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Tasmanian Audit Office

Making a Difference

Annual Report of the Auditor-General

2007-2008

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Communication objective

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

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

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

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

Fax to: (03) 6226 0199 or

Mail to: General Manager – Strategy and Governance

Tasmanian Audit Office
GPO Box 851
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This report and past annual reports can be viewed on our website at www.audit.tas.gov.au. Electronic copies are also available on request.

Our vision

STRIVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

Our purpose

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

Our values

Professionalism - How we go about our work

Respect - How we treat others and expect to be treated

Customer Focus- How we deliver our services

Camaraderie - How we work together

Continuous Improvement - How we move forward and work better



01 October 2008

Hon Michael Aird MLC
Treasurer

Dear Treasurer

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

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

Yours sincerely

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

H M Blake
AUDITOR-GENERAL

Audit Office at a glance

We constantly challenge ourselves

What we do

The Tasmanian Audit Office undertakes audits, financial and performance, and special investigations and reports the outcomes to Parliament.

Our organisation

Since the appointment of George Thomas William Blamey Boyes as Colonial Auditor (now titled Auditor-General) on 25 November 1826, the independent office of the Auditor-General has continued to play an important role in Tasmania. Since then there has been nineteen Auditors-General with Mike Blake being the incumbent.

The role of the Tasmanian Audit Office is to assist the Auditor-General in providing the Tasmanian Parliament and the community with quality independent audits of all state public sector entities.

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

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

Our people

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

Our operations

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

Our *Strategic Plan 2008-2011 "Making A Difference"* outlines how we meet our responsibilities, and contains long-term strategic objectives and critical success factors setting the future direction for the Office.

Highlights 2007-08

The rewards from improved processes and committed, motivated staff

Our highlights for 2007-08 include:

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

Auditor-General's Report

Striving to Make a Difference



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

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

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

Provide value for money

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

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

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

Satisfied Parliament and Clients

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

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

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

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

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

Improved processes

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

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

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

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

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

Motivated staff

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

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

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

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

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

Achievements against our 2004-08 Corporate Plan

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

Government's 10 point plan for enhancing accountability and transparency

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

The Audit Bill

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

The future

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

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

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

Mike Blake

AUDITOR-GENERAL

30 September 2008

Operational Performance Summary 2007-08

Accountability is a key to improved performance

In this section we explain our performance for 2007-08 and in the next section reflect on our performance over the entire period of our 2004-08 Corporate Plan "Accountability on Your Behalf".

During this period our vision has been "Excellence in Audit Services" and our purpose "To provide Parliament with independent opinion, advice and recommendations on the performance of the Tasmanian Public Sector (including local government and state-owned corporations)". During 2007-08 we revisited our vision, purpose and strategic objectives for 2008-09 and beyond and the outcomes are detailed in the Organisational Framework section later in this report.

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

Providing value for money

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

Improved public sector entity accountability, outcomes and processes

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

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

Efficient and effective audit office operations

Measure	Target	Actual
Annual report tabled in Parliament by statutory date	Achieved	Achieved
Achieve prescribed chargeable activity – FAS	100%	94%
Achieve prescribed chargeable activity – PAS	100%	88%
Break-even result for financial audit-cycle	Within 5%	1% profit
Achieve revenue target for performance audit activity	100%	85%

Measure	Target	Actual
Completion of performance audits with 8 months	100%	88%
Overall financial result for the Office	Break-even	5% loss
Financial Performance Index	> 80	83
Cash balance at year-end is positive	Achieved	Achieved
Overhead budget accuracy	Within 5%	6% under

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

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

Highly satisfied Parliament and Clients

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

Produce appropriate reports

Provide positive, action focused, independent advice and

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

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

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

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

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

Rigorous methodology and processes relevant to context

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

Appropriate delivery, methodology and processes

Optimal resource planning and allocation and

High quality business decisions and processes.

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

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



Staff visiting forestry operations.

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

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

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

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

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

Strongly performing teams

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

Having a skills profile that matches our business needs and

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

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

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

All targets were achieved or exceeded.



Staff undertaking exercises at our corporate planning day in December 2007.

Our Performance against the 2004 – 2008 Corporate Plan

Continuous improvement over the last four years leads to a high level of achievement

This year is the last of the corporate plan for 2004 – 2008. Detailed below is a summary of our achievements against objectives established in 2004 which were:

- Undertake high quality independent audit activities
- Produce relevant reports for Parliament on the performance and accountability of public sector entities
- Meet the needs and expectations of our stakeholders
- Be identified as an exemplary employer
- Manage our business with maximum efficiency and effectiveness.

Undertake high quality independent audit activities

Strategies	Outcome
Complete all audits within agreed timeframes	<p>Financial audit – with minor exceptions, financial audits are completed within statutory timeframes.</p> <p>Performance audit – our target is completion of all projects within 8 months elapsed time – in the main this is achieved. Where not, the delay did not adversely impact project findings or the timeliness thereof.</p>
Utilise best practice audit methodologies and practices for all our audit activities	<p>Financial audit – during this planning period a new public sector specific methodology was implemented. It satisfies revised Australian Auditing Standards and caters for public sector characteristics.</p> <p>Performance audit – continues to apply a robust existing methodology with alternatives currently under review.</p>
Bring continuous improvement to all aspects of our planning, field work and reporting practices	Significant changes to processes for planning, field work and reporting. This includes enhanced risk assessments, critical evaluation of our public reports and revised preparation arrangements.

Strategies	Outcome
Provide quality training and support to audit	<p>Financial audit – this period has seen strong investment in staff training primarily relating to the new methodology and ever changing accounting and auditing standards. We also invested in leadership training and mentoring.</p> <p>Performance audit – training has been more one-off although new staff participated in an ACAG course targeted at performance auditors and investment was made in training on environmental auditing.</p> <p>Support services – training investment focussed on revised systems, budget management, reporting and IT and HR practices.</p>
Establish practices that are specifically aimed at improving the efficiency and timeliness of audit services	This was achieved by introducing a new financial audit methodology, investment in training, restructure within financial audit and training for clients on revised accounting standards and early reporting practices. The new financial auditing methodology introduced improved planning arrangements and more focused audit strategies which are presented to clients. In performance audit we also tightened audit plans and broadened the use of advisory committees.
Implement highly effective and efficient quality assurance mechanisms for all audit purposes	<p>We have implemented a three layered approach to quality assurance with:</p> <ul style="list-style-type: none"> ▪ internal quality assurance reviews undertaken annually ▪ external quality assurance reviews undertaken by an independent external party annually ▪ an independent peer review of Office operations every three years.

The outcomes of targeted performance criteria for our first objective of undertaking high quality independent audit activities during this 2004-08 planning period are set out in the following table:

Performance Criteria	Measure	2005	2006	2007	2008
Satisfaction from audit clients with the efficiency and timeliness of audit process	75%	75%	68%	N/m	76%
Timeliness of opinions expressed on financial statements of clients	Completion of all audits within 30 days of receiving signed financial statements	79%	78%	93%	68%

Performance Criteria	Measure	2005	2006	2007	2008
	Completion of all financial statement audits within 3.5 months of balance date	78%	65%	50%	83%
Assessment of all audit methodologies by peer review every 3 years with results reported that includes confirmation of best practice status of methodologies and practices	Favourable overall assessment	N/m	Achieved	N/m	N/m
Post-audit quality assurance reviews applied annually to a set percentage of audits, with all resulting recommendations acted upon	Favourable overall assessment	Achieved	Achieved	Achieved	Achieved

N/m = Not measured in that year

Produce relevant reports for Parliament on the performance and accountability of public sector entities

Strategies	Outcome
Implement well-structured and highly effective strategic audit planning processes across all elements of our public sector audit responsibilities	<p>Financial audit – implementation of the new audit methodology resulted in a stronger focus on understanding the entities being audited and the financial and other risks faced by them. Resulting improvements to audit processes included:</p> <ul style="list-style-type: none"> ▪ More effective audit strategy documents ▪ Explicit completion timeframes ▪ More effective reporting tools and better reports. <p>In addition, revised policies for outsourcing financial audits were initiated</p> <p>Performance audit – this business unit developed a revised process for topic selection, more explicit planning documentation and broadened the use of advisory committees.</p>
Target our audits to areas offering greatest potential for the Office to contribute to improved performance and enhanced accountability in the public sector	As noted we revised our topic selection process for performance audits and presented this to Heads of Agencies. Proposed topics are also presented to the Public Accounts Committee annually with feedback to date being positive. Resulting reports have been well received as indicated by Parliamentary surveys.

Strategies	Outcome
Actively seek the views of key stakeholders on potential audit topics	This has been done in three ways: <ul style="list-style-type: none"> regular feedback from Members when presenting reports in the Parliament Individual discussions by the Auditor-General with Members and Discussions with the Public Accounts Committee.
Introduce continuous improvement to the structure and content of reports, and to our methods of communicating audit results to Parliament	The reports produced during the period have been reviewed periodically by independent external parties. Recommendations from these reviews where appropriate were implemented. Financial audit reports are regularly updated with new ratios introduced and matters of relevance introduced. Survey ratings from key stakeholders received support the changes made.
Ensure that all planned reports are presented to Parliament in accordance with identified timeframes	All statutory reports were presented to Parliament in accordance with statutory requirements. We continually review processes to achieve earlier tabling of reports.

The outcomes of targeted performance criteria for our second objective of producing relevant reports for Parliament on the performance and accountability of public sector entities during this 2004-08 planning period are set out in the following table:

Performance Criteria	Measure	2005	2006	2007	2008	
Feed back from the Members of Parliament on their satisfaction with the relevance of audit topics and the quality and usefulness of our reports	Overall	75%	74%	96%	95%	N/m
	Topics	75%	N/m	N/m	88%	N/m
	Quality	75%	N/m	N/m	93%	N/m
	Usefulness	75%	N/m	N/m	84%	N/m
Timeliness of opinions expressed on financial statements of clients		75%	79%	78%	93%	68%
Timeliness of reports to Parliament	Report on Government Departments and Public Bodies by 15 November each year	16 Nov	22 Nov	22 Nov	20 Nov	
	Reports on Performance and Compliance audits within 8 months of commencement	38%	33%	56%	88%	

Performance Criteria	Measure	2005	2006	2007	2008
Produce the legislated reports and the minimum number of reports as defined in Tasmania Together 2020	One legislated report on the outcomes of financial audits	2	2	2	2
	Four other reports annually (performance audits)	7	9	9	8

N/m = Not measured in that year

Generally the performance measures for this objective have been consistently achieved over the period. The number of reports tabled in Parliament is above the initial targets. The report to Parliament on the outcomes of financial audits was separated into two reports, one tabled in November and the other in May/June. This was done so that information relating to audits not completed by 31 October each year was reported within six months of completion and not one year later. The tabling of reports in Parliament is influenced by when Parliament is sitting so while the 15 November target was not always met within a week is a reasonable achievement. The Office has a target of eight reports for performance audits versus the four in Tasmania Together 2020 and we met this target.

The timeliness of financial opinions steadily improved over the first three years but in 2007-08 the target was not met due to staffing shortages, delays by clients in lodging statements and the introduction of revised accounting and auditing standards.

The completion of performance audits within eight months improved significantly over the period. The first years were influenced by staff turnover and absenteeism in that audits were commenced by staff that either left or were on extended leave delaying completion. Special investigations taken on during 2005 and 2006 also interrupted planned projects.

Meet the needs and expectations of our stakeholders

Strategies	Outcome
Maintain a productive working relationship with the Parliament and with Parliamentary committees, in particular the Public Accounts Committee	During the period we demonstrated our commitment to working closely with the PAC by entering into a memorandum of understanding with it. We also seconded a member of our performance audit team to work for the PAC on one of its inquiries. We now present our audit plans to the PAC each year.
Establish sound professional working relationship with other stakeholders in order that we have an understanding of their needs and they fully appreciate our capacity and power to respond to such needs	Senior staff met regularly with their peers in public sector organisations and we regularly attend audit committee meetings. Several senior management staff hold positions on professional organisations and we often make presentations at conferences.

Strategies	Outcome
Be effective in our professional relationships with our audit clients through timely and well co-ordinated communications and pro-active identification of audit issues and emerging developments	Communication between us and our clients was enhanced by several measures, including more frequent meetings, both formal and informal, enhanced audit strategy documents and audit plans, more frequent entry and exit meetings, client newsletters, client seminars, attendances at audit committee meetings and client feedback questionnaires for all key and high risk financial audits.
Identify and pursue opportunities to raise awareness of the accountability enhancing features of our audit activities and the reports that flow from our audit processes	Clients are made aware of issues during interactions with our staff, through newsletters and seminars, and our reports to Parliament and attendance at audit committee meetings. Our presentations to Members on the day of tabling reports provides a particularly effective mechanism to emphasise awareness and accountability.

The outcomes of targeted performance criteria for our third objective of meeting the needs and expectations of our stakeholders during this 2004-08 planning period are set out in the following table:

Performance Criteria	Measure	2005	2006	2007	2008
Positive Assessments provided by Parliamentarians and committee members on the timeliness and quality of our dealings with them over the period of the Corporate Plan	75%	75%	N/m	100%	N/m
Annual feedback via surveys indicating our audit clients are satisfied with our working relationship	75%	75%	N/m	76%	N/m
Periodic feedback from other stakeholders on perceived quality of our interaction with them	75%	68%	N/m	N/m	N/m
Feedback on relevance, usefulness and quality of seminars conducted and information provided during the audit process	75%	76%	75%	90%	91%

N/m = Not measured in that year

There has been general improvement with the interactions between our Office and Parliamentarians and our clients. The initiatives implemented resulting in appropriate results.

Be identified as an exemplary employer

Strategies	Outcome
Devise recruitment practices that keep pace with the changing external environment and attract competent and skilled people to the Office	The Office refined its recruitment process developing recruitment and selection processes within a competency framework and applying behavioural interviewing. Statements of duties were re-written and reclassified in 2007 and relevant positions advertised resulting in appointments of existing and new staff and resignations and transfers.
Implement well designed annual learning and development programs for our staff that will assist them to attain high standards of professional skills and performance	The average number of training days per FTE increased over the period and targeted leadership training and mentoring was introduced. In addition, we targeted training for new performance auditors, training in environmental auditing and conferences relevant to audit projects.
Provide a stimulating work environment for our staff and make available to them up to date technology and business processes	During this period staff restructures aimed at a "one team" approach, enhanced people management, involving all staff in setting strategic directions and determining our values all contributed to a strong staff survey outcome in May 2008.
Manage our people in an exemplary manner in line with corporate values	As noted, involving all staff in the development of our strategic direction and values strongly contributed to a much improved staff survey result in May 2008.

The outcomes of targeted performance criteria for our fourth objective of being identified as an exemplary employer during this 2004-08 planning period are set out in the following table:

Performance Criteria	Measure	2005	2006	2007	2008
Feedback from annual employee attitude surveys on our commitment to corporate values and the well being of our people	75%	70%	65%	N/m	83%
Conduct staff performance assessments twice a year	100%	100%	100%	100%	100%
Trends in a range of employee related statistics:	Improvement				
▪ sick leave days per staff		5.4	13.2	7.1	6.0
▪ workers compensation claims		0	1	1	0
▪ staff turnover		8.8%	8.1%	10.3%	4.9%
▪ professional development days per staff		14.5	7.9	12.3	11.9

The general well-being of staff over the period has improved as shown by staff satisfaction and reduced worker compensation claims and average sick leave days. There are no outstanding workers compensation claims and the health and well-being program implemented during 2007 had an impact on the average sick leave days per FTE. When some isolated sick leave cases are eliminated, such as the sick leave related to special circumstances, the average sick leave days reduces to 3 days per FTE.

Manage our business with maximum efficiency and effectiveness

Strategies	Outcome
Utilise modern and suitable information systems that support decision-making and maximise the efficiency of office wide operations	We consolidated our investment in corporate systems and invested in new audit methodology toolsets. There have been improvements in data collection and reporting. For example, monthly management accounts are now issued within seven working days.
Ensure that our corporate governance framework is best practice	We invested considerable time in revising our governance framework. This included revising our internal structures, introducing a policy development framework, writing new policies, preparing a risk register and strategic and operational risk management strategies, participating in benchmarking, introducing a quality assurance process, creation of an independent Audit, Advisory and Review Committee and an internal audit function.
Develop a performance management and reporting framework that ensures external reporting our performance against corporate goals in a clear and transparent manner	During the period the corporate reporting and strategic planning processes were refined. The balanced scorecard reporting framework was adopted. We received a bronze award from Australasian Reporting Awards Pty Ltd for our 2006-07 annual report.
Manage our financial resources with due diligence	Our financial performance over the period has not been strong although process for managing cash was improved. Management and staff restructures and some one-off costs contributed to the less than satisfactory results. There is work to be done in this part of our Office.
Maintain effective time and cost management practices across the office	Despite the immediately preceding comments, there have been improvements and we have identified the need to behave in a more commercial manner. There is a strong focus on cost management at both an Office and Business Unit level.

The outcomes of targeted performance criteria for our fifth objective of managing our business with maximum efficiency and effectiveness during this 2004-08 planning period are set out in the following table:

Performance Criteria	Measure	2005	2006	2007	2008
The Office's financial position is sustainable	Break-even financial result	9.6% Loss	3.7% Profit	0.1% Loss	5% Loss
	Positive cash balance	Neg	Pos	Pos	Pos
Standard and timeliness of our annual report to Parliament	Attain an award from Australasian Reporting Awards Pty Ltd	Not entered	No award	No award	Bronze award
	Submit annual report to our Responsible Minister so it can be tabled by statutory date	100%	100%	100%	100%
Level of adherence to established time and cost budgets for all of our activities	Financial Audit	3.7% Under	4.5% Under	2.9% Under	1.0% Under
	Performance Audit	14.7% Over	9.0% Under	8.0% Under	14.6% Under

Future outlook

During 2007-08 the Office developed a Strategic Plan "Making A Difference" covering the four year period calendar 2008 to 2011. This plan was developed in consultation with all staff and was presented to the Public Accounts Committee.

The plan details our new vision, purpose and values and our strategic objectives and associated critical success factors. The Strategic Plan outlines our performance measures and reporting arrangements which are based on the balanced scorecard framework. The plan together with our annual business plan can be read at <http://www.audit.tas.gov.au/aboutus/corpplan.html>.

Organisational Framework for 2008-09 onwards

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

Our vision and purpose

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

Vision

STRIVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

Strive to make a difference by producing quality reports and services that enable the recipient to understand the recommendations made therein so they can be implemented to improve service delivery in the public sector. To make a difference by leading by example in that we practice what we say. Excel at what we do so that our recommendations are relevant, timely and accepted and, therefore, "make a difference".

Purpose

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



Staff participating at our corporate planning day in December 2007.



Philip Chung, Suzanne Xue, Rebecca Clarke, Matthew Graver and Simone Lee at the corporate planning day.

