agreement required employees to identify improvements which would increase net revenues (revenues less costs) in areas subject to their control or influence. As mentioned, these improvements did not require general fee increases to fund the payments. The bonus payments required employees to meet tighter deadlines for completion of audits.

The Office retained 8 local government audits out of 10 when these councils had the option of choosing a private sector auditor for the 1996-97 to 1998-99 triennium. This brings the total to 18 audits retained out of 29 (62%) since the process of making these audits contestable began in 1994.

The Office commenced implementation trials of a new audit planning methodology software product which may lead to greater efficiency in this area.

The Office received the Royal Institute of Public Administration Australia (Tasmanian Branch) award for the best Annual Report for 1993-94.

Mr A J (Tony) Foster, Deputy Auditor-General, retired during the year after nearly 38 years of service with the Tasmanian Audit Office. Tony had a distinguished career in the Office and in 1995-96 was Tasmanian President of the Australian Society of Certified Practising Accountants. We wish him well in his retirement.

PERFORMANCE STATISTICS

Key Operating Statistics	1992	1993	1994	1995	1996
Organisations and activities audited	173	148	127	126	132
Qualified audit opinions		31	40	14	13
Number of reports to Parliament	4	8	4	6	8
Employees (FTE)	60.82	61.15	54.25	46.17	40.96
Key Financial Statistics (accrual)	\$'000	\$'000	\$'000	\$'000	\$'000
Total operating income	3 253	3 301	3 581	3 455	3 424
Total operating expense	3 261	3 285	3 447	3 169	3 303
Operating surplus after abnormals	(59)	16	134	436	121
Total Assets	317	232	2 342 ¹	2 437	2 556
Key Statistics Efficiency and Effectiveness					
Effectiveness -					
Audit satisfaction index ²	na	na	na	60%	nc ³
Efficiency					
- Audit costs to State public sector expenditure (cents/\$'000) ⁴	na	na	0.77	0.70	nc ³
- cost of attest audits to public sector expenditure (cents/\$'000)	na	na	0.73	0.65	nc ³
Audit reports certified by 31 October					
- based on hours	na	46	60	68	78
- based on number	na	64	65	68	74
Number of performance audits tabled in Parliament	0	5	1	3	5
Average staff salary (\$ per FTE)	na	na	40 239	40 849	42 693
Average Accommodation Cost per employee (\$'000)	3 502	4 562	4 110	4 028	4 125
Average charge out rate (\$ per hr)	na	60.70	63.16	65.37	71.48

¹ Increase from 1993 due to take up of work in progress into assets

² As measured by survey

³ At the time of the report could not be compiled

⁴ Includes all operating costs

nc = not compiled

na = not available

FUTURE DIRECTIONS

SURVEY OF AUDITEES

In June 1996 the Office conducted the first comprehensive survey of its auditees. A more detailed description of the results appears elsewhere in this report. The key question relates to whether auditees, if they had their choice, would continue to use the Office as their financial auditor. Over 75% said that they would. This compares with a similar survey by the Audit Office of New South Wales that obtained a 78% rating.

I believe that Parliament expects this Office to continue to provide most of the financial audit service from its own resources and I will continue to adopt that policy. However it is equally necessary to ensure that service levels are maintained.

If the Office cannot meet the reasonable demands of its auditees in terms of timeliness, cost or other aspects, then the engagement of private sector contractors will be considered. Annual surveys will give an indication of the performance of the Office in these areas.

Approximately 74% of respondents to the Tasmanian survey reported a degree of satisfaction with the audit fee charged in terms of value for money. The Office will continue to aim for a reduction of at least 1% annually in the real costs of audits. To that end, the Office will move to identify any elements of its audit services that are not strictly required in order to render an opinion on the financial statements and investigate whether these should be continued at all and if so, how they should be funded. These elements are commonly referred to as regularity/compliance issues. This initiative should result in some reductions in cost to some auditees.

I shall continue to sub-contract a small number of audits as an external "market" test of how the Office is performing.

SURVEY OF PARLIAMENTARIANS

A survey was also conducted of members of Parliament. I am presently considering two issues that arose from that survey. Some members expressed an interest in obtaining a briefing at the time that my reports are tabled in Parliament. Others, chiefly new members, would appreciate a general briefing on how the Office works. I have written to the Clerks and to the Leader for the Government to ascertain their views on these matters.

PERFORMANCE AUDITS

The Office has been tabling "performance audit" reports on efficiency, effectiveness and economy of agencies for several years. The notional funds appropriated for this purpose have averaged around \$246 000 in each of these years. I am proud of the work done by the Office and believe that the State has benefited from the expenditure. However there are various ways in which the choice, conduct and reporting of performance audits might be improved. I am negotiating for a respected expert in this field to review the whole process during the coming year. I have also sought and obtained the support of the Department of Treasury and Finance.

As forecast last year, the Office will devote more attention to audits of performance indicators used and published by government departments. In this regard it is pleasing to note the government's intention to require departments to publish key measures of performance in future annual reports.

AUDIT METHODOLOGY

The testing and adoption of audit software will continue to absorb considerable amounts of the time of senior officers and requires state of the art processing and storage capacity. Even with that investment, it is not simply a matter of some training, loading the software and pressing the button. These products will require corresponding changes in audit approaches by staff and in the related non-computerised

elements of the audit. These changes will take some time to achieve, however I am confident that change is necessary.

INDUSTRIAL AGREEMENT

The Industrial Agreement negotiated with employees in 1995, expires in early 1997. I will be seeking to renegotiate a continuation of the Agreement with some amendments to reflect current targets and circumstances.

ORGANISATION AND MANAGEMENT

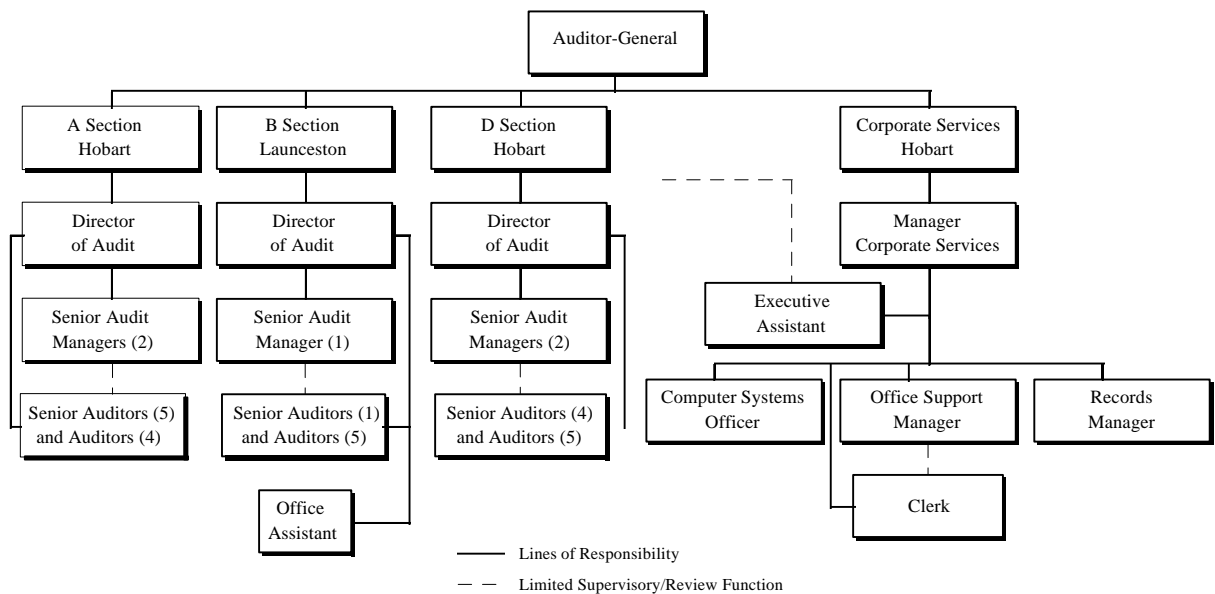
OVERVIEW

The structure of the Office has undergone a change since 30 June 1995. In November 1995, Tony Foster, the Deputy Auditor-General retired. At that time the management structure was reviewed and this resulted in the removal of a management level. The position of Deputy Auditor-General was not filled as a full-time position, but assigned to one of the Directors of Audit. The Deputy Auditor-General designate will act as the Auditor-General in his absence.

This change means the Manager Corporate Services is responsible for all the administrative functions of the Office and the Directors of Audit have increased responsibilities in relation to audit services. As a result of this restructure the Directors of Audit are now employed on a contractual basis.

ORGANISATION CHART

Tasmanian Audit Office
Organisation Chart



KEY MANAGEMENT PERSONNEL

The key management personnel are listed below:-

AUDITOR-GENERAL



Dr A J McHugh

Bsc (Hons) (University of Sydney)
PhD (University of Sydney)
BA (Macquarie University)
FCPA

Responsibilities: The Auditor-General is responsible for the conduct of auditing the financial affairs and activities of around 130 public sector organisations. The principle is to improve accountability and encourage economic, efficient and effective use of public resources in Tasmania.

MANAGER CORPORATE SERVICES



D J Strong

B Bus (University of Tasmania)
ASA MACS PCP

Responsibilities

Include functions associated with being the Office's principal accounting officer, human resource manager and information resource manager (including records management and information technology).

DIRECTORS OF AUDIT



L M Collis
CPA

Also Deputy Auditor-General



D W R Baulch
FCPA



E De Santi
B Bus (University of Tasmania)
CPA

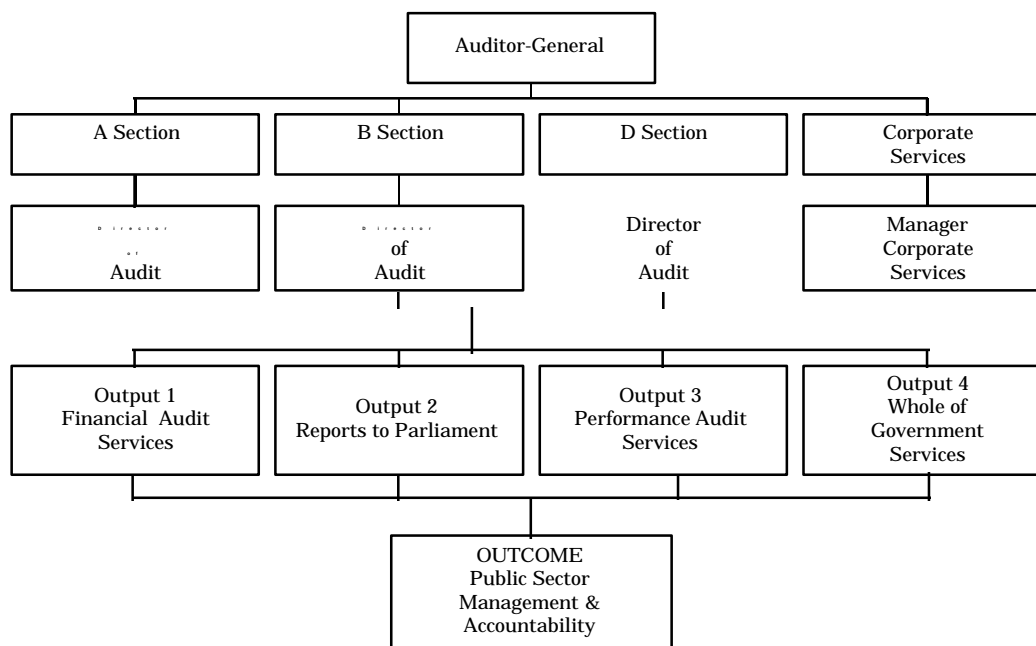
Responsibilities

Provide high level policy advice to the Auditor-General; manage, supervise and instruct staff of their audit section in accordance with contemporary audit practices; to supervise the production of audit programs and to ensure adherence to time and cost budgets; and to provide a consultative service to the executive management of auditee organisations.

RELATIONSHIP BETWEEN THE OFFICE'S CORPORATE STRUCTURE AND OUTPUTS

The corporate structure of the Office is such that the outputs produced are not produced by any one business unit (section) within the Office. The production of the outputs defined under the corporate plan (refer to page 23) is spread across the three audit sections within the Office.

This relationship between the corporate structure and the production of outputs is diagrammatically represented below.



PROFILE OF THE OFFICE

CHARTER

The Office is part of the accountability mechanism whereby the Parliament holds the Government accountable for fulfilling its responsibilities.

The Government is obliged to account to taxpayers, through the Parliament, for its management of public funds. 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.

In other words, government programs should be managed in a manner which represents value for money for the taxpaying community.

Ministers of Parliament are responsible for overseeing operations in the public sector and to do so effectively they must have the necessary information supplied to them by the Government. The information supplied needs to be examined by a suitably qualified independent person to ensure that it is sound, accurate and complete.

Under our system of government, the person with major responsibility is the Auditor-General.

The public sector is involved in revenues and outlays totalling many millions each year providing an extensive range of services for all Tasmanians. The Auditor-General's Reports to the Parliament provide an assessment of whether the services have been provided to the public economically, efficiently and effectively. The Reports also contain recommendations to the Parliament and the Government on ways to improve resource management, such as reducing waste and eliminating inefficient practices.

OUTLINE OF OPERATIONS

Under the Financial Management and Audit Act 1990, the Auditor-General may appoint officers within the Tasmanian Audit Office or private sector audit firms to perform audits of public bodies as specified. The Audit Office is staffed by people who are qualified in accounting or economics and are skilled in auditing. Private sector audit firms have been engaged as agents of the Auditor-General.

The Auditor-General's principal aim is to improve accountability and encourage economic, efficient and effective use of public resources in Tasmania.

The Auditor-General is responsible for auditing the financial affairs and activities of around 130 public sector organisations including the Parliament; government departments; public bodies; business enterprises; superannuation funds; health services; educational institutions, including the university; municipal councils, marine boards and water authorities. Audit findings and recommendations address:-

- improvements in management practices and systems of government organisations;
- fair presentation of financial statements; and
- compliance with legislative and other requirements.

