



2002

PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL

GOVERNMENT DEPARTMENTS AND PUBLIC BODIES 2001-2002

PART A Executive Summary

No. 2 of 2002 - November 2002

*Presented to both Houses of Parliament in accordance with the requirements of Section 57 of
the Financial Management and Audit Act 1990*

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18 November 2002

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Sirs

In accordance with the requirements of Section 57 of the *Financial Management and Audit Act 1990*, I have pleasure in presenting my report on the audit of Government departments and public bodies for the year ended 30 June 2002.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A J McHugh'.

A J McHugh
AUDITOR-GENERAL

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1 INTRODUCTION

This Report deals with Ministerial Departments, State-Owned Corporations, State Authorities, Government Business Enterprises, Local Government Authorities, Port Corporations, and other public bodies together with special comments on various other issues.

FORMAT OF THE REPORT

Unless specifically indicated, the comment in this Report is current as at 18 November 2002.

The Report has been based on the administrative arrangements set out under the provisions of the Administrative Arrangements Act 1990 as at 30 June 2002 and the report has been prepared in accordance with the following classifications:

Part A	Executive Summary Introduction Significant issues arising Other issues
Part B – Volume 1	Executive and Legislature Ministerial Departments Superannuation Funds Other Authorities Miscellaneous Public Bodies
Part B – Volume 2	Government Businesses Government Business Enterprises State Owned Corporations Port Corporations
Part B – Volume 3	Local Government Authorities

This classification does not attempt to recognise any lines of responsibility that some Statutory Authorities have through Ministerial Departments to the appropriate Minister, however the Portfolio or Responsible Minister is stated in each case.

STATUS OF AUDITS

The majority of audits for the year ended 30 June 2002 have been completed with some exceptions as detailed in the preamble under each Part of the Report.

AUDITS DISPENSED WITH

In accordance with Section 41 of the *Financial Management and Audit Act 1990* (FMAA), the following audits have been dispensed with after consideration of alternative accountability arrangements for the public bodies concerned. Two of the aspects considered were the materiality of the financial transactions involved and the most cost-effective means of conducting the audits.

Grants to Public Bodies

An organisation in receipt of a grant from the Consolidated Fund automatically becomes a public body as defined under the FMAA, and is required to meet certain accountability requirements in accordance with the Treasurer's Instructions. A recipient of a grant of \$5 000 or more is required to provide the appropriate Head of Agency with:

- A signed copy of the public body's financial statements, showing the receipt and manner of disbursement of each grant, together with an audit report signed by a suitably qualified person; or
- A Statutory Declaration made in accordance with the *Evidence Act 1910*, and signed by two office holders or members considered to be bona fide representatives of the public body, to the effect that the grant was received and disbursed for the purpose for which it was given; or
- A certificate signed by a suitably qualified person to the effect that the grant was received and disbursed for the purpose for which it was given.

In the course of the various Agency audits, Audit Office staff ensures that Heads of Agencies comply with the requirements of the Treasurer's Instructions.

Registration Boards

The audits of the following Boards have been dispensed with on the basis that a suitably qualified person undertakes an audit.

Board of Architects
Chiropractors Registration Board
Dental Board
Dental Mechanics Board
Medical Council of Tasmania
Nursing Board
Optometrists Registration Board
Pharmacy Board of Tasmania
Physiotherapists Registration Board
Plumbers and Gasfitters Registration Board

Podiatrists Registration Board
Psychologists Registration Board
Radiographers Registration Board
Surveyors Registration Board
Valuers Registration Board

Other Public Bodies

The audits of the following public bodies have also been dispensed with on the basis that a suitably qualified person undertakes an audit:

National Trust of Australia (Tasmania)
National Trust Preservation Fund (Hobart)
Drainage Trusts.

Local Government Committees

Committees appointed under the *Local Government Act 1993* are required to provide copies of their annual financial statements to the respective Council to enable the General Manager, or some other appropriate person, to perform an audit of those accounts.

Statements of Committees are normally consolidated in the financial statements of the respective Councils.

FINANCIAL ANALYSIS

The following table illustrates the methods of calculating performance indicators used in the financial analysis sections on this report, together with a number of benchmarks used to measure performance.