Our outcome and outputs

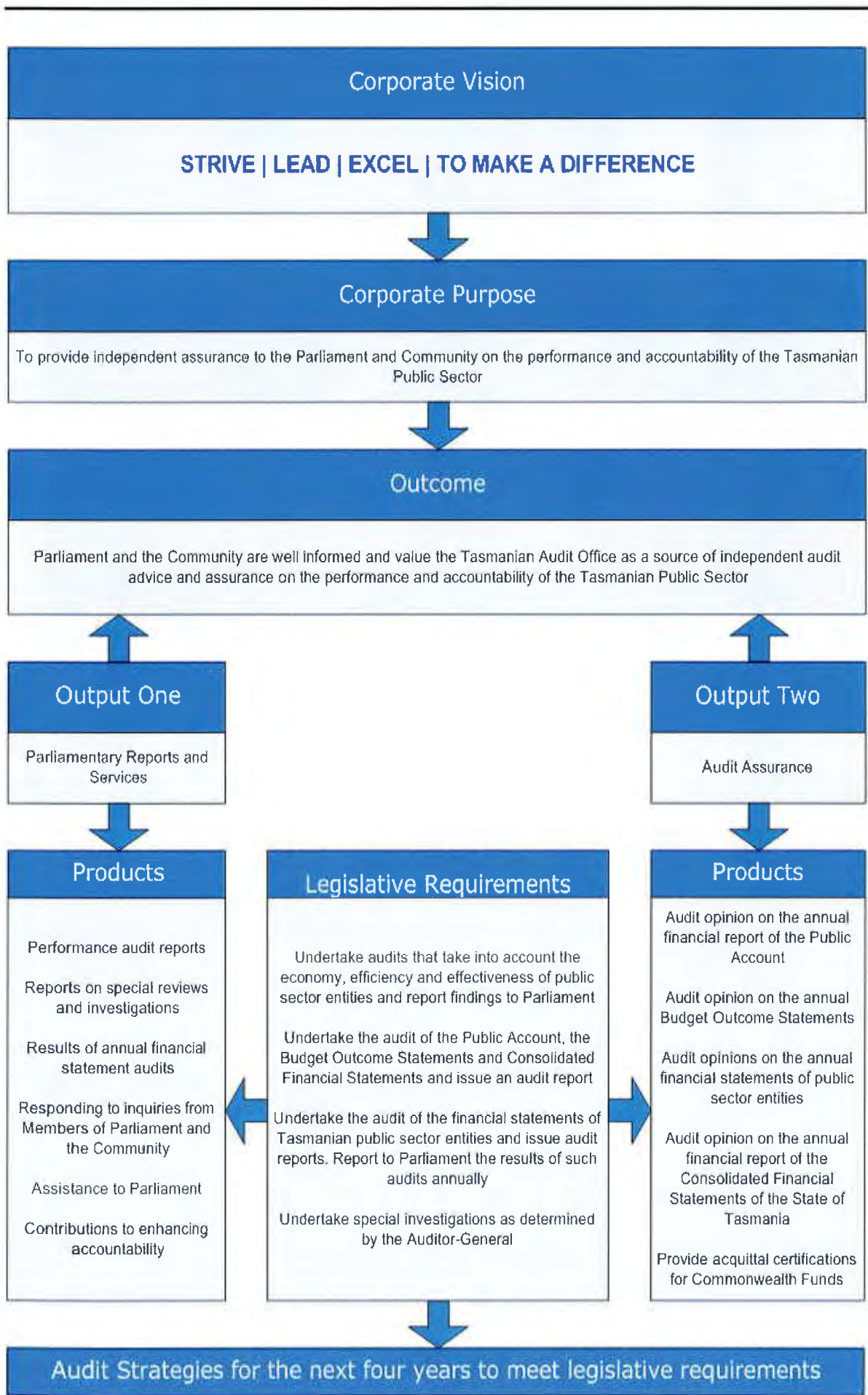
Through the Tasmanian public sector budgetary process we identified one outcome supported by two outputs that are consistent with our vision and purpose. The outcome is:

Parliament and Community are well informed and value the Tasmanian Audit Office as a source of independent audit advice and assurance on the performance and accountability of the Tasmanian Public Sector.

The outputs we must deliver to enable achievement of our outcomes are:

- Parliamentary Reports and Services – independent assessment of the performance of selected Tasmanian public sector activities including scope for improving economy and efficiency, and administrative effectiveness
- Audit Assurance – independent assurance of Tasmanian public sector financial reporting, administration, control and accountability.

Our Vision and Purpose are linked to our Outcome and Outputs as demonstrated on the following page.



Our strategic objectives and associated critical success factors

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

- Confidence in the performance and accountability of public sector entities and
- Improved service delivery by public sector entities.

To enable us to achieve these objectives, and to measure our performance, we established four Critical Success Factors:

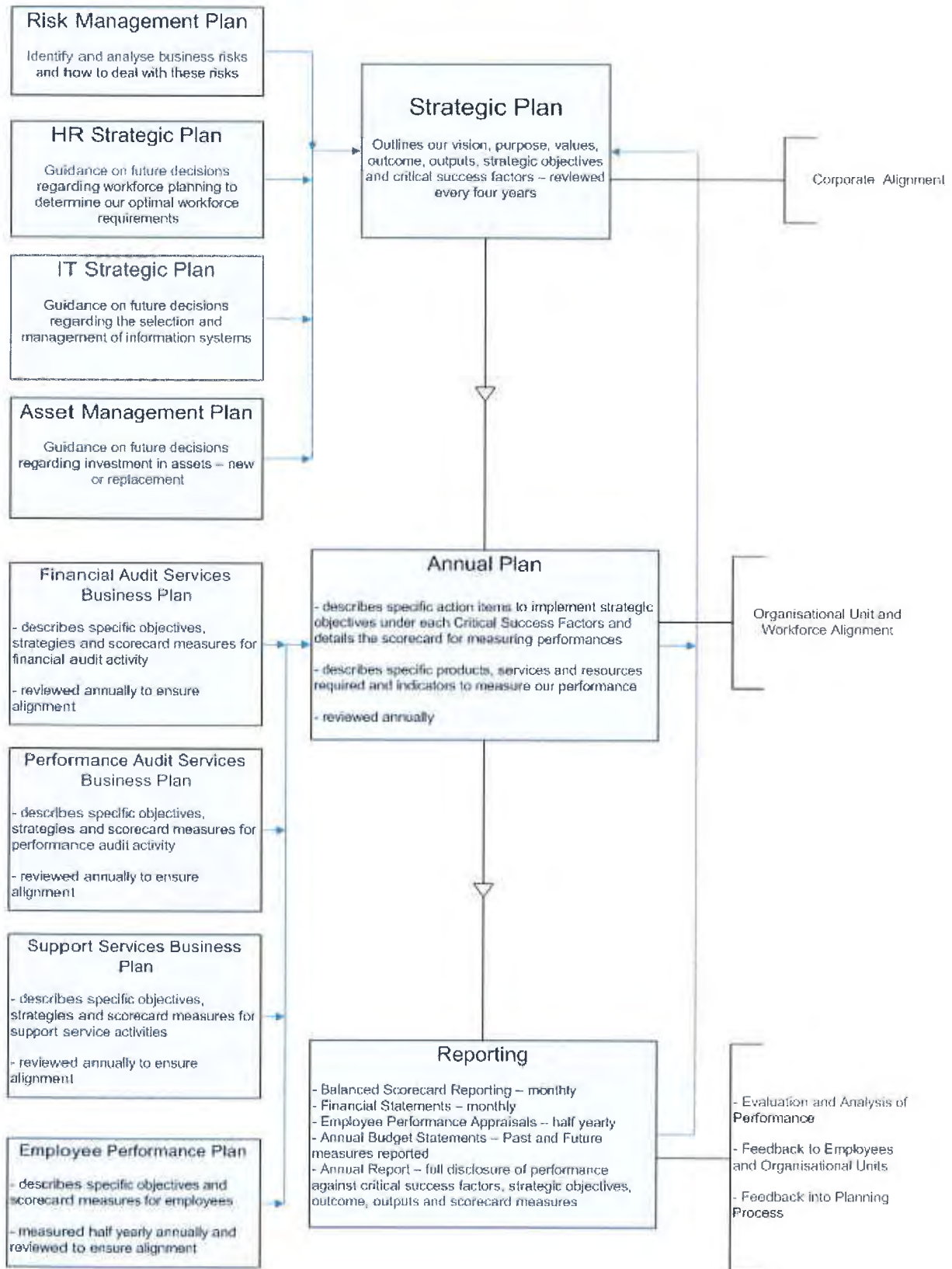
- Sustainable Business Performance
 - Efficient and effective office operations
 - Financial sustainability
- Highly Regarded Products and Services
 - Soundly based, credible and balanced reports and opinions
 - Reports and opinions that lead to improved public sector performance and accountability
 - Undertaking audits/investigations on the right topics at the right time
- Continuously Improving Operational Performance
 - Effective business systems
 - Contemporary audit methodologies
 - Effective quality assurance
- Motivated Employees
 - Capable, motivated and satisfied employees
 - Effective teams

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

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

Our new Strategic Plan "Making A Difference" and the associated plans of our strategic planning framework can be accessed and download from our website. The Office's strategic planning framework is illustrated on the following page.

Strategic Planning Framework



Our People

A dynamic and diverse workforce of highly skilled and motivated people

Staff profile

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

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

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

The lower average age of our workforce is largely influenced by the employment of more cadets in recent years. The number of staff employed on a part-time basis has increased with these staff able to move between full-time and part-time, to date this part-time flexibility has been used by women.

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

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



Audit Office staff at our corporate planning day.

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

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

We have a relatively even gender profile with marginally more men employed than women, with the majority employed on a permanent basis. The age profile indicates that the average age by gender remained relatively constant as younger employees replaced retirees. The age profile of our staff mirrors the national trend with a significant number of employees between 45 – 60 years. In view of this, we take succession planning seriously with regular review of options. The average salary by gender has widened primarily because most recent cadets have been female. The number of female staff who took the opportunity to work part-time increased.

Leave management

Managing staff leave entitlements is important because not doing so:

- negatively impacts our financial performance and position
- has an operational impact particularly when staff must take longer periods of leave than normal and
- can negatively impact on the health and well being of our staff.

We have not performed well in managing our staff leave in recent years primarily due to staff shortages. This is evidenced by the average accrued leave balances for recreation and long service and leave in lieu of overtime increasing steadily with a significant increase during 2007-08. More encouraging, however, is that average sick leave taken per employee decreased by 50% in the last two years.

A breakdown of the leave is as follows:

Leave	2003-04	2004-05	2005-06	2006-07	2007-08
Average sick leave days taken per employee	8.0	5.4	13.2	7.1	6.6
Total number of sick leave days	278	189	459	261	237
Average number of recreation leave days per employee	13.6	18.1	17.6	17.7	20.8
Total recreation leave days accrued	498	633	608	681	770
Employees with > 35 days accrued recreation leave	1	2	2	4	3
Average no. of days LSL per employee accrued	44.3	47.5	43.3	40.7	44.9
Total LSL days accrued	1 621	1 665	1 499	1 570	1 665
Employees with LSL > 100 days	0	0	0	0	0
Average number of ILOT days per employee	0.9	3.5	2.6	2.7	3.7
Total ILOT days accrued	36	120	91	104	136

Recruitment and selection

We recruit in accordance with policies determined by the State Service Commissioner under the relevant provisions of the *State Service Act 2000*. In line with these policies, our processes for selection reflect the merit principle, which ensures that all applicants are assessed in terms of who best meets the selection criteria for the primary competencies required for each position and, therefore demonstrates the strongest capacity to undertake the functions required of the position.



Beverley Pasanen at the Careers Fair.

As mentioned in last year's annual report, we commenced the 2007-08 financial year with a major recruitment program resulting in twenty-six of forty-one positions being advertised in June 2007. The recruitment process took six months to complete and was based on our revised competency based recruitment and selection framework which included behavioural interviewing. The outcome was nineteen internal promotions and six external appointees.

The Office participated at the University of Tasmania's Careers Fair and the level of interest in working at the Audit Office was high.

Cadetship program

Our cadet program is a development initiative and a response to our ageing staff profile. The program allows participants the opportunity to work and gain experience while studying part-time for an appropriate degree. To date the program has focussed on financial audit but the intention of the program is that cadets will work in all business units to enable them to gain broader experience.

The cadet program is normally for six years, but it may be shorter depending on the amount of university study that a new cadet has completed before beginning the program.

To date five cadets have completed their cadetships, three of whom are now in financial auditor positions, four cadets are still completing their cadetships and one resigned during the year to accept a position in the private sector.



Matthew Graver and Raechel Filler, two of our audit cadets.

	2003-04	2004-05	2005-06	2006-07	2007-08
Cadetships in place	0	1	3	2	3

Professional development

We are committed to providing appropriate high-quality learning and development opportunities for our people. All staff and supervisors are encouraged to identify learning and development needs through the performance management process and to ensure that training and development courses identified are consistent with Office objectives and with those of individual members of staff.

In addition, during the year several staff were provided with leadership coaching.

The table below summarises our investment in staff training, development and coaching.

Professional development	2003-04	2004-05	2005-06	2006-07	2007-08
Average days per FTE	9.7	14.5	7.9	12.3	11.9
Average investment per FTE	\$1 315	\$1 972	\$1 572	\$2 692	\$2 418

During 2008-09 we will prepare a professional development program for each position based on the competency framework. This will enable staff and their supervisors to identify development opportunities relevant to their current positions and to positions they may aspire to.

Study assistance



Paul Viney, President Tasmania Division CPA Australia, presenting a high achievement award for the CPA program to Suzanne Xue.

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

We currently have five staff members undertaking further studies in bachelor degrees and other professional accounting programs.

We support our staff by allowing them to take time off on full pay to study and prepare for examinations and provide some financial assistance. We encourage our staff to undertake post-graduate study such as the professional programs offered by the professional accounting bodies in Australia.

Performance management

Consistent with our new competency based program, during 2007-08 we implemented a revised performance management system which is based on defined competencies created to help staff and their supervisors explicitly identify the skills needed to perform their work. This approach to performance management makes it easier for all parties to identify the performance standards required, and to fill any competency gaps through learning and development activities. The development of our staff is paramount to the achievement of our objectives.

Occupational health, safety and welfare

We continue to be active in managing Occupational Health, Safety and Welfare by identifying risks and addressing problems promptly.

Workplace inspections of all premises were conducted and a report prepared and presented to the EMG with recommendations being actioned. Ergonomic assessments are conducted for all new staff and when requested by existing staff.



Robyn Smith, Rosina Beaumont, Geoff Fisher, Raechel Filler and Rohan Grant participants in the Global Corporate Challenge.



Beverley Pasanen and Ric De Santi learning self defence as part of the health and well being program.

Our Health and Well being program that commenced last year concluded in December 2007 with a presentation by our provider on all aspects and outcomes of the program. In addition, we continued our walking initiatives via the Global Corporate Challenge (www.gcc2008.com), the 10 000 steps program (www.10000steps.org.au) and the Cancer Council's Relay for Life. This year our participation rate in the annual influenza vaccination program increased by 50%. As noted previously, these programs had a positive impact of the number of sick leave days taken by staff.

Employee assistance program

Our employee assistance programs continued to provide support to staff on matters personal them.

Workplace diversity

We maintain our commitment to workplace diversity through our recruitment and selection practices, our performance management system and the provision of training and development opportunities.

Our Human Resources Strategic Plan continues to promote our workplace diversity initiatives.

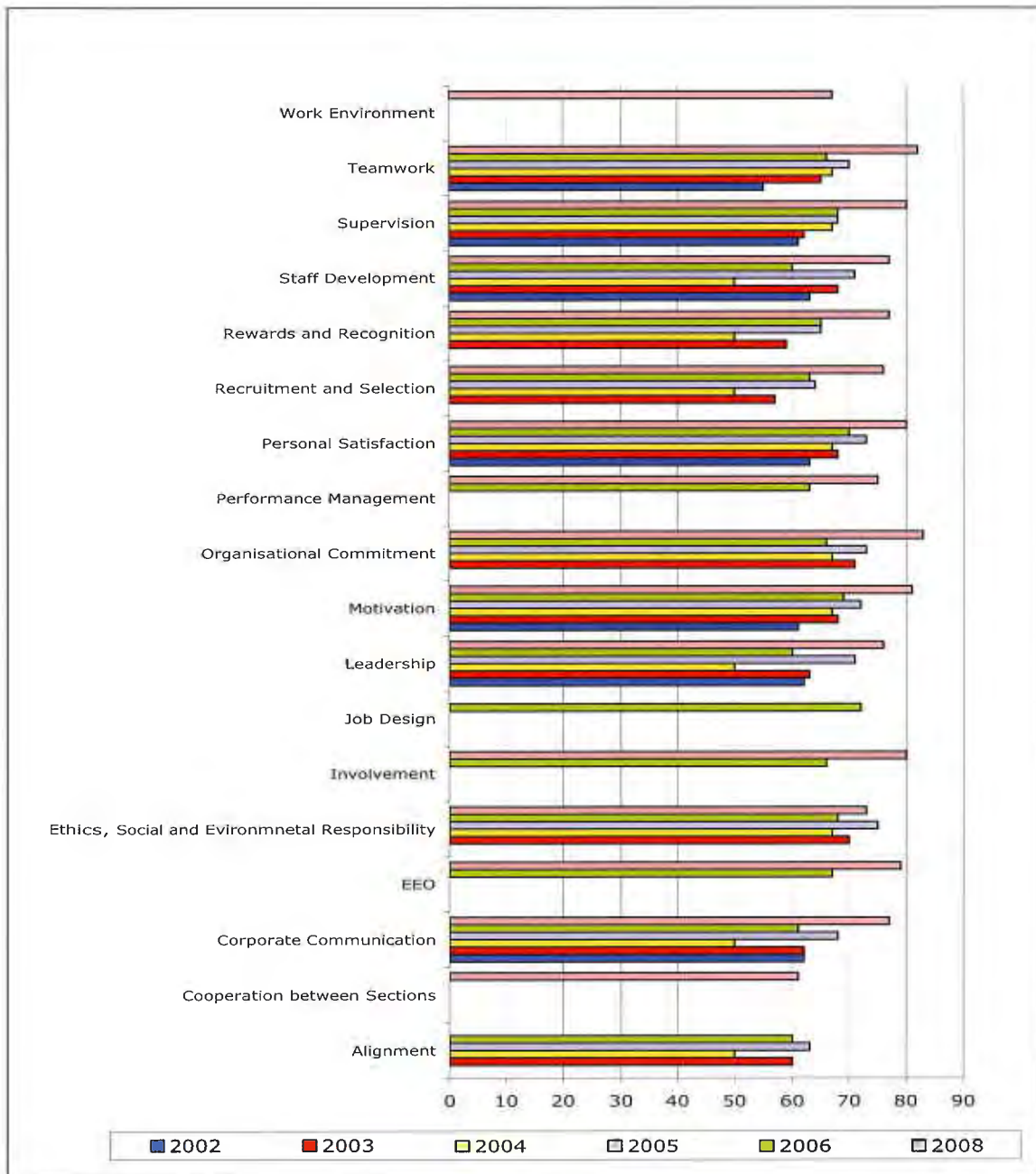
Employee participation

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

Employee involvement and participation is sought through "all staff" emails, direct approaches and open Office discussions.

Independent staff survey

We recognise that our people are the key to improving our overall efficiency and performance. To measure our internal organisational effectiveness we commenced measuring staff satisfaction six years ago. The survey conducted this year had a participation rate of 97% with the results showing an improvement in staff morale. This result is most encouraging particularly when considering the disruption caused by the recruitment process reported previously. The results of the survey are detailed in the following graph.



The consultant conducting the survey concluded as follows:

“This is the sixth TAO Staff Survey and the responses provided are markedly more positive than in any previous survey. The comments are more constructive and affirm the effort being made to build a stronger and more effective organisation.”

Human resources strategic plan

Our investment in our people is our most significant cost requiring a strategic focus in human resource management and aligns this with our values. We are, therefore, committed to providing a strategic approach to the management of our people through:

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

Future outlook

We will:

- investigate the creation of a graduate program
- develop plans to reduce our accumulated leave balances
- prepare a professional development program
- continue with our values implementation plan.