ROLE OF THE AUDITOR-GENERAL

The system of democratic government which Australia enjoys grew in part from a demand by the people that they have some form of control over funds they provide to those who govern them. Our parliamentary form of government requires that the Government of the day, before it collects or spends

public monies, must have the express approval of Parliament, the representatives of the people. Just as importantly, the Government must also account for its handling of the funds entrusted to it.

To assist Parliament in holding the Government to account, the Auditor-General is empowered to examine the accounts of the Treasurer, Government departments and public bodies. The accounts are audited by a qualified, independent person to ensure that the information supplied is accurate and complete. As a result of the audits undertaken and the subsequent reporting process, Members of Parliament are provided with information which assists them to judge whether the Government has spent public funds for the purposes authorised by Parliament and that public resources are used economically, efficiently and effectively.

The Auditor-General, therefore, plays an important role in the process by which Tasmanians are governed.

TASMANIAN AUDIT OFFICE

The statutory office of the Tasmanian Auditor-General is established by the Financial Management and Audit Act 1990. The Audit Office supports the Auditor-General in meeting his statutory responsibilities, and the Auditor-General is the administrative head of the Office. In addition, the Auditor-General may engage private sector audit firms as his agents.

AUDIT INDEPENDENCE

The Audit Office is a part of the legislative branch of the system by which we are governed, but is not a part of the Government itself. This independence from the Executive Government of the day and the state service is vital if the Audit Office is to perform its work effectively and make independent and unbiased judgements.

The Auditor-General is an independent Officer appointed under legislation to examine, on behalf of the Parliament and Tasmanian taxpayers, the management of resources within the public sector.

The Auditor-General is not subject to control or direction either by the Parliament or the Government.

The independence of the Auditor-General is assured by wide powers assigned by legislation.

This independence ensures that findings which arise from a range of financial and wider performance audits are communicated regularly to the Parliament without interference, fear or favour.

LEGISLATION

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

The Auditor-General is responsible for audits under the Financial Management and Audit Act 1990, Government Business Enterprises Act 1995 and other Tasmanian Acts. The Auditor-General also has responsibilities in respect of Commonwealth grants and payments to the State under Commonwealth legislation.

THE AUDIT MANDATE

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

This mandate provides the Auditor-General with a basis, not only for the provision of audit reports on the financial statements of public bodies, but also for bringing to the attention of Parliament cases of waste, mismanagement, non-compliance and fraud.

Description of Audit Types

The Auditor-General, when carrying out his audit responsibilities, conducts two types of audits, classified as financial audits and performance audits.

Any audit assignment which relates to forming an opinion on the annual financial statements of a public sector entity is a financial audit. These audits provide independent assurances to the Parliament and the community that the information presented in financial statements of public sector entities is presented fairly in accordance with Australian Accounting Standards.

A performance audit is an audit that deals with any aspects of an organisation's effectiveness, economy, efficiency or compliance with relevant legislation.

Financial audits are carried out by qualified auditors or by private sector practitioners acting as contractors for the Auditor-General. These audits are conducted using a risk-based audit methodology which involves designing an audit program to address organisational risks and management controls. The financial audit methodology requires extensive use of audit software during the planning, testing and evaluation phases, together with the use of data analysis packages. These facilities ensure that the audits are conducted in the most efficient manner and that opinions formed on financial statements are provided on a timely basis.

Performance audits extend beyond the examination of the financial affairs and transactions of a government agency to encompass issues of significance to the community such as health, safety and the environment.

Performance audits are carried out using a specially developed methodology which is constantly reviewed.

The audit process begins with the planning phase which identifies the issues to be examined, timing, objectives, approach to be used and the resources required.

The next stage of an audit involves the systematic gathering, analysis and testing of information. Modern audit techniques (including the application of computer technology) are used to examine and evaluate information, develop conclusions and make constructive recommendations as required.

The results of all audit reviews are discussed with, and formally communicated to, senior management of audit clients. The audit process culminates in the presentation of an audit report to the audit client, with the more significant issues included in Auditor-General's Reports to the Parliament.

Reports to Parliament

The tabling of Auditor-General's Reports in the Parliament sometimes generates considerable parliamentary and community debate and attracts attention from the media.

The Reports highlight issues requiring the attention of the Parliament or the Government, and can also contain recommendations to assist audit clients to improve their management and increase their operational effectiveness.

The Auditor-General does not have the authority to implement recommendations made in Reports - that is the role of the Parliament or the Government.

SCOPE OF ACTIVITIES

AREAS OF OPERATION

The activities of the public sector are divided into two main areas, generally referred to as the budget and non-budget sectors:-

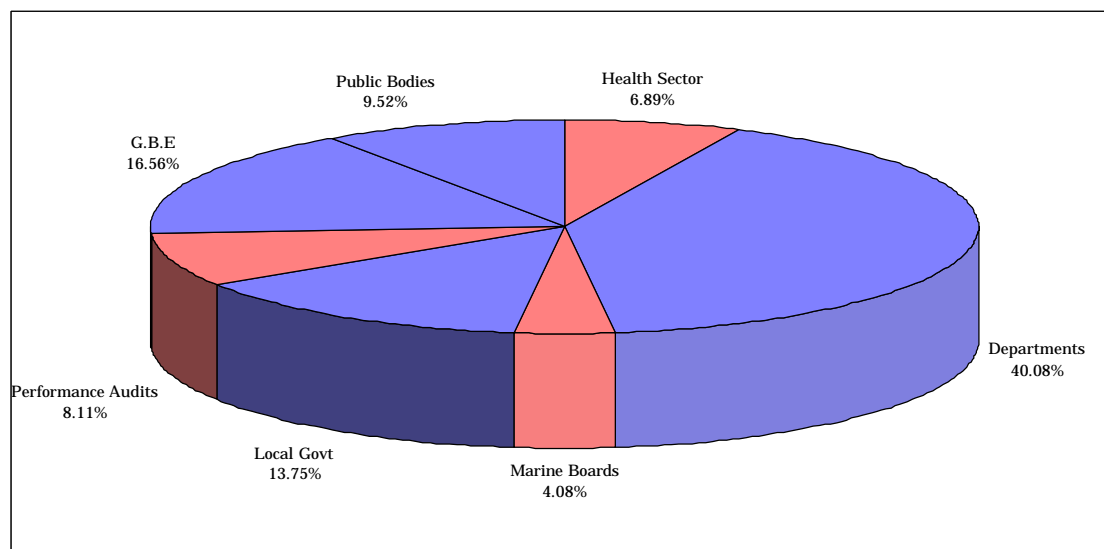
- The budget sector includes most Government departments. These departments are funded by way of annual appropriations and their financial operations have been processed through a centralised accounting system. From 1996-97 they will operate through a decentralised accounting system and the Public Account Reporting System operated by the Department of Treasury and Finance.
- The non-budget sector includes the remaining Government departments and a large number of public bodies, many of which are established by special legislation. These bodies have greater financial autonomy and are not generally funded by parliamentary appropriations, but are required in the main to individually report on their activities to Parliament.

AUDIT RESPONSIBILITIES OF THE OFFICE

As at 30 June each year, the Auditor-General had specific responsibility for issue of audit opinions for auditees as follows:-

	1992	1993	1994	1995	1996
Appropriations from the Public Account to His Excellency the Governor's Establishment, Legislative Council, House of Assembly and Legislature-General.	4	4	4	4	4
Departments including branch offices, schools, technical and further education colleges and courts located throughout Tasmania	15	14	14	13	13
Marine Boards and Port Authorities	7	7	7	7	7
Local Government Authorities	46	29	29	29	29
Regional Health Boards which control public hospitals	3	3	3	3	3
Government Business Enterprises	25	23	24	20	20
Other public bodies including water, trading, registration, superannuation, marketing and other authorities.	73	68	46	50	56
TOTAL	173	148	127	126	132

ALLOCATION OF IN-HOUSE AUDIT TIME - 1996



AUDIT REPORTS

Audit reports issued in the last 3 years are tabulated below.

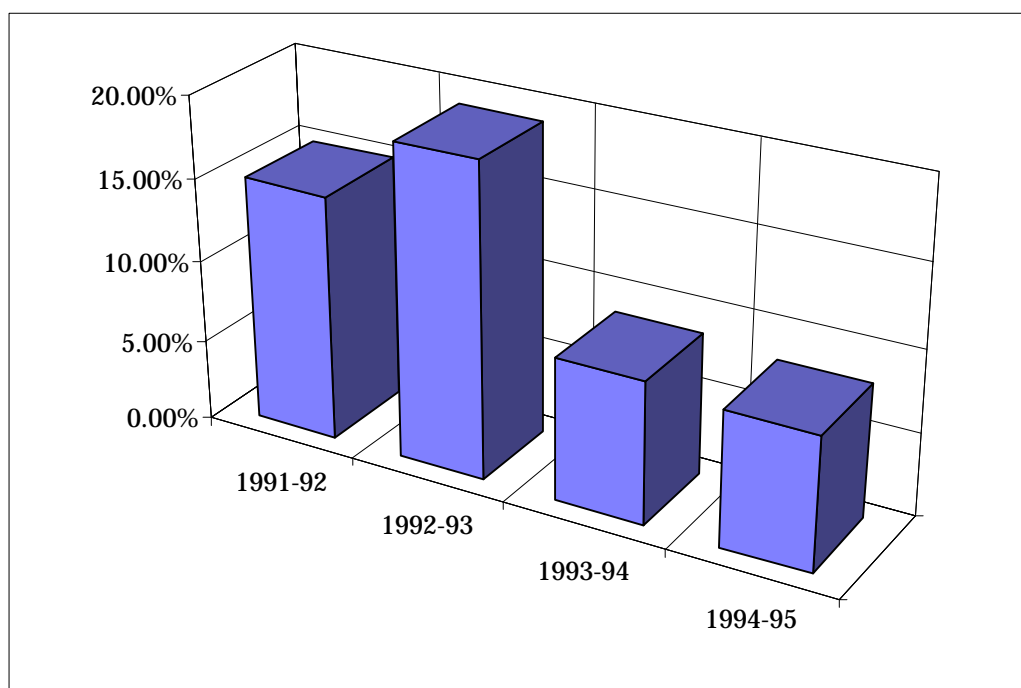
	1992-93	1993-94	1994-95
Audit reports	196	146	144
Reports on special purpose grants	7	9	9
Reports to Insurance and Superannuation Commission	6	6	6
	<u>209</u>	<u>161</u>	<u>159</u>
Qualified reports	40	14	13

Note that the total number of audit reports issued exceeded the number of auditees stated on the previous page because, in some cases, more than one report is issued.

The large reduction between 1992-93 and 1993-94 in the number of financial audit reports issued was due to local government amalgamations and the non-audit of student hostels, TAFE student residences and drainage trusts.

The number of qualified reports decreased slightly between 1993-94 and 1994-95. However four of the current year qualifications referred to problems in the comparative figures only. Allowing for this circumstance, there has been a marked increase in compliance with accounting standards over the 3 periods.

Number of Qualified Audit Reports Issued Expressed As A Percentage Of Total Audit Reports Issued



AUDITS CONTRACTED OUT

Fees for financial audits that have been contracted out for the 1995-96 audit cycle represent 5.86% of the fees raised for that year (1994-95, 5.75%)

Audits that the Auditor-General contracts out require the contract auditors to undertake all facets of the audit, subject to review by the Auditor-General. Draft audit reports and draft management letters are prepared by the contract auditor; the final reports are issued by the Auditor-General.

LOCAL GOVERNMENT AUDITS

Section 85 of Local Government Act 1993 provides:-

- "(1) The accounts and financial reports of a Council are subject to the Financial Management and Audit Act 1990.
- (2) The accounts and financial reports of the Council may be audited by private auditors with the approval of, and subject to any terms and conditions determined by the Auditor-General".

In consultation with the Minister for Local Government, terms and conditions were developed for Councils to use private sector auditors. Those terms and conditions included provision for:-

- the establishment of a register of interested firms wishing to provide auditing services to councils. To be included in the register, auditors were required to establish that they were:-
 - registered under the Corporations Law to provide audit services and
 - possessed a public practice certificate issued by the Australian Society of Certified Practising Accountants or the Institute of Chartered Accountants.
- entering into a tripartite contract between Council, the private sector auditor and the Auditor-General. One of the provisions of this contract is that the Council agree to pay to the Auditor-

General an amount equal to 15% of the agreed audit fee by way of a supervision and regulatory fee; and

- a contract period of 3 years.

For contracts relating to the audit of accounts with years ending 30 June 1997 or later, the terms and conditions relating to the 15% supervision and regulatory fee have been amended to include the following:

“The Auditor-General reserves the right to re-negotiate the percentage with Council where it can be demonstrated that it is not sufficient for the Auditor-General to cover his or her costs”.

While the above terms and conditions enable Councils to use private sector auditors to conduct the financial statement audit, the system provides that the working papers of the private auditors are subject to review by the Office and for the report on the financial statements to be issued by the Auditor-General.

As noted on page 59 of my Report No. 2 of 1995 “Government Departments and Public Bodies”, in the case of each audit conducted by private sector auditors for 1994-95 a number of issues were referred to the auditor for further action and that in a number of cases alterations were required to the financial statements.

To assist the private sector auditors involved in Council audits, an annual meeting is held with them to discuss and resolve matters raised by Councils and by the private sector auditors in relation to general accounting and asset recognition issues.