Performance Indicator	Bench - mark	Method of Calculation
Financial Performance		
Result from operations (\$'000s)		Operating Revenue less Operating Expenses
EBIT (\$'000s)		Result from Ordinary Activities before Tax plus Gross Interest Expense
Operating margin	>1.0	Operating Revenue divided by Operating Expenses
Return on assets		EBIT divided by Average Total Assets
Return on equity		Result from Ordinary Activities after Taxation divided by Average Total Equity
Financial Management		
Debt to equity		Debt divided by Total Equity
Debt to total assets		Debt divided by Total Assets
Interest cover	>3	EBIT divided by Gross Interest Expense
Current ratio	>1	Current Assets divided by Current Liabilities
Cost of debt	7.5%	Gross Interest Expense divided by Average Borrowings (include finance leases)
Debt collection	30 days	Receivables divided by billable Revenue multiplied by 365
Creditor turnover	30 days	Payables divided by credit purchases multiplied by 365
Returns to Government		
Dividends paid or payable (\$'000s)		Dividends paid or payable that relate to the year subject to analysis.
Dividend payout ratio	50%	Dividend divided by Result from Ordinary Activities after Tax
Dividend to equity ratio		Dividend paid or payable divided by Average Total Equity
Income tax paid or payable (\$'000s)		Income Tax paid or payable that relates to the year subject to analysis.
Effective tax rate	30%	Income Tax paid or payable divided by Result form Ordinary Activities before Tax
Total return to the State (\$'000s)		Dividends plus Income Tax
Total return to equity ratio		Total Return divided by Average Equity
Other information		
Staff numbers FTEs		Effective full time equivalents
Average staff costs (\$'000s)		Total employee expenses divided by Staff Numbers

2 SIGNIFICANT ITEMS ARISING FROM AUDITS

This Report contains statements of financial performance, financial position and cash flows together with analysis of financial information of ministerial departments, government business (including state owned companies), local government authorities and statutory authorities. Comparative information is also provided for groups of similar entities such as departments, port corporations and councils.

The accompanying text sets out significant points, if any, arising from an analysis of the financial statements and in relation to the environment in which each operates.

The Report does not include many items arising from the audits that have been formally raised with the auditees. The rationale for inclusion or otherwise rests on my perception of the public interest in each point and the need to confine comments to those matters that have more than a managerial dimension.

SIGNIFICANT ITEMS

Tabling of Special Reports in Parliament

- Part A

Under Section 57 of the *Financial Management and Audit Act 1990* the Auditor-General has the power to produce a Special Report to Parliament. In recent years this power has been used to present so-called Performance Audit Reports to Parliament. I am concerned about the arrangements for publishing reports at times when Parliament is dissolved and I wrote to the Treasurer seeking suitable amendments to the Legislation.

The Treasurer has agreed to propose amending legislation to Cabinet late in 2002 with a view to introducing amending legislation in the 2003 Budget session.

Timeliness of Annual Reports

- Part A

Present arrangements for public sector entities presenting annual reports to Parliament provide for tabling of the report by the end of November, some five months after the end of the financial period to which they relate. In practice most annual reports are tabled in the last week in November and this means that there is a lack of detailed information available for members of Parliament and the public until that time.

In December 2001 I recommended to Public Accounts Committee that that this date should be moved back to the end of October, a situation that applies in the private sector under the *Corporations Act 2001*.

A further issue raised for consideration was a requirement to provide detailed commentary on financial statements similar to the Management Discussion and Analysis found in Annual Reports of US corporations. This would largely obviate the need that Audit now attempts to fill with a 5-year analysis of results.

Lack of timeliness in preparing financial statements and inadequate working papers

- Part A

Many entities are failing to meet statutory deadlines, 31 August for government departments and GBEs, and 30 September for local government authorities for completing financial statements and forwarding them for audit. Delays in submitting financial statements for audit are compounded by inadequate working papers to support the disclosures in the financial statements. Failure to prepare adequate working papers prevents entities from undertaking adequate quality assurance processes and delays the audit process.

State Road Valuation

- Part B, Volume 1

During the year the Department of Infrastructure, Energy and Resources re-valued the State road network and revised certain coefficients used in the valuation model to take account of labour and material cost movements since the last review. The result of the review was a revaluation increment of \$168.866m. Consistent with Accounting Standards \$28.976m was recorded as income to recoup revaluation decrements recorded in 1999-00 and 2000-01. The balance of the revaluation increment, \$138.890m was to the asset revaluation reserve and was the major reason for Total equity moving to \$2 830.556m.