Operational Summary - Financial Audit Services

Overview

27 FTE staff, 21.5 in Hobart and 5.5 in Launceston

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

Key measures

Measure	Last Year	Target	This Year
Parliamentary Satisfaction – Usefulness of Reports	87	75	N/m
Client Satisfaction – Audit Service	76	75	N/m
Outcome of external cold file reviews	Positive	Positive	Positive
Financial audit milestones met	N/m	90%	87%
Audit reports issued within 30 days of receipt of signed financial statements	93%	85%	61%
Audits completed within 3.5 months of financial statement balance date for government departments, government business enterprises, state owned companies and the university	80%	85%	58%
All other audits completed within 4 months of financial statement balance date	74%	85%	60%
Training days per full-time equivalent	13.2	10	13.1
Completion of performance appraisals	100%	100%	100%
Achieve prescribed chargeable activity	102%	100%	88%
Break-even financial result for audit cycle	3% profit	Within 5%	1% profit
Table reports in Parliament in target months	100%	100%	100%

N/m = Not measured in that year

Operational performance

For us to achieve our purpose, the Financial Audit Services (FAS) business unit must conduct financial statement audits with the objective of issuing an audit opinion on the financial statements of public sector entities and special whole-of-government statements. These statements must be issued in a timely manner so that we can meet our statutory obligations and well as allow the public sector entities to meet their statutory obligations. This requires cooperation and commitment from all parties. We inform our principal client, the Parliament, on the outcomes of these audits by tabling reports in Parliament.

During the year, FAS met the objective of completing all the audits of public sector entities who submitted their financial statements to us. The timeliness of the process and status of audits is detailed in our reports to Parliament referred to below.

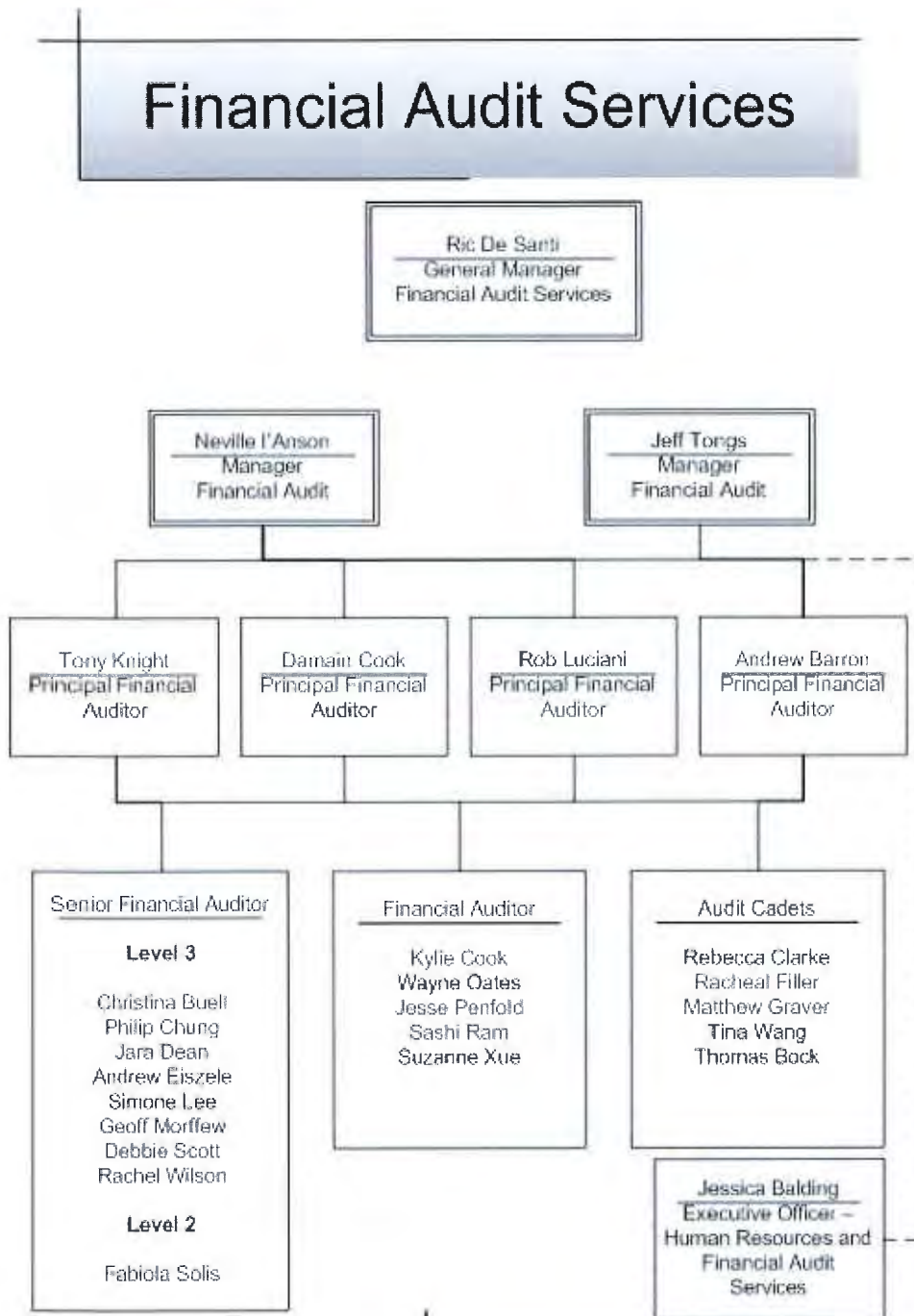
FAS internal processes were achieved satisfactorily in that staff received professional development, the quality assurance reviews were positive, performance appraisals were conducted and the audits for the 2006-07 audit cycle were completed within the performance parameters. In contrast, in terms of timeliness FAS did not achieve the performance targets for the completion of audits. In fact compared to the previous year, performance deteriorated. Despite this, no clients were prevented from meeting their own annual reporting requirements. The performance was influenced by a lengthy recruitment process undertaken during the year (refer to HR section), the introduction of new accounting and auditing standards and the first full year implementation of a new financial audit methodology. The level of chargeable activity was not achieved for the year again influenced by the recruitment process as well as secondments, and staff turnover and absenteeism.

FAS published and tabled in Parliament two reports on the outcomes of the financial audits in accordance with the prescribed timetable. Parliamentarians were invited to presentations on the day of tabling and informal feedback on the usefulness of the reports was positive.



Neville I'Anson and Andrew Barron discussing the draft statements of a client.

Unit structure



Christina Buell on secondment to DHHS and Jesse Penfold on Leave without Pay for 12 months

Unit Organisational Chart
30 June 2008

Reports to Parliament

In accordance with the statutory requirements of the *Financial Management and Audit Act 1990* we tabled two reports in Parliament.

Government Departments and Public Bodies 2006-07 – November 2007

The report is a three volume set and provides detailed financial analysis of the financial statements of Government departments and public sector bodies.

The report details significant items identified during the conduct of the financial audits and provides Members of Parliament with comprehensive financial summaries for most clients.

In addition, the report provided Parliament with an analysis of the Budget Outcomes Statements and Public Account Statements, raised matters of significance and a follow-up of significant matters previously raised. Timeliness and quality of financial statements were reported and the winners of our Annual Working Paper Awards for the 2005-06 year were also acknowledged.

Local Government Authorities and Public Bodies 2006-07

This report dealt with the audits of Local Government authorities and public bodies relating to the financial years ending 30 June 2007 and 31 December 2007 that were not reported in the November 2007 report.

In addition, the report included an analysis of the Consolidated Statements for the State of Tasmania, Local Government rating, comparative analysis of Local Government authorities, raised matters of significance and reported audits dispensed with.

Both these reports can be viewed and/or downloaded from our website www.audit.tas.gov.au.

Management of financial audits

While the Auditor-General is responsible for auditing all public sector bodies under the *FMAA 1990*, there is discretionary power as to who will conduct the audits. Under section 46 of the *FMAA 1990* the Auditor-General discharges his responsibility by appointing officers within the Office, or some other suitably qualified persons to carry out the whole or a part of an audit or investigation. We outsourced 35 financial audits to the private sector under the supervision of the Auditor-General and these audits are listed in the Appendices in this report.

We have established a register of external audit service providers that is updated annually and it is from this register that suitably qualified persons are selected from to conduct audits under section 46 of the *FMAA 1990*. The list of external audit service providers is included on our website and in the Appendices in this report.

Under section 41 of the *FMAA 1990* the Auditor-General can dispense with audits after consideration of alternative accountability arrangements for the public bodies concerned. Two aspects considered were the materiality of the financial transactions involved and the most cost effective means of conducting audits. The audits dispensed with are detailed in the reports to Parliament previously referred to and are noted in the list of clients in the Appendices in this report.

The table below indicates the mix of audit service providers for our financial audit portfolio:

	2003-04	2004-05	2005-06	2006-07	2007-08
Number of non local government financial statement audits contracted to private sector audit firms by the Auditor-General	9	13	13	28	26
Number of local government audits conducted by private sector audit firms	5	4	6	7	9
Audits conducted by the Tasmanian Audit Office	106	117	103	91	88
Audits of public bodies dispensed with	17	11	32	32	31
Total number of audits in portfolio	137	145	154	158	154

Outlook for 2008-09

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

Operational Summary - Performance Audit Services

Overview

7.5 FTE staff, 7 in Hobart and 0.5 in Launceston

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

Key measures

Measure	Last Year	Target	This Year
Parliamentary Satisfaction:			
▪ Worthwhile topics	88	75	N/m
▪ Style and readability	93	75	N/m
▪ Skills	93	75	N/m
▪ Usefulness	84	75	N/m
Outcome of internal cold file reviews	Positive	Positive	Positive
Number of reports tabled in Parliament	9	8	8
Training days per full-time equivalent	7.9	10	9.4
Completion of performance appraisals	100%	100%	100%
Audits completed within 8 months	56%	100%	88%
Recommendations agreed and acted upon within two years after tabling	71 %	70%	94%

N/m = Not measured in that year

Operational performance

The primary objective of the Performance Audit Services (PAS) business unit is to table eight reports in Parliament on the outcomes of the audits in that program. The PAS unit achieved the target and the eight reports are summarised later in this section.

The Parliamentary survey is conducted every two years, so there is no measure for this year. However informal feedback from Parliamentarians who attended our report presentations during the year and from members of the Public Accounts Committee (PAC) indicated satisfaction with the reports tabled.

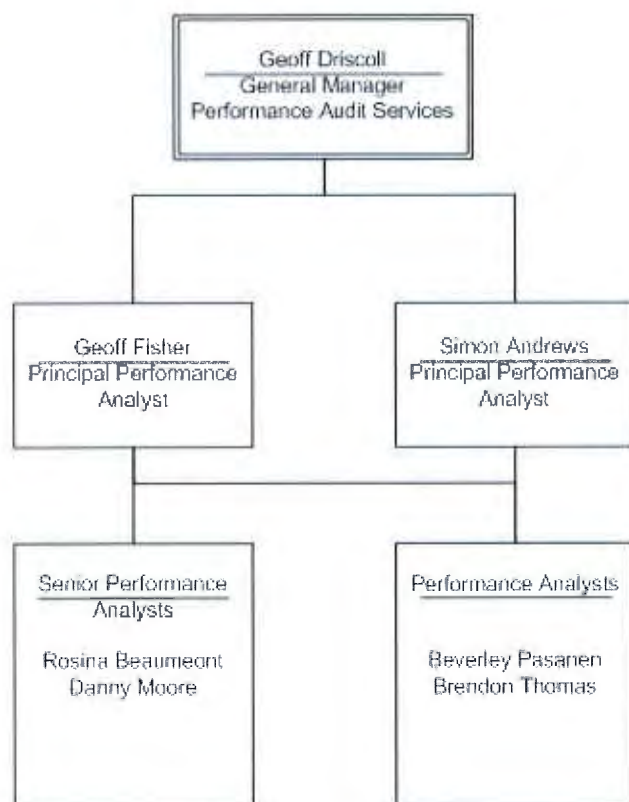
'Recommendations agreed and acted on' was measured using the results of the follow-up audit, which found an unusually high take-up of recommendations by audited entities.

Historically, the most difficult target has been completion of audits within eight months because of the impact of staff shortages and the need to interrupt the standard program to perform urgent work. In 2007-08 the section achieved 88% for this measure, which represents a considerable improvement over previous years. The one audit not completed within eight months occurred due to staff turnover.

Overall, there has been a significant improvement in the results due largely to lower staff turnover even though the section was not fully staffed for much of the year.

Unit structure

Performance Audit Services



Unit Organisational Chart

30 June 2008

Reports to Parliament

During the year there were eight reports tabled in Parliament resulting from performance audits completed and special investigations undertaken. These reports are available on our web site at www.audit.tas.gov.au.



Special Report No. 69 – Public building security

Audit Purpose and Findings

The audit reviewed the security arrangements at schools, libraries, Service Tasmania shops and hospitals, encompassing three government departments.

Whilst there were some areas of concern, the standard of security at the premises audited was generally satisfactory. However, we found that incident reporting could be improved and that there was a need to ensure that site management apply consistent, effective procedures and solutions to security issues to preserve a safe environment for staff and the public.

This led to eighteen recommendations being made aimed at improving security.

Client Response

Service Tasmania – DPIWE "Overall, I am of the view that the report and its recommendations are appropriate and reflect the current situation regarding security arrangements associated with the Service Tasmania shops."

Schools and Libraries – DOE "The Department of Education welcomes the findings in the Report and the opportunity to comment on the key recommendations. The Report has successfully highlighted a range of issues that are of significance to this Department and has made a series of recommendations which are generally consistent with the Department's current plans for improvement in security."

Hospitals – DHHS "The Department welcomes the findings of the audit in its recognition that the standard of security at the Department of Emergency Medicine was satisfactory and the recommendations will be reviewed with all Hospital CEOs through the formal audit improvement plans managed by the agency's Risk Management and Audit Committee."

Special Report No. 70 – Procurement in government departments and Payment of accounts by government departments

Procurement in government departments Audit Purpose and Findings

The audit examined procurement processes for acquisitions for over \$10 000 in six government departments. Building and construction work was excluded from the audit scope. The audit was focused on agency compliance with procurement-related Treasurer's Instructions, which outline the guiding principles: value for money; open and effective competition; compliance with ethical standards; and enhancing opportunities for local business.

We found that Treasurer's Instructions (TIs) had generally been applied, although some exceptions were noted at most audited departments.

We made eight recommendations aimed at strengthening compliance with TIs.

Client Response

Department of Treasury and Finance	"Overall, the results of the audit are pleasing, and indicate that there is a high level of awareness of the Treasurer's Instructions (TIs) and the way in which they are required to undertake goods and services procurement."
Department of Education	"The Department of Education (DoE) notes the recommendations of the report. DoE will continue to pursue improved compliance and the publication of this report will provide an opportunity for DoE to remind all operational areas of the requirement to apply sound procurement practices."
Department of Infrastructure, Energy and Resources	"The Department is pleased with the high level of compliance with TIs identified in this report."

Payment of accounts by government departments Audit Purpose and Findings

The audit looked at how well five departments complied with trading terms when processing accounts for payment. The audit was based on Treasurer's Instructions which require that payment is made in accordance with agreed terms and by the due date.

We found that a high proportion (24%) of accounts were paid late. The report contained six recommendations aimed at reducing the level of overdue payments.

Client Response

Department of Economic Development	"The Department supports the recommendations in the report. "
Department of Police and Emergency Management	"Overall the Department of Police and Emergency Management (DPEM) notes the outcomes, recommendations and DPEM findings, outlined in the report. Furthermore, DPEM considers the Compliance Audit will provide further impetus to the Department's ongoing review of supplier payment processing."
Department of Primary Industries and Water	"The Department supports the recommendations made within the report."

Special Report No. 71 – Property in police possession and Control of assets: Portable and attractive items

Property in police possession Audit Purpose and Findings

This report examined how well the Department of Police and Emergency Management managed public property in its possession.

The Department takes possession of large quantities of including property handed in by the public and property taken into possession by police such as motor vehicles, illegal drugs, marine items and electronic equipment.

While we found no instances of property that had been misplaced or could not be located, we were concerned that an integrated electronic system was not in place to record and monitor property holdings. The complexity of the system, which involved the completion and use of multiple forms and receipts, made compliance with internal procedures and legislation difficult.

The report contained thirteen recommendations.

Client Response – Department of Police and Emergency Management

".....Tasmanian Police has previously recognised this issued and a project has commenced designed to implement a centralised electronic property management system which will incorporate property tracking. State-wide training in property management will be an integral part of that property management system.

.....Tasmania Police will review its conveyance and storage arrangements for drugs and firearms to address the issues identified during your audit.

.....the Tasmania Police Manual was amended in August 2007 in relation to banking and handling money. Those recommendations will be reviewed to identify any need for additional amendments in line with your recommendations.

In relation to recommendation 8, the Department of Justice has previously been approached with a view to amending the required legislation.

In relation to recommendations 9 to 13, Tasmania Police has commenced a review of its current procedures and internal documentation in the context of the issues identified during your audit and will implement ant necessary changes.

Thank you again for the opportunity to comment."

Control of assets: Portable and attractive items Audit Purpose and Findings

The audit looked at the recording, control and disposal of minor assets (generally below \$10 000) in government departments.

Some minor assets, denoted as portable and attractive items, are particularly susceptible to theft or loss, for example, personal computers and ancillary items, power tools and cameras. The audit was based on Treasurer's Instructions which require registration of portable and attractive items for physical control purposes.

We found that agencies had either provided guidelines and registers to define and record PA items or were in the process of reviewing their asset management systems. However, whilst agencies had effective registration and control over IT assets, other portable and attractive items were not reliably recorded.

Client Response

Department of Education

"The Department of Education (DoE) notes the recommendations of the report. The Department is implementing a new finance system within schools. Within the scope of this project is the implementation of an asset recording system which will also allow the recording of portable and attractive assets together with defined disposal details. It is proposed that the project team review the recommendations of this report and incorporate any required changes. DoE will consider implementing a similar requirement for non-school business units."

Department of Health and Human Services

"The Department of Health and Human Services (DHHS) recognises the importance of ensuring that its portable and attractive items are appropriately managed. DHHS is committed to improving its policies, procedures and controls for recording, disposing and managing its minor assets, and has commenced an agency-wide asset management project ... DHHS will be implementing the above recommendations as part of this project."

Department of Tourism, Arts and Environment

"The Department acknowledges the list of recommendations contained in the report and is committed to addressing and implementing all of the recommendations."

Special Report No. 72 – Public sector performance information

Audit Purpose and Findings

The audit reviewed performance information that government departments publish in the public domain. Non-financial performance reporting is a vital element in keeping the community informed about:

- how well existing services perform
- how well services meet the needs of clients
- how efficiently services are provided
- fairness of access to services
- whether agencies had implemented promised initiatives.

The objective of the audit was to assess the usefulness of publicly reported performance information in agencies' annual reports and budget papers.

We found that in many cases the measures did not relate to agency objectives or were difficult to understand. There was also an almost universal lack of efficiency performance indicators that hindered judgements as to whether government services were becoming more or less cost effective to deliver. We also argued that while much information is included in annual reports about achievements, it was often difficult to marry this to budgeted initiatives.

The report contained an unusually high number of recommendations — 43 in total — that ultimately aimed at providing better information about how usefully taxpayers' dollars have been spent.