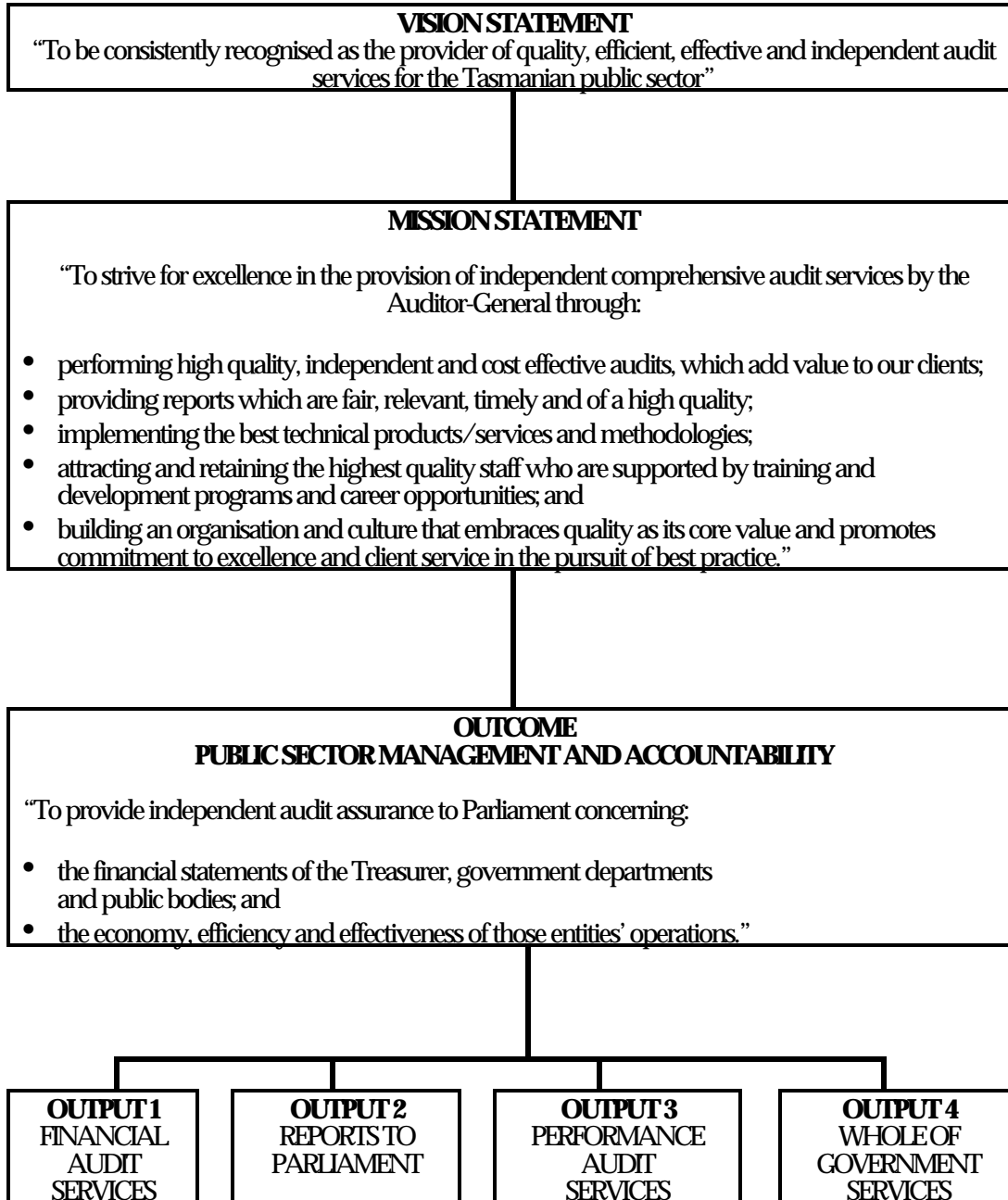
A transitional arrangement was implemented whereby in the three years commencing 1 July 1994, one third of Councils throughout the State had the opportunity to engage private sector auditors.

The position in respect to the three years of transitional arrangements is as follows: -

	1st year (audits for 1994-95 - 1996-97)	2nd year (audits for 1995-96 - 1997-98)	3rd year (audits for 1996-97 - 1998-99)
• Number of Councils	9	10	10
• Audits awarded to the private sector	6	3	2
• Audits to be conducted by the Auditor-General	3	7	8

As contracts expire, Councils will again have the option of retaining/reappointing the Auditor-General or calling tenders for the conduct of their financial statement audits for a further three year period.

CORPORATE PLAN



OUTPUT 1 - FINANCIAL AUDIT SERVICES

Financial attest and regularity audits of the accounts of the Treasurer, government departments and public bodies.

OBJECTIVES

The Auditor-General has a statutory responsibility to conduct financial audits of public sector entities and to provide each entity with an independent audit report on its financial statements.

GOAL

Audit reports to be prepared without delay, by a quality process, in an efficient manner.

PRODUCTION SYSTEM

Staff and private sector contractors conduct interim and final audits with the aim to provide all auditees with an audit report within four months of the end of their financial year.

PERFORMANCE INDICATORS

QUANTITATIVE	TARGET	ACTUAL
Percentage completion of 1994-95 financial statement audits by 31 October 1995	80%	78% (Based on hours) 73.5% (Based on audits)
Percentage of audit reports for the financial statements of the 12 largest audits (based on audit fees) completed within 10 working days of the signature of Board/Head of Agency	100%	75%
Reduction in real terms of audit fees for retained audits for 1995-96 relative to 1994-95	1%	4.83%
QUALITATIVE		
Confirmation through a quality control procedure including independent reviews, that audits have been conducted in accordance with audit standards and other guidelines	The Australian National Audit Office conducted a review and the results are detailed on page 57	
	TARGET	ACTUAL
FINANCIAL		
Budget (Cash)	\$'000	\$'000
Expenditure	2 679	2 702
Revenue	2 844	2 894
FTE	37.00	31.07

EVALUATION OF PERFORMANCE

The Office over the years has been continuously improving the earlier completion of financial statement audits; 46% by 31 October in 1991-92 to 78% in 1995-96, and issuing audit reports to auditees. This has resulted in a reduced overruns in time to complete audits and an increased work in progress percentage completion as at 30 June.

The Office will attempt to increase this percentage over the next two years with the aim of earlier issuing of audit reports. To achieve this result auditees will need to meet strict time schedules and produce quality financial statement workpapers. The Office wishes to encourage the production of quality workpapers and has initiated an annual award for the best workpapers commencing in 1996-97 for 1995-96 financial statements.

Specific Comments on Performance Indicators**Percentage Completion by 31 October 1995**

Government Departments and Authorities have to provide copies of their financial statements to this Office by 31 August. There is therefore only a short time span to achieve this objective. Any delays in the receipt of statements, or problems encountered during the audit will affect the ability of this Office to meet the target date. In 1994-95 a number of signed financial statements were not received by the due date, in fact 30 signed financial statements had not been received by 31 October 1995.

As reported in previous years, some of the reasons for non-certification of audits by the target date include the following:-

- unresolved issues,
- late submission of financial statements,
- poor quality of workpapers, and
- difficulties of contracting in local government.

Audit Reports for the 12 largest audits

The reason for setting this target is to provide an indicator of the level of service supplied to those auditees (40% of the financial audit workload) and to assist the Audit Office in meeting its associated target of percentage of audits completed by 31 October.

The completion of the audits within 10 working days of the availability of the signed financial statements is a difficult target to meet and requires employees to work considerable overtime, and all queries/problems need to be resolved in a limited time. For this target to be met it requires the co-operation and assistance of the staff of the auditees. The 1994-95 target was increased by 20% on 1993-94.

Real terms index of audit fees for retained audits

The Office was able to deliver a \$13 685 (0.55%) nominal reduction in audit fees for retained audit fees for 1994-95. Total fees for these audits where the audits are retained and which require equivalent work to the previous year were \$2 476 475.

Audit fees are determined in October each year and the CPI rate used in determining audit fees is that for the year ended 30 September. For the year ended 30 September 1995 the rate was 4.5%. Therefore the reduction in audit fees in real terms is \$125 742 or 4.83%.

OUTPUT 2 - REPORTS TO PARLIAMENT

Reports presented to Parliament are on the results of the audit of the Public Account, Public Sector entities, and any other significant items as they become apparent during the year.

OBJECTIVES

Provide Parliament with independent assurance on the financial statements of Government Departments and Public Bodies, and information on significant matters relating to the financial performance of the entities. Provide assurance that all material non-compliance issues are noted and independent information on funds expended from the Public Account. Relate any significant matter on the Public Account which requires the attention of Parliament.

GOAL

To table the Office's Annual Report, Report on the Public Account and Report on Ministerial Portfolios in Parliament by the prescribed tabling dates.

PRODUCTION SYSTEM

Financial audit conducted on the accounts of Public Sector entities to ensure the financial statements comply with applicable legislation and Australian Accounting Standards. The audit of the Public Account provides Parliament with an independent assurance that funds have been expended as authorised by Parliament. The Auditor-General's Reports identify any significant items of non-compliance and public interest.

PERFORMANCE INDICATORS

	TARGET	ACTUAL
QUANTITATIVE		
Provide the Office's Annual Report to the Minister for tabling	31 July 1995	31 July 1995
Tabling of the Report to Parliament on the Public Account simultaneously with the tabling by the Treasurer	Estimated 15 September 1995	28 September 1995
Tabling of the Report on Ministerial Portfolios	30 November 1995	22 November 1995
QUALITATIVE		
Report to Parliament on the independent review of performance audits conducted on the Office	30 June 1996	Not concluded
	TARGET	ACTUAL
FINANCIAL		
Budget (Cash)	\$'000	\$'000
Expenditure	75	47
Contribution from Consolidated Fund	75	47
FTE	1.5	0.5

EVALUATION OF PERFORMANCE

As in previous years the Office has been able to meet its statutory tabling dates. Some of the target dates under the performance indicators are self imposed.

Specific comments in relation to some of the performance indicators are provided below:

Tabling of the Report on the Public Account

The target date set was subsumed by tabling of the Office's Report with the Treasurer's Financial Statements on 28 September 1995.

Report to Parliament on the independent review of performance audits

The independent review of performance audits has been delayed for reasons outside the control of this Office. Agreement to proceed was reached in July 1996 and it is expected the review will be concluded by December 1996.

OUTPUT 3 - PERFORMANCE AUDIT SERVICES

Performance Audits of the economy, efficiency and effectiveness of selected aspects of Public Sector entities' activities and the results are reported to Parliament.

OBJECTIVES

To provide assurance as to the economy, efficiency and effectiveness achieved by the management of Public Sector entities.

GOALS

Completion of Performance Audits within aggregate and individual approved time-frames, costs and resource budgets.

Table all Reports by August 1995 on Performance Audits funded from the 1994-95 Appropriation.

PRODUCTION SYSTEM

The activities of selected Public Sector entities are examined by auditors and contracted consultants (if required) and the results reported to Parliament.

PERFORMANCE INDICATORS

	TARGET	ACTUAL
QUANTITATIVE		
Table all performance audits approved in 1994-95 by	31 August 1995	
Heritage Collection Management		30 August 1995
Office Accommodation Management		15 September 1995
Recording and Reporting by Government Departments of their Non-Current Physical Assets		19 September 1995
Tendered Works		21 November 1995
Nursing Costs in Tasmania		30 April 1996
Report to Parliament on the audit of Performance Indicators in Government Departments by	31 May 1996	18 June 1996
Aggregate cost of performance audits at least equal to funding from appropriation	\$246 000	\$279 623

	TARGET	ACTUAL
FINANCIAL		
Budget (Cash)	\$'000	\$'000
Expenditure	246	280
Contribution from Consolidated Fund	246	268
FTE	5.00	2.35

EVALUATION OF PERFORMANCE

In the section Year in Review on page 3 comments have been provided on each individual performance audit carried out by this Office.

With the exception of the performance audits for Tendered Works and Nursing Costs, the final draft reports were completed by the end of July 1996. The tabling of the reports in September 1995 instead of August was due to

- the time taken to receive comments from agencies on the draft reports,
- the printing time, and
- on a decision not to table the reports in August during the budget for 1994-95.

In relation to the performance audit of Tendered Works the sign off to commence the audit was given on 30 May 1995. A draft report was circulated for comment to the relevant agencies on 6 October and the final response was received on 3 November and the report was subsequently tabled on 21 November 1995.

In relation to the Nursing Costs performance audit, the following circumstances prevailed to delay its tabling:-

- further consultation with interested parties;
- data verification;
- no Parliament sitting due to the state election; and
- the Port Arthur tragedy.

The Nursing Costs performance audit used contractors to perform most of the work and this accounts for most of the discrepancies between the target FTE and actual figures.

OUTPUT 4 - WHOLE OF GOVERNMENT SERVICES

Providing representation on and making representations to committees of the Parliament and entities.

Conduct special investigations in the "Public Interest".

OBJECTIVES

To provide advice to Government and Public Sector entities by representation on committees, and conducting Special Investigations.

GOAL

To actively participate on committees at the request of government departments and provide commentary on major accountability issues.

PRODUCTION SYSTEM

The provision of staff to represent this Office on committees and conduct special investigations.

PERFORMANCE INDICATORS

	TARGET	ACTUAL
QUANTITATIVE		
Conduct special investigations as requested	Not specified	1
Provide representation on committees	Not specified	9
	TARGET	ACTUAL
FINANCIAL		
Budget (Cash)	\$'000	\$'000
Expenditure	31	45
Contribution from Consolidated Fund	31	45
FTE	.5	.46

EVALUATION OF PERFORMANCE

From time to time the Office is requested to carry out investigations into various issues. It is difficult to ascertain in advance whether these issues will lead to any particular result or action. Nevertheless it is a service over which the Office has little control, but does deal with issues that need to be addressed to the Government and agencies.

LEGISLATION ADMINISTERED

Financial Management and Audit Act 1990 in so far as it relates to audit except for the office of Auditor-General and the appointment of an auditor to perform an audit of the financial statements relating to the Tasmanian Audit Office.