Tasmania's entry to the National Taxation Equivalent Regime (NTER)

- Part B, Volume 2

A consequence of Tasmania's entry to the NTER has been a change in the treatment of superannuation. For many government businesses this change has resulted in the recording of significant future income tax benefits, and the recording of income tax revenue as a consequence. The total amount involved was \$84.026m and as a result those government businesses collectively recorded an increase in equity.

From a whole of Government perspective, however, the increased equity in those Government businesses is exactly offset by the loss of future income tax revenue to the Government of \$84.026m.

Government businesses were advised by the Department of Treasury and Finance that the amount of income tax revenue recorded as income from these transactions should be excluded from the calculation of dividends. This decision has potentially deprived the Government of \$42.013m in dividend payments.

Returns on equity remains low for many Government businesses

- Part B, Volume 2

Typically the cost of equity capital would range between 10% and 12.5% before tax for government businesses depending on the relative risk beta of the particular business compared to the market as a whole. Assuming a taxation rate of 30%, after tax returns of government business enterprises and state owned companies should be of the order of 7% to 8.5% (nominal post-tax).

Many GBEs and State Owned Corporations have returns on equity that are either negative or below 3%.

Provision for dividends

- Part B, Volume 2

As a result of impending changes to Accounting Standards dealing with provisions for dividends a number of government businesses have not provided for dividends in the financial statements for the year ended 30 June 2002.

Council road valuation and depreciation practices improving

- Part B, Volume 3

Following the issue of revised accounting guidelines for council roads a number of councils have undertaken road asset valuations and reviewed their depreciation practices. A small number of councils are planning to undertake reviews in the near future. As a result the general standard of accounting and depreciation practices across local government have improved markedly since the situation reported last year.

Many councils failing to budget for all expenses, including depreciation when setting rates

- Part B, Volume 3

A number of councils are failing to budget for all expenses, including depreciation when setting rates. As a result a number larger city councils as well as a number of smaller rural councils are continuing to record significant operating deficits. Failure to budget for depreciation when setting rates will over time impact on the resources available to the council to re-invest in depreciating infrastructure such as roads, water and sewage assets.

3 OTHER ISSUES

3.1 PROCEDURE FOR DEALING WITH A SPECIAL REPORT

The Auditor-General has the power under Section 57 of the *Financial Management and Audit Act 1990* (“the legislation”) to produce a “Special Report” to Parliament. In recent years this power has been used to present so-called Performance Audit Reports to Parliament. These reports deal with the efficiency, economy and effectiveness of the operations of the activities of departments and other public bodies. The topics are selected by the Auditor-General.

In July 2002 I requested advice from the Solicitor-General about the ability of the Auditor-General to publish a Special Report while Parliament was dissolved. The Solicitor-General advised that while there was no specific law prohibiting such an action, such a course could involve “a significant discourtesy were you to do so before the Report was tabled in Parliament”. I acted on his advice. However I was concerned that since the Parliament may not be in session at the time a Report is ready, there could be occasions where it would be undesirable to delay publication. For example there were no sitting days in February 2002.

I corresponded with the Speaker of the Legislative Assembly and the President of the Legislative Council seeking their views about measures that might contribute to timely publication of Reports while observing the requisite courtesy to Parliament.

The Speaker suggested that “... it would seem logical to amend the legislation to provide for a ... provision so that if the sittings of either House were adjourned for a considerable period, as is often the case, the reports could be lodged either with the Speaker or the Clerk, be publicly released and tabled in the House on the next sitting day”.

The President replied in similar terms. He suggested an amendment to the legislation, the effect of which could be “that in the event of Parliament not sitting for a prolonged period for any reason, presentation of a special report by the Auditor-General to the President and the Speaker would be deemed to be presentation of the Report to Parliament. This would be on the basis that copies are delivered to each member of Parliament at least seven days before.”

I then wrote to the Treasurer informing him of the legal advice and the correspondence with the Speaker and the President, seeking a suitable amendment to the legislation. I advised him of the means by which this situation was regulated in Western Australia, New South Wales and Queensland all of which states provide explicitly for out of session reports.

The Treasurer has agreed to propose amending legislation to Cabinet late in 2002 with a view to introducing amending legislation in the 2003 Budget session. He has linked this proposal with a statutory requirement for the Treasurer or the relevant agency to be informed of matters of significance prior to the release of a report. While I have no disagreement with the latter proposal I note that it is already my standard practice that agencies (and through them, their Ministers) are provided with full access to the contents of reports prior to tabling.