Client Response	
Department of Education	"The Department of Education appreciates the acknowledgement of the effort it has made to report performance to the community and commits to further improving its reporting based on the audit findings."
Department of Health and Human Services	"In general, the Agency accepts the Auditor-General's recommendations, but notes that the findings relate to the state of performance reporting over two years ago. Since 2005-06, the Agency has made significant changes to its performance reporting which in part address some of the recommendations and findings outlined in the report."
Department of Infrastructure, Energy and Resources	"In an Agency that is as diverse as DIER in its functions, it is a challenge to give a fully comprehensive picture of all aspects of its operations in the Annual Report and Budget Papers and the Corporate Plan is a key document that guides Agency actions in this regard."
Department of Police and Emergency Management	"The Department of Police and Emergency Management acknowledges the positive comments provided by the Auditor-General about the Department's KPI framework: it was found to be generally satisfactory, with recommendations that further work was required to improve and extend the existing performance indicators in some areas."

Special Report No. 73 – Timeliness in the Magistrates Court

Audit Purpose and Findings
<p>The progress of a matter within the Magistrates Court system, due to its nature, is time consuming, with time necessarily spent in preparing a case for trial, conducting the hearings and determining the final outcome. Prolonged waiting times in courts affect efficient operation and impact on the effectiveness of the court system. This performance audit assessed the efficiency and effectiveness of the management of magistrate's court cases with a focus on timeliness.</p> <p>We had difficulty measuring the time that cases actually spend in the Court because of a large number of 'inactive' cases - that is, cases that do not have a next appearance date listed. The causes of inactive cases are beyond the control of the Court but their presence impacted on the timeliness statistics collected by the courts. When excluded we found that the majority of Criminal and Youth Justice matters proceed through the court system in acceptable timeframes.</p> <p>Examination of the reasons for adjournment indicated that defendants failing to appear in Court were the cause of most unnecessary adjournments. There may be action the Court can take that will improve that rate of defendants not appearing. It was also found that management of case information was inefficient and we noted inaccuracies in the electronic database.</p> <p>The report makes 12 recommendations aimed at improving the planning, information collected and reported and at reducing case timeframes.</p>

Client Response

Chief Magistrate

"Thank you for providing me with your Special Report No. 73 entitled *Timeliness in the Magistrates Court* and for your invitation to comment upon it.

I have carefully considered the list of Recommendations set out in your Report. I endorse each of those Recommendations. The Court has commenced an examination of the manner of their implementation."

Department of Justice

"The Court has found this performance audit of considerable assistance in thinking about its measures of timeliness and some aspects of its process. There are also specific recommendations which the Department will need to consider, and if possible progress, including those relating to the CRIMES system and the reporting of the performance information, locally as well as to the Productivity Commission Report on Government Services.

Overwhelmingly it seems that this audit has been a positive experience for the Court and its officers, and I trust, your staff. I appreciate the contribution it will make to understanding the many factors influencing timeliness in the justice system."

Special Report No. 74 – Follow up of performance audits April – October 2005

Audit Purpose and Findings

Follow-up audits are performed to provide Parliament with information about the extent to which clients have acted on recommendations made in selected previous performance audit reports. This audit reviewed:

- No. 54 Infrastructure funds
- No. 55 Gun control in Tasmania
- No. 56 TT-Line: Governance review
- No. 57 Public Housing: Meeting the need?
- No. 58 Asset management: Bridges
- No. 58 Managing FBT liabilities

We were pleased that for each report, management had made changes to implement the recommendations. Where recommendations had not been implemented, we sought and received explanations as to why this was the case.

Client Response

The eight departments involved stated that they were happy with the report's conclusions and the follow up process in general.

Outlook for 2008-09

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



Members of the Performance Audit Services unit, Melinda Gambrell (far left) and from right to left Geoff Driscoll, Geoff Fisher and Danny Moore with David Strong (Support Services) and Rob Luciani (Financial Audit Services).

Operational Summary - Support Services

Overview

6.7 FTE staff all in Hobart

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

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

Key measures

Measure	Last Year	Target	This Year
Unqualified audit report	Unqualified	Unqualified	Unqualified
Overhead budget accuracy	12.1% over	Within 5%	6.1% under
Cash balance at year end	Positive	Positive	Positive
Financial Performance Index	71	> 80	83
Training days per full-time equivalent	12.4	10	9.0
Completion of performance appraisals	100%	100%	100%

Operational performance

Our external auditors McLean Delmo issued an unqualified audit report on the financial statements for the year ended 30 June 2008 on 6 August 2008.

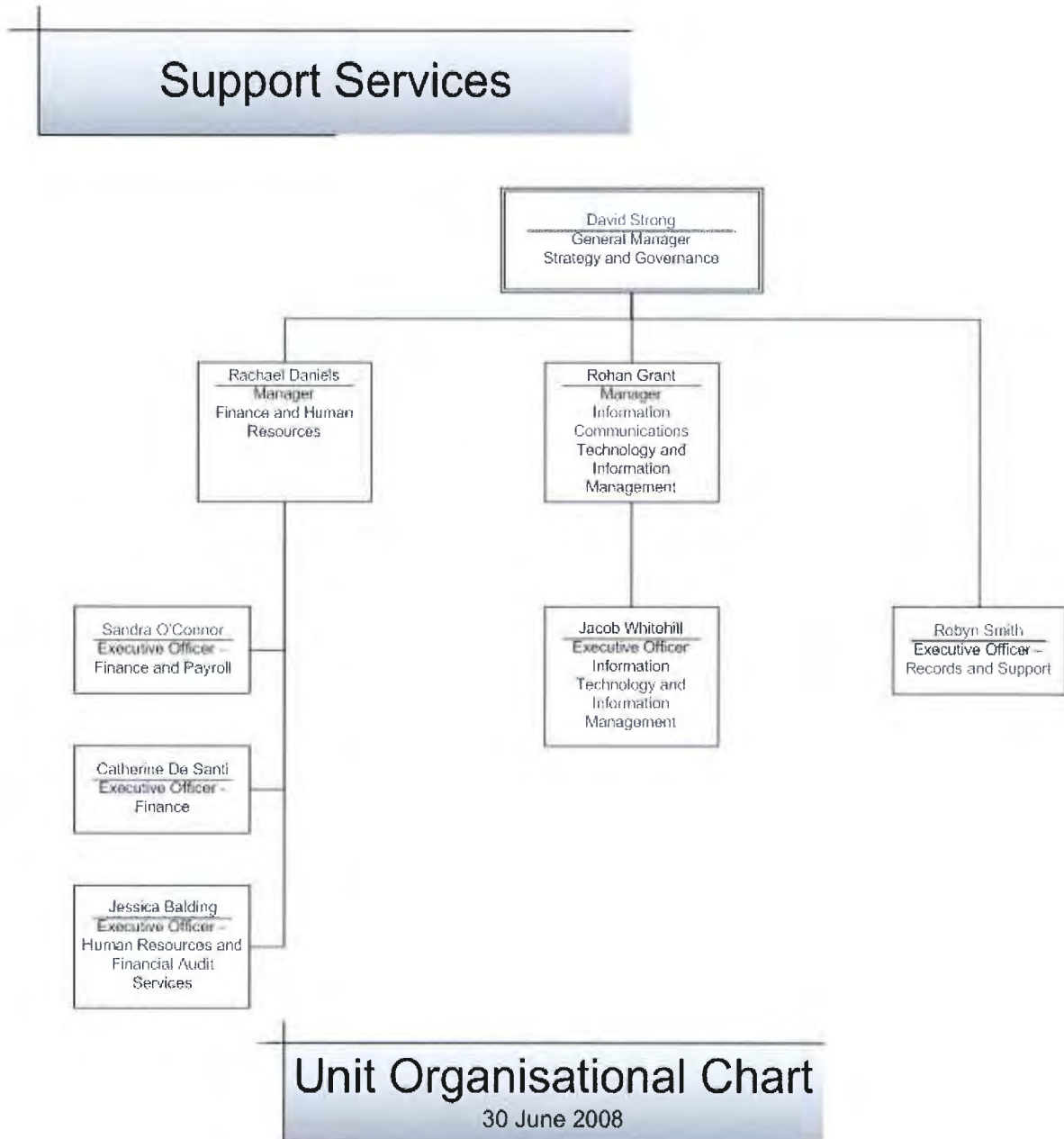
The Support Services unit has responsibility for ensuring that the approved corporate overhead budget is managed effectively. There was a significant improvement as the actual expenditure on corporate overheads was 6.1% under budget this year compared to 12.1% over last year.

Our financial performance is derived from our financial functions, the age of accounts payable and receivable, how quickly we turn work in progress into cash receipts, managing our revenue and expenditure budgets to ensure we meet our financial outcomes target and maintaining positive cash flows. As at year end our financial performance index was 83, compared to the monthly average of 77 during the year. This was an improvement on the previous year and met the target measure.

Our cash management is a major issue as we do not have an overdraft facility. In comparison to the previous year we increased the balance of financial assets by 5% from \$809k to \$848k.

With respect to staff, all performance appraisals were conducted and appropriate skill development identified. The average number days training per FTE was nine days, just below the target of 10 days.

Unit structure



Strategy and governance

During the year our governance and risk management frameworks were reviewed and revised frameworks have been recently issued. At our corporate planning day in December 2007 all staff engaged in a consultative process that yielded new vision and purpose statements and a statement of values and behaviours.

The implementation of the new strategic planning framework will continue into 2008-09 as the reporting and review mechanisms are implemented. The strategic planning framework was referred to earlier in this report under the Organisational Framework section and the governance and risk management framework is discussed in more detail later in this report.

The development of policies and procedures relating to activities undertaken by Support Services continued during 2007-08 and will be finished during 2008-09. Most recommendations from internal and external reviews have been addressed.

All delegations for finance, human resources and information management were reviewed during the year. Amendments and additional delegations identified were authorised and became effective 1 July 2008.

Human resources

Recruitment

During the year we undertook a major restructure by advertising twenty eight positions or 66% of our establishment in June 2007. The recruitment process was completed in December 2007 when the last position was filled. The process resulted in internal promotions, external appointments, resignations and transfers to other agencies. We are confident that this investment in restructuring and recruitment will pay dividends in future years.

After the recruitment process the Office's competency framework and recruitment and selection framework were evaluated and some minor amendments / enhancements were made in light of the experiences from the process.

Industrial and workplace relations

We currently await the results of the negotiations between the Government and public sector unions on the outcomes of a new public sector wages agreement. If the wages agreement does not provide us with the flexibility and remuneration outcomes originally sought under our own agreement, then we may consider pursuing its own agreement again.

There was one internal grievance lodged during the year that was resolved with the assistance of an external mediator.

There were three formal applications for review of recruitment decisions under the *State Service Act 2000* and, after informal discussions, were withdrawn.

Our cadetship has been reviewed and approved by the Department of Premier and Cabinet for a further two years when it will be reviewed again.

Health and safety

Our Health and Safety Committee, as a sub committee of the Human Resources Committee, was constituted with two employee nominated representatives being elected.

Our voluntary influenza vaccination program had a 50% participation rate increase for the year. The Office's participation rate in the Global Corporate Challenge (see www.gcc2008.com.au) increased by 50% with three teams entering this year and also 50% of staff participated in 10 000 steps challenge events during the year. Our health and well being program concluded in December 2007 and was successful.

There were no workers compensation claims lodged this year and all other open claims were closed so there are no outstanding claims at year end. There were two workplace incidents resulting in minor injury reported, but there were no days lost.

Ergonomic assessments for new staff and staff requesting a review were conducted by our consultant during the year and where instructed equipment was purchased. Workplace safety inspections were carried out, the results reported to the EMG and following approval, the recommendations are being actioned.

Our Employee Assistance Program is available to staff and this program was accessed by staff during the year.



Members of the Support Services Unit – Narelle Hind, Catherine De Santi, Robyn Smith, Sandra O'Connor and Rachael Daniels.

Financial management and administrative services

During the year Support Services developed a monthly suite of reports, in consultation with the other business units, for the units. The unit also undertook a review of the structure of information within the finance system and made amendments so that reporting in 2008-09 will provide more options for analysis.

The upgrade of the financial systems did not occur earlier in the financial year, as originally intended, as our testing identified some major issues with the proposed version. During June 2008, after final testing, the upgrade was approved to occur in August 2008. The upgrade will provide enhancements to reporting, additional financial functionality and new human resource modules. As a result of the delay in the application upgrade the planned new job costing system implementation during 2007-08 will be delayed by between nine to twelve months.

During the budget process for 2008-09 the Government altered the funding arrangements for performance audits and external reviews so that the funds will be appropriated directly to the Office. Up to 30 June 2008 we invoiced the Government directly for these services.

The current accommodation for the employees in Hobart is inadequate and since October 2007 the Office has been negotiating with a landlord for tenancy that meets our requirements. The Office has engaged architects and consultants who have provided approved layout plans and cost estimates. In April 2008 we, as requested, provided the Department of Treasury and Finance with a proposal for funding and is still to be finalised.

Information and communications technology

During the year our centralised computer systems were upgraded. This included reducing the number of servers and using state of the art software to manage the operation of the server network. This required the transfer of applications and data from legacy servers on a one at a time basis. The process required considerable reconfiguration of operating and backend systems.

With the planned upgrades to financial, human resources and records management systems, a test system was created to allow users to test the application systems before they were placed into the production systems.

Web content management software was installed to manage our internet and intranet sites. As at 30 June our intranet site is being managed by this application software and the internet site will be launched once security protocols have been tested and approved.

The rollout of the financial audit methodology, ipsam, was completed and this coincided with the replacement of personal computers and portables and a new standard operating environment.

During 2008-09 the strategic plan for information and communications technology will be completed together with policies and procedures, the disaster recovery plan will be tested and our business continuity plan finalised.

Information management

For the most of 2007-08 there has not been a dedicated resource for information management, but due to recent changes in staffing levels in Support Services and a reorganisation of roles, this has been addressed.

As mentioned previously, preparations are underway to upgrade the records management system and the intranet has been launched using the new web content management system.

Staff have been briefed on policies relating to email management and the clean desk and clear screen policy.

The reports produced that we published are on our external web site.

Outlook for 2008-09

We will:

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

Regulatory and Legislative Framework

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

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

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

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

Is Enshrined in Legislation.....

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

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

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

That Ensures His Independence.....

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

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

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

And Defines His Mandate

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

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

And Strengthen With New Audit Act.

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

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

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

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

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

Governance

We take governance seriously

Our aim is to manage the Office and our people in such a manner as to ensure that we maintain an effective and sustainable organisation.

This aim underpins all aspects of our operations: sustainable business performance, highly regarded products and services, continuously improving operational performance and motivated employees.

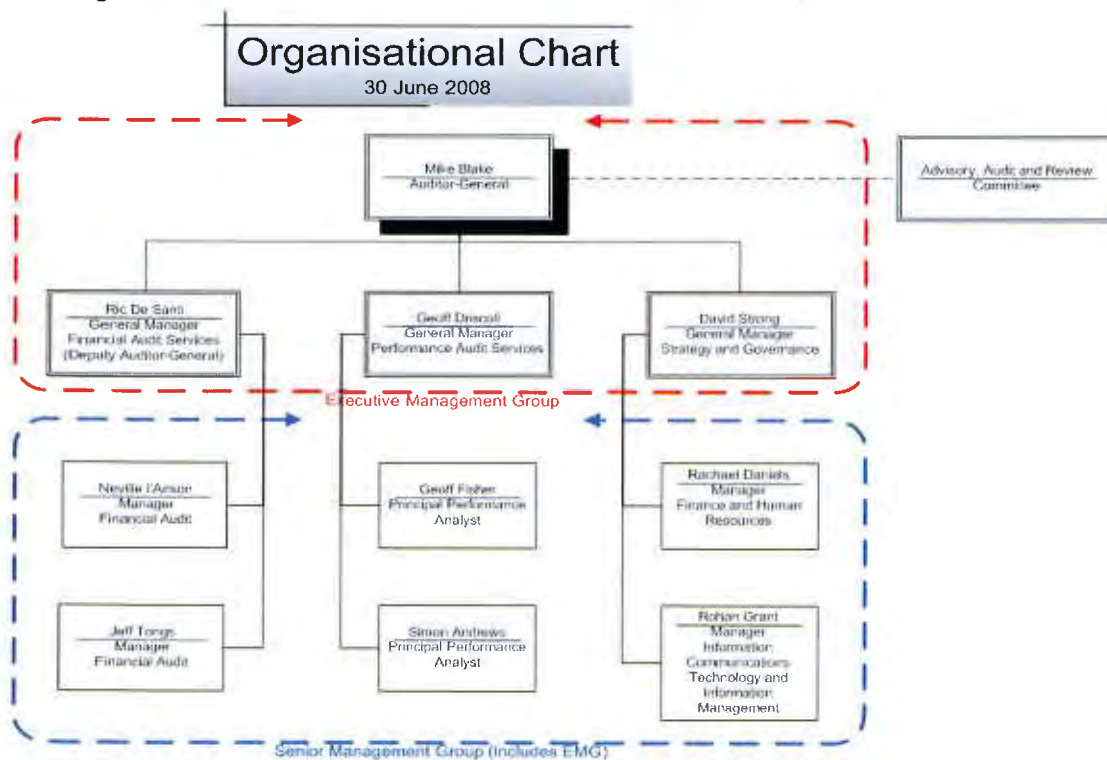
These aims are supported by a strong governance framework.

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

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

Organisational structure

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



The Executive Management Group

Our Executive Management Group (EMG) meets formally every two months and focuses on:

- setting corporate direction, objectives, goals and policies
- monitoring key operational matters, emerging issues and progress against plans
- managing risk
- reviewing resources and
- advising the Auditor-General of important developments in the public sector and in accounting and auditing.

Details of EMG members are:

Auditor-General

Mike Blake B Com FCA FCPA FCS

Mike commenced as Auditor-General for Tasmania on 10 May 2004 after being the Auditor-General of the Northern Territory. He is currently a member of AUASB. Mike's career in auditing covers a period of 30 years including senior management positions in private sector auditing firms in Malawi, Zimbabwe and Western Australian followed by periods with the Western Australian Office of the Auditor-General (five years) and WA's Metropolitan Health Service Board (four years) prior to moving to the Northern Territory.

Deputy Auditor-General

Ric De Santi B Bus FCPA

Ric started his working career with us as an audit cadet in 1976. Based in Launceston Ric progressed to the position of Director of Audit. In 1998 he moved to Racing Tasmania as Business Manager. In 2004 he returned as Director Quality Assurance and was promoted to Deputy Auditor-General in 2006.

General Manager – Performance Audit Services

Geoff Driscoll BEc BSc CPA

Geoff joined us in 1992 as a Senior EDP Auditor after working at the Australian National Audit Office for eight years. In 1998 he joined the Department of Justice as a Finance Systems Officer. Geoff returned to the Office in 2000 as a Senior Performance Auditor and was subsequently promoted to Director Performance Audit. In December 2007 Geoff was appointed General Manager – Performance Audit Services.

General Manager – Strategy and Governance

David Strong B Bus FCPA MAHRI ISACA

David joined us in 1988 as an EDP Auditor after spending eight years with the Tasmanian Development Authority. In 1989 he became responsible for managing our IT infrastructure and in 1993 was promoted to Manager Corporate Services taking responsibility for financial management, human resources management, information and communications technology, information management and corporate planning. In August 2007 David was appointed General Manager – Strategy and Governance.



The EMG members (L to R) David Strong, Ric De Santi, Mike Blake and Geoff Driscoll.

The Senior Management Group



From L to R Neville I'Anson, Geoff Fisher, Rohan Grant, Rachael Daniels, Simon Andrews and Jeff Tongs.

During the year the Senior Management Group (SMG) was formed and it meets prior to each EMG meeting. The SMG comprises members of the EMG and their direct reports and provides a forum for addressing tactical and operational matters to assist in achieving our objectives and strategies as outlined in our strategic and business plans.

The SMG also supports the Auditor-General in meeting his statutory responsibilities under the FMAA.