MAJOR DOCUMENTS PRODUCED

	Copies Printed	Production Cost \$	Printing Cost \$	Total Cost \$
Special Report No 9 - Heritage Collection Management	155	42 665	650	43 315
Special Report No 10 - Office Accommodation Management	155	35 734	640	42 374
Special Report No 11 - Recording and Reporting by Government Departments of their Non-Current Physical Assets	155	41 491	610	42 101
Special Report No 12 - Tendered Works	155	64 304	766	65 070
Special Report No 13 - Nursing Costs in Tasmania	285	121 750	11 421	133 171
Special Report No 14 - Review of Performance Indicators in Government Departments	185	51 921	544	52 465
Annual Report of the Office	235	8 709	2 288	10 997
Report No 1 - Public Account	135	146	310	456
Report No 2 - Government Departments and Public Bodies	260	38 109	2 076	40 185

Note:

¹ The audit of the public account has in addition to the cost of reporting an audit fee of \$82 000.

CORPORATE SERVICES

OVERVIEW

The Corporate Services Section comprises of the following functional units:-

Human Resource Management
Computer Services and Support
Finance and Administration
Executive Support

There are six full-time equivalent staff employed.

OBJECTIVES

Human Resource Management

Provides support and advice to management and staff of the Tasmanian Audit Office on all issues concerning the management of people at work and delivers a range of services directed at providing the Tasmanian Audit Office with a highly skilled, motivated and productive workforce.

Computer Services and Support

Provides IT related services to all areas of the Tasmanian Audit Office and also contributes to the development of policies, procedures and standards involving information technology issues.

Finance and Administration

The principal responsibilities are:-

- preparation and on-going management of the Tasmanian Audit Office budget;
- payment of accounts and processing of receipts;
- payment of salaries and maintenance of the leave management system;
- records management and office communications, and
- provision of accommodation, equipment and office stationary.

Executive Support

Provides the Executive management of the Office with Secretarial support and services.

During the year the section undertook the following major tasks:

Implementation of a New Human Resource Management System

In September 1995, the Office commenced paying its staff by using its in-house payroll system. This has provided the Office with greater flexibility in terms of determining the timetable for producing the payroll as against the regimented processing timetable of PAYSTAT.

This system has also automated the leave management processes of the Office.

Outputs Methodology

The introduction of the outputs methodology has resulted in the Office fine tuning its cost allocation processes to ensure the costs are recorded as accurately as possible against outputs.

Treasury Financial Reporting Systems

With the decision to decentralised financial systems, and the requirement to provide financial information to Treasury on a cash and accrual basis required the development of interfaces to pass the information electronically and a reorganisation of financial information with the Office's financial system.

Information Technology

During the year the Office commenced upgrading its network to achieve an enterprise network between its Hobart and Launceston Office.

A home page was developed so that information produced by the Office such as Reports to Parliament were available to the public at large. The address of the home page is detailed on the inside of the Report cover.

Annual Report

The section was able to meet its objective of producing its annual report for 1994-95 by 31 July 1995. A pleasing result was the Office winning the award for the best annual report from the Tasmanian Branch of the Royal Institute of Public Administration of Australia.

Recycling

The Office is committed to using recycled products, and providing materials for recycling to the Hobart City Council.

HUMAN RESOURCE MANAGEMENT

STAFFING INFORMATION

STAFF RECRUITMENT

Appointments were made to temporary vacant positions from applications received during 1995-96. Details are as follows:-

	Total	Male	Female	State Service	Non-State Service
Appointments	2	2	-	-	2
Applications	10	8	2	2	8

All field audit staff appointed to positions in the Office during the year possessed accounting qualifications.

STAFF RECRUITMENT AND TURNOVER

The rate of staff turnover in the Office is always of concern. However, it is recognised that if employees leave the Office and remain in the State Service the benefit of their experience is not lost to the Government. The reduction in staff numbers is also reflective of the efficiency of the Office, requiring less staff to perform its functions.

Employment statistics are represented as full-time equivalents and are detailed below.

	1991-92	1992-93	1993-94	1994-95	1995-96
Permanent Employees 1 July	63.5	58	59	47.5	42
Losses					
Redundancy	.5	-	5	-	-
Retirements	3	2	2	3	1
Resignations	4	3	7	3	4
Promotions (Other Agencies)	2	2	5	3	1
Deaths	-	1	-	-	-
	-9.5	-8	-19	-9	-6
Gains					
State Service	-	-	-	1	-
Non-State Service	4	9	7.5	1.5	-
Conversion from Temporary to Permanent	-	-	-	1	1
	4	9	7.5	3.5	1
Total Permanent Employees	58	59	47.5	42	37
Plus temporary employees	0	0	2	2	3
Number Employed 30 June	58	59	49.5	44	40
% change per year	(8.7)	1.7	(16.1)	(11.1)	(9.1)
% cumulative change - 1/7/91	(8.7)	(7.1)	(22.0)	(30.7)	(37.0)

STAFF BY CATEGORY

	30 June 92	30 June 93	30 June 94	30 June 95	30 June 96
Executive Management	7	7	6	6	5
Managers	7	5	6	5	5
Audit Staff	37	40	32	28	25
DP Support Staff	2	2	2	1	1

Administration Staff	5	5	3.5	4	4
	58	59	49.5	44	40
Average Staff for the year	60.82	61.15	54.25	46.17	40.96

STAFF AGE PROFILE - HEAD COUNTS

	30 June 1994		30 June 1995		30 June 1996	
	Male	Female	Male	Female	Male	Female
15-19 years	0	0	0	0	0	0
20-24 years	4	4	4	2	4	0
25-29 years	5	3	7	3	7	2
30-34 years	6	1	4	2	2	2
35-39 years	6	0	4	1	5	1
40-44 years	3	0	2	0	2	0
45-49 years	8	2	4	2	4	2
50-54 years	8	0	9	0	9	0
55-59 years	1	0	0	0	0	0
60-99 years	1	0	1	0	1	0
TOTALS	40	10	35	10	34	7
AVERAGE AGE	40.39	30.30	39.66	32.04	39.93	35.89

STAFF SALARY PROFILE - HEAD COUNTS (FTE SALARY)

	30 June 1994		30 June 1995		30 June 1996	
	Male	Female	Male	Female	Male	Female
< \$19 000	0	0	0	0	0	0
\$19 001 - \$23 000	0	0	0	0	0	0
\$23 001 - \$27 000	7	3	5	3	1	1
\$27 001 - \$31 000	2	2	2	2	4	2
\$31 001 - \$35 000	3	0	2	0	5	1
\$35 001 - \$40 000	6	5	6	3	4	0
\$40 001 - \$45 000	10	0	9	2	10	3
\$45 001 - \$50 000	3	0	1	0	0	0
\$50 001 - \$55 000	3	0	5	0	5	0
\$55 001 - \$60 000	4	0	3	0	1	0
\$60 001 >	2	0	2	0	4	0
TOTALS	40	10	35	10	34	7
AVERAGE SALARY	42 258	31 928	43 056	33 127	44 299	34 947

STAFF TURNOVER - HEAD COUNTS

	30 June 1994		30 June 1995		30 June 1996	
	Male	Female	Male	Female	Male	Female
Redundancy	4	1	0	0	0	0
Retirements	1	1	3	0	1	0
Promotions to other agencies	4	1	3	0	0	1
Deaths	0	0	0	0	0	0
Resignations	6	1	3	0	2	2
TOTALS	15	4	9	0	3	3

STAFF MOVEMENTS - HEAD COUNTS

	30 June 1994		30 June 1995		30 June 1996	
	Male	Female	Male	Female	Male	Female
Secondments	0	0	0	0	0	0
Leave without pay	0	0	0	0	0	0
TOTALS	0	0	0	0	0	0

STAFF AWARDS - FULL-TIME EQUIVALENTS

	30 June 1994		30 June 1995		30 June 1996	
	Male	Female	Male	Female	Male	Female
Clerical Officers Award No S081	38	10	33	9	30	6

Contract	2	0	2	0	4	0
TOTALS	40	10	35	9	34	6

EQUAL EMPLOYMENT - HEAD COUNTS

	30 June 1994		30 June 1995		30 June 1996	
	Male	Female	Male	Female	Male	Female
Disabilities	0	0	0	0	0	0
Aboriginal & Torres Strait Islanders	0	0	0	0	0	0
Non English Speaking Background	0	0	0	0	0	0
TOTALS	0	0	0	0	0	0

STAFF RECRUITMENT - HEAD COUNTS

	30 June 1994		30 June 1995		30 June 1996	
	Male	Female	Male	Female	Male	Female
From within State Service	0	0	1	0	0	0
Non-State Service	7	2.5	3	.5	2	0
TOTALS	7	2.5	4	.5	0	0

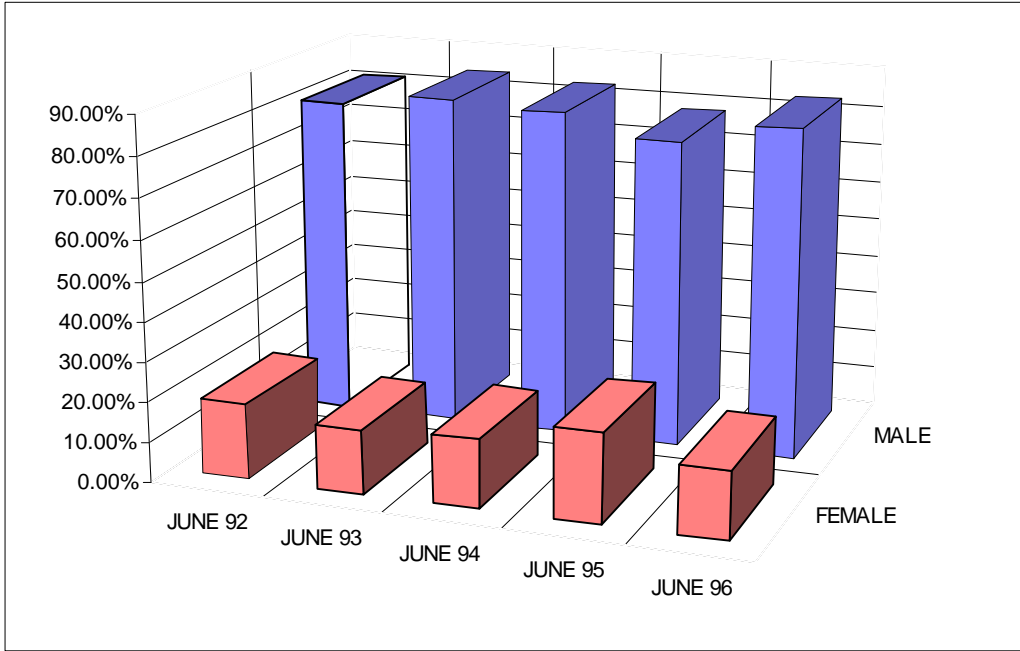
STAFF CATEGORIES - HEAD COUNTS

	30 June 1994		30 June 1995		30 June 1996	
	Male	Female	Male	Female	Male	Female
Prescribed	1	0	1	0	1	0
Permanent Full-Time	37	8	31	8	28	5
Permanent Part-Time	0	1	0	2	0	2
Full-Time Temporary - S38(1)(a)	1	1	1	0	2	0
Part-Time Temporary - S38(1)(a)	0	0	0	0	0	0
Full-Time Temporary - S38(1)(b)	1	0	2	0	3	0
Part-Time Temporary - S38(1)(b)	0	0	0	0	0	0
Casual	0	0	0	0	0	0
TOTALS	40	10	35	10	34	7

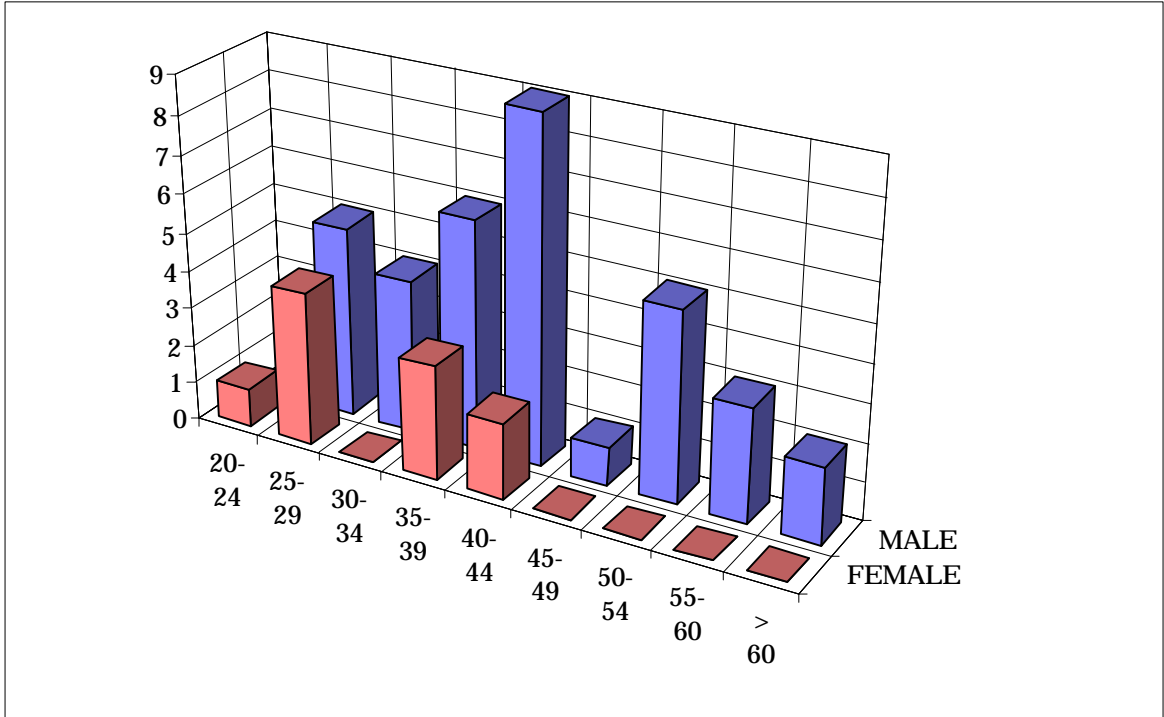
STAFF CATEGORIES - FULL-TIME EQUIVALENTS

	30 June 1994		30 June 1995		30 June 1996	
	Male	Female	Male	Female	Male	Female
Prescribed	1	0	1	0	1	0
Permanent Full Time	37	8	31	8	28	5
Permanent Part Time	0	.5	0	1	0	1
Full-time temporary - S38(1)(a)	1	1	1	0	2	0
Part-time temporary - S38(1)(a)	0	0	0	0	0	0
Full-time temporary - S38(1)(b)	1	0	2	0	3	0
Part-time temporary - S38(1)(b)	0	0	0	0	0	0
Casual	0	0	0	0	0	0
TOTALS	40	9.5	35	9	34	6