3.2 ANNUAL REPORTING

For some time I have been concerned about the lengthy delay between the end of the financial year and the date by which public sector entities are required to report to Parliament. The last date for tabling annual reports in Tasmania is the end of November i.e. some 5 months after the end of the period to which they refer. In December 2001 I made a specific proposal to the Public Accounts Committee of the Parliament that would progressively wind this date back to the end of October.

I believe that the current requirement generally leads to tabling at almost the last possible date in November and that inevitably means that there is a certain lack of detailed information available to members of Parliament and the public until that time. In relation to the former and main target group, there is then little time to raise issues arising from annual reports until the following autumn session that may be a further 3 to 4 months later. If as I believe, the reports do contain or should contain useful information, lack of timeliness is a concern.

The Public Accounts Committee in turn raised this issue with the Treasurer in a letter dated 4 June 2002. His response dated 27 September 2002 indicated that the issue of timeliness would be reviewed in the general context of accrual budgeting reforms but did not specify a time frame for the review either to commence or to be completed. The response also pointed to the other sources of information available in the public sector and raised the prospect that there could be higher cost to agencies and the Audit Office if the time frame were shortened.

Tasmania lags in relation to South Australia, Victoria, Western Australia and the Australian Capital Territory in requiring earlier tabling of annual reports.

The Treasurer has suggested that agencies will be reminded that they must have their financial statements finalised and completed in every respect by 31 August each year. This is welcome. He also states that he will request me to complete all audits by 31 October or within six weeks of submission of signed financial statements. I would have to accept this as a reasonable target since I proposed it myself.

However, to specify processes that are intermediate to the final publication of the annual report is in my opinion likely to do little to improve the situation. In fact nothing presently requires that a Minister must table an annual report when it becomes available, even if it is produced well before the end of November.

An associated issue that I raised was consideration for a requirement for agencies to provide detailed commentary on their financial statements similar to the Management Discussion and Analysis found in the annual reports of US corporations. This would largely obviate the need that Audit now attempts to fill with a 5-year analysis of results. Individual agencies would be in a much better position to provide this service to Parliament themselves.

I continue to recommend both of the above initiatives to the Government to add to their record of improving the financial management of the State.

3.3 TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS

Under Section 28 of the *Financial Management and Audit Act 1990* (FMAA) and Section 52 of the *Government Business Enterprises Act 1995* (GBE) specific dates are set for which the relevant entities are to provide financial statements to audit to formally allow the audit process to commence. The dates specified are as follows:-

- FMAA Within 2 months after the end of the financial year
- GBE Within 60 days after the end of the financial year

In most cases entities have a 30 June financial year making 31 August the statutory date.

These dates have been set to allow sufficient time for the audit to be completed and an Annual Report produced for tabling in Parliament by 30 November each year. The situation for Local Government is set out in Part B, Volume 3 of this Report.

In 2001-02 as set out below, a considerable number of entities did not meet the target statutory date by providing a full set of signed (or draft) financial statements.

There are no exemptions from meeting the statutory date under the FMAA, and there are no penalties for not meeting this date. Under GBE legislation (section 53) there is a provision for exemption in certain circumstances, provided an application for exemption is made to the Treasurer by the required date. There is also no penalty for not meeting the date. This year no exemptions were requested or granted.

To assist with the implementation in government departments of accrual reporting and the implementation of Australian Accounting Standard AAS 29, Financial Reporting by Government Departments, I instituted from 1995-96 an Award for the best set of financial statement working papers. For the 2000-2001 and 2001-02 financial years I have not presented this award for the following reasons:

- A number of Departments prepared supporting working papers after preparation of the financial statements. This suggests that the working papers are being prepared for audit purposes and not as a means for compiling the financial statements and allowing agencies to carry out their own quality assurance processes before submitting the financial statements for audit.
- While dissections of account balances to support the notes to the financial statements are usually prepared by Departments, they do not contain comments to explain material variances at the account balance level between the current and prior year.
- While I have recommended that Departments carry out analytical review at the financial statement level setting out explanations of variances between the prior year and budget, only a few are performing this task, which is considered to be of use to finance staff outside of audit purposes.

- Cross-referencing of work papers to financial statements can also assist accountants to ensure that there are supporting documents for all areas of the statements, and indicate to which section of the statements the work papers relate.