Operational committees

We have several committees the roles of which were reviewed during the year. Details follow:

Audit Methodology Committee

This Committee provides a strategic role in the relevance and maintenance of our financial audit and performance audit methodologies; provides assurance that the methodologies meet our needs and conforms to professional standards; and reviews the effectiveness of these methodologies.

Following the implementation of ipsam, our financial audit methodology, it was decided that the Committee would be disbanded with the EMG taking over its functions. In addition, the FAS business unit has established a group with responsibility for addressing the impacts of new auditing standards, recommendations arising from quality reviews and matters arising from the implementation of ipsam.

Information Management Committee

This Committee has responsibility for ensuring that the use and application of our information resource is consistent with the corporate direction and business functions of the Office. It also ensures the efficient and effective deployment of our information technology in the performance of Office business.

The Committee met on several occasions during the year addressing policies, strategic plans, infrastructure upgrades and corporate application upgrades.

Human Resources Committee

This Committee (HRC) assists the EMG with strategic direction and policy and practices development for human resources. It met on several occasions during the year and developed a Human Resources Strategic Plan for the period 2008-2011, several policies and procedures and addressed several recommendations from a 2007 external review.

Health and Safety Committee

This Committee was created during the year and is a sub-committee of the HRC. It aims to provide and maintain a safe and healthy work environment where all employees understand and comply with health and safety (H&S) principles. It also provides a forum where employees can openly communicate and discuss H&S matters and concerns. The Committee and the Employee Safety Representatives play a key role in promoting employee wellbeing.

Make A Difference Team

The Make A Difference (MAD) Team was established at the Corporate Planning day in December 2007. Its task was fine tuning our proposed vision, purpose and values which it completed in April 2008 when it presented its proposals to the EMG. These proposals, along with a values implementation plan, were all endorsed by the EMG and launched with all staff at a function in mid-June. This Team's efforts were most effective.

Independent scrutiny, both external and internal

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

The elements of this independent scrutiny include:

- Our Advisory, Audit and Review Committee
- Our Internal audit function
- Other internal reviews
- External audit and
- Benchmarking

Advisory, Audit and Review Committee

This committee, established in 2007, has two primary objectives. Its advisory objective is aimed at providing the Auditor-General with advice from time to time on matters that may be raised by him or on matters initiated by the Committee collectively and individually. The audit and review objectives are to provide independent assurance and assistance to the Auditor-General on the Office's governance, risk, control, and compliance framework, its external accountability responsibilities and in meeting the Office's corporate objectives.

During the year the Committee met four times with attendance by committee members as follows:

Committee member	Attendance Record
Mr Graeme Kennedy – Chair	4
Dr Elaine Stratford	4
Dr Michael Vertigan (resigned March 2008)	3
Mr Michael Harris (appointed April 2008)	1

During the year the Committee considered and advised the Auditor-General on the following:

- governance polices and compliance mechanisms
- the risk management framework
- code of conduct and staff conflict of interest declaration
- responses to internal and external audit reports
- ACAG benchmarking results
- the internal control framework for soundness and effectiveness
- risk management report
- the internal audit charter and noted the appointment of the internal auditor
- the 2006-07 annual report
- reviewed its charter and its performance.

Internal Audit

During the year an Internal Audit Charter was finalised and the internal audit function was tendered. Moore Stephens (MS) of Melbourne was selected as our internal auditor for the next three years. MS conducted a risk assessment and developed a three year internal audit plan which commences in 2008-09.

Internal Reviews

Under a reciprocal arrangement with the ACT Audit Office a quality assurance review of a number of 30 June 2007 financial audit files was carried out. The purpose of this review was to assess the quality of our financial audit work and advising us of any areas for improvement.



Rob Luciani in the ACT Audit Office conducting a quality assurance review of financial audit files as part of the reciprocal arrangements.

Based on this review, the ACT concluded that our audit work satisfactorily supported our audit conclusions and that our implementation of ipsam was effective and appropriately addressed issues identified from the 2005-06 review. The ACT reviewers also recommended further improvements, particularly regarding audit planning, documentation, timeliness of review procedures, reporting and quality reviews all of which the FAS business unit is addressing.

During 2007-08 we undertook a self evaluation for compliance with the requirements of APES 320 "Quality Control for Firms" issued by the Accounting Professional And Ethical Standards Board (www.apesb.org.au). This evaluation was undertaken by the General Managers of the FAS and PAS business units. While findings were satisfactory, amendments to our performance audit manual resulted and we have identified the need to review various corporate activities which is underway.

External Peer Reviews

We initiate independent peer reviews of our whole of office activities once every three years with the most recent completed in 2006. Relevant recommendations from that review have been implemented. The next review is scheduled for 2008-09.

External Audit

Under section 45 of the *Financial Management and Audit Act 1990*, the Governor appoints an independent registered company auditor to perform an audit of the financial statements of the Tasmanian Audit Office.

In June 2005 the Governor appointed Hall Chadwick (now McLean Delmo) from Melbourne for a three year term commencing with the audit for the year ended 30 June 2005. Last year this appointment was extended by one year with McLean Delmo again conducting the external audit.

Their audit report is attached to the financial statements contained in this annual report. In their management letter they noted:

“It was also pleasing to observe the attention being given to the matters raised in our earlier management letters, thereby reflecting a continuing desire by management to recognise opportunities to strengthen and reinforce existing systems and internal controls on an ongoing manner.”

Benchmarking

We participate in benchmarking coordinated by the Australasian Council of Auditors-General (ACAG) which covers entire office operations and is referred as the ACAG Macro Benchmarking. In addition, certain state based audit Offices participate in parliamentary and client satisfaction surveys relating to our financial and performance audit functions.

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

The following benchmarks record our performance against the average for all states and territories (S&T) in Australia excluding the Commonwealth.

Measure	Year	Tasmania	Average S & T
Contracting out as a % of number of audits	05-06	13%	36%
	06-07	16%	41%
Contracting out as a % of audit fees	05-06	19%	33%
	06-07	24%	37%

The % of audits contracted out compared to other states and territories are influenced by the Northern Territory which contracts 100% of its audits. The Office's target is 20 – 25% of audits based on value.

Measure	Year	Tasmania \$	Average S & T \$
Total audit costs per \$'000 of public sector transactions	02-03	0.36	0.39
	03-04	0.37	0.40
	04-05	0.39	0.41
	05-06	0.36	0.38
	06-07	0.38	0.41
Total audit costs per \$'000 of public sector assets	02-03	0.17	0.21
	03-04	0.17	0.22
	04-05	0.18	0.22
	05-06	0.16	0.20
	06-07	0.17	0.21
Total financial audit costs per \$'000 of public sector transactions	05-06	0.26	0.31
	06-07	0.32	0.34
Total financial audit costs per \$'000 of public sector assets	05-06	0.12	0.16
	06-07	0.14	0.18

Bearing in mind our relative in-efficiency due to economies of scale, our costs per transaction or per asset value have remained constant and compare favourably with our peers.

Measure	Year	Tasmania	Average S & T
Percentage of total (whole of office) paid hours charged to audit activities	05-06	51%	50%
	06-07	47%	49%
Percentage of total (whole of office) paid hours charged to financial audit activities	05-06	35%	39%
	06-07	38%	40%
Percentage of total (whole of office) paid hours charged to performance audit activities	05-06	15%	11%
	06-07	9%	9%
Percentage of total paid hours of financial audit staff charged to financial audit activities	06-07	52%	56%
Percentage of total paid hours of performance audit staff charged to performance audit activities	06-07	33%	49%
Cost per audit hour charged to audit activities	05-06	\$97	\$122
	06-07	\$103	\$128

Our percentage of time charged to audit activities to paid hours for all office staff is below the S & T average reflecting staff shortages and impact of the re-organisation and the recruitment exercises previously referred to. Our hourly charge rate has moved in line with the S & T average.

Measure	Year	Tasmania	Average S & T
Cost per financial audit opinion	05-06	\$28 620	\$45 522
	06-07	\$32 857	\$47 953

Measure	Duration	Tasmania	Average S & T
Timeframes for issuing financial audit opinions	5+ mths	18%	12%
	4 – 5 mths	26%	20%
	3 – 4 mths	34%	26%
	2 – 3 mths	16%	35%
	1 – 2 mths	6%	8%
	< 1 mth	0%	0%

The above measures relate to financial audit activities. The average cost for a financial audit increased by a greater percentage than the S & T average, 14.8% compared to 5.3%. We are behind the average timeframe taken to issue financial statement audit opinions with this once again being due to the disruption caused by the recruitment exercise. Despite this, our audits were completed in time to facilitate finalization by clients of their annual reporting obligations.

Measure	Year	Tasmania	Average S & T
Cost per performance audit report	05-06	\$84 189	\$237 457
	06-07	\$74 000	\$230 879
Average elapsed time (mths) per performance audit report	05-06	8.7	8.3
	06-07	15.2	10.1

The above measures relate to performance audit activities. It is very pleasing to note the considerably lower average cost per audit. In 2006-07 due to staff turnover and subsequent delays in finding replacements, four audits were delayed and resulted in completion timeframes in excess of eight months. In addition, projects were delayed by our taking on audits not included on our program. The other five audits completed in 2006-07 were finished in five to six months.

Managing Risk

A structured approach to risk management

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

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

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

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

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

We address our risks through steps such as:

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

Staff ethics

All our staff must adhere to the Tasmanian State Service code of conduct and principles under the *State Service Act 2000*. We have developed our own statement of values which we all adhere to.

Formal procedures require disclosure of any real or apparent conflict of interest and in this regard Staff are required to take no part in decisions or audits where real or apparent conflicts of interest may arise. All staff sign an annual declaration stating that they will conduct their work in accordance with codes, policies and values and must state real or apparent conflicts of interest.

Complaints about staff

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

During the year one internal grievance and one external complaint was lodged. Both grievances were resolved to the satisfaction of the parties involved.

Confidential information

We develop and/or receive information while conducting audits of public sector entities that must be protected from unauthorised disclosure. All staff, immediately on joining, sign an acknowledgement that all information gained when conducting audits remains confidential.

Our policies and procedures also respect the privacy of personal information we receive.

We maintain a variety of security systems and procedures designed to safeguard confidential information. Our internal and external auditors review our general and IT security arrangements, business continuity systems and procedures from time to time.

Disclosure

To operate transparently, while protecting confidential information, we:

- comply with the *Freedom of Information Act 1991*
- practice openness and transparency through information provided in our annual report and business plans, and all our reports are placed on our external web site
- issue media releases when performance audit reports are tabled in Parliament and
- update information in publications and on our website.

Insurance

Our insurance arrangements are with the Tasmanian Risk Management Fund and cover the following:

- travel insurance
- general property
- personal accident
- transit
- motor vehicles and
- general liability.

Communication

We communicate with openness, accountability and transparency

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

Award-winning annual report

We adopt a policy of full and open reporting about our performance throughout our annual report.

This report includes information of what Parliamentarians and our audit clients think about our services, particularly in the years we conduct our satisfaction surveys, and on whether public sector bodies have accepted and acted upon our audit recommendations.

We detail our performance be it strong or poor.

As recognition for our own efforts in annual reporting, we received a bronze award from the Australasian Reporting Awards.



David Strong and Rachael Daniels with the Award.

Freedom of information

We are committed to ensuring our administrative information is available to the public. The *Freedom of Information Act 1991* (FOI) gives the public, the media and members of Parliament the right to access information we hold, unless the information is exempt from release. Information relating to financial and performance audits conducted and reports to Parliament are exempt as they are classified as internal working information.

There were no requests under the FOI Act during the year.

Protecting privacy

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

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

Speeches and publications

Some of our more important speeches and publications are listed below:

Speeches		
Date	Topic and Where	Who
Aug 07	CPA/Searson Buck – <i>“UTAS Jobs – Public Sector Perspective”</i>	Ric De Santi
Oct 07	Tasmanian Training Consortium – <i>“Introduction to the Public Sector – Role of the Auditor-General”</i>	Ric De Santi
Oct 07	Institute of Internal Auditors – <i>“Performance Audit of Elective Surgery”</i>	Geoff Driscoll
Mar 08	IRR Conference – <i>“Successful governance in the public sector”</i>	Mike Blake
Apr 08	Regional Working Group on Environmental Auditing – <i>“A Tasmanian perspective on INTOSAI’s Eleventh Working Group Meeting on Environmental Auditing”</i>	Geoff Driscoll
May 08	NIA Conference – <i>“Contemporary issues and future challenges in Public Sector Audit, Financial and Non-financial Reporting and Governance”</i>	Mike Blake
Jun 08	Corporate Planners Working Group – <i>“Public sector performance indicators”</i>	Geoff Driscoll
Date	Publications	
Oct 07	Annual Report	
Oct 07	Special Report No. 69 – Public building security	
Nov 07	Special Report No. 70 – Procurement in government departments and Payment of accounts in government departments	
Nov 07	Auditor-General’s Report No. 2 of 2007 – Government departments and public bodies 2006-07	
Nov 07	Special Report No. 71 – Property in police possession and Control of assets: Portable and attractive items	
Apr 08	Special Report No. 72 – Public sector performance information	
Jun 08	Special Report No. 73 – Timeliness in the Magistrates Court	
Jun 08	Special Report No. 74 – Follow up of performance audits April – October 2005	
Jun 08	Auditor-General’s Report No. 1 of 2008 – Local government authorities, Superannuation funds and Other public bodies 2006-07	
Jun 08	Strategic Plan 2008-11 “Making A Difference”	
Jun 08	Annual Business Plan 2008-09	

All of the publications on the previous page can be accessed and/or downloaded from the Office’s web site www.audit.tas.gov.au.

Public interest disclosure

The *Public Interest Disclosures Act 2002* came into effect on 1 January 2004. Its purpose is to encourage and facilitate disclosures about the improper conduct of public officers or public bodies.

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

We do not tolerate improper conduct by our staff, or taking of reprisals against those who come forward to disclose such conduct. We will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. We will also afford natural justice to any person who is the subject of a disclosure.

During 2007-08 we received no Public Interest Disclosure reports.

Parliamentary presentations, PAC meetings and client seminars

In line with our aim to be open and transparent during the year we conducted presentations to Parliamentarians when we table a report in Parliament. These presentations allow the Parliamentarians to receive an initial briefing on our report before they receive a copy. These sessions continue to be well attended and the feedback has been encouraging.

Annually the financial audit services unit conducts a client seminar in which the Office staff present information on topical subjects such as developments in accounting and auditing standards, common issues found during audits and our perspective on issues being raised in the public sector. These seminars are well attended and the feedback has been encouraging.

During the year the Auditor-General meets with the Public Accounts Committee (PAC) to brief them on our audit plans and allows the both parties to interact and share information. The Public Accounts Committee was engaged in our process of developing our strategic and annual business plan.

Corporate Social Responsibility

Being a responsible corporate citizen is important to us

This section of our report is the first occasion where we have reported our social responsibilities. In doing so we have adopted the criteria applied by Global Reporting Initiative (www.globalreporting.org).

This section of our report shows our organisational performance against the minimum criteria and highlights areas for improvement.

Social

Workforce capacity and diversity

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

Workforce health and safety

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

Workforce and community committees and bodies

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

Community involvement and support

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



Catherine De Santi walking in the Relay for Life.



Some of the Relayers at the end of the event.

Environmental

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

The following table provides details on our efforts in this regard:

	2004-05	2005-06	2006-07	2007-08
Printer copies – black	214 529	218 540	270 491	155 268
Printer copies – colour	N/m	47 337	98 801	292 358
Reams of paper purchased	N/m	366	438	450
Waste recycled – newspaper (litres)	N/m	N/m	N/m	1 320
Waste recycled – plastic, cans, etc (litres)	N/m	N/m	N/m	2 760
Paper shredded (kgs)	N/m	N/m	N/m	896
Total report production run (no. of copies)	4 200	3 850	4 550	3 850
Total report production run (no. of pages)	409 850	449 050	448 700	481 950

N/m = Not measured in that year

This table highlights that there is considerable room for improvement.

Economic

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

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

Suppliers

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

What we will do next year

We will:

- record and measure the impact of our vehicle usage
- record and measure energy usage
- consider offsetting our carbon emissions
- increase our awareness of the impacts we make on the environment
- reduce our report production runs
- review our practices with respect to internal printing and photocopying
- review current and future accommodation for opportunities to reduce energy usage and
- review our suppliers' practices in relation to sustainability.



Certificate indicating the impact on carbon abatement of our staff participating in the Corporate Global Challenge 2008.

Financial Summary

Our goal is to break even over the medium-term

We apply financial performance monitoring practices including:

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

Financial performance

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

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

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

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

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

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

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

The movements in other expenditure items relate to:

- Increased consultant expenditure related to recruitment and information technology - these were one-off costs
- Travel costs increased as a result of more travelling to clients and an additional leased car for a senior executive package
- Accommodation costs went up due to a rent review increasing the cost per square metre by 26%
- Information technology costs reduced due to a reduction in software licensing and
- Depreciation expense increased due to the full impact of our investment in computer hardware in the past two years.

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

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

Financial position

Our financial position is summarised in the table below.

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

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

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

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

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

Financial outlook

We are:

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

Financial Report for 2007-08

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INDEPENDENT AUDITOR'S REPORT TO THE GOVERNOR IN RELATION TO THE TASMANIAN AUDIT OFFICE

Report on the financial report

We have audited the accompanying financial report of the Tasmanian Audit Office, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement, statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the certification of financial statements.

Auditor-General's responsibility for the financial report

The Auditor-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Financial Management and Audit Act 1990. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

MDHC Audit Assurance (Tas) Pty Ltd

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Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's opinion

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

A handwritten signature in dark ink, appearing to read 'Graeme A. Marriott'.

Graeme A. Marriott
Director

Melbourne
6 August 2008



Certification of Financial Statements

For the Year Ended 30 June 2008

We certify that the accompanying financial statements of the Tasmanian Audit Office are in agreement with the relevant accounts and records and have been prepared in compliance with the Treasurer's Instructions issued under the provisions of the Financial Management and Audit Act 1990 to present fairly the financial transactions for the year ended 30 June 2008 and the financial position as at the end of the year.

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

Mike Blake
Auditor-General

6 August 2008

David Strong
**General Manager – Strategy
and Governance**

6 August 2008

Income Statement for the year ended 30 June 2008

	Notes	2008 Budget \$'000	2008 Actual \$'000	2007 Actual \$'000
Revenue and other income				
Appropriation revenue – recurrent	1.5 (a), 3.1(a), 4.1	330	313	301
User charges	1.5 (b), 3.1(b), 4.2	4 947	4 715	4 384
Other revenue	1.5 (d), 3.1(c), 4.3	13	20	108
Total income and other revenue		5 290	5 048	4 793
Expenses				
Employee benefits	0, 3.1(d), 5.1	3 452	3 187	2 874
Depreciation and amortisation	0, 3.1(e), 5.2	210	184	140
Payroll tax	3.1(f)	216	165	148
Audit contractors	3.1(g)	590	751	670
Accommodation	3.1(h)	202	253	201
Information technology	3.1(i)	137	117	129
Materials and supplies	3.1(j)	102	196	234
Other expenses	1.6(e), 3.1(k), 5.3	337	463	436
Loss on write-off of non-financial assets	5.4	-	3	-
Total expenses		5 246	5 319	4 832
Net surplus (deficit) attributable to the State		44	(271)	(39)

This Income Statement should be read in conjunction with the accompanying notes.