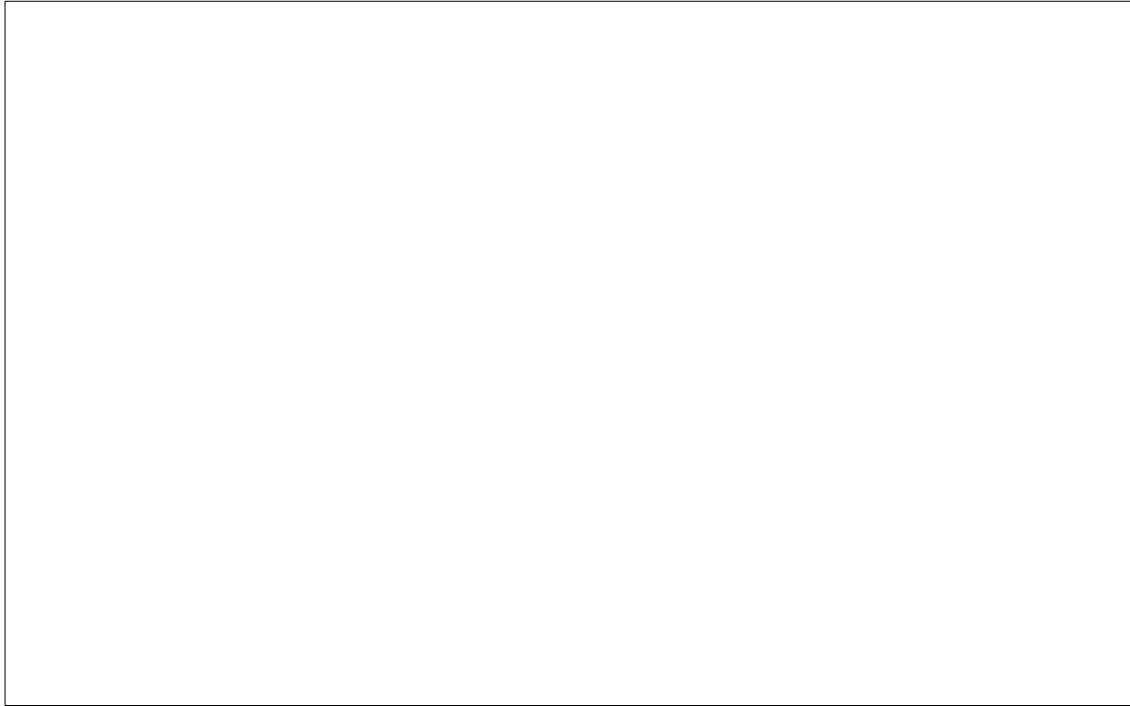
% Total Staff By Gender For The Period June 92 To June 96



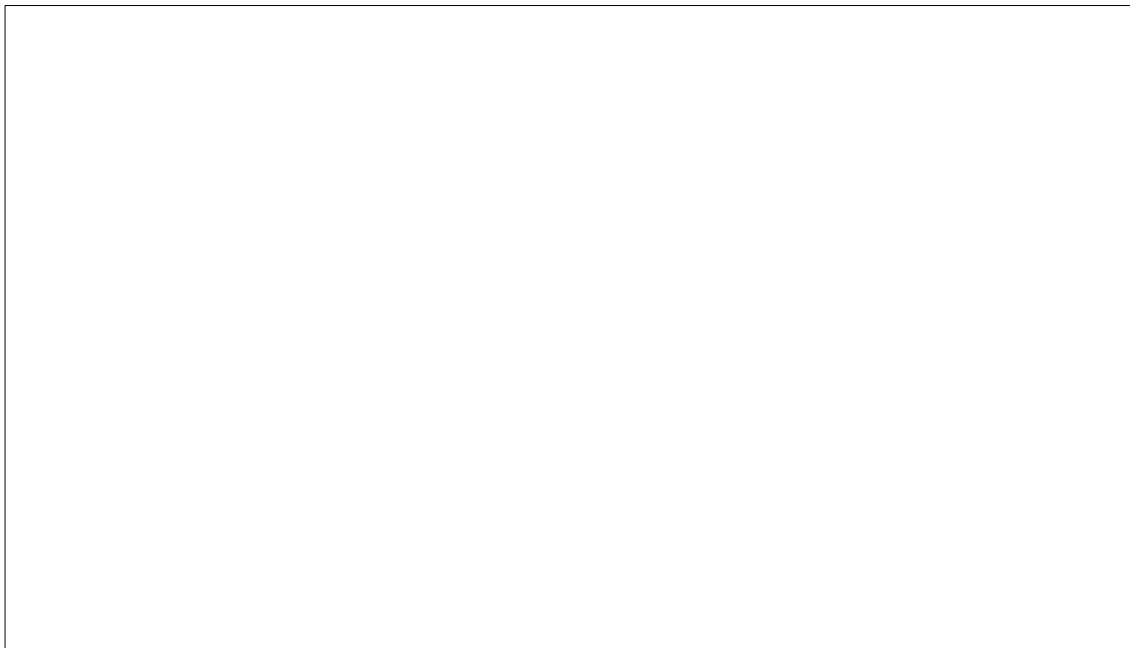
Number Of Staff By Gender By Salary Range (\$'000) as at 30 June 1996



Breakdown Of Staff By Age And Gender as at 30 June 1996



Length Of Employment With The Office as at 30 June 1996



LEAVE MANAGEMENT

SICK LEAVE

	1991-92	1992-93	1993-94	1994-95	1995-96
Full Pay Sick Leave (Days)	259.3	473.5	221.0	252.0	127.1
Half Pay Sick Leave (Days)	1	43.1	22.1	0	0
No pay Sick Leave (Days)	0.2	0	18.0	53.0	0
Total Sick Leave Taken (Days)	230.5	516.6	261.1	305.0	127.9
Average Per Employee (Days)	3.8	8.4	4.1	6.6	3
Number of Officers who took leave in excess of 100 days	n/a	6	3	4	1

ANNUAL AND LONG SERVICE LEAVE

Details of the number of employees where accrued leave credits exceed the statutory limit as at 30 June are as follows:

	1991-92	1992-93	1993-94	1994-95	1995-96
Number of employees where Annual leave credits are in excess of 40 working days as at 30 June	3	2	7	7	13
Number of employees whose Long Service Leave credits are in excess of 100 working days as at 30 June	7	3	9	6	7

Employees are generally required to reduce their annual leave credits to less than 40 working days as at 30 September in each year.

STAFF DEVELOPMENT

Eligible Training Courses and Staff Development Activities

The training statistics are provided below.

Training provided to staff in the year comprised:-

- specialist in-house courses on the implementation of the new audit methodology, changes to accounting concepts and standards and audit standards and practice statements, introduction to general EDP Controls and in the use of specific audit techniques.
- external courses sponsored by the accounting profession and other training institutions.

	External Courses	Internal Courses	Total Hours
Auditing, Accounting and Finance	525	286	811
EDP Auditing	4	100	100
Management and Public Administration	130	1	131
Human Resource Management	17	0	17
Communications and Personal Development	303	353	656
Information Technology	213	218	431
TOTAL	1 188	958	2 146

	1991-92	1992-93	1993-94	1994-95	1995-96
Number of days of training provided	512.7	398.7	370.0	536.2	292.6
Average number of days per employee	8.43	6.52	6.82	11.62	7.15

Study Assistance Policy

The Office encourages staff members to further their professional development by undertaking appropriate courses of study, usually at the University.

Employees attending such courses are deemed to be on duty.

Study assistance may involve employees receiving time off and/or financial assistance. Time off is granted subject to the Office's convenience and the exact nature of the assistance is to some extent dependent on the benefit which the course of study is likely to bring to the Tasmanian State Service.

There have been a number of instances in previous years of staff members applying for leave without pay to pursue their studies at University on a full time basis. The Office has made every effort to meet the needs these staff.

The Office's work program and demands now being placed on staff are such that, other than in exceptional circumstances, the Auditor-General will be reluctant to give favourable consideration to applications for leave without pay in the foreseeable future.

Continuing Professional Development (CPD)

The Office encourages staff members to commit themselves to the Australian Society of Certified Practising Accountants professional development program.

Subject to prior approval, staff are allowed time off during working hours to attend seminars. Approval is subject to office convenience and employees will be expected to arrange their development programs so as to keep time off to a minimum.

The Office's contribution towards the cost of continuing professional development courses, seminars, etc (for fees, travel, accommodation and meals) is dependent on funds available and relevance of subjects to the Office's functions.

Graduates within the Office wishing to undertake the CPA Programme, conducted by the Australian Society of Certified Practising Accountants, will be reimbursed 50% of the fees involved upon successful completion of the Programme and the production of appropriate receipts. In addition, the Office will approve an application for one day's study leave, for each subject, prior to CPA examinations.

CPA RESULTS

During the year 10 employees participated in 15 subjects of the CPA Program conducted by the Australian Society of Certified Practising Accountants.

A summary of their results is tabled below.

Pass	Credit	Distinction	High Distinction
4	3	2	6

EQUAL EMPLOYMENT OPPORTUNITY

The Office is committed to non-discriminatory employment policies and practices. The policy statement reflects these policies and practices (detailed below). A committee of staff has the responsibility to oversee the implementation of the policy, prepare annual plans of issues to be addressed and to act as contact persons for staff with any grievances.

EQUAL EMPLOYMENT OPPORTUNITY POLICY

The Tasmanian Audit Office is committed to employment policies and practices which do not discriminate against individuals on the basis of sex, ethnic origin, marital status, physical disability, religion, political opinion or other characteristic. These policies and practices are based on the view that there is no place for such discrimination in a just society which accords dignity to all its members.

Equal employment opportunity is not a luxury; it is an important element in effective and efficient management. Equal employment opportunity is a means of:

- improving efficiency in the Tasmanian Audit Office because, by removing direct and indirect barriers to employment and promotion, it ensures that the best person is available for every job on merit;
- improving the motivation and job satisfaction of employees; and
- ensuring that a diversity of views, talents and skills is available to the Tasmanian Audit Office and Parliament which it serves.

The Tasmanian Audit Office has a commitment to:

- ensure fairness and equity in all employment practices, policies and conditions of service;
- ensure that all recruitment, promotion and selection procedures are non-discriminatory, including the representation of both men and women on selection panels, and the development of position descriptions and selection criteria which canvass the widest possible interpretation of skills and experience relevant to the functions of the Office;
- ensure employees, regardless of sex, marital status, ethnic origin and physical disability have equal access to staff development programmes, job rotation, inter-departmental working groups, secondments, work assignments and other procedures which may expand an employee's range of work experience and enhance career prospects; and
- ensure all conditions of service are applied fairly and equitably to all employees.

INDUSTRIAL DEMOCRACY

A Consultative Committee was established in October 1992, with the aim of providing a forum for management and staff to exchange ideas and information, and consult on issues concerning both parties.

Membership of the Committee at 30 June 1996 was:-

Auditor-General;
Manager Corporate Services;
Staff of the Office (6), and
Representative of the Community and Public Sector Union
(State Public Services Federation Tasmania).

Two meetings were held during the year.

Issues discussed at these meetings included:

- the formation of an Occupational, Health and Safety (OHS) committee,

- the new Agency Negotiation Team for the new industrial agreement,
- the adequacy of office equipment, and
- the three stream award translation process.

It was decided by the members of the consultative committee, that the committee would also be the Office's OHS committee and negotiating team for the new industrial agreement.

During the year there were no days lost due to industrial disputes.

OCCUPATIONAL HEALTH AND SAFETY

The OHS committee is currently reviewing the Office's draft occupational health and safety policy. It is intended that an endorsed policy will be finalised by 31 August 1996.

After taking advice from the Crown Solicitor a directive to staff was issued in relation to work related activities at client's premises and travelling to and from clients premises, to ensure the Office's employees were covered under the Workers Rehabilitation and Compensation Reform Act 1995. This directive was effective from 23 November 1995.

During the year staff in the Launceston Office were given advanced driving lessons by the Australian Institute of Advanced Motorists. As these officers are frequently travelling to client premises, it was deemed appropriate that driving lessons would assist them in reducing the risk of having accidents.

The responsible officer for health and safety at the workplace is:-

David Strong
Manager Corporate Services
Phone: (03) 6233 3092
Fax: (03) 6233 2957

The main features of the draft policy are:

- the Office's commitment to the provision of occupational rehabilitation to any employee who sustains injury or illness;
- to assist an early, safe return to meaningful and productive work following illness or injury;
- employees will be returned to their usual work or some alternative work;
- no employee will be returned to work which will aggravate their injury;
- where appropriate training for alternative duties will be provided;
- rehabilitation programs and plans will be developed in consultation with relevant parties; and
- a detailed rehabilitation policy will be available when finalised.

WORKERS COMPENSATION STATISTICS

	1991-92	1992-93	1993-94	1994-95	1995-96
Claims Lodged	0	0	0	0	1
Days Lost	0	0	0	0	0
Cost of Claims	0	0	0	0	0
Premium	\$8 053	\$14 592	\$12 938	\$12 660	\$10 752

The claim for 1995-96 was lodged on 28 June 1996.