Earlier in the financial year, I had made available to Departmental finance staff checklists ensuring compliance with applicable accounting standards and FMAA, however it was not clear in a number of cases whether these checklists were used.

In terms of human resource management, while I acknowledge a shortage of skilled and qualified finance personnel in the State Service generally, there were several instances where the preparation of financial statements was being carried out by one person, rather than delegating some of the tasks to others in the section. The latter approach is recommended as it provides a valuable opportunity to 'skill-up' other staff in the finance area, and ensures the efficiency of the audit process in cases where the primary financial officer is away on leave.

Following on from the above issue, the high number of errors detected by my officers in the audit process indicates that an additional officer from the finance area should be involved in a quality assurance role to check work papers and financial statement disclosure prior to providing documentation to auditors. It is considered that this is another way the efficiency of the audit process could be enhanced.

In summary the purposes of financial statement working papers are:

- A framework for the compilation of financial statements by current and future preparers;
- A central reference to the evidence required to support transactions, balances and estimates disclosed in the financial statements;
- A trail between the entity's financial records for the year and the financial statements for the year, which can be followed by persons having a quality assurance function; and
- A record of the quality control processes employed in the preparation of the financial statements.

The common shortcomings were:

- No systematic checking for compliance with Treasurer's Instructions and Accounting Standards;
- Lack of documentation of explanations for variations and major shifts in trends; and
- A tendency for heavy reliance on just one person (particularly in smaller agencies) for preparation of virtually all working papers. This was compounded by a penchant to disappear on leave once the financial statements were complete leaving no one to deal with audit queries.

SIGNED STATEMENTS NOT RECEIVED ON OR BEFORE 2 SEPTEMBER 2002

Ministerial Departments

Department of Police and Public Safety
Department of State Development
Legislature General

Government Business Enterprises

Egg Marketing Board
Forestry Tasmania
Rivers and Water Supply Commission
Stanley Cool Stores Board

Other Statutory and Public Bodies

Aboriginal Land Council
Ben Lomond Skifield Management Authority
Clyde Water Trust
Council of Law Reporting
Empower Consortium
Forest Practices Board
Inland Fisheries Service
Legal Aid Commission of Tasmania
Nominal Insurer
Parliamentary Superannuation Fund
Parliamentary Retiring Benefits Fund
Private Forests Tasmania
Retirement Benefits Fund Board
Royal Tasmanian Botanical Gardens
Southern Combined Planning Authority
Southern Waste Strategy Authority
TAFE Tasmania
Travel Agents' Insurance Licensing Board
Tasmanian Beef Industry (Research and Development) Trust
Tasmanian Community Fund
Tasmanian Dairy Industry Authority
Tasmanian International Velodrome Management Authority
Tasmanian Museum and Art Gallery
Tasmanian Risk Management Fund
WorkCover Tasmania Board

Local Government

Refer to Part B, Volume 3 for comments.

3.4 COLLECTION AND DESTRUCTION OF FIREARMS

Under section 149 of the *Firearms Act 1996* I am required to conduct an independent audit of all firearms disposed of under this Act, and table in both Houses of Parliament, a report on any audit performed.

The audits for the 2000-01 and 2001-02 years were completed with satisfactory results.

DETAILS OF FIREARM DISPOSALS

Type of Disposal	2001-02 Quantities	2000-01 Quantities
Destroyed	1524	795
Transferred to Reference Library	35	32
Returned to Owner	1	0
Transferred to Museums and other Displays	0	0

Statistics on firearms received and destroyed appear in the Department of Police and Public Safety's Annual Report to Parliament.

3.5 SUPERANNUATION COMPLIANCE AUDIT

INTRODUCTION

As part of the Office's compliance audit program, a review was performed of agencies' and other entities' conformance with certain provisions of the *Public Sector Superannuation Reform Act 1999* (PSSRA).

Subsection 6(6) of PSSRA states that:

Where an employee elects to become a member of the accumulation scheme, the Agency manager on behalf of the Agency must make employer superannuation contributions as provided by subsection (7) and in the manner required by the rules of that scheme.

PSSRA defines 'Agency' as broader than the use of the term in the *Financial Management and Audit Act 1990*, as it includes not only Government Departments, but also prescribed authorities, State-owned Companies, or any other body or person carrying on an industry or undertaking for or on behalf of the State.