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

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

Balance Sheet as at 30 June 2008

	Notes	2008 Budget \$'000	2008 Actual \$'000	2007 Actual \$'000
Assets				
Financial assets				
Cash and deposits	1.7(a), 3.2(a), 10.1	749	329	303
Receivables	1.7(b), 3.2(b), 6.1	172	230	236
Work In progress	1.7(c), 3.2(b), 6.2	250	289	270
Non-financial assets				
Leasehold improvements, plant and equipment	1.7(d), 3.2(c), 6.3	664	232	279
Intangibles	1.7(e), 3.2(c), 6.4	-	114	173
Other assets	3.2(d), 6.5	99	66	129
Total assets		1 934	1 260	1 390
Liabilities				
Financial Liabilities				
Payables	1.8(a), 3.2(e), 7.1	183	161	139
Non-financial Liabilities				
Provisions	1.8(b), 3.2(f), 7.2	-	15	15
Employee benefits	1.8(c), 1.8(d), 7.3	847	824	725
Other liabilities	1.8(e), 3.2(g), 7.5	180	94	74
Total liabilities		1 210	1 094	953
Net assets (liabilities)		724	166	437
Equity				
Contributed capital		1 168	1 168	1 168
Accumulated (deficits)		(444)	(1002)	(731)
Total equity	9.1	724	166	437

This Balance Sheet should be read in conjunction with the accompanying notes.

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

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

Cash Flow Statement for the year ended 30 June 2008

	Notes	2008 Budget \$'000	2008 Actual \$'000	2007 Actual \$'000
Cash flows from operating activities				
Cash inflows		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Appropriation receipts - recurrent		330	313	301
User charges	3.3(a)	4 947	4 719	4 446
GST receipts	3.3(b)	264	532	345
Interest received	3.3(c)	13	17	29
Other cash receipts	3.3(d)	-	3	78
Total cash inflows		5 554	5 584	5 199
Cash outflows				
Employee benefits	3.3(e)	(3 054)	(2 806)	(2 592)
Superannuation	3.3(f)	(310)	(277)	(228)
GST payments	3.3(b)	(264)	(533)	(340)
Other cash payments	3.3(g)	(1 584)	(1 862)	(1 888)
Total cash outflows		(5 212)	(5 478)	5 048
Net cash from (used by) operating activities	10.2	342	106	151
Cash flows from investing activities				
Cash outflows				
Payments for acquisition of non-financial assets	3.3(h)	(246)	(80)	(216)
Total cash outflows		(246)	(88)	(216)
Net cash from (used by) investing activities		(246)	(80)	(216)
Net increase (decrease) in cash held		96	26	(65)
Cash and cash equivalents at the beginning of the reporting period		653	303	368
Cash and cash equivalents at the end of the reporting period	10.1	749	329	303

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

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

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

Statement of Recognised Income and Expense for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
Net surplus/(deficit) for the financial year	(271)	(39)
Total recognised income and expense for the financial year	(271)	(39)

This Statement of Recognised Income and Expense should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

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Note 1 Significant Accounting Policies

1.1 Objectives and Funding

The Office is structured to provide audit assurances to Parliament concerning the financial statements of the Treasurer, Government Departments, Government Business Enterprises, State-owned Companies, Local Government Councils and other public bodies and the economy, efficiency and effectiveness of those entities.

The Office is predominantly funded through fees for service. The undertaking of financial, performance and compliance audits and the publishing of reports are fee for service activities. The Office is also funded through a Parliamentary appropriation for the Auditor-General's salary and associated allowances. The financial report encompasses all funds through which the Office controls resources to carry on its functions.

The continued existence of the Office in its present form, undertaking its current activities, is dependent on the support of the Parliament and on the Office's ability to charge appropriate fees to recover its operational costs. All the Office's activities are classified as controlled.

1.2 Basis of Accounting

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

- Treasurer's Instructions issued under the provisions of the Financial Management and Audit Act 1990; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). In particular, AAS 29 Financial Reporting by Government Departments has been applied.

From 1 January 2005, Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AEIFRS). Compliance with AEIFRS may not result in compliance with International Financial Reporting Standards (IFRS), as AEIFRS includes a number of requirements and options available to not-for-profit organisations that are inconsistent with IFRS.

The financial statements were signed by the Auditor-General on 4 August 2008.

The Office operates as a non-profit entity for financial reporting purposes. Compliance with the Australian Accounting Standards (AASBs and AASs) may not result in compliance with International Financial Reporting Standards (IFRS), as the AASBs and AASs include requirements and options available to not-for-profit organisations that are inconsistent with IFRS.

The Financial Statements have been prepared on an accrual basis and, except where stated, are in accordance with the historical cost convention. The accounting policies are generally consistent with the previous year except for those changes outlined in Note 0 below.

1.3 Functional and Presentation Currency

The Financial Statements are presented in Australian dollars.

1.4 Changes in Accounting Policies

(a) Impact of new and revised Accounting Standards

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

- AASB 7 Financial Instruments: Disclosures replaces the presentation requirements of financial instruments in AASB 132 and introduces new financial instrument disclosure requirements. There has been no financial impact on the financial statements.
- AASB 2007-4 Amendments to Australian Accounting Standards arising from Exposure Draft 151 and Other Amendments and Erratum: Proportionate Consolidation. AASB 2007-4 makes amendments to a number of Australian Accounting Standards to introduce various accounting policy options, delete various disclosures presently required, and to make a number of editorial amendments.

The Office has not intended to change any of its current accounting policies on adoption of AASB 2007-4; accordingly, there has been no financial impact to these financial statements. However, in the financial statements, certain information is no longer required to be disclosed, or has been disclosed in an alternative manner, due to amendments made by AASB 2007-4 to the disclosure requirements of various Accounting Standards.

- AASB 2007-7 Amendments to Australian Accounting Standards makes editorial amendments to six Standards. The key change removes the encouragement in AASB 107 Cash Flow Statements to adopt a particular format for the cash flow statement. The Office did not intend to change any of its current accounting policies on adoption of AASB 2007-7; accordingly, there has been no financial impact to these financial statements.

(b) Impact of new and revised Accounting Standards yet to be applied

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

- AASB 2007-8 Amendments to Australian Accounting Standards Arising from AASB 101 - revised standard to be applied in reporting periods on or after 1 January 2009. The Standard will not have a financial impact on the financial statements but will require a number of changes in disclosures.
- AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 – amending Standard to be applied on or after 1 July 2008. The primary focus of this Standard has been on relocating, where necessary, the requirements in AASs 27, 29 and 31, substantively unamended (with some exceptions), into topic-based Standards. The Standard will not have a material financial impact on the financial statements.
- AASB Interpretation 14 AASB 119 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – this Interpretation is applicable to annual reporting periods beginning on or after 1 January 2008. The interpretation clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also gives guidance on when a MFR might give rise to a liability. The Standard will not have a material financial impact on the financial statements.
- AASB 101 Presentation of Financial Statements – new standard to be applied in reporting periods on or after 1 January 2009. The Standard will not have a financial impact on the financial statements but will require a number of changes in disclosures.

1.5 Income

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

(a) Appropriation Revenue

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

(b) User Charges

Amounts earned in exchange for the provision of goods are recognised when the good is provided and title has passed. Revenue from the provision of services is recognised when the service has been provided.

Notional revenues and expenses for audits conducted by service providers where the client pays directly for the service are accounted for as notional user charges and audit contractors' expense.

(c) Gain (Loss) from the Sale of Non-financial Assets

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

(d) Interest

Interest on funds invested is recognised as it accrues.

1.6 Expenses

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

(a) Employee Entitlements

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

(b) Depreciation and Amortisation

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

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

Physical assets (Depreciation)

Furniture and fittings	Between 4-10 years
Computer equipment - Hardware	Between 3-4 years
Office equipment	Between 5-10 years

Intangible assets (Amortisation)

Computer equipment - Software	Between 3-5 years
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The cost of improvements to or on leased properties is amortised over the unexpired period of the lease or the estimated useful life of the improvements to the Office, whichever is the lesser.

Major amortisation rates are:

Leasehold improvements	10 per cent
Lease "make good"	10 per cent

(c) Impairment – Financial Assets

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

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

All impairment losses are recognised in surplus or deficit.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in surplus or deficit. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(d) Impairment – Non Financial Assets

All non-financial assets are assessed to determine whether any impairment exists. Impairment exists when the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. The Office's assets are not used for the purpose of generating cash flows; therefore value in use is based on depreciated replacement cost where the asset would be replaced if deprived of it.

All impairment losses are recognised in surplus or deficit.

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

(e) Other Expenses

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

1.7 Assets

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

(a) Cash and Deposits

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

(b) Receivables

Receivables are recognised at the amounts receivable as they are due for settlement. Impairment of receivables is reviewed on an annual basis. Impairment losses are recognised when there is an indication that there is a measurable decrease in the ability to collect receivables.

(c) Work in Progress

Work in progress is measured by the actual hours spent to date on the individual audits multiplied by the appropriate charge out rate per employee category less amounts invoiced. Work in progress is valued at the lower of cost or net realisable value. Impairment losses are recognised when there is an indication that there is a measurable decrease in the recoverability of work in progress.

(d) Non-current Physical Assets

(i) Valuation basis

All non-current physical assets are recorded at historic cost.

(ii) Asset recognition threshold

The asset capitalisation threshold adopted by the Office is \$1 000. Assets valued at less than \$1 000 are charged to the Income Statement in the year of purchase (other than where they form part of a group of similar items which are material in total or if the asset is considered to be an attractive item).

(iii) Impairment

The carrying amounts of non-current physical assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

(e) Intangibles

An intangible asset is recognised where:

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

Intangible assets held by the Office are valued at cost and are amortised on a straight line basis over their estimated useful life.

The carrying amounts of intangibles are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable

amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

1.8 Liabilities

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

(a) Payables

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

(b) Provisions

Provisions are recognised when it is probable that a payment will be made and the amount of the payment can be reliably measured. Any right to reimbursement relating to some or all of the provision is recognised as an asset when it is virtually certain that the reimbursement will be received.

(c) Employee Benefits

Liabilities for wages and salaries and annual leave are recognised when employees become entitled to receive the benefits. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Other employee entitlements are measured as the present value of the benefit at 30 June 2008, where the impact of discounting is material, and at the amount expected to be paid if discounting is not material.

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.

The outcome of the Public Sector Unions Wages agreement 2008 currently being negotiated is uncertain. The long service leave liability has been determined on the basis of current salaries increased by the wage inflation rate of 3.5%.

The Office has recognised a liability for the Auditor-General's employee entitlement provisions even though the provisions will be paid as a Reserved by Law item that is funded by way of an appropriation to the Office when paid out in the future.

(d) Superannuation

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

(e) Revenue Received in Advance

The Office invoices for financial audit work on a "phase" basis. Where work is invoiced but further work is anticipated, revenue is recognised as received in advance.

1.9 Leases

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

The Office does not enter into finance leases.

1.10 Unrecognised Financial Instruments

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

1.11 Judgements and Assumptions

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

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

Judgements made by the Office that have significant effects on the financial statements are disclosed in the relevant notes to the financial statements.

The Office has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1.12 Budget Information

Budget information refers to original estimates as disclosed in the 2007-08 Budget Papers and is not subject to audit.

1.13 Rounding

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

1.14 Departmental Taxation

The Office is exempt from all forms of taxation except Fringe Benefits Tax, Payroll Tax and the Goods and Services Tax (GST).

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

Note 2 Office Output Schedules

2.1 Output Group Information

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

Output Group 1 – Public Sector Management and Accountability

	2008 Budget \$'000	2008 Actual \$'000	2007 Actual \$'000
Revenue			
Revenue from appropriation	330	313	301
User charges	4 947	4 715	4 384
Other revenue	13	20	108
Total	5 290	5 048	4 793
Expenses			
Employee benefits	3 452	3 187	2 874
Depreciation and amortisation	210	184	140
Payroll tax	216	165	148
Loss on sale of non-financial assets	-	3	-
Audit contractors	590	751	670
Accommodation	202	253	201
Information technology	137	117	129
Materials and supplies	102	196	234
Other expenses	337	463	436
Total	5 246	5 319	4 832
Net result	44	(271)	(39)
Expense by output			
Public Sector Management and Accountability	5 246	5 319	4 832
Total	5 246	5 319	4 832
Total net result of output groups	44	(271)	(39)

Note 3 Explanations of Material Variances between Budget and Actual Outcomes

The following are brief explanations of material variances between Budget estimates and actual outcomes. Variances are considered material where the variance exceeds 5 per cent of Budget estimate. The following budget information has not been subject to audit.

3.1 Income Statement

	Notes	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation revenue - recurrent	(a)	330	313	(17)	(5)
User charges	(b)	4 947	4 715	(232)	(5)
Other revenue	(c)	13	20	7	54
Employee benefits	(d)	3452	3 187	265	8
Payroll tax	(e)	216	165	51	24
Depreciation and amortisation	(f)	210	184	26	12
Audit contractors	(g)	590	751	(161)	(27)
Accommodation	(h)	202	253	(51)	(25)
Information technology	(i)	137	117	20	15
Materials and supplies	(j)	102	196	(94)	(92)
Other expenses	(k)	337	463	(126)	(37)

Notes to Income Statement variances

(a) Appropriation revenue – recurrent. The variation resulted from lower actual Reserve By Law non-salary allowance items than budgeted.

(b) User charges. The variation resulted from staff shortages in both the Financial Audit and Performance Audit business units together with lost billable time caused by an extended job reclassification process.

(c) Other revenue. The variances relates to higher interest received than budgeted due to increased interest rates.

(d) Employee benefits. The variation is due to :

The actual establishment level being lower for the year than budgeted, after adjusting for contracted services, due to staff vacancies and restructuring and recruitment strategies.

The saving of \$17 000 in the Auditor-General's salary and allowances component of the Auditor General's non-salary and allowances budget.

(e) Depreciation and amortisation. The variation relates to a lower level of computer and office equipment purchases than budgeted, as well as later purchasing and commissioning of software and hardware than originally planned, resulting in lower charges for depreciation and amortisation.

(f) Payroll tax. The variation relates to the movements in employee benefits as discussed in note 3.1 (d).

(g) Audit contractors. The variance resulted from an increase in the number of contracted audits than budgeted. This was caused primarily by staff shortages.

(h) Accommodation. The lessor in late June 2008 indicated that a rent review under the lease agreement would be invoked and backdated to 1 July 2007. Legal advice received indicates the review is allowable but the Office will contest the quantum of the proposed increase. However the full quantum has been recognised (\$36,000).

(i) Information technology. The variation resulted from lower software annual licence fees than budgeted.

(j) Material and supplies. The variation in material and supplies is due to:
No provision for catering being included in the budget.

Actual printing costs exceeding budget as the original budget was based on a decision to reduce the print run for financial reports. This decision was reversed subsequent to the budget determination.

Actual expenditure on subscriptions exceeding the budget amount.

(k) Other expenses. The variation in other expenses is due to:

Travel and transport being under the original budget due to allowance for vehicles as part of SES contracts initially included, some of which were ultimately delayed and others not pursued.

Expenditure on Information Technology consultants exceeding the budget amount, and expenditure on Human Resource consultants exceeding budget due to an extended job reclassification process.

Audit Advisory Committee not being included in the budget and ACAG expenditure exceeding budget.

3.2 Balance Sheet

	Notes	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Cash and deposits	(a)	749	329	420	56
Receivables and work in progress	(b)	422	519	(97)	(22)
Leasehold improvements, plant and equipment	(c)	664	232	432	65
Intangibles	(c)	-	114	(114)	(100)
Other assets	(d)	99	66	33	33
Payables	(e)	183	125	58	32
Provisions	(f)	-	15	(15)	(100)
Other liabilities	(g)	180	94	86	48

Notes to Balance Sheet variances

(a) Cash and Deposits. The variance in cash and deposits resulted from a lower than expected level of revenue, as per note 3.1(b) available to be converted into cash.

(b) Receivables and work in progress. Receivables and work in progress are not disclosed separately in the preparation of the budget papers. The net variance of these combined is \$197,000 or 22%. The combined actual amount of \$519,000 exceed the budget by \$97,000 which is due in part to the Office not invoicing work in progress earlier prior to the end of the financial year.

(c) Leasehold improvements, plant and equipment and intangibles. Leasehold improvements, plant and equipment were not disclosed separately to intangibles in the preparation of the 2007-08 budget papers. The net variance of these combined is \$318,000 or 47%. The variance results from a lower level of purchases of computer and office equipment than budgeted.

(d) Other assets. The variation relates primarily to lower than budgeted prepayments associated with the lower level of software licences.

(e) Payables. The balance for creditors at balance date was lower than projected.

(f) Provisions. The provision relates to lease makegood, which is not included in the budget.

(g) Other Liabilities. The budget amount for 2007-08 is too high, as verified by a review during the 2008-09 budget process. Other liabilities includes revenue in advance and employee benefit on costs.

3.3 Cash Flow Statement

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
User charges	(a)	4 947	4 719	228	5
GST receipts	(b)	264	532	(268)	(102)
Interest received	(c)	13	17	4	31
Other cash receipts	(d)	-	3	3	(100)
Employee benefits	(e)	(3 054)	(2 806)	(248)	(8)
Superannuation	(f)	(310)	(277)	33	11
GST payments	(b)	(264)	(533)	(269)	(102)
Other cash payments	(g)	(1 584)	(1 832)	248	16
Payments for acquisition of non-financial assets	(h)	(246)	(81)	165	67

Notes to Cash Flow Statement variances

(a) User charges. The variation was due to staff shortages in both the Financial Audit and Performance Audit business units as well as lost billable time caused by extended job reclassification process, resulting in less revenue than expected and therefore lower cash receipts from user charges.

(b) GST receipts and payments. The budget amounts did not fully reflect the potential GST payable on budgeted expenses and revenues.

(c) Interest received. The variances relates to higher interest received than budgeted due to increased interest rates.

(d) Other cash receipts. The variance relates to a number of miscellaneous items not included in the budget, including reimbursements and history book sales.

(e) Employee benefits. The variance is due to staffing over the year being below forecast thus reducing employee related expenses.

(f) Superannuation. Superannuation is below budget as per note 3.3 (e).

(g) Other cash payments. Other cash payments are over budget due to expenses relating to consultants, training and audit contractors being greater than original estimates.

(h) Payments for acquisition of non-financial assets. Expenditure is under budget, as the level of planned capital expenditure relating to IT equipment and leasehold improvements did not eventuate.

Note 4 Income

4.1 Appropriation Revenue

Revenue from Appropriations includes revenue from appropriations, appropriations carried forward under section 8A2 of the Public Account Act 1986 and Items Reserved by Law.

	2008 Budget \$'000	2008 Actual \$'000	2007 Actual \$'000
Items Reserved by Law – Auditor General’s salary and associated on-costs	330	313	301
Total revenue from Government	330	313	301

4.2 User Charges

	2008 \$'000	2007 \$'000
Financial Audit Services	3 359	2 987
Performance and Compliance Audit	1 061	1 079
Reports to Parliament	295	318
Total	4 715	4 384

In 2007 two clients of the Office had contracts with service providers to undertake the financial audit of their organisations where the client pays the service provider directly. In a departure from previous years the notional user charges are included in the financial statements instead of just disclosure by way of a note to the financial statements. In 2008 all contract payments have been paid by the Office.

	-	48
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4.3 Other Revenues

Interest revenue	17	29
Revenue for audit methodology	-	70
Other	3	9
Total	20	108

Note 5 Expenses

5.1 Employee Benefits

Wages and salaries	2 582	2 325
Annual leave	211	197
Long service leave	83	79
Fringe benefits tax	34	25
Superannuation – contribution scheme	151	133
Superannuation – defined benefit scheme	126	115
Total	3 187	2 874

Superannuation expenses relating to defined benefits schemes relate to payments into the Superannuation Provision Account (SPA) held centrally and recognised within the Finance-General Division of the Department of Treasury and Finance. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The current employer contribution is 11 per cent of salary.