PUBLIC ACCESS

FREEDOM OF INFORMATION

FOI Contact Officer	David Darby
Location	Level 5 144 Macquarie Street Hobart
Telephone:	(03) 6233 2879
Number of Requests received	1
Outcome of Requests	
Access in Full	1
Time to Make Decisions	
Of the requests decided, how many took 10 days or less	1

The following information is held by the Office:-

Audit Working Papers and Files

This information is confidential to the Auditor-General. Any information in respect to an auditee should be sought directly from that auditee.

Reports of the Auditor-General

Details are shown on page 33 of this Report of Reports issued by the Auditor-General.

INVOLVEMENT WITH COMMITTEES

Committees on which staff of the Office have served during the year either as members or in an advisory capacity were as follows:-

Professional Committees

Public Sector Accounting Standards Board	1 member
Australian Society of Certified Practising Accountants	
National Council	1 member
Divisional Council	1 member
Branch Council	1 member
Public Sector Committee	2 members
Commerce and Industry	1 member
Institute of Chartered Accountants - Congress Committee	1 member
Australian Computer Society - Tasmanian Branch Executive	1 member

Inter-Government/Public Bodies Committees

University of Tasmania - Faculty of Business	1 member
Health Accounting Committee	3 members
Tasmanian Ingres Users Association Committee	1 member
Treasury Accrual Accounting Working Party	3 members
Local Government Accountants Group (North-West Region)	1 member
Forestry Evaluation Committee	2 members
Payroll/Personnel Consortium	
Steering Committee	1 member
IT Reference Group	1 member

HR Reference Group	1 member
Treasury Better Annual Reports Committees	
Steering Committee	1 member
Working Party Committee	1 member
Treasury Output Working Group	
Finance Group	2 members
Planning Group	2 members

MANAGEMENT POLICIES

ASSET MANAGEMENT

ACCOMMODATION

The Office occupies Government owned or leased properties in Hobart and Launceston.

The Office is currently negotiating another three year lease for the Hobart Office at 144 Macquarie Street.

INFORMATION TECHNOLOGY

This year the Office has replaced its network hardware and software with upgraded equipment so that it is using the current technology for networks.

The Office is maintaining its policy of replacing portables for staff every two to three years.

As a result of the infrastructure change the Office now has completed its strategy in relation to disaster recovery and backup.

The Office now has an enterprise wide network, and will be developing its network to deliver other services to staff and the public.

RISK MANAGEMENT

The major risk exposures of the Office are associated with the conduct of audits.

To minimise these risks, audits are conducted in accordance with Australian Auditing Standards and Practice Statements, which are issued jointly by the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia. These standards and practice statements provide the fundamental benchmarks and quality assurance guidelines which must be followed by members of the accounting profession to follow.

The Office minimises these risks by:-

- reviewing its audit methodology regularly;
- ensuring the review process as defined in the Audit Manual is performed;
- ensuring that an external quality assurance review is performed periodically on a selection of financial audit working papers.
- ensuring that a quality assurance review is performed periodically to evaluate the performance audits conducted.

The Office attempts to minimise the risk of injury to workers by reviewing work practices and the office environment.

The risk of information loss and equipment loss is minimised by ensuring disaster/recovery procedures are performed, and officers follow the code of conduct relating to securing computer equipment and information.

PRICING POLICIES

The Office is dependent upon audit fees as the main source of revenue and a small budget appropriation for the Auditor-General's salary, Performance Audits, Reports to Parliament and Whole-of-Government Services.

Audit fees charged are determined by the Treasurer after consultation with the Auditor-General in accordance with Section 56 of the Financial Management and Audit Act 1990.

Fees are calculated on the basis of meeting the full cost of operating the Office. Individual fees are determined on a number of criteria which include size, history, risk, complexity, systems in place including internal controls, organisation and accounting changes and location.

TAO Charging Policy

This policy covers a number of different types of work. Any proposed departures from the policy must be approved by the Auditor-General.

This policy is concerned with substantial commitments of time as it would be counter-productive to insist on charging for every small service provided by the Office. As a guide, times of more than 20 hours represents a substantial amount of time that should be accounted for.

The aim is to seek recovery of full direct cost plus overheads where that is feasible in the circumstances.

1. Financial audits - recommendations to the Treasurer, tenders etc

This constitutes most of the throughput of the Office. Each audit should recover the full cost of auditors, Managers, Directors and the Auditor-General and include a proportional amount of overheads.

If additional hours above allocated hours are traced to auditee causes the excess should be recovered.

2. Additional work akin to financial audit

Where an existing auditee requests a price for additional work akin to financial auditing that work should be charged at 1.5 times direct salary cost.

3. Committee work

Committee work confined to a specific auditee should be charged to the financial audit at the normal rates.

Occasionally the Office will participate in a joint exercise where each participant contributes a share of the cost. It is permissible and encouraged that we provide any services as payment in kind to the appropriate extent.

Other committee work concerned with service wide issues or several agencies should be charged at 1.25 times direct salary costs.

4. Documents

Documents tabled in Parliament should be supplied free of charge where stocks of a print run already exist. It may be necessary to seek recovery of costs if material needs to be photocopied in large numbers or reprinted.

5. Services to other Auditor-General Offices

All services should be free of charge unless there is an external third party involved in the supply of the service, e.g. a training course delivered by a third party.

EXTERNAL AND INTERNAL SCRUTINY

EXTERNAL REVIEW

QUALITY REVIEW OF AUDIT WORKPAPERS

One of the tasks set out in the Corporate Plan for 1995-96 was to arrange for another Auditor-General's Office to undertake a quality assurance review of financial statement audit working files of the Tasmanian Audit Office. Arrangements were made for the Australian National Audit Office (ANAO) to carry out the work. The review commenced in December 1995 and the report was received in early March 1996. Six audit files from across the Office were chosen for review and they represented different agencies throughout the State.

The conclusion of the review was that in no instance was it considered that the overall audit opinion was "incorrect". However a number of important issues were raised which when implemented will lead to further improvement in the quality of work undertaken.

Broadly these areas were:-

- completion and evaluation of audit programs,
- reconsideration of audit programs,
- sampling,
- analytical review, and
- application of the audit risk model

Senior management from the Office had discussion with the Director of the ANAO review team and a program has been drawn up to address those matters outlined above.

My Office is presently evaluating a computerised private sector audit methodology software package which will be used for the conduct of financial statement audits. It is envisaged that a number of the above matters, namely items 1, 2 and 5, will be overcome by the application of this new software. The software will require auditors to increase their knowledge of the entity being audited, its systems and risks, understanding of the audit risk model and audit methodology in general.

The other matters are being addressed by rewriting the office policy on sampling and by re-emphasising the need for better and more intelligent use of analytical review techniques.

Other minor matters such as cross-referencing, indexing and the amount of documentation required for an audit have been addressed at Section staff meetings.

SURVEY OF AUDITEES

In June 1996, the Office circulated a survey questionnaire to all non-local government auditees whose audits were performed directly by the Audit Office ie without the use of private sector contracted auditors. The survey instrument applied to the 1994-95 audit experience and was adapted from a similar survey used in Western Australia and in part from one used in New South Wales. The response rate was 74%.

As it was the first survey of its kind, it is difficult to know how much weight to place on the results. It will probably be more useful to track movements in the perceptions revealed by the responses over time. However the indices prepared from the responses and some commentary appear below.

Respondents were generally able to choose between alternatives of “strongly agree”, “agree”, “neutral”, “disagree” or “strongly disagree”. These were coded as 4, 3, 2, 1 and 0 respectively. The questions were framed so that a high score denoted a positive result for the Office while a low score signified a poor result. The results for each question or in some cases, groups of questions was averaged to produce an index.

Questions		Index
Improvement over the last two years.	2.4	
Overall satisfaction		3.0
Timeliness of audit service	3.0	
Whether audit cost is reasonable	2.0	
Use of the Tasmanian Audit Office	76%	

The first index related to whether the Office had improved its service over the last 2 years. The index of 2.4 can be interpreted as meaning that more thought it had than the contrary.

The second index measures the extent to which the auditee is satisfied overall with the current service by the Office. The index of 3.0 averages at the “agree” level.

The third index measures the extent to which the Office provides a timely service. Again, most respondents agreed with this proposition.

The fourth index relates to whether the auditee thought that the audit fee was reasonable. The index of 2.0 corresponds to a “neutral” response on average.

The last index can be interpreted as the percentage of auditees that would choose the Office as their external financial auditor if given a free choice. The response of 76% is comparable with a similar question asked by the Auditor-General of New South Wales of auditees in that State.

It is intended to make this an annual survey and to publish the results.

BENCHMARKING

The Auditors-General of Australasia have agreed to participate in a benchmarking process between their respective organisations.

Benchmarking is a process of comparing, measuring and analysing the products, services or processes of an Office against current best practices of the Offices in order to identify best practice and achieve improved performance.

The Office of the Auditor-General of Western Australia has developed the benchmarking package to be used in the process, and it was endorsed at the Australasian Council of Auditors-General meeting in August 1995.

The process is in its infancy, and data for the financial year ended 30 June 1995 has been collected. At this time it is not possible to provide a detailed comparison, however below is a comparison of some benchmarking statistics between this Office and other States for the year ended 30 June 1995.

	TAS	ACT	WA
Percentage of audit hours per operational staff member charged against standard hours	87.0	67.4	82.0
Average Cost per Audit Hour Charged	70.83	64.51	63.00
Audit costs per thousand dollars audited	0.70c	0.69c	0.64c

INTERNAL AUDIT

A limited internal audit was undertaken during the year. Action has been taken in respect to all matters raised.

EXTERNAL AUDIT

Under Section 45 of the Financial Management and Audit Act 1990, the Governor may appoint an independent Registered Company Auditor to perform an audit of the financial statements of the Tasmanian Audit Office. Deloitte Touche Tohmatsu, Chartered Accountants, Hobart, were appointed for a term of three years expiring on 30 June 1997. Their Audit Report is attached to the financial statements contained in this Report.

COMMENTARY ON FINANCIAL RESULTS

FINANCIAL STATEMENTS PREPARED ON A CASH BASIS

The financial statements on pages 65 to 76 are drawn up on a cash basis in accordance with the Treasurer's Instructions applicable to all government departments.

The contribution to the salary of the Auditor-General and the recurrent operations of the Office (\$498 000) was closely in line with the budget estimate (\$501 000).

The Trust Account T644 records the cash operations of the Office.

The opening balance of \$924 000 represents the carry forward balance from the previous financial year.

Audit fee receipts (\$2 625 000) were down on the previous year (\$2 992 000) mainly due to audit fee reductions and from delays in sending out interim invoices this year.

The Parliamentary Appropriation (\$498 000) was reduced in 1995-96 due to a phased-in reduction of assistance to cover the payment of payroll tax.

Interest revenue was up by \$32 000 due to the generally higher cash balances in the Trust Account.

On the expenditure side, the major cash cost was for employee entitlements which remained steady. Employee numbers dropped slightly on a full time equivalent basis but salary costs rose to compensate. Employee superannuation fell by \$219 000 due to the settlement of a carried forward amount in the previous year. The current cost of \$204 000 is a more representative long term average annual cost. Payroll tax fell slightly owing to the increase in the exemption limits and decrease in salary costs.

Two replacement motor vehicles were purchased for the use of the Launceston office.

The net result was an increase in the cash balance to \$946 000.

The statement of assets shows a decrease from \$514 988 to \$467 392. This reflects the compulsory transfer of two vehicles from the Office to the central car pool in March 1996 offset by an increased investment in computer equipment. The latter figure does not include computer equipment leased on a short term operating lease.

The summary of debts due etc shows that outstanding audit fees have risen from \$330 180 to \$404 306. This is principally because the Office completed a higher proportion of the 1995-96 audit work than the previous year and therefore sent out higher interim bills than the previous year. None of the outstanding debt is non-current, none is in dispute and all is considered to be collectable. The amount of debt written off in the current year relates to an amount of \$19 404 that would have been collectable from Treasury under the commercialisation agreement but was not pursued by the Office.

The provisions for employee entitlements are dominated by the provision for long service leave of \$441 528. Very little long service leave was taken in the current year and the accrual process continued aided by the increase in the reference salary levels. Most employees with substantial balances of long service leave will be required to take some leave during the next few years.

The provision for sick leave of \$61 503 in the previous year was written back in accordance with the Urgent Issues Group pronouncement as the average sick leave taken per employee is less than the average accrued under the triennium system.

FINANCIAL STATEMENTS PREPARED ON AN ACCRUAL BASIS

The financial statements set out on pages 77 to 92 present a more comprehensive account of the financial position and operations of the Office. They present all the assets and liabilities of the Office in a statement of financial position. They show the full cost of current operations adjusting cash payments

and receipts for adjustments such as depreciation, accruals for employee entitlements, audit work completed but not billed etc. They include a statement of cash flows.

Operating expenses were fairly static other than contract auditors' fees (up \$96 000). This was largely due to the employment of a contractor to assist in a large performance audit. Accommodation cost decreased marginally due to a contraction of space leased for the Launceston office. Payroll tax decreased slightly during the year.

Audit fees decreased slightly from \$2 856 000 to \$2 800 000. However this is the result of two opposite effects. Audit fees were reduced in aggregate but the degree of completion at year end rose 2% which had the effect of increasing audit revenue.

The assumption of liability fell from \$150 000 to \$9 000. This was due to the much smaller extent of long service leave taken or paid out and referable to the pre-June 1993 period funded by government under the Office's commercialisation agreement.

The change in net assets resulting from operations of \$124 000 is substantially less than the previous year (\$436 000). This is attributable to the lower revenues from government discussed above and the higher operating expenses.

Most of the items in the statement of financial position have been discussed above in the commentary under cash basis. The government's equity interest in the net assets of the Office is \$2 559 000 up \$122 000 from the previous year.

Most of the significant features in the statement of cash flows have also been discussed above. Of interest is the payments for the purchase of non-current assets up \$17 000 to \$242 000. This is a continuing consequence of keeping the Office investment in computers and ancillary equipment up to modern standards of performance.