Subsection 6(7) contains a table that sets the rate of employer superannuation contributions as a percentage of salary or wages at 8% from 1 July 2000 to 30 June 2002 and from 1 July 2002 onwards at 9%.

Another provision of PSSRA examined as part of the audit was section 13, which states:

Where an Agency is required to produce an annual report, that report is to include a certification by the relevant Agency manager that, if it is the case, the Agency has met its obligations under the *Superannuation Guarantee (Administration) Act 1992* of the Commonwealth, as amended, in respect of any employee who is or becomes a member of a complying superannuation scheme to which the Agency contributes, other than the accumulation scheme or the contributory scheme.

In addition, Agencies that do not maintain their own superannuation provisions, which are primarily Government Departments, make a 'gap' payment to the Department of Treasury and Finance. From 1 July 2000 to 30 June 2002 each relevant on-Budget agency was funded in its budget allocations and Forward Estimates in respect of employer superannuation contributions for permanent employees on the basis that it contributes at the rate of 11% of salary. However, employer superannuation support for permanent employees appointed on or after 15 May 1999 is at the Superannuation Guarantee rate, which was 8% from 1 July 2000 to 30 June 2002 and is now 9%. The difference between the rate at which Agencies are funded for permanent employees and the cost for new permanent employees appointed on or after 15 May 1999 is referred to as the 'gap' amount. Accordingly, this gap is currently 2% of salary.

Agencies are therefore currently required to pay:

- 11% into Treasury's Superannuation Provision Account for all members in the closed RBFB defined benefit contributory scheme;
- Employer contributions at the superannuation guarantee rate to the RBF Board for employees who are members of the RBF's Tasmanian Accumulation Scheme;
- Employer contributions at the superannuation guarantee rate to complying superannuation schemes for employees who elect to have their employer superannuation contributions paid to another complying superannuation scheme; and
- The 'gap' amount currently set at 2% to the Superannuation Provision Account in respect of new permanent employees appointed on or after 15 May 1999.

A memorandum from the Department of Treasury and Finance dated 13 May 1999 was circulated to all Heads of Agencies advising them of the compliance requirements of the PSSRA.

To ascertain the level of Agencies' compliance with the above provisions of PSSRA and the 'gap' arrangements in place, the audit comprised the following tests:

- For a selection of officers employed since 15 May 1999, verification of employer contributions made to the scale set out in sub-section 6(7) of the PSSRA;
- For each Agency, ascertaining the existence of effective controls to ensure that employees are given the opportunity to make an election to become a member of the Retirement Benefit Fund Board's Tasmanian Accumulation Scheme per sub-section 6(6) of the PSSRA;
- Verification that systems are in place to ensure that where an employee employed after 15 May 1999 elects not to pay contributions of 5% of salary, there is appropriate documentation to that effect on the employee's file;
- For each Agency, ensure disclosure of certification per section 13 of the PSSRA in its 1999-00 annual report; and
- In relation to inner-Budget Agencies, we also examined a selection of pays drawn from all officers employed since 15 May 1999, to ensure the 'gap' paid to the Superannuation Provision Account was at the appropriate rate.

The following Agencies were examined during the audit:

- Aurora Energy Pty Ltd;
- Civil Construction Services Corporation;
- Forestry Tasmania;
- Hydro Tasmania;
- Inland Fisheries Service;
- Marine and Safety Authority;
- Metro Tasmania Pty Ltd;
- Motor Accidents Insurance Board;
- Port Arthur Historic Site Management Authority;
- Printing Authority of Tasmania;
- Retirement Benefits Fund Board;
- Rivers & Water Supply Commission;
- Royal Tasmanian Botanical Gardens;
- Southern Regional Cemetery Trust;
- Tasmania Fire Service;
- Tasmanian Grain Elevators Board;
- Tasmanian International Velodrome Management Authority;
- The Public Trustee;
- Transend Networks Pty Ltd;
- Department of Education;
- Department of Health & Human Services;
- Department of Infrastructure, Energy & Resources;
- Department of Justice & Industrial Relations;
- Department of Police & Public Safety;
- Department of Premier and Cabinet;
- Department of Primary Industries, Water and Environment;
- Department of State Development; and
- Department of Treasury & Finance.

Audit testing took place between August 2001 and September 2002.

RESULTS OF AUDIT

VERIFICATION OF EMPLOYER CONTRIBUTIONS

In our reviews of selected officers' pays where they had been employed since 15 May 1999 the correct rate during the period tested was found to be paid by all Agencies that were tested. Accordingly, we concluded that there was satisfactory compliance with this statutory requirement.