Superannuation expenses relating to the contribution scheme are paid directly to the superannuation fund at a rate of nine per cent of salary. In addition, departments are also

required to pay into the SPA a "gap" payment equivalent to two per cent of salary in respect of employees who are members of the contribution scheme.

5.2 Depreciation and Amortisation

(a) Depreciation

	2008 \$'000	2007 \$'000
Computer equipment - hardware	68	54
Office equipment, furniture and fittings	42	41
Total	110	95

(b) Amortisation

Leasehold improvements	14	14
Intangibles - Computer software	59	30
Leasehold makegood	1	1
Total	74	45
Total depreciation and amortisation	184	140

5.3 Other Expenses

Worker's compensation	13	12
Travel and transport	137	120
Training	90	104
Consultants	197	176
Insurance	11	9
Miscellaneous expenses	15	15
Total	463	436

5.4 Loss on Write-off of Non-financial Assets

Computer equipment - hardware		
Accumulated depreciation	43	-
Cost	(46)	-
Loss on write-off	(3)	-

Note 6 Assets

6.1 Receivables

	2008 \$'000	2007 \$'000
User charges (inclusive of GST)	228	234
Interest	2	2
Total	230	236
Settled within 12 months	230	236
Settled in more than 12 months	-	-
Total	230	236

6.2 Work In Progress

Work in progress comprises unbilled revenue as at 30 June	289	270
Total	289	270
Settled within 12 months	289	270
Settled in more than 12 months	-	-
Total	289	270

6.3 Leasehold Improvements, Plant and Equipment

(a) Carrying amount

Computer equipment - hardware		
At cost	516	482
Less: Accumulated depreciation	(392)	(367)
Total	124	115
Leasehold improvements		
At cost	131	131
Less: Accumulated amortisation	(38)	(24)
Total	93	107
Office equipment		
At cost	83	83
Less: Accumulated depreciation	(76)	(52)
Total	7	31

	2008 \$'000	2007 \$'000
Furniture and fittings		
At cost	67	67
Less: Accumulated depreciation	(59)	(41)
Total	8	26
Total leasehold improvements, plant and equipment	232	279

(b) Reconciliation of movements

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

2008	Computer equipment \$'000	Office equipment and furniture \$'000	Leasehold improve- ments \$'000	Total \$'000
Carrying value at 1 July	115	57	107	279
Additions	80	-	-	80
Disposals	(46)	-	-	(46)
Depreciation and amortisation	(25)	(42)	(14)	(81)
Carrying value at 30 June	124	15	93	232

2007	Computer equipment \$'000	Office equipment and furniture \$'000	Leasehold improve- ments \$'000	Total \$'000
Carrying value at 1 July	116	92	121	329
Additions	53	6	-	59
Disposals	-	-	-	-
Depreciation and amortisation	(54)	(41)	(14)	(109)
Carrying value at 30 June	115	57	107	279

6.4 Intangibles

(a) Carrying amount

	2008 \$'000	2007 \$'000
Intangibles with a finite useful life		
Software At cost	441	441
Less: Accumulated amortisation	(327)	(268)
Total	114	173

(b) Reconciliation of movements

Carrying amount at 1 July	173	45
Additions	-	158
Amortisation expense	(59)	(30)
Carrying amount at 30 June	114	173

6.5 Other Assets

(a) Carrying amount

Other current assets		
Prepayments	56	118
Total	56	118
Other non-current assets		
Lease makegood	14	14
Less: Accumulated depreciation	(4)	(3)
Total	10	11
Settled within 12 months	56	118
Settled in more than 12 months	10	11
Total	66	129

(b) Reconciliation of movements – other non-current assets

	2008 \$'000	2007 \$'000
Carrying amount at 1 July	11	13
Amortisation expense	(1)	(2)
Carrying amount at 30 June	10	11

Note 7 Liabilities

7.1 Payables

Creditors	151	132
Payroll tax payable	2	1
Accrued fringe benefits tax	8	6
Total	161	139
Due within 12 months	161	139
Due in more than 12 months	-	-
Total	161	139

Settlement is usually made within 30 days.

7.2 Provisions

(a) Carrying amount

Provision for lease makegood	15	15
Total	15	15
Due within 12 months	-	-
Due in more than 12 months	15	15
Total	15	15

The lease makegood provision provides for work to be carried out at the expiry of the lease period in 2015, to restore the current premises to the original condition prior to fit out by the Office. The Office is planning to relocate to alternative premises in 2008 but due to uncertainty of funding for relocation costs it is currently assumed that the Office will be required to makegood the lease on expiry in 2015.

Under the Office's current lease a rent review was due in July 2007 but had been delayed. Legal advice indicates that the lessor can still proceed with the review and has indicated an increase of \$36,375 (26.3%) dating from 1 July 2007. The Office will contest the increase as per the lease agreement but the impact of the increase has been accounted for this year.

Reconciliations of movements in provisions:

	Total Provisions	
	2008 \$'000	2007 \$'000
Balance at 1 July	15	14
Increase in provision for lease makegood	-	1
Balance at 30 June	15	15

7.3 Employee Benefits

Accrued salaries	36	24
Annual leave	238	225
Long service leave	488	449
Superannuation	4	2
SSALS	4	-
In lieu of overtime	54	25
Total	824	725
Due within 12 months	378	296
Due in more than 12 months	446	429
Total	824	725

7.4 Superannuation

Type of plan

Retirement Benefits Fund (RBF) Scheme

The RBF contributory scheme is an unfunded defined benefits scheme for which the Office has a liability in respect of Tasmanian Public Sector employees under the age of 65 and appointed prior to 15 May 1999. The scheme provides eligible employees with a lump sum or pension benefits on attainment of retirement age. The benefits are calculated based on the number of years of service and the employee's average salary for the previous three years.

The scheme was closed to new members on 15 May 1999.

An independent actuarial assessment is undertaken into the RBF Scheme as at 30 June each financial year.

7.5 Other Liabilities

	2008 \$'000	2007 \$'000
Revenue received in advance		
Other revenue received in advance	52	35
Other liabilities		
Employee benefits – on-costs	42	37
Tax liabilities	-	2
Total	94	74
Due within 12 months	68	49
Due in more than 12 months	26	25
Total	94	74

Note 8 Commitments and Contingencies

8.1 Schedule of Commitments

By type

Lease commitments

Operating leases	2 595	2 078
------------------	-------	-------

Total lease commitments

2 595	2 078
--------------	--------------

Other commitments

Contract Audits	1 627	369
-----------------	-------	-----

Total other commitments

1 627	369
--------------	------------

Total commitments

4 222	2 447
--------------	--------------

By maturity

Operating lease commitments

One year or less	265	225
------------------	-----	-----

From one to five years	1 247	943
------------------------	-------	-----

More than five years	1 083	910
----------------------	-------	-----

Total operating lease commitments

2 595	2 078
--------------	--------------

Other commitments

One year or less	759	311
------------------	-----	-----

From one to five years	868	58
------------------------	-----	----

More than five years	-	-
----------------------	---	---

Total other commitments

1 627	369
--------------	------------

Total commitments

4 222	2 447
--------------	--------------

(a) Operating Leases

Operating leases relate to office accommodation and motor vehicles. For office accommodation the lease terms are 10 years, with an option to extend for a further 10 years. All operating lease contracts contain certain market review clauses. The motor vehicle lease is governed by the Government's contract where vehicles are leased and replaced every two years or 40,000 kilometres of use whichever is the earlier event.

(b) Contract Audits

Commitments exist for the payments of future auditing services under contract as at the reporting date.

Note 9 Equity and Movements in Equity

9.1 Reconciliation of Equity

	Accumulated Deficits		Contributed Capital		Total Equity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at 1 July	(731)	(692)	1 168	1 168	437	476
Net surplus/deficit	(271)	(39)	-	-	(271)	(39)
Balance at 30 June	(1 002)	(731)	1 168	1 168	166	437

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

Note 10 Cash Flow Reconciliation

10.1 Cash and Cash Equivalents

Cash and Deposits includes the balance of the Special Deposits and Trust Fund Accounts held by the Office, and other cash held, excluding those accounts which are administered or held in a trustee capacity or agency arrangement.

	2008 \$'000	2007 \$'000
Special Deposits and Trust Fund balance		
Special Deposits and Trust Account T644	329	303
Total cash and cash equivalents	329	303

10.2 Reconciliation of Operating (Deficit) to Net Cash from Operating Activities

	2008 \$'000	2007 \$'000
Net operating surplus (deficit)	(271)	(39)
Depreciation and amortisation	184	140
(Gain) loss from sale of non-financial assets	3	-
Decrease (increase) in Receivables	6	236
Decrease (increase) in Prepayments	62	(25)
Decrease (increase) in Work in progress	33	(80)
Decrease (increase) in GST assets	-	2
Decrease (increase) in Other assets	-	53
Increase (decrease) in Employee entitlements	99	(46)
Increase (decrease) in Payables	22	3
Increase (decrease) in Tax liabilities	(2)	1
Increase (decrease) in Other liabilities	(30)	(94)
Net cash from (used by) operating activities	106	151

Note 11 Financial Instruments

11.1 Risk exposures

(a) Risk management policies

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

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

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

(b) Credit risk exposures

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

As fees are agreed by the Treasurer and are a debt to the Crown, the Office's credit risk exposure is minimal.

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

Normal credit terms are 30 days.

The following tables analyse financial assets that are past due but not impaired. The receivable 30 days past due as at 30 June 2008 were paid in July 2008. Interest receivable was received from Treasury on 25 July 2008.

Analysis of financial assets that are past due at 30 June 2008 but not impaired

	Current	Past due 30 days	Past due 60 days	Total
	\$'000	\$'000	\$'000	\$'000
User charges	202	26	-	228
Interest	2	-	-	2
Total	204	26	-	230

Analysis of financial assets that are past due at 30 June 2007 but not impaired

	Current	Past due 30 days	Past due 60 days	Total
	\$'000	\$'000	\$'000	\$'000
User charges	215	19	-	234
Interest	2	-	-	2
Total	217	19	-	236

(c) Liquidity risk

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

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

The following tables detail the undiscounted cash flows payable by the Office by remaining contractual maturity for its financial liabilities.

Office policy is to pay within 30 days. Payables were paid prior to 31 July 2008, except for accrued additional rent which is still being negotiated.

2008**Maturity analysis for financial liabilities**

	3 Years	4 Years	3 Years	4 Years	3 Years	4 Years	Undiscounted Total	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities								
Payables	161	-	-	-	-	-	161	161
Total	161	-	-	-	-	-	161	161

2007**Maturity analysis for financial liabilities**

	1 Year	2 Years	3 Years	4 Years	5 Years	More than 5 Years	Undiscounted Total	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities								
Payables	139	-	-	-	-	-	139	139
Total	139	-	-	-	-	-	139	139

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The primary market risk that the Office is exposed to is interest rate risk. At the reporting date the interest rate profile of the Office's interest bearing financial instruments was:

	2008 \$'000	2007 \$'000
Variable rate instruments		
Financial assets	329	303
Total	329	303

Changes in variable rates of 100 basis points at reporting date would have the following effect on the Office's surplus or deficit and equity:

Sensitivity Analysis of Office's Exposure to Possible Changes in Interest Rates

	Surplus or Deficit		Equity	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$	\$	\$	\$
30 June 2008				
Cash and deposits	362	296	362	296
Net sensitivity	362	296	362	296

Sensitivity Analysis of Office's Exposure to Possible Changes in Interest Rates

	Surplus or Deficit		Equity	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$	\$	\$	\$
30 June 2007				
Cash and deposits	333	273	333	273
Net sensitivity	333	273	333	273

This analysis assumes all other variables remain constant. The analysis was performed on the same basis for 2007.

11.2 Categories of Financial Assets and Liabilities

	2008 \$'000	2007 \$'000
Financial assets		
Cash and cash equivalents	329	303
Receivables	230	236
Work in progress	289	270
Total	848	809
Financial Liabilities		
Payables	161	139
Total	161	139

11.3 Reclassifications of Financial Assets

The Office has not reclassified any financial assets.

11.4 Net Fair Values of Financial Assets and Liabilities

	2008		2007	
	Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Financial assets				
Cash in Special Deposits and Trust Fund	329	329	303	303
Receivables	230	230	236	236
Work in progress	289	289	270	270
Total financial assets	848	848	809	809
Financial liabilities (Recognised)				
Payables	161	161	139	139
Total financial liabilities (Recognised)	161	161	139	139

Financial Assets

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

Financial Liabilities

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

Note 12 Subsequent Events

Nil

Note 13 Auditor's Remuneration

The Governor in accordance with the Financial Management and Audit Act 1990 appoints the Auditor of the Tasmanian Audit Office. MDHC Audit Assurance Pty Ltd was appointed in 2005 for three years and a one year extension was granted in 2007.

	2008 \$'000	2007 \$'000
Audit fees	8	8

Note 14 Key Management Personnel Compensation

Key management personnel are determined to be the members of the Executive of the Office. Compensation in 2007/2008 for key management personnel amounted to the following:

	2008	2007
	\$'000	\$'000
Short term employee benefits	723	684
Long term employee benefits	129	110

Note 15 Principal Address and Registered Office

Ground Floor
144-148 Macquarie Street
Hobart TASMANIA

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Appendix 1 – Employees of the Office

As at 30 June 2008 the Office employed 39 full-time employees and three part-time employees and one contractor.

Employee	Position	Location
Mike Blake	Auditor-General	Hobart
Financial Audit Services		
Ric De Santi	Deputy Auditor-General	Hobart
Neville I'Anson	Manager – Financial Audit	Hobart
Jeff Tongs	Manager – Financial Audit	Hobart
Andrew Barron	Principal Financial Auditor	Hobart
Damian Cook	Principal Financial Auditor	Hobart
Tony Knight	Principal Financial Auditor	Hobart
Rob Luciani	Principal Financial Auditor	Launceston
Christina Buell	Senior Financial Auditor	Hobart
Philip Chung	Senior Financial Auditor	Hobart
Jara Dean	Senior Financial Auditor	Hobart
Andrew Eizsele	Senior Financial Auditor	Hobart
Simone Hopwood	Senior Financial Auditor	Launceston
Geoff Morffew	Senior Financial Auditor	Hobart
Debbie Scott	Senior Financial Auditor	Launceston
Rachel Wilson	Senior Financial Auditor	Launceston
Fabiola Solis	Senior Financial Auditor – Level 2	Hobart
Kylie Cook	Financial Auditor	Hobart
Wayne Oates	Financial Auditor	Hobart
Jesse Penfold	Financial Auditor	Hobart
Sashi Ram	Financial Auditor	Hobart
Suzanne Xue	Financial Auditor	Hobart
Thomas Bock	Audit Cadet	Launceston
Rebecca Clarke	Audit Cadet	Launceston
Raechel Filler	Audit Cadet	Hobart
Matthew Graver	Audit Cadet	Hobart
Tina Wang	Audit Cadet	Hobart
Monique Poxon	Audit Contractor	Hobart
Performance Audit Services		
Geoff Driscoll	General Manager	Hobart
Simon Andrews	Principal Performance Analyst	Hobart
Geoff Fisher	Principal Performance Analyst	Hobart
Rosina Beaumont	Senior Performance Analyst	Hobart
Danny Moore	Senior Performance Analyst	Hobart
Beverley Pasanen	Performance Analyst	Hobart
Brendon Thomas	Performance Analyst	Hobart
Support Services		
David Strong	General Manager - Strategy and Governance	Hobart
Rachael Daniels	Manager - Finance and Human Resources	Hobart
Rohan Grant	Manager – ICT and Information Management	Hobart
Catherine De Santi	Executive Officer – Finance	Hobart
Sandra O'Connor	Executive Officer – Finance and Payroll	Hobart
Robyn Smith	Executive Officer – Executive Support and Records	Hobart
Jessica Balding	Executive Officer – HR and FAS	Hobart
Jacob Whitehill	Executive Officer – ICT and IM – Traineeship	Hobart

Appendix 2 - Composition of Office Committees

Executive Management Team

The members of the team are:

- o Mike Blake – Chair
- o Ric De Santi
- o Geoff Driscoll and
- o David Strong

Senior Management Team

The members of the team are:

- o Mike Blake – Chair
- o Ric De Santi
- o Geoff Driscoll
- o David Strong
- o Neville I’Anson
- o Jeff Tongs
- o Geoff Fisher
- o Simon Andrews
- o Rachael Daniels and
- o Rohan Grant

Human Resources Committee

The members of the committee are:

- o David Strong - Chair
- o Simon Andrews
- o Rachael Daniels
- o Debbie Scott / Rachel Wilson
- o Tony Knight and
- o Jessica Balding.

Information Management Committee

The members of the committee are:

- o Ric De Santi – Chair
- o David Strong
- o Rohan Grant
- o Geoff Fisher and
- o Jeffrey Tongs.

Health and Safety Committee

The members of the committee are:

- Rachael Daniels – Chair
- Tony Knighti
- Sandra O'Connor and
- Beverley Pasanen.

Making A Difference (MAD) Team

The members of the committee are:

- Ric De Santi
- Rachael Daniels
- Jara Dean
- Damian Cook
- Simon Andrews
- Geoff Fisher
- Narelle Hind
- Philip Chung and
- Danny Moore.