TASMANIAN AUDIT OFFICE



FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 1996

**CASH STATEMENTS
FOR THE YEAR ENDED
30 JUNE 1996**

TASMANIAN AUDIT OFFICE

Consolidated Fund

Summary of Expenditure and Receipts for the year ended 30 June 1996

1994-95 Actual \$' 000	Notes	1995-96		
		Estimate \$' 000	Actual \$' 000	Variation \$' 000
PROGRAM: 1 AUDIT				
Recurrent Expenditure				
416	Tasmanian Audit Office - Contributions (C225)	387	387	0
115	Salary & Allowances - Auditor- General (R007)	114	111	(3)
\$ 531	Total Recurrent Expenditure	\$ 501	\$ 498	\$ (3)
\$ 531	Total Expenditure	\$ 501	\$ 498	\$ (3)

SPECIAL DEPOSITS AND TRUST FUNDS
T644 - TASMANIAN AUDIT OFFICE OPERATING ACCOUNT

STATEMENT OF RECEIPTS AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 1996

Function and Purpose of Account

To record:

transactions associated with the receipt and disbursement of funds for activities undertaken by the Tasmanian Audit Office.

1994-95 Actual \$'000	1995-96 Actual \$'000
\$ 760 Opening Balance	\$ 924
Plus Receipts	
2,992 Audit Fees	2,643
531 Parliamentary Appropriations	498
42 Interest	75
12 Sale of Assets	81
31 Miscellaneous Income	38
Funds from the closure of Advance Account	3
\$ 3,608 Total Receipts	\$ 3,338
Less Expenditure	
1,893 Employee Entitlements	1,898
423 Employer Superannuation	204
125 Payroll Tax	113
11 Fringe Benefits Tax	14
10 Workers Compensation Premium	9
225 Purchase of Office Equipment & Leasehold Improvements	199
757 Purchase of Goods and Services	836
- Purchase of Motor Vehicles	43
\$ 3,444 Total Expenditure	\$ 3,316
\$ 924 Closing Balance	\$ 946

STATEMENT OF ASSETS AS AT 30 JUNE 1996

**Plant Equipment, Furniture and
Vehicles**

	NOTES	1996	1995
Computer Equipment (Accumulated Depreciation)	3	845,397 <u>(552,058)</u> 293,339	687,062 <u>(438,254)</u> 248,808
Office Equipment & Furniture and Leasehold Improvements (Accumulated Depreciation)	3	268,265 <u>(97,807)</u> 170,458	248,618 <u>(53,180)</u> 195,438
Motor Vehicles (Accumulated Depreciation)	3	0 <u>0</u> 0	80,141 <u>(9,399)</u> 70,742
TOTAL		<u>\$ 463,797</u>	<u>\$ 514,988</u>

Supplementary Information and Statement of Balances as at 30 June 1996

Cash and Investment Balances

	30 June	
	1996	1995
	\$	\$
Advance Account	0	2,497
Unexpended Balance of Account	0	2,497

This account was closed on the 17th June 1996.

Summary of Debts Due, Doubtful Debts and Write Offs

	30 June	
	1996	1995
	\$	\$
Outstanding Audit Fees *	404,306	330,180
Sundry Debtors	5,108	19,404
Allowance for Doubtful Debts	0	0
Amount Written Off	19,404	0

* Includes an amount for interim invoices for 1995-96 audits. These invoices were dated 18th June 1996.

Creditors

	30 June	
	1996	1995
	\$	\$
Operating Expenses	25,179	37,080

Employee Entitlements

		30 June	
	Notes	1996	1995
		\$	\$
Provisions	4,6		
Sick Leave	8	0	61,503
Recreation Leave		227,527	215,314
Long Service Leave		441,528	390,272
Leave Loading		3,282	0
		<u>672,337</u>	<u>667,089</u>
Accruals	7		
Salary and Related Payments		53,857	67,840
Leave Other		12,775	12,275
		<u>66,632</u>	<u>80,115</u>

TASMANIAN AUDIT OFFICE

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 30 JUNE 1996

1 Cash Basis of Accounting

The financial statements have been prepared on a cash basis for those expenditure items met from Division 16 of the Consolidated Fund Appropriation Act 1995-96, and the Special Deposits and Trust Fund.

The Statements are consistent with the requirements of the Financial Management and Audit Act 1990.

Fees payable in respect of the audits of 1994-95 accounts were raised in accordance with the provisions of Section 56 of the Financial Management and Audit Act 1990 and are reflected in these accounts.

Also this year, as in previous years interim bills were raised and funds were received in respect of work completed in relation to the audit of 1995-96 accounts.

All amounts have been rounded off to the nearest thousand dollars.

2 Appropriations

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

	1996	1995
	\$'000	\$'000
Estimate	501	539
Actual	498	531

3 Depreciation of Non-Current Assets

All non-current 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 the following class of assets at the stated depreciation rates:

Motor Vehicles, based on a reducing balance	7.5%
---	------

Office Equipment and Furniture, on a reducing balance	25%
Information Technology, on a straight line basis	33% to 50%
Leasehold Improvements, on a straight line basis	20%

4 Employee Entitlements

Liabilities for employee entitlements in respect of wages and salaries, annual leave, sick leave and other current employee entitlements are accrued at nominal amounts calculated on the basis of current wage and salary rates.

Obligations to employees in respect of accumulated leave credits in lieu of overtime are included with employee entitlements.

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

Consideration is given, when assessing expected future payments, to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using interest rates attaching, as at the reporting date, to the Commonwealth Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The classification of the liability for long service leave has been completed on the basis that entitlements in respect of service equal or greater than ten years are shown as a current liability.

Amounts shown for annual and long service leave are based on the provisions of the Tasmanian State Service Act and Regulations, the General Conditions of Service Award SO85 and the Long Service Leave (State Employees) Act 1994.

A provision for sick leave is discussed at Note 8.

5 Superannuation

Employees of the Office contribute to the Retirement Benefits Fund (RBF) scheme.

The new RBF scheme is a superannuation scheme which

took effect from 1 July 1994 for employees in the Tasmanian Public Sector.

The Office's obligation in respect of superannuation is extinguished by the payment of the employers contribution based on 11% of salaries.

6 Assumption of Liabilities

Under the commercialisation agreement where the Office incurs additional cost in respect of the accrual liabilities for employee entitlements as at 30 June 1993, the Consolidated Fund would meet the pre 30 June 1993 amount.

During the reporting period, the Government agreed to settle the Office's obligations in respect of the following item:

	1996	1995
	\$'000	\$'000
Employee Entitlements		
Long Service Leave	9	60
	<u>9</u>	<u>60</u>

7 Accruals

Industrial Agreement

The staff of the Office have achieved the first performance criteria of the industrial agreement for 1995-96 financial year audit cycle.

The result is a bonus payable which consists of the following amounts:

	1996	1995
Sign-on Bonus		28,515
1st Criterion Performance Bonus		
Salary	18,628	19,780
Payroll Tax	1,304	1,385
Superannuation	2,049	2,176
	<u>21,981</u>	<u>51,856</u>
Accruals		
Accrued Salary and Related Salary Payments	31,876	15,984
Industrial Agreement Accruals	21,981	51,856
In Lieu of Overtime	12,775	12,275
	<u>66,632</u>	<u>80,115</u>

8 Change of Accounting Policy

Sick Leave

In the previous year the Office created a provision for sick leave of \$61,503.

This amount is an estimate based on the probability that sick leave entitlements during 1995-96 would be consumed at a rate of 5.26 days per employee, and the amount is non-vested.

Subsequent to issuing of the audit report on the 1994-95 financial statements, the Urgent Issues Group Consensus Views issued a pronouncement on sick leave which now renders this provision inappropriate.

The provision has written back against retained earnings in that it reverses the creation of the transitional provision.

CERTIFICATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Tasmanian Audit Office have been prepared in compliance with the provisions of the Financial Management and Audit Act 1990 and are in agreement with the relevant accounts and records so as to present fairly the financial transactions for the year ended 30 June 1996 and such components of financial position which are required in the Treasurer's Instructions to be disclosed in the financial statements.

At the date of signing I am not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



A J McHugh
AUDITOR-GENERAL

8 July 1996

**Deloitte Touche
Tohmatsu**



Level 9, ANZ Centre
22 Elizabeth St Hobart 7000
GPO Box 777H
Hobart Tasmania 7001 Australia

DX 197
Facsimile (002) 24 2055
Telephone (002) 21 7200

**INDEPENDENT AUDIT REPORT TO THE TREASURER
RE: TASMANIAN AUDIT OFFICE**

Scope

We have audited the attached special purpose financial statements of the Tasmanian Audit Office for the year ended 30 June 1996 being a Summary of Expenditure and Receipts (Consolidated Fund) and various supplementary information. The Auditor General is responsible for the preparation and presentation of the financial statements and the information contained therein which has been prepared to fulfil his accountability requirements under the Financial Management and Audit Act 1990. We have conducted an independent audit of those financial statements in order to express an opinion to the Treasurer on their preparation and presentation. No opinion is expressed as to whether the basis of accounting used is appropriate to the needs of the Treasurer.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with the provisions of the Financial Management and Audit Act 1990 and the cash basis of accounting described in note 1 to the financial statements. The financial statements do not comply with applicable Australian Accounting Standards.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of the Tasmanian Audit Office present fairly the financial position and transactions for the year ended 30 June 1996 in accordance with the cash basis of accounting described in note 1 to the financial statements and the provisions of the Financial Management and Audit Act 1990.

DELOITTE TOUCHE TOHMATSU

Deloitte Touche Tohmatsu
LT Cox

L T Cox
Partner
Chartered Accountants
Hobart, 22 July 1996

SUPPLEMENTARY ACCRUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 1996

TASMANIAN AUDIT OFFICE

OPERATING STATEMENT FOR THE REPORTING PERIOD ENDED 30 JUNE 1996

	Notes	1996 \$'000	\$'000	1995 \$'000	\$'000
OPERATING EXPENSES					
Employee Entitlements	2(d),6(a)	(1,974)		(1,936)	
Superannuation & Payroll Tax	2(e)	(304)		(337)	
Accommodation		(169)		(186)	
Contract Auditor's Fees		(204)		(108)	
Information Technology		(158)		(150)	
Training		(38)		(66)	
Travel and Transport		(80)		(94)	
Depreciation	2(c),5	(178)		(149)	
Materials, Supplies and Services		(76)		(78)	
Other		(122)		(65)	
		<u> </u>		<u> </u>	
TOTAL COST OF SERVICES			(3,303)		(3,169)
OPERATING REVENUES					
Audit Fees	7(c)	2,800		2,856	
Other Revenues		107	2,907	68	2,924
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET COST OF SERVICES			(396)		(245)
REVENUES FROM GOVERNMENT					
	3(a)				
Recurrent Appropriations	2(b)	498		531	
Assumption of Liabilities	3(b),13	9		150	
TOTAL REVENUES FROM GOVERNMENT			507		681
NET REVENUES FROM DISPOSAL OF NON-CURRENT ASSETS					
	7(b)	10	10	0	0
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS		<u> </u>	<u> </u>	<u> </u>	<u> </u>
			121		436
			<u> </u>		<u> </u>

TASMANIAN AUDIT OFFICE

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 1996

		Notes	1996		1995	
			\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS						
	Cash and Deposit Accounts		946		927	
	Receivables	8	404		349	
	Work in Progress		737		635	
	Other		<u>5</u>	2,092	<u>11</u>	1,922
NON-CURRENT ASSETS						
	Plant, Equipment & Vehicles	9	464	464	515	515
TOTAL ASSETS				<u>2,556</u>		<u>2,437</u>
CURRENT LIABILITIES						
	Payables		25		37	
	Employee Entitlements	2(d),15	709		735	
	Revenue in Advance		<u>3</u>	737	<u>3</u>	775
NON-CURRENT LIABILITIES						
	Employee Entitlements	2(d)		<u>30</u>		<u>12</u>
TOTAL LIABILITIES				767		787
EQUITY						
	Equity on Formation		1,168		1,168	
	Accumulated Surplus	10,14	<u>621</u>	1,789	<u>482</u>	1,650
TOTAL LIABILITIES AND EQUITY				<u>2,556</u>		<u>2,437</u>

TASMANIAN AUDIT OFFICE

STATEMENT OF CASH FLOWS FOR THE REPORTING PERIOD ENDED 30 JUNE 1996

		1996		1995	
	Notes	\$'000	\$'000	\$'000	\$'000
		Inflows(Outflows)		Inflows(Outflows)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
Employee Entitlements and Salary		(2,215)		(2,404)	
Related Payments					
Goods and Services	6(b)	(859)		(788)	
Receipts					
Fees for Service		2,643		2,962	
Interest Received		75		42	
Other		38		38	
NET CASH USED IN OPERATING ACTIVITIES	12		(318)		(150)
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts from the Sale of Non-Current Assets		81		9	
Payments for the Purchase of Non-Current Assets	11	(242)		(225)	
NET CASH USED IN INVESTING ACTIVITIES			(161)		(216)
CASH FLOWS FROM GOVERNMENT					
Receipts from appropriations					
Recurrent	3(a)	498		531	
NET CASH PROVIDED BY GOVERNMENT			498		531
Net Increase(Decrease) in cash held			19		165
Cash at the beginning of the reporting period			927		762
Cash at the end of the reporting period			946		927

TASMANIAN AUDIT OFFICE

NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDED 30 JUNE 1996

1 Objectives and Funding

The Office's objective is to provide independent audit assurance to Parliament concerning the financial statements of the Treasurer, Government Departments and Public bodies and the economy, efficiency and effectiveness of the operations of those entities

The Office is partially funded by Parliamentary appropriations. It provides financial audit services on a fee-for-service basis and the fees charged are based on estimated times to perform the audits.

Fees are approved by the Treasurer.

The funding from audit fees and appropriations is credited to an operating account in the Special Deposits and Trust Fund and costs of operating the Office were met from those funds.