ELECTION OPPORTUNITY

To ascertain whether new employees were given the opportunity to elect either the RBF's Tasmanian Accumulation Scheme TAS or some other complying scheme as their superannuation fund, we reviewed induction procedures and documents in place at each Agency, as well as discussing procedures with human resource officers.

In all but one Agency it was found that there were adequate procedures in place to ensure that new employees are given the opportunity to elect to join either TAS or some other fund. In the remaining case, at the Tasmanian International Velodrome Authority, it was found that the Human Resource officers within the Agency were not aware of the election requirement, but it is understood that processes have since been put in place to ensure compliance with the legislative requirement. Due to the small level of staffing at the Authority, it is considered that the risk that employees were not able to elect is low.

A further election an employee starting after 15 May 1999 may make is whether to pay contributions at a rate other than 5% of salary. This can include an election to make no contributions. As a consequence of amendments made to the PSSRA by the *Superannuation (Miscellaneous and Consequential Amendments) Act 2000*, the requirement to pay employee contributions also applies to those employees who select a fund other than TAS, unless they elect to make no contribution. The latter amendment took effect from 13 December 2000.

Discussions were held with human resources officers and applicable documents reviewed at larger organisations to ascertain the controls in place to ensure this election opportunity was given to staff employed after 15 May 1999; findings were satisfactory.

Accordingly, overall it was found that there was satisfactory compliance with the election elements of the statutory requirements.

CERTIFICATION IN ANNUAL REPORT

We reviewed annual reports for each Agency for the years 1999-00 and 2000-01 to ascertain whether a certification as required by section 13 of PSSRA was included.

In over half the Agencies (16 of the 28) examined, there was no certification for either year, and it is understood from discussions with the appropriate officers that this was due to the Agency officers not being aware of the statutory requirement. In these cases, we provided Agencies with an example of such a certification, and have been advised that it will be included in their 2001-02 annual reports.

Four Agencies had omitted the certification in 1999-00 but included it in the 2000-01 annual report.

Only seven Agencies included the certification in both years' annual reports. One Agency (Inland Fisheries Service) does not produce an annual report.

While it appears that all Agencies that produce annual reports will be complying with the certification requirement in future years, we have concluded that there was unsatisfactory compliance with section 13 for many Agencies for the annual reports relating to 1999-00 and 2000-01. Since May 2000, the Department of Treasury and Finance has run information sessions to ensure that all Agencies are aware of all statutory requirements of the PSSRA.

‘GAP’ PAYMENTS

A selection of employees from the inner-Budget Agencies was examined to ensure the employer contributions were at the appropriate rate.

In most cases the testing showed that there was satisfactory compliance with this requirement. However the following exceptions were noted:

- At the Department of Infrastructure, Energy and Resources, six employees tested did not have the ‘gap’ payment included in the Agency’s SPA contribution. This was due to an incorrect set-up of flags in the payroll system, which has now been fixed, and all other affected employees were identified by the Agency.
- Similarly, at the Department of Health and Human Services, 56 employees were not included in the calculation of the Agency’s ‘gap’ payments due to an incorrect coding in the payroll system. As a consequence of this audit, a review took place to ensure that coding was correct for other employees, and the Department has confirmed that from the pay period commencing 4 August 2002 the correct gap is now being paid to SPA for all relevant employees.
- The Retirement Benefits Fund was incorrectly interpreting the ‘gap’ requirements for three employees who were not permanent state service employees. This has since been addressed.

It appears that following our audit of the ‘gap’ payments, Agencies have since ensured that the payments are being made in respect of applicable employees.

CONCLUSION

Overall, results from our testing were mixed in terms of the level of Agencies’ compliance with their superannuation legislative requirements. As all of our adverse findings have been addressed by applicable Agencies, at the conclusion of the audit it appears that there was a satisfactory level of compliance in this area.

As the majority of errors appeared to stem from internal processes rather than any shortcomings in payroll IT systems, it is recommended that more robust induction and/or training in this area be carried out, bearing in mind staff turnover in payroll and human resource sections of agencies.

APPENDIX A

QUALIFIED AUDIT OPINIONS

The following qualified audit reports have been issued sine my last Report to Parliament.

2001-02

Flinders Council
St Giles Society Inc.
Tasmanian Public Finance Corporation

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