Appendix 3 – List of Clients and Audits

Executive and Legislature

Office of the Governor
House of Assembly
Legislative Council
Legislature-General

Ministerial Departments

Department of Economic Development and Tourism
Department of Education
Department of Health and Human Services
Department of Infrastructure, Energy and Resources
Department of Justice
Department of Police and Emergency Management
Department of Premier and Cabinet
Department of Primary Industries and Water
Department of Environment, Parks, Heritage and the Arts
Department of Treasury and Finance

- Treasurer's Annual Financial Report – Budget Outcomes Statements and Public Account Statements
- Consolidated Financial Statements for the State of Tasmania

Government Business Enterprises

Forestry Tasmania
Hydro-Electric Corporation

- Bell Bay Power Pty Ltd
- Bell Bay Three Pty Ltd
- Hydro Consulting (Holding) Pty Ltd
- Lofty Ranges Power Pty Ltd
- RE Storage Holding Pty Ltd

Motor Accidents Insurance Board
Port Arthur Historic Site Management Authority
Printing Authority of Tasmania***
Rivers and Water Supply Commission
Southern Regional Cemetery Trust***
Tasmanian Public Finance Corporation
The Public Trustee

State Owned Companies

Aurora Energy Pty Ltd

- Ezikey Group Pty Ltd

King Island Port Corporation Pty Ltd

Metro Tasmania Pty Ltd

Tasmanian Ports Corporation Pty Ltd

TOTE Tasmania Pty Ltd

Transend Networks Pty Ltd

TT Line Company Pty Ltd

Statutory Authorities

National Trust of Australia (Tasmania)

Private Forests Tasmania

Retirement Benefits Fund Board

- RBF Tas Planning Pty Ltd

State Fire Commission

Sullivans Cove Waterfront Authority

TAFE Tasmania

Tasmanian Dairy Industry Authority

Tasmanian Development and Resources

Travel Agents Licensing Board

Local Government

Councils:

Break O'Day Council

Brighton Council

Burnie City Council

Central Coast Council

Central Highlands Council

Circular Head Council

Clarence City Council

Derwent Valley Council

Devonport City Council

Dorest Council

Flinders Council

George Town Council

Glamorgan Spring Bay Council

Glenorchy City Council

Hobart City Council

Huon Valley Council

Kentish Council
King Island Council
Kingborough Council
Latrobe Council
Launceston City Council
Meander Valley Council
Northern Midlands Council
Sorell Council
Southern Midlands Council
Tasman Council
Waratah-Wynyard Council
West Coast Council
West Tamar Council

Authorities:

Copping Refuse Disposal Site Joint Authority
Cradle Coast Authority
Cradle Coast Water Authority
Dulverton Regional Waste Management Authority
Esk Water Authority
Hobart Regional Water Authority
Local Government Association of Tasmania
Southern Tasmanian Councils Association
Southern Waste Strategy Authority

Public Bodies

Aboriginal Land Council of Tasmania
ANZAC Day Trust
Board of Architects*
Brittons Swamp Drainage Trust *
Cheshunt Drainage Trust *
Chiropractors and Osteopaths Registration Board*
Clyde Water Trust
Council of Law Reporting
Davy Point Drainage Trust *
Dental Board of Tasmania*
Dental Prosthetists Registration Board of Tasmania*
Don River Irrigation Water Trust *
Egg Lagoon Drainage Trust *
Elizabeth Macquarie Irrigation Trust *
Forests and Forest Industry Council – Helsham Agreement Grant Account**

Forest Practices Board
Forthside Irrigation Water Trust *
Government Prices Oversight Commission
Housing Tasmania
 ▪ Home Ownership Assistance Program**
Inland Fisheries Service
Jim Bacon Foundation
Lake Nowhere-Else Dam / Whitemark Creek Irrigation Trust *
Launceston Sailors Home Trust
Lawrenny Irrigation Trust *
Legal Aid Commission of Tasmania
Lobster Rivulet Drainage Trust *
Marine and Safety Tasmania
Medical Council of Tasmania*
Mowbray Swamp Drainage Trust *
National Heritage Trust
Nominal Insurer
Northern Tasmanian Natural Resource Management Regional Committee *
Nursing Board of Tasmania*
Office of the Ombudsman and Health Complaints Commissioner
Office of the Tasmanian Energy Regulator
Optometrists Registration Board *
Pharmacy Board of Tasmania*
Physiotherapists Registration Board *
Plumbers and Gasfitters Registration Board*
Podiatrists Registration Board*
Psychologists Registration Board*
Radiographers Registration Board*
Richmond Irrigation Trust *
Royal Tasmanian Botanical Gardens
Tamar Region Natural Resource Management Strategy Reference Group Inc.
Tasmanian Ambulance Service
Tasmanian Arts Advisory Board *
Tasmanian Beef Industry (Research and Development) Trust
Tasmanian Building and Construction Industry Training Board
Tasmanian Community Fund
Tasmanian Heritage Council
Tasmanian Land Conservancy Inc *
Tasmanian Museum and Art Gallery
Tasmanian Risk Management Fund
Tasmanian Wilderness World Heritage Area**

Teachers Registration Board

Theatre Royal Management Board

The Southern Tasmanian Natural Resource Management Regional Committee *

Togari Drainage Trust *

Tsuneichi Fujii Fellowship Trust

University of Tasmania

- UTAS Innovations Ltd
- Higher Education Research Data Collection**

Wellington Park Management Trust

Western Creek Drainage Trust *

Workcover Tasmania Board

Workers Rehabilitation and Compensation Tribunal

* Audits Dispensed with

** Grant Acquittal

***Final audit

Appendix 4 - Use of External Audit Service Providers for the 2007-08 Audit Cycle

The following table sets out the commitments to external audit service providers for the 2007-08 financial statement audits.

Client	Contractor	Fee(\$'000) (excl GST)
Aboriginal Land Council	R J Ruddick	2
Circular Head Council	AG Synetec Pty Ltd	18
Clarence City Council	WHK Denison	22
Copping Refuse Disposal Site Joint Authority	WHK Denison	TBA
Council of Law Reporting	KPMG - Hobart	1
Cradle Coast Water Authority	Garrott and Garrott	10
Department of Infrastructure, Energy and Resources	Wise Lord and Ferguson	88
Department of Justice	KPMG - Hobart	61
Forest Practices Board	BDO Kendalls	2
George Town Council	Garrott and Garrott	11
Glamorgan-Spring Bay Council	Garrott and Garrott	16
Glenorchy City Council	Deloitte Touche Tohmatsu - Hbt	35
Government Prices Oversight Commission	BDO Kendalls	3
Hydro-Electric Corporation	Wise Lord and Ferguson	163
Northern Midlands Council	Garrott and Garrott	14
Office of the Energy Regulator	BDO Kendalls	3
Port Arthur Historic Site Management Authority	WHK Denison	25
Rivers and Water Supply Commission	BDO Kendalls	14
Royal Tasmanian Botanical Gardens	BDO Kendalls	8
Southern Regional Cemetery Trust	WHK Denison	8
Southern Waste Strategy Authority	BDO Kendalls	3
Sullivans Cove Waterfront Authority	Wise Lord and Ferguson	6
Tasmanian Beef Industry (Research and Development) Trust	R J Ruddick	1
Tasmanian Building and Construction Industry Training Board	Wise Lord and Ferguson	9
Tasmanian Community Fund	BDO Kendalls	2
Tasmanian Dairy Industry Association	R J Ruddick	3
Tasmanian Museum and Art Gallery	Wise Lord and Ferguson	3
Tasmanian Public Finance Corporation	Wise Lord and Ferguson	87

Client	Contractor	Fee(\$'000) (excl GST)
Teachers Registration Board	BDO Kendalls	2
Transend Networks Pty Ltd	Deloitte Touche Tohmatsu – Hbt	82
Travel Agents Licensing Board	KPMG – Hobart	1
TT-Line Pty Ltd	Deloitte Touche Tohmatsu – Ltn	39
Wellington Park Management Trust	BDO Kendalls	3
Workcover Tasmania Board	KPMG – Hobart	3
Workers Rehabilitation and Compensation Tribunal	KPMG – Hobart	3
	Total	751

Appendix 5 – External Audit Service Providers

The following auditing firms are included in the Register of External Audit Services Providers applied by the Office:

Name of Firm	Ranking
AG Synectec Pty Ltd - Devonport	Medium and Small
Deloitte Touche Tohmatsu – Hobart	Large and Medium
Deloitte Touche Tohmatsu – Launceston	Medium and Small
Garrott and Garrott - Launceston	Medium and Small
BDO Kendalls - Hobart	Medium and Small
KPMG – Hobart	Large, Medium and Small
KPMG – Launceston	Medium and Small
RSM Bird Cameron – Melbourne	Large and Medium
R J Ruddick – Launceston	Medium and Small
WHK Denison - Hobart	Medium and Small
Wise Lord and Ferguson - Hobart	Large, Medium and Small

During 2007-08 AG Synectic Pty Ltd was added to the list of external audit service providers as a result of our annual tender process.

Appendix 6 – Asset Management, Risk and Pricing Policy, and Government Procurement

Major capital projects

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

At the time of this report we have a submission before the Government for funding to relocate to new premises.

Asset management

The financial statements for 2007-08 are reported on an accrual basis, and contain full details of our asset management policies as notes to the statements.

Office assets have been recorded in accordance with our accounting policies and procedures, and these amounts are disclosed in the statements, together with appropriate policies.

Details of our assets are recorded in the asset module of our financial management system. This provides a direct link between our asset register and the general ledger, thus enhancing financial reporting.

Pricing policies

Audit fees for conducting financial, performance and compliance audits are our main source of revenue. In addition, we receive a budget appropriation for the Auditor-General's salary and associated allowances.

The Treasurer determines audit fees charged for financial audits after consulting with the Auditor-General in accordance with section 56 of the *Financial Management and Audit Act 1990*.

During the year we reviewed our fee determination policy as a precursor to the new arrangements under the new Audit Act. Fees are calculated on the basis of meeting the full cost of operating the Office. Individual fees are determined by applying a number of criteria that include size, history, risk, complexity, systems in place including internal controls, organization and accounting changes and location.

Government Procurement

Support for local business

The Tasmanian Audit Office ensures that Tasmanian businesses are given every opportunity to compete for Office business. It is the Office's policy to support Tasmanian business whenever they offer best value for money for the Government. Every year the Office calls for businesses to register for providing external audit services on behalf of the Auditor-General (see Appendix 5).

The following details are provided in accordance with Treasurer's Instruction 1111 for all contracts awarded (excluding consultancies) and tenders called during 2007-08 with values in excess of \$50 000.

Details	2007-08
Total number of contracts awarded	3
Total number of contracts awarded to Tasmanian businesses	3
Total value of contracts awarded (including possible extensions)	\$0.390m - \$0.430m
Total value of contracts awarded to Tasmanian businesses (including possible extensions)	\$0.390m - \$0.430m
Number of tenders called	3
Number of bids received	9
Total number of bids received from Tasmanian businesses	9

Contractors over \$50 000

Name of contractor	Location of contractor	Description of contract	Period of contract	Value of contract
AG Synetec Pty Ltd	NW Tasmania	Audit Services – Circular Head Council	3 Years	\$54 000 - \$60 000
Wise Lord and Ferguson	Sth Tasmania	Audit Services – DIER	3 Years	\$264 000 - \$280 000
WHK Denison	Sth Tasmania	Audit Services	3 Year	\$75 000 - \$90 000

Consultancies over \$50 000

Name of consultant	Location of consultant	Description of consultancy	Period of consultancy	Value of consultancy
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There were no consultancies awarded in excess of \$50 000 during the year.

Procurement complaints

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

Appendix 7 – Superannuation Declaration

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

- UniSuper Fund
- MLC Master Key Superannuation Fund



H M Blake

30 June 2008

Appendix 8 - Service on other committees

Our staff were members of the following committees, professional associations, panels or working parties:

Mike Blake	<p>Australasian Council of Auditors-General Australian Auditing and Assurance Standards Board</p> <p>Institute of Chartered Accountants in Australia – Tasmanian Division</p> <p>Australian Electoral Commission - Tasmanian Redistribution Committee</p> <p>Chartered Secretaries Australia - Public Sector Advisory/IP Reference Group</p> <p>University of Tasmania – Faculty of Business Advisory Board</p>
Ric De Santi	<p>CPA Australia – Tasmanian Divisional Council</p> <p>ACAG – Financial Reporting and Auditing Committee</p>
Jeff Tongs	<p>CPA Australia – Tasmanian Public Sector Committee</p> <p>National IPSAM User Group</p>
Neville I’Anson	<p>ACAG – Heads of Information Systems Audit</p> <p>ACGA - University Audit Group</p>
Rob Luciani	<p>ACAG – APES 320 Review Group</p> <p>ACAG Representative - Australian Infrastructure Financial Management Guidelines Steering Committee</p>
Ric De Santi	<p>CPA Australia – Tasmanian Divisional Council</p> <p>ACAG – Financial Reporting and Auditing Committee</p>
David Strong	<p>CPA Australia – Tasmanian Divisional Council</p> <p>ACAG – Communications Committee</p> <p>ACAG – Human Resources Committee</p> <p>ACAG – Practice Management Committee</p>
Rachael Daniels	<p>ACAG – Human Resources Committee</p>

Abbreviations

AASB	Australian Accounting Standards Board	HR	Human Resources
ACAG	Australasian Council of Auditor-General	HRC	Human Resources Committee
ACT	Australian Capital Territory	H&S	Health and Safety
AEIFRS	Australian Equivalents to International Financial Reporting Standards	IFRS	International Financial Reporting Standards
APES	Accounting Professional and Ethical Standards	ILOT	In lieu of overtime
BSC	Balanced scorecard	ipsam	Integrated public sector audit methodology
CEO	Chief Executive Officer	ISACA	Information Systems Audit and Controls Association
CPA	Certified Practising Accountant	ICT	Information Communications and Technology
DHHS	Department of Health and Human Services	IM	Information Management
DIER	Department of Infrastructure, Energy and Resources	IP	Intellectual Property
DOE	Department of Education	IT	Information technology
DPEM	Department of Police and Emergency Management	LSL	Long service leave
DPIWE	Department of Primary Industry, Water and the Environment	MAD	Making a Difference
EDP	Electronic Data Processing	MAHRI	Member Australian Human Resources Institute
EMG	Executive management group	MS	Moore Stephens
FAS	Financial Audit Services	Mths	Months
FBT	Fringe benefits tax	PAC	Public Accounts Committee
FCA	Fellow Chartered Accountants	PAS	Performance Audit Services
FCPA	Fellow Certified Practising Accountant	RBF	Retirement Benefits Fund
FCS	Fellow Chartered Secretaries	SMG	Senior Management Group
FMAA	Financial Management and Audit Act	SOC	State-owned corporation
FOI	Freedom of Information	S&T	States and Territories
FTE	Full-time equivalent	TAO	Tasmanian Audit Office
GBE	Government business enterprise	TI's	Treasurer's Instructions
GCC	Global Corporate Challenge	UTAS	University of Tasmania
GST	Goods and Services Tax	WA	Western Australia

Compliance Index and Disclosure Requirements

The Compliance Index has been compiled in response to the Auditor-General's Special report No. 4 of May 1991, *Standard of Annual reporting by Government Departments*.

The four columns in the index have the following meaning

Section and Compliance

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

Details

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

Page

This states where in the Annual Report the requirement is satisfied. In some instances, the requirement is complied with by the report in its entirety. Where denoted by N/a means this section is not applicable to the Office by virtue of our mandate.

Key	Act
FMAA	<i>Financial Management and Audit Act 1990</i>
FOI	<i>Freedom of Information Act 1991</i>
PID	<i>Public Interest Disclosures Act 2002</i>
PSSRA	<i>Public Sector Superannuation Reform Act 1999</i>
SSA	<i>State Service Act 2000</i>
SSR	<i>State Service Regulations 2001</i>
TI	<i>Treasurer's Instructions</i>

Section	Compliance	Page	Details
GENERAL			
Table of Contents		Inside front cover	
Alphabetical Index		131	
Glossary of Abbreviations		126	
OVERVIEW			
Strategic Plan	SSR s9(a)(i)	6 – 23	An overview of the Office's Strategic Plan, including its aims, functions and related programs.
Performance	SS s36(1)(a) FMAA s27(1)(a)	6 – 23	A report on the performance of the functions and exercise of powers of the Auditor-General, under any written law.
Major Initiatives	SSR s9(a)(v)	N/a	Details of major initiatives taken by the Office to develop and give effect to Government policy.

Section	Compliance	Page	Details
OVERVIEW			
Major Changes during the Year	SSR s9(a)(iv)	52	Details of, and reasons for, any major changes which have taken place in relation to the programs, aims, functions or organisational structure of the Office.
ORGANISATIONAL STRUCTURE			
Office Organisational Chart	SSR s9(a)(ii)	53	An organisational illustrating the Office's administrative structure, including regional offices , and showing office of the Office.
Why We Are Structured This Way	SSR s9(a)(iii)	21	A description of the relationship between the organisational structure and the program management structure of the Office.
PERFORMANCE MANAGEMENT			
Performance Summary	TI 201 (1)(a) & (e)	6 - 23	A narrative summary, together with quantitative measures where relevant of the objectives and functions of programs or activities, including significant outcomes, key efficiency measures, targets, proposed plans and any ministerial objectives.
Performance Constraints	TI 201 (1)(b)	Annual Report	Economic or other factors that have affected the achievement of operational objectives.
LEGISLATION ADMINISTERED			
Legislation Administered	SSR s9(d)	51 - 52	A list of legislation administered by the Office during the year.
Legislation Enacted during the Year	SSR s9(d)	52	A list of legislation enacted during the year for which the Office is responsible, including details of significant changes to legislation previously administered by the Office.
PUBLIC ACCESS AND AWARENESS OF SERVICES PROVIDED			
Key Contacts	SSR s9(c)(ii)	133	List of contact officers and points of public access in relation to services provided by the Office.
Community Awareness	SSR s9(c)(i)	Annual Report	Details of activities undertaken to develop community awareness of the Office and the services it provides.
Agency Publications	SSR s9(c)(i)	35, 39 - 44, 65	List of documents published by any internal or external body of the Office during the year.
Freedom of Information Requests	FOI s56	64	Freedom of Information details for the year.
Public Interest Disclosure Investigations	PID s86	66	List the number of public interest disclosures made to the Office and the procedures for making public interest disclosures to the Office.
HUMAN RESOURCE MANAGEMENT			
Recruitment and Selection	SSR s9(b)(i)	26, 48	Details of recruitment policies and program including statistical information for the year.
Staff Development	SSR s9(b)(ii)	27	Information relating to employee training and development activities, including statistical information for the year.

Section	Compliance	Page	Details
HUMAN RESOURCE MANAGEMENT			
Equal Employment Opportunities	SSR s9(b)(iii)	29	A description of the Office's workplace diversity programs, including statistical information for the year.
Industrial Democracy	SSR s9(b)(iv)	48	Details of the processes established to ensure employee participation in industrial relation matters within the Office.
Internal Grievance Procedures	SSR s9(b)(v)	48	Summary of internal grievance procedures.
Occupational Health and Safety	SSR s9(b)(vi)	29, 48	Outline of Occupational Health and Safety strategies.
Appeals Process	SSR s9(c)(iii)	48	An outline of the processes available for appeals against decisions made by the Office.
Superannuation Contributions	PSSRA s13	124	Certification by the relevant Office manager relating to contributions to non RBF superannuation funds, including a report that the Office has met its obligations under the <i>Superannuation Guarantee (Administration) Act 1992</i> .
ASSET MANAGEMENT AND RISK MANAGEMENT POLICIES			
Pricing Policies	TI 201 (1)(c)	122	Pricing policies of goods and services provided, the last review date, and reference to documents that contain the pricing information, with details of cost recovery policies and their application, as appropriate.
Major Capital Projects	TI 201 (1)(d)	122	Information on major capital projects or undertakings.
Risk Management	TI 201 (1)(f)	62	Statement of risk management policies and an outline of significant risk management strategies and initiatives.
Asset Management	TI 201 (1)(g)	122	Statement of asset management policies and an outline of asset management strategies and initiatives.
GOVERNMENT PROCUREMENT			
Support for Local Business	TI 1111 3(a)	123	A narrative statement in the Introduction by the Auditor-General regarding the Office's support for local business.
Support for Local Business	TI 1111 3(b)(i)	123	Table summarising the Office's support for local business, including the number of procurement contracts awarded, the number of tenders called and the number of bids received, and the extent of local participation in procurement activities.
Contracts Awarded during the Year	TI 1110 3(b)(ii)(A)	123	Detailed information on all contracts awarded including a description of the contract, the total value of the contract and the name and locality of contractors.
Contracts Awarded during the Year	TI 1110 3(b)(ii)(B)	123	Detailed information on all consultancies awarded including the name of the consultant, a description of the consultancies, the total value of the contract and locality of consultants.
Other Matters	TI 201 (1)(j)	Annual Report	Any matters deemed relevant by the Auditor-General.

Section	Compliance	Page	Details
FINANCIAL STATEMENTS			
Financial Statements	FMAA s27(1)(c) FMAA s27(2), (3) & (4) TI 201 (1)(j)	73 - 110	Financial Statements of the Office for the year; including financial statements of any statutory or public body not required to report under another Act.
Audit Opinion	FMAA s27(1)(c) TI 201 (1)(k)	75 - 76	Independent Auditor's Report on the Office's Financial Statements.

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Office Locations and Contacts

Office Locations

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Contacts

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Protected Disclosure Officer: Ric De Santi ric.desanti@audit.tas.gov.au

Procurement Complaints Officer: Ric De Santi ric.desanti@audit.tas.gov.au

Privacy Information Officer: Geoff Driscoll geoff.driscoll@audit.tas.gov.au

Freedom of Information Officer: Sandra O'Connor sandra.oconnor@audit.tas.gov.au

Five Year Summary

Continuous improvement is our goal

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

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

N/m = Not measured in that year

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