2 Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

They have been prepared on the accrual basis of accounting using historical cost accounting.

The Office is subject to payroll tax but is otherwise a non tax paying entity.

The financial report has been prepared in accordance with the requirements of the Financial Management and Audit Act 1990.

(b) Appropriations

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

(c) Depreciation of Non-Current Assets

All non-current 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 the following class of assets at the stated depreciation rates:

Motor Vehicles, based on a reducing balance	7.5%
Office Equipment and Furniture, on a reducing balance	25%
Information Technology, on a straight line basis	33% to 50%
Leasehold Improvements, on a straight line basis	20%

(d) Employee Entitlements

Liabilities for employee entitlements in respect of wages and salaries, annual leave, sick leave and other current employee entitlements are accrued at nominal amounts calculated on the basis of current wage and salary rates.

Obligations to employees in respect of accumulated leave credits in lieu of overtime are included with employee entitlements.

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.

Consideration is given, when assessing expected future payments, to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using interest rates attaching, as at the reporting date, to the Commonwealth Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The classification of the liability for long service leave has been completed on the basis that entitlements in respect of service equal or greater than ten years are shown as a current liability.

Amounts shown for annual and long service leave are based on the provisions of the Tasmanian State Service Act and Regulations, the General Conditions of Service Award SO85 and the Long Service Leave (State Employees) Act 1994.

A provision for sick leave is discussed at Note 14.

(e) Superannuation

Employees of the Office contribute to the Retirement Benefits Fund (RBF) scheme.

The new RBF scheme is a superannuation scheme which took effect from 1 July 1994 for employees in the Tasmanian public Sector.

The Office's obligation in respect of superannuation is extinguished by the payment of the employers contribution based on 11% of salaries.

(f) Leases

The Office has entered into an operating lease for computer hardware where the lessor effectively retains all the risks and benefits incident to ownership of the hardware held under the operating lease.

Equal instalments of the lease payments are charged to the Operating Statement over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

(g) Comparatives

Where necessary comparatives have been amended to reflect current year disclosure requirements.

3 Appropriations

(a) Reconciliation of Appropriations to Government Revenues

	1996	1995
	\$'000	\$'000
Total Appropriations	498	531
Net Cash from Government	498	531
Other Government Revenues:		
Assumption of Liabilities	9	150
Total Government Revenues	507	681

(b) Assumption of Liabilities

Under the commercialisation agreement where the Office incurs additional cost in respect of the accrual liabilities for employee entitlements as at 30 June 1993, the Consolidated Fund would meet the pre 30 June 1993 amount.

This Office considers the assumption of this liability as abnormal revenue.

During the reporting period, the Government agreed to settle the Office's obligations in respect of the following items:

	1996	1995
	\$'000	\$'000
Employee Entitlements		
Superannuation	0	71
Annual Leave	0	19
Long Service Leave	9	60
	<u>9</u>	<u>150</u>

4 Programs of the Office

The Office has only one program of which the objective is: "To provide independent audit assurance to Parliament concerning the financial statements of the Treasurer, Government Departments and other public bodies and the economy, efficiency and effectiveness of the operations of those entities".

A Program schedule is not provided as the Office has only one program and no administered revenues and expenses or assets and liabilities.

5 Depreciation Expense

Depreciation expense for the reporting period was charged in respect of:

	1996	1995
	\$'000	\$'000
Computer Equipment	125	97
Motor Vehicles	2	6
Office Equipment	18	16
Leasehold Improvements	33	30
	<u>178</u>	<u>149</u>

6 Operating Expenses

	1996	1995
	\$'000	\$'000
<i>(a) Employee Entitlements (Accrual)</i>		
Salaries	1,848	1,848
Leave Loading	19	19
Termination Payments	20	19
Annual Leave	16	6
Long Service Leave	60	39
In lieu of Overtime	11	5
	<hr/> 1,974	<hr/> 1,936
<i>(b) Goods and Services Supplied (Cash)</i>		
Travel and Transport	80	94
Workers Compensation	9	11
Fringe Benefits Tax	14	10
Information Technology	158	150
Training	38	66
Office Requisites	88	119
Accommodation	169	186
Contract Payments	204	108
Miscellaneous	99	44
	<hr/> 859	<hr/> 788

7 Revenues*(a) User Charges and Fees*

Revenues include proceeds from audit fees charged by the Office for audit services performed.

Proceeds from the sale of goods and services are recognised as revenues as they are controlled by the Office and can be deployed for the achievement of its objectives.

They are not required to be paid to the Consolidated Fund.

(b) Net Revenues from Disposal of Non-Current Assets

	1996	1995
	\$'000	\$'000
Proceeds from the disposal of Motor Vehicles	81	0
Less: Written down value of Motor Vehicles	69	0
	<hr/> 12	<hr/> 0
Proceeds from the disposal of Office Equipment	2	0
Less: Written down value of Office Equipment	4	0
	<hr/> (2)	<hr/> 0

During reporting period the Office was required to transferred the ownership of two motor vehicles to TasFleet, the centralised car fleet for Government plated light motor vehicles. This resulted in the removal of motor vehicles as an asset which resulted in a decrease in the value of equity by \$43 564.

(c) Audit Revenue

	1996	1995
	\$'000	\$'000
Audit Fees Raised	2,698	2,817
Add Work in Progress (30 June)	737	635
	<u>3,435</u>	<u>3,452</u>
Less Work in Progress (1 July)	(635)	(596)
Audit Fees Revenue	2,800	2,856

8 Receivables

Fees payable in respect of the audit of the 1994-95 accounts were raised in the 1995-96 financial year in accordance with the provisions of Section 56 of the Financial Management and Audit Act 1990.

Also this year, as in previous years, interim bills were raised and funds were received in respect of work completed in relation to the audit of the 1995-96 accounts.

Work in Progress is the percentage completion of the audit of financial statements, ie. the actual hours spent to date on the audit divided by the allocated hours for the audit.

The value work in progress is determined by multiplying the audit fee by the percentage completion.

	1996	1995
	\$'000	\$'000
Audit Fees and Charges Outstanding	404	330
Sundry Debtors	0	19
	<u>404</u>	<u>349</u>
Debts written off as non-collectable	19	0

9 Non-Current Assets

	1996	1995
	\$'000	\$'000
Plant Equipment, Furniture and Vehicles		
Computer Equipment	845	687
(Accumulated Depreciation)	(552)	(438)
	<u>293</u>	<u>249</u>
Office Equipment & Furniture and Leasehold Improvements	268	249
(Accumulated Depreciation)	(98)	(53)
	<u>170</u>	<u>196</u>
Motor Vehicles	0	80
(Accumulated Depreciation)	0	(9)
	<u>0</u>	<u>71</u>
Total	<u>464</u>	<u>515</u>

10 Equity and Changes in Equity

Equity represents the residual interest in the net assets of the Office.

	1996	1995
	\$'000	\$'000
Equity of Formation	1,168	1,168
Accumulated Surplus		
Balance as at the beginning of the period	482	134
Change during the period		
Long Service Leave Adjustment		(26)
Sick Leave Adjustment	62	(62)
Transfer of ownership of Motor Vehicles	(44)	
Change in Net Assets Resulting from Operations	121	436
	139	348
Balance as the end of the period	621	482
Total Equity at the end of the reporting period	1,789	1,650

11 Purchase of Non-Current Assets

	1996	1995
	\$'000	\$'000
Motor Vehicles	44	0
Computer Equipment	171	126
Office Equipment and Leasehold Improvements	27	99
	242	225

12 Reconciliation of Net Cash used in Operating Activities to Net Cost of Services

For the purposes of the statement of cash flows, "cash" includes cash on hand and deposit accounts.

	1996	1995
	\$'000	\$'000
Net Cost of Services	(396)	(245)
Items not involving Cash		
Depreciation	178	149
Employee Entitlements	63	(131)
	(155)	(227)
(Increase)/Decrease in Receivables	(55)	144
(Increase)/Decrease in Work in Progress	(102)	(38)
(Increase)/Decrease in Other Non Current Assets	6	12
(Decrease) Increase in Payables	(12)	(41)

Net Cash used in Operating Activities	(318)	(150)
--	--------------	--------------

13 Non-Cash Financing and Investment Activities

Assumption of Liabilities

During the reporting period, the Government agreed to settle the Office's obligation in respect of employee's entitlements amounting to \$9 137 (1995 - \$ 150,000). Also refer Note 3(b).

14 Change of Accounting Policy

Sick Leave

In the previous year the Office created a provision for sick leave of \$61,503.

This amount is an estimate based on the probability that sick leave entitlements during 1995-96 would be consumed at a rate of 5.26 days per employee, and the amount is non-vested.

Subsequent to issuing of the audit report on the 1994-95 financial statements, the Urgent Issues Group Consensus Views issued a pronouncement on sick leave which now renders this provision inappropriate.

The provision has written back against retained earnings in that it reverses the creation of the transitional provision.

15 Employee Entitlements

Industrial Agreement

	1996	1995
	\$'000	\$'000
Accruals		
Accrued Salary and Related Salary Payments	32	16
Industrial Agreement Accruals	22	52
In Lieu of Overtime	13	12
	67	80
Provisions		
Leave Loading	3	0
Sick Leave	0	62
Annual Leave	227	215
Long Service Leave	412	378
	642	655
Employee Entitlements	709	735

The staff of the Office have achieved the 1st performance criteria of the industrial agreement for 1995-96 financial year audit cycle.

The result is a bonus payable which consists of the following amounts:

	1996	1995
Sign-on Bonus		28,515
1st Criterion Performance Bonus		
Salary	18,628	19,780
Payroll Tax	1,304	1,385
Superannuation	2,049	2,176
	<hr/> 21,981	<hr/> 51,856

16 Auditor's Remuneration

	1996	1995
Amounts received, or due and receivable by the independent auditor	4,000	4,000

CERTIFICATION OF THE SUPPLEMENTARY ACCRUAL FINANCIAL STATEMENTS

The accompanying supplementary accrual financial statements of the Tasmanian Audit Office have been prepared in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Consensus Views) so as to present fairly the financial operations of the Office during the year ended 30 June 1996 and the financial position of the Office as at 30 June 1996.

At the date of signing I am not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



A J McHugh
AUDITOR-GENERAL

8 July 1996

**Deloitte Touche
Tohmatsu**



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**INDEPENDENT AUDIT REPORT TO THE TREASURER
RE: TASMANIAN AUDIT OFFICE**

Scope

We have audited the attached Supplementary Accrual Financial Statements of the Tasmanian Audit Office for the year ended 30 June 1996 being a Statement of Operations, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements. The Auditor General is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of those financial statements in order to express an opinion on them to the Treasurer.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with applicable Australian Accounting Standards so as to present a view which is consistent with our understanding of the Office's financial position, the results of its operations and its cashflows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the Supplementary Accrual Financial Statements of the Tasmanian Audit Office are properly drawn up:

- a) so as to give a true and fair view of the Office's financial position as at 30 June 1996 and the results of its operations and its cashflows for the financial year ended on that date; and
- b) in accordance with applicable Australian Accounting Standards.

DELOITTE TOUCHE TOHMATSU

Deloitte Touche Tohmatsu

L T Cox
Partner
Chartered Accountants

HOBART, 22 JULY 1996

GLOSSARY

Audit Cycle	is the period between 1 November and 31 October, eg 1 November 1995 to 31 October 1996 is the 1996 audit cycle.
Audit Opinion	is an opinion as to whether the information provided in the financial statement of a public sector entity is presented fairly in accordance with Australian Accounting Standards.
Financial Audit	is an audit which relates to forming an opinion on the annual financial statements of a public sector entity.
Outputs	are goods and services that are used by the government or by the public.
Outputs Budgeting	means that budgets are determined and managed on the basis of outputs.
Performance Audit	is an audit that deals with any aspect of an organisation's effectiveness, economy, efficiency or compliance with relevant legislation.
Retained audits	are those audits carried out by staff of this Office and private sector auditors who act as agents for the Auditor-General.

COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS: 1995-1996

This index has been prepared to facilitate identification of compliance with statutory disclosure requirements: Financial Management and Audit Act 1990 (FMAA) and Treasurer's Instructions (TI), the Tasmanian State Service Act 1984 (TSS) including Statutory Rule No. 123 of 1990 Tasmanian State Service (Agency Reporting) Regulations (TSS(AR)R) and other contemporary reporting practices.

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FMAAs.27(1)(a)	A report on the performance of the functions and powers of the Auditor-General under any written law.	13
TSSs.33AB(1)(a)		
FMAAs.27(1)(b)subject to s.27(2)/TSSs.33AB(1)(b)	A report by any statutory office holder employed in or attached to the Office except where required to report under any other Act.	N/A
TSS(AR)r3(a)(v)	Major initiatives taken to develop and give effect to Government policy	N/A
T1701(1)(b)	Details of major changes affecting programs, objectives or organisational structure	9
TSS(AR)R3(a)(iv)		
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	A list of statutory and non-statutory bodies	N/A
	A list of names of companies	N/A
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	Total number of Full Time Equivalent (FTE) employees	38
	Total number of persons employed (head count)	38
	Total number of persons employed under applicable legislation	38
	<ul style="list-style-type: none"> • by classification • by award or agreement • by occupational category (standard title) • by age profile • by employment authority - office holder, temporary, contract, non-State service • by employment category - full-time, part-time, casual • by gender • by location • recruited and separated (ons and offs) • on secondment to and from other agencies or organisations • on leave without pay 	<p>41 40 38 38 41 41 38-41 9 39-40 39 39</p>
	Total number of equal opportunity employees (ie employees with disabilities, Aboriginal and Torres Strait Islanders, people from non-English speaking backgrounds) under the same data categories as above	40
	Employee separations by category	39
	Sick leave days taken - full pay, half pay, no pay	44
	Average sick days per FTE	44
	Long service leave: number of employees whose credits exceed statutory limits	44
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	Workers' compensations:	50
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N/A not applicable